

AMERICAN PUBLIC EDUCATION INC  
Form DEF 14A  
April 08, 2010

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   
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Section 240.14a-12

American Public Education, Inc.  
(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

The 2010 Annual Meeting of Stockholders will be held on May 20, 2010, at 7:30 a.m. local time, at the Sheraton National Hotel, 900 South Orme Street, Arlington, Virginia 22204 for the following purposes:

1. to elect seven members of the Board of Directors;
2. to ratify the appointment of McGladrey & Pullen, LLP as the independent registered public accounting firm for the Company for the fiscal year ending December 31, 2010; and
3. 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 March 30, 2010, 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 furnish our proxy materials and our annual report to stockholders on the Internet. We believe that posting these materials on the Internet 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

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

April 9, 2010



AMERICAN PUBLIC EDUCATION, INC.

111 W. Congress Street

Charles Town, West Virginia 25414

PROXY STATEMENT FOR ANNUAL MEETING OF STOCKHOLDERS

To Be Held On May 20, 2010

This Proxy Statement (the "Proxy Statement") and the accompanying proxy are furnished to the stockholders of American Public Education, Inc. (hereinafter, "we" "us" and "American Public Education") in connection with the solicitation of 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 May 20, 2010, at the Sheraton National Hotel, 900 South Orme Street, Arlington, Virginia 22204, 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. 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 9, 2010.

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. Management is presently aware of no other business to come before the Annual Meeting. In addition, management will report on the performance of American Public Education and respond to questions from stockholders.

Proposals to be Voted Upon at the Annual Meeting

There are two proposals scheduled to be voted upon at the Annual Meeting. The proposals for stockholders to consider and vote upon are:

Proposal No. 1: To elect seven directors to the Board, 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 ratify the selection of McGladrey & Pullen, LLP ("McGladrey & Pullen") as American Public Education's independent registered public accounting firm for the fiscal year ending December 31, 2010.

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 1) and FOR the ratification of the appointment of McGladrey & Pullen as our independent registered public accounting firm for the fiscal year ending December 31, 2010 (Proposal 2).



Important Notice Regarding The Availability of Proxy Materials for the Stockholder Meeting To Be Held on May 20, 2010

Pursuant to the "notice and access" rules adopted by the Securities and Exchange Commission, 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 April 9, 2010 to all of our stockholders as of the close of business on March 30, 2010 (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 the 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://www.amstock.com/ProxyServices/ViewMaterial.asp?CoNumber=15611>.

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 by Internet by following the instructions on 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 our 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 delivering a written notice of revocation addressed to American Public Education, Attn: Corporate Secretary, 111 W. Congress Street, Charles Town, West Virginia 25414, a duly executed proxy bearing a later date, voting again by Internet or by telephone, or by 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 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 are being 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 a letter from

your broker, bank or other nominee confirming your beneficial ownership of the shares to the Annual Meeting. 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.

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 shares may constitute “broker non-votes”. 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 10, 2010 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 18,364,101 shares of common stock outstanding, held by 362 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: (1) the broker does not receive voting instructions from the beneficial owner and (2) the broker lacks discretionary authority to vote the shares. Banks, brokers and other nominees cannot vote on their clients' behalf on "non-routine" proposals, including the election of directors.

#### Required Vote

Election of Directors. The election of directors requires a plurality of the votes cast for the election of directors; accordingly, the seven directorships to be filled at the Annual Meeting will be filled by the seven nominees receiving the highest number of votes. Broker non-votes and abstentions are not taken into account in determining the outcome of this proposal because only a plurality of votes actually cast is required to elect a director.

Ratification of the appointment of independent registered public accounting firm. Approval of the proposal to ratify the audit committee's appointment of McGladrey & Pullen as our independent registered public accounting firm for the fiscal year ending December 31, 2010 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. 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.

### 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 Securities and Exchange Commission (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, including our Chief Executive Officer and our Chief Financial Officer. The Code of Ethics includes provisions that are specifically applicable to our Chief Executive Officer, Chief Financial Officer and other Principal Officers (as defined in the Code of Ethics).

Any waiver of the Code of Ethics for our directors, executive officers or Principal Officers may be made only by our Board and will be promptly disclosed as may be required by law, regulation or rule of the SEC or NASDAQ listing standards. If we amend our Code of Ethics or waive the Code of Ethics with respect to our Chief Executive Officer, Chief Financial Officer or other Principal Officer, we will post the amendment or waiver on our corporate website.

The Guidelines and Code of Ethics are each available in the Corporate Governance section of our corporate website, which is located at [www.americanpubliceducation.com](http://www.americanpubliceducation.com). 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 our Board for approval as appropriate.

#### Certain Relationships and Related Person Transactions

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

Effective as of the date of our initial public offering, our Board adopted the Code of Ethics, pursuant to which our executive officers, directors and principal stockholders, including their immediate family members and affiliates, are not permitted to enter into a related person transaction with us without the prior consent of our nominating and corporate governance committee, or other independent committee of our board of directors. Any request for us to enter into a related person transaction with an executive officer, 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 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 2009 that required that the transaction be presented to the nominating and corporate governance committee.

## Board Independence

Our Board believes, and our Guidelines require, that a 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. Seven of the eight current members of our Board are independent directors, as defined in the applicable rules for companies listed on NASDAQ. NASDAQ's independence criteria includes a series of objective tests, such as that the director is not an employee of American Public Education 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. Based on this review and consistent with NASDAQ's independence criteria, the Board has affirmatively determined that all of our directors are independent of American Public Education and our management, with the exception of Mr. Boston, who is our President and Chief Executive Officer.

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

Our Corporate Governance 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 Chairman of the Board and Chief Executive Officer because we believe that this structure is appropriate given the differences between the two roles in our current management structure. Our Chief Executive Officer, among other duties, is responsible for setting the strategic direction for the Company and the day to day leadership and performance of the Company, while the Chairman of the Board, among other responsibilities, provides guidance to the Chief Executive Officer, and presides over meetings of the full 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 carries out its oversight of risks primarily through its committees. In this regard, each of the charters of the Board's committees specifically address issues of risk.

The audit committee reviews and assesses the qualitative aspects of financial reporting, our processes to manage financial and financial reporting risk, and compliance with significant applicable legal, ethical and regulatory requirements. The audit committee discusses our major financial and other financial reporting risk exposures and the steps that management has taken to monitor and control such exposures, including our risk assessment and risk management policies. The audit committee regularly reports its findings to the Board.

The nominating and corporate governance committee assists the Board in understanding and overseeing management's processes for the assessment and management of our non-financial risks and the steps that management has taken to monitor and control exposure to such risks. The nominating and corporate governance committee regularly meets with our management, particularly our Chief Operations Officer, as well as our Chief Executive Officer and other

executives, to receive updates on how management is assessing and managing risk in particular functional areas of our business. The nominating and corporate governance committee and the Board also request and receive regular reports from management on particular areas of risk. The nominating and corporate governance committee regularly reports its findings to the Board and may, from time to time, bring specific items, or recommendations, to the full Board regarding risk oversight.

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.

#### 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 American Public Education 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 four meetings during the fiscal year ended December 31, 2009. During this time all of our 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 which such director served). The Board does not have a formal policy with respect to Board member attendance at annual meetings of stockholders. Our 2009 annual meeting of stockholders was attended by all of our directors who were then serving.

The Board has three standing committees: the nominating and corporate governance committee; the compensation committee; and the audit committee. The charters for the nominating and corporate governance, compensation, and audit committees can be accessed electronically on the Committees page of our corporate website at [www.americanpubliceducation.com](http://www.americanpubliceducation.com).

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.

#### BOARD COMMITTEES AND THEIR FUNCTIONS

The following table describes which directors serve on each of the Board’s standing committees.

Name	Nominating and Corporate Governance Committee	Compensation Committee	Audit Committee
Wallace E. Boston, Jr.			
Phillip A. Clough(3)		X	
J. Christopher Everett(2)	X	X(1)	
Barbara G. Fast	X	X	
F. David Fowler		X	X
Jean C. Halle			X(1)
Timothy J. Landon	X		X
Timothy T. Weglicki	X(1)		X

(1) Chair of the committee.

(2) Vice-Chairperson of the Board.

(3) Chairperson of the Board.

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#### 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, which met four times during 2009. 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 independent registered public accounting firm. The audit committee reviews and assesses the qualitative aspects of our financial reporting, our processes to manage business and financial 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. Fowler, Mr. Landon, and Mr. Weglicki. Our Board has determined that Mr. Fowler is an “audit committee financial expert,” as that term is defined under the SEC rules implementing Section 407 of the Sarbanes-Oxley Act of 2002. Our 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.

#### Nominating and Corporate Governance Committee

The nominating and corporate governance committee is responsible for recommending candidates for election to the Board. The committee met five times during 2009. 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, 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. Weglicki, who serves as chair of the committee, Mr. Everett, MG (Ret) Fast and Mr. Landon. Our Board has determined that the composition of our nominating and corporate governance committee meets NASDAQ’s independence requirements for director nominations.

#### 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. The committee met ten times during 2009. The members of our compensation committee are Mr. Everett, who serves as chair of the committee, Mr. Clough, MG (Ret) Fast and Mr. Fowler. Our Board has determined that the composition 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 be used to assist in evaluating executive officer compensation. The compensation committee retained Towers Perrin (now known as Towers Watson & Co.) directly as an outside compensation consultant to assist in evaluating our compensation programs in 2007 and 2008. The compensation committee used information provided to it by Towers Perrin. in connection with making 2009 compensation determinations. Towers Perrin 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 2009 is described in the “Compensation Discussion and Analysis — Philosophy and Objectives of our Compensation Programs — Peer Group”

section below. Towers Watson & Co. does no work for the Company other than work that is authorized by the compensation committee or its chairperson.

The compensation committee works closely with our Chief Executive Officer, Mr. 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 Mr. Boston. For a discussion of Mr. Boston's role in determining or recommending the executive compensation paid to the Company's named executive officers during 2009, see the "Compensation Discussion and Analysis — Role of Executives in Executive Compensation Decisions" section below.

## 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. To nominate a person to stand for election as a director at the annual meeting of stockholders for 2011, 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 preceding annual meeting, except that if the annual meeting is set for a date that is not within 30 days before or 60 days after such anniversary, the nomination must be received no later than 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 such 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; 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.

Additional information regarding requirements for stockholder nominations for next year's annual meeting is described in this proxy statement under "General Matters — Stockholder Proposals and Nominations."

### Contacting the Board of Directors

Stockholders wishing to communicate with our Board may do so by writing to any of the Board, chairperson of the Board, or the non-management members of the Board as a group, at:

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

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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 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 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 its communication 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.

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

Our Board of Directors is currently comprised of eight members. However, the Chairman of our Board, Phillip A. Clough, informed the Board that he did not wish to stand for re-election and our Board has approved, effective as of the Annual Meeting, decreasing the size of our Board to seven members. Our nominees for the election of directors at the Annual Meeting include six independent non-management 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 May 20, 2010: Wallace E. Boston, Jr., J. Christopher Everett, Barbara G. Fast, F. David Fowler, Jean C. Halle, Timothy J. Landon, and Timothy T. Weglicki. All nominees are currently serving on the Board.

It is intended by the persons named as proxies that 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 current directors are qualified to serve as directors of the Company.

The name of each nominee for director, their ages as of March 30, 2010, and other information about each nominee is shown below. In addition, the biographies of each of the nominees below contains 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
Wallace E. Boston, Jr.	55	President and Chief Executive Officer of the Company	2004
J. Christopher Everett	62	Retired	2007
Barbara G. Fast	56	Vice President of Cyber and Information Solutions, The Boeing Company	2009
F. David Fowler	76	Retired	2007
Jean C. Halle	51	Chief Executive Officer of Calvert Educational Services	2006
Timothy J. Landon	47	Chief Executive Officer of Landon Company	2009
Timothy T. Weglicki	58	Founding Partner of ABS Capital Partners	2002

Wallace E. Boston, Jr. joined us in September 2002 as Chief Financial Officer and since June 2004 has served as President, Chief Executive Officer and a member of our Board. From August 2001 to April 2002, Mr. Boston served as Chief Financial Officer of Sun Healthcare Group. From July 1998 to May 2001, Mr. Boston served as Chief Operating Officer and later, President of NeighborCare Pharmacies. From February 1993 to May 1998, Mr. Boston served as VP-Finance and later, SVP of Acquisitions and Development of Manor Healthcare Corporation, now Manor Care, Inc. From November 1985 to December 1992, Mr. Boston served as Chief Financial Officer of Meridian Healthcare.

We believe that Mr. Boston's qualifications to serve on our Board of Directors include his service as our Chief Executive Officer since 2004 and his service as our Chief Financial Officer between 2002 and 2004. Mr. Boston's leadership has been pivotal to the Company in some of our most significant events, including our accreditation by the Higher Learning Commission of the North Central Association in 2006, our 2007 initial public offering and most recently, 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.

J. Christopher Everett has served on our Board since May 2007 and was appointed Vice-Chairperson of the Board in 2009. Mr. Everett has been an independent consultant and investor since his retirement from PricewaterhouseCoopers in 2000. Mr. Everett served as an Executive in Residence at the Kogod School of Business at American University from 2000 to 2003 where he taught graduate courses in the application of technology and strategy. Prior to his retirement in 2000, Mr. Everett was a senior partner at PricewaterhouseCoopers and was a leader in the firm's Management Consulting Services Practice. Mr. Everett led the PricewaterhouseCoopers' Global E-business practice from 1998 until 2000. Mr. Everett also served as a member of the PricewaterhouseCoopers Global Oversight Board, the firm's board of directors, and served on the firm's Global Leadership Team from 1995 until his retirement in 2000. Mr. Everett currently serves on the board of directors of several private companies.

We believe that Mr. Everett's qualifications to serve on our Board of Directors include his substantial experience and leadership in the application of technology-enabled strategy and international ecommerce including his positions as Senior Partner and leader of the PricewaterhouseCoopers' Global E-business efforts, membership on its Global Oversight Board, and his experience in post-secondary education as an Executive in Residence at the Kogod School of Business at American University.



Barbara G. Fast has served on our Board since May 2009. Major General Barbara G. Fast, USA, Retired, is 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 Capability and Integration Center, TRADOC, from July 2007 until June 2008; Deputy then 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.

We believe that MG (Ret) Fast's qualifications to serve on our Board of Directors include her extensive experience and achievements in the U.S. Military national and defense intelligence, and cyber security culminating over 32 years of military service as a Major General, her leadership of global operations of the National Security Agency and Commanding General of Fort Huachuca and current position of Vice President of Cyber and Information Solutions, The Boeing Company.

F. David Fowler has served on our Board since May 2007. From June 2001 to 2006, Mr. Fowler served on the board of directors of MicroStrategy, Inc. and as chairman of its Audit Committee. Mr. Fowler also served as a member and chairman of the board of directors of FBR Funds, an open-end management investment company that is part of FBR Capital Markets Corporation and the Friedman, Billings, Ramsey Group, Inc., from 1997 to 2006. Mr. Fowler was the dean of the School of Business at The George Washington University from July 1992 until his retirement in June 1997 and a member of KPMG LLP from 1963 until his retirement in June 1992. As a member of KPMG, Mr. Fowler served as managing partner of the Washington, D.C. office from 1987 until 1992, as partner in charge of human resources for the firm in New York City, as a member of the firm's board of directors, operating committee and strategic planning committee and as chairman of the KPMG Foundation and the KPMG personnel committee. Mr. Fowler also serves on the board of directors of Liquidity Services, Inc., an operator of online marketplaces for the sale and purchase of surplus corporate and government assets, and is chairman of its Audit Committee.

We believe that Mr. Fowler's qualifications to serve on our Board of Directors include his significant experience in financial accounting including the positions of managing partner of the KPMG LLP Washington, D.C. office, as partner in charge of human resources for the firm in New York City, as a member of the firm's board of directors, operating committee and strategic planning committee, leadership in education as dean of the School of Business at The George Washington University and as a director of other public companies.

Jean C. Halle has served on our Board since March 2006. Ms. Halle currently serves as 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. Previously, from 1979 to 1983, Ms. Halle had been a Senior Management Consultant with Deloitte, Haskins and Sells, now Deloitte & Touche, an international accounting and professional services firm. Ms. Halle currently serves on the board of trustees for Calvert School and the Advisory Board for Stevenson University.

We believe that Ms. Halle's qualifications to serve on our Board of Directors include her multifaceted experiences in online education as Chief Executive Officer of Calvert Education Services, a provider of accredited distance education programs, in media as Chief Financial Officer and Vice President of New Business Development for Times Mirror Interactive, a digital media subsidiary of the former Times Mirror Company and financial consulting as a Senior Management Consultant at an international accounting and professional services firm.

Timothy J. Landon has served on our Board since January 2009. Since September 2008, Mr. Landon has served as Chief Executive Officer of Landon Company, which focuses on early stage angel investing and consulting for private equity, venture capital and large traditional and online media companies. Since September 2008, he has also served as the Chairman of BlockShopper.com, LLC., a start-up in the online real estate news and information space. Mr. Landon retired from the Tribune Company in February 2008, after having served in a variety of positions within the Tribune organization, including most recently 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 our Board of Directors include his extensive experience in starting, building and managing internet-focused media businesses over the last fifteen years. He brings significant knowledge of online marketing and online business models, including his positions as President of Tribune Interactive and experience at CareerBuilder.com, which has direct relevance and applicability to our business.

Timothy T. Weglicki has served on our Board since August 2002. Mr. Weglicki is a Founding Partner of ABS Capital Partners, a private equity firm founded in 1993. Prior to co-founding ABS Capital Partners, from 1977 to 1993, Mr. Weglicki was an investment banker with Alex. Brown & Sons where he founded and headed the capital markets group from 1989 to 1993. Mr. Weglicki currently serves on the board of directors of Coventry Health Care, Inc. and of several of ABS Capital Partners' portfolio companies.

We believe that Mr. Weglicki's qualifications to serve on our Board of Directors include his significant experience and leadership of businesses in investment banking, capital markets and private equity as head of the capital markets group at Alex. Brown & Sons, a Founding Partner of ABS Capital Partners and a director of other public companies.

#### Required Vote and Board Recommendation

The election of directors requires a plurality of the votes cast for the election of directors; accordingly, the seven directorships to be filled at the Annual Meeting will be filled by the seven nominees receiving the highest number of votes. A properly executed proxy marked "ABSTAIN" with respect to the election of one or more directors will not be voted with respect to the nominee or nominees indicated, although it will be counted for purposes of determining whether there is a quorum. A broker "non-vote," discussed above, will also have no effect on the outcome because only a plurality of votes actually cast is required to elect a director. 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.

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

#### 2009 Director Compensation

In 2009, the Compensation Committee adopted a revised non-executive director compensation policy for our non-employee directors after consulting with Towers Watson & Co. Under this policy, our non-employee directors received an annual retainer of \$32,250 and each committee chair received an additional annual retainer of \$5,000, except for the chair of the audit committee, whose additional annual retainer was \$10,000. In addition, the non-executive chairperson of the Board received an additional annual retainer of \$20,000 and the vice-chairperson of the Board received an additional \$10,000. Mr. Everett, the vice chairperson of the Board, did not receive a separate retainer related to his service as chair of the Compensation Committee. The annual retainers are payable in quarterly installments, and each director has the alternative to elect before the beginning of the applicable year to receive their 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-executive director compensation policy also provides for an annual grant to each director of restricted stock having a value of \$41,750 on the date of delivery. The restricted stock grant vests on the earlier of the one year anniversary of the date of grant and immediately prior to the next year's annual meeting of stockholders. In 2009, the Board also determined that it did not currently intend to review director compensation on a more frequent basis than every other year.



At the time it adopted the current non-executive directors' compensation policy, the compensation committee also adopted a stock ownership policy applicable to our non-management directors. That policy provides that beginning with the grants of restricted stock made in connection with the 2009 Annual Meeting, directors will be expected to hold a number of shares of our common stock equivalent to one-half of all shares of restricted stock they receive in the future.

The following table sets forth information regarding compensation paid to directors during 2009:

Name(1)	Fees Earned or Paid in Cash (\$)(2)	Stock Awards (\$)(3)(5)(6)	Option Awards (\$)(4)	Total (\$)
Phillip A. Clough	43,677	41,714	—	85,391
J. Christopher Everett	36,865	41,714	—	78,579
Barbara G. Fast	20,156	41,714	—	61,870
F. David Fowler	37,112	41,714	—	78,826
Jean C. Halle	37,250	41,714	—	78,964
Timothy Landon	27,528	53,941	—	81,469
David L. Warnock	24,823	—	—	24,823
Timothy T. Weglicki	36,630	41,714	—	78,344

- (1) See the Summary Compensation Table in the Executive Compensation section of this Proxy Statement for disclosure related to Mr. Boston who is one of our NEOs as of December 31, 2009.
- (2) Messrs. Clough, Fowler, Landon, Warnock and Weglicki each elected to receive his entire 2009 annual retainer in fully-vested shares of common stock. Mr. Everett elected to receive half of his 2009 annual retainer in fully-vested shares of common stock.
- (3) The aggregate grant date fair value of each restricted stock award in 2009 was \$41,714, computed in accordance with ASC Topic 718.
- (4) No stock option awards were made to directors in 2009.
- (5) Mr. Warnock resigned prior to the vesting of his 2009 grant of shares of restricted stock.
- (6) Mr. Landon received an additional grant of shares of restricted stock in connection with his service on the Board prior to the 2009 annual meeting of shareholders.

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.

As of December 31, 2009, the aggregate number of unvested stock awards and exercisable and unexercisable option awards outstanding held by our current non-employee directors were as follows:

Name	Stock Awards (1)	Option Awards Exercisable	Unexercisable
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Phillip A. Clough	1,132	-	-
J. Christopher Everett	1,132	25,328	12,664
Barbara G. Fast	1,132	-	-
F. David Fowler	1,132	29,492	-
Jean C. Halle	1,132	19,250	14,183
Timothy Landon	1,132	-	-
Timothy T. Weglicki	1,132	-	-

(1) Each non-employee director receives a grant of restricted stock in connection with our annual meeting of stockholders, which grant vests in full on the earlier of the one year anniversary of the date of grant and immediately prior to the next year's annual meeting of stockholders. The column reflects the restricted stock award grant made in connection with the 2009 annual meeting of stockholders.

## COMPENSATION OF EXECUTIVE OFFICERS

### EXECUTIVE COMPENSATION

#### Compensation Discussion and Analysis

The following compensation discussion and analysis provides information regarding the objectives and elements of our compensation philosophy and policies for the compensation of our named executive officers, or NEOs, for 2009. These executives, who appear in the Summary Compensation Table below, are:

Wallace E. Boston, Jr., our President, Chief Executive Officer, Member of our Board of Directors and Member of our Board of Trustees;

Harry T. Wilkins, Executive Vice President, Chief Financial Officer;

Peter W. Gibbons, Senior Vice President, Chief Administrative Officer;

Carol Gilbert, Executive Vice President, Programs and Marketing; and

Dr. Frank B. McCluskey, Executive Vice President and Provost.

We determined which executives to include in this discussion and in the Summary Compensation Table below based on the rules and regulations of the Securities and Exchange Commission.

#### Philosophy and Objectives of our Compensation Programs

##### Overview

Our overall company-wide compensation philosophy, which is also applicable to our NEOs, is to provide competitive levels of compensation that utilize variable cash compensation based on performance metrics, reflect the level of capability and effort required to achieve our corporate goals, encourage continuous quality improvement and are easily understood.

**Variable Cash Compensation.** We believe in using variable cash compensation to motivate and reward good results at all levels of the organization, and particularly 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 individual management objectives and through earnings results compared to budget.

**Continuous Quality Improvement.** We have developed a “Student Satisfaction Quotient”, or SSQ, to encourage employees to work together across organizational boundaries to improve the processes that we believe contribute to our success as an organization. The SSQ is designed to measure the quality of our efforts on behalf of our students by utilizing a variety of metrics applicable to our business. We use the SSQ as a component of our annual incentive plan to reward continued improvement to our performance in various student satisfaction metrics, often compared to prior period performance.

**Simple and Straightforward Incentives.** We seek to minimize the complexity of our compensation policies and practices and to maximize our employees’ understanding of the elements of compensation.



In implementing this philosophy for our NEOs, we award compensation that (i) assists us in attracting and retaining qualified executives, (ii) aligns executive compensation with our SSQ goals and performance goals, and (iii) uses equity-based awards in an effort to further align executives' and stockholders' interests.

#### Attract and Retain Qualified Executives

We believe that the supply of qualified executive talent is limited and have designed our compensation programs to help us attract and retain qualified candidates by providing compensation that is competitive within the for-profit education industry and the broader market for executive talent. 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.

#### Reflect SSQ Goals and Performance Goals

As part of our executive compensation program, we reward achieving and surpassing corporate goals through cash bonuses paid under our Annual Incentive Compensation Plan. This plan offers the opportunity for employees, including our NEOs, to earn quarterly cash bonus payments for achievement of company-wide SSQ goals. This plan also offers the opportunity for annual cash bonuses to be earned if both company earnings targets and individual management objectives are met. By linking bonus payments to achievement of student satisfaction goals, earnings targets and individual management objectives, we believe this plan is easily understood by employees and directly contributes to increases in shareholder value.

#### Utilize Equity-Based Awards

Our compensation program uses equity-based awards, the value of which is contingent on our longer-term performance, in order to provide our NEOs with a direct incentive to seek increased stockholder returns. Our stockholders receive value when our stock price increases, and by using equity-based awards our NEOs also receive increased value when our stock price increases and decreased value when it decreases. We believe that equity-based awards exemplify our philosophy of having a straightforward structure by reminding NEOs that a measure of long-term corporate success is increased stockholder value over time. Because our equity incentives are granted with time-based vesting, we believe these awards also aid in the retention of our NEOs.

#### Review of Compensation

The compensation committee engaged Towers Perrin, now known as Towers Watson & Co., to provide services to our compensation committee, as requested and directed by the Committee. Towers Perrin provided information on competitive levels of compensation, including information on base salary, annual bonuses, equity awards and total compensation. The Towers Perrin information was used by the compensation committee in determining 2009 executive officer compensation.

#### Peer Group

In connection with the competitive review conducted by Towers Perrin, our compensation committee, with the assistance of Towers Perrin, identified a group of companies against which to compare compensation paid to our executives. These companies were selected because the compensation 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. This group, which we refer to as our peer group, consisted of the following companies:



Apollo Group Inc.

Career Education Corporation

Corinthian Colleges Inc.

DeVry Inc.

ITT Educational Services Inc.

University Technical Institute Inc.

Lincoln Educational Services Corporation

Strayer Education Inc.

Capella Education Co.

GP Strategies Corporation

Nobel Learning Communities Inc.

Princeton Review Inc.

Based on the review of the proxy statements of the peer group, Towers Perrin was only able to provide comparative information for our chief executive officer and chief financial officer based on the peer group. They determined that there was insufficient information to provide meaningful peer group data for our other NEOs. Towers Perrin provided additional survey data for these other NEOs, as well as for our chief executive officer and chief financial officer. The companies included as part of the additional survey information were based on a compilation prepared by Towers Perrin from proprietary databases and were not disclosed to the compensation committee. The compensation committee confirmed that the information from Towers Perrin took into account appropriate regression analyses to reflect our relative size. Taking into account our relatively smaller size compared to the peer group, the committee generally focused its analyses first on the survey data and then on the proxy data.

The comparative data provided by Towers Perrin for 2008 was used in connection with our determinations of base salaries and annual incentive compensation as part of the 2009 compensation setting process. The compensation committee asked for this information from Towers Perrin as an additional, objective data point for comparison purposes.

#### 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. In setting base salary and annual incentive cash compensation for 2009, we considered the compensation levels for our NEOs in 2008, the respective performances of each of our NEOs in 2008, and what we believed was required based on the marketplace for executive talent. In evaluating what was required based on the marketplace for executive talent, in addition to the competitive review discussed above, the members of our compensation committee used their collective experience and judgment. For example, because Mr. Clough, who served as chair of our compensation committee when we were structuring our 2009 annual compensation, is a general partner of a private equity firm that has multiple portfolio companies, he was able to bring

his experience working with other companies on executive recruitment and compensation to the discussion on compensation for our NEOs.

#### 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. In 2009, the annual base salary for Mr. Boston was increased \$75,000 to an annual base salary amount of \$435,000. In setting the annual base salary amount for Mr. Boston, the compensation committee considered Mr. Boston's excellent performance in 2008, Mr. Boston's commitment to the Company, the continued success of our business compared to other companies and the competitive review by Towers Perrin. This base salary placed Mr. Boston in the 50th percentile of the survey data, which was approximately twenty percent below the 50th percentile of the peer group, which the committee felt appropriate given the Company's successes and growth.

In 2009, the annual base salary for Mr. Wilkins was increased \$20,000 to an annual base salary of \$270,000. In setting the annual base salary amount for Mr. Wilkins, the compensation committee considered Mr. Wilkins' performance in 2008 and the Towers Perrin competitive review. This base salary placed Mr. Wilkins in the 50th percentile of the survey data, which was approximately seventeen percent below the 50th percentile of the peer group, which the committee felt appropriate given the Company's 2008 performance and the importance the Company places on executive retention.

In 2009, the annual base salary for Ms. Gilbert was increased \$32,800 to an annual base salary of \$220,000. In setting the annual base salary amount for Ms. Gilbert, the compensation committee considered Ms. Gilbert's promotion to Executive Vice President from Senior Vice President, and her performance in 2008. This base salary placed Ms. Gilbert at the 50th percentile of the survey data; however, the Towers Perrin competitive review for Ms. Gilbert was keyed off of compensation levels for senior vice presidents in the survey data with Ms. Gilbert's equivalent role and responsibilities and did not provide comparative data for an equivalent executive vice president level position.

The compensation committee approved a \$16,800 increase in annual base salary to \$204,000 for each of Dr. McCluskey and Mr. Gibbons. These increases reflect cost of living adjustments and nominal increases to recognize their successful performance through 2008. The compensation committee considered that these levels of base salary were generally appropriate and consistent with our desire to focus more of our cash compensation on our strong annual incentive program. It was also noted that the increases in base salary for Dr. McCluskey and Mr. Gibbons placed each of them between the 25th and the 50th percentile for the survey data.

#### Annual Incentive Cash Compensation

We believe annual incentive pay furthers our compensation philosophy and objectives by focusing our NEOs on corporate goals, encouraging continuous quality improvement and providing straightforward incentives. The target for annual incentive pay for our NEOs is expressed as a percentage of base salary and was 50% for all of our NEOs during 2009, except for Mr. Boston, whose annual incentive pay target was set at 60% of his base salary. These percentages for annual incentive pay targets remained the same in 2009 as they were in 2008 and for Mr. Boston, Mr. Wilkins and Dr. McCluskey reflect the percentages set forth in their employment agreements. The committee did not believe, in their subjective judgment, that these amounts should be increased for 2009. Mr. Boston's annual incentive target is set at a higher percentage than the other NEOs as a result of the negotiation of his employment agreement in 2004, at which time we agreed to provide him a larger annual incentive to reflect his greater ability as Chief Executive Officer to influence our business success as well as his greater responsibilities as the head of our company.

Overall, we believe that the proportion of annual incentive target pay to total target cash compensation (base salary plus annual incentive target pay) for our NEOs is a relatively high percentage. We believe the high percentage of compensation tied to incentive pay increases the focus of our NEOs on achieving our SSQ and performance goals. Beginning in 2008 we decided to further enhance this focus through an additional incentive for truly superior financial performance and returns to our shareholders that brought the maximum bonus potential to 100% for Mr. Boston, 80% for Mr. Wilkins and 70% for each of our other NEOs. This additional incentive also recognized that total targeted annual cash compensation for our NEOs was below the 50th percentile of the survey data for Mr. Boston and Mr. Wilkins, and below the 25th percentile for the peer group. We maintained this additional incentive structure in 2009.

Annual incentive pay is awarded to our NEOs through our Annual Incentive Compensation Plan, in which all of our full-time employees participate. In addition, Mr. Boston, Mr. Wilkins and Dr. McCluskey are entitled to participate in the plan pursuant to the terms of their employment agreements. The target percentage for employees differs depending on an employee's position within our company. The Annual Incentive Compensation Plan is designed to reward our employees for meeting or exceeding our SSQ goals and for financial performance. One half of each NEOs target award under the Annual Incentive Plan relates to achievement and surpassing of our SSQ goals, and one half is related

to achievement and surpassing our financial performance goal. We determined this split between our SSQ goals and financial performance goal in order to send a message to our employees that they should be focused on both operational and earnings goals. These are provided equal weight to communicate that they are equally important to our success. The additional bonus percentages to reach the maximum bonus potential for our NEOs relate to our financial performance goal because that goal is most directly reflective of superior financial performance and returns to our shareholders.

SSQ Goals. We believe that the focus on continuous quality improvement related to the achievement and surpassing of our SSQ goals encourages our employees to work together across organizational boundaries to improve the processes involved in our operations, with a particular focus on processes that we believe contribute to the satisfaction and success of our students, which is consistent with our goal of Educating Those Who Serve™. The half of each participant's Annual Incentive Compensation Plan target award related to the SSQ is divided into four equal quarterly amounts that are paid based on quarterly metrics that are measured monthly. Our SSQ uses over 20 metrics that are divided into the following four categories:

student satisfaction, which includes metrics based on student surveys;

marketing efficiency, which includes metrics related to marketing outcomes;

retention, which includes metrics related to retaining students; and

performance monitoring, which includes metrics related to business processes and transfer credit evaluation processes.

Each month we compare the performance for each metric against the baseline for that metric. The baselines are set annually by the committee, generally as a percentage improvement over past results, such as the actual past performance in a prior month, quarter or year. Results for each metric are then expressed as a percentage of the baseline. The percentage of achievement for each metric in a given month are then averaged. The monthly average is then averaged with the monthly average for the other months in a given quarter to obtain the quarterly average. If the quarterly average is greater than 100%, one-fourth of the maximum amount of the SSQ portion of the annual incentive plan is then paid. If the quarterly average is not at least 100%, then the portion of the annual incentive plan applicable to that quarter's SSQ goals is not paid.

The SSQ is based on metrics that measure objective operational targets. This is in keeping with our compensation philosophy of providing simple and straightforward incentives. Because of the way that we calculate the monthly and quarterly averages, each metric is weighted equally. As a result, we believe that no one metric provides an incentive to our executive officers to focus disproportionately on any area of our business. Rather, we believe that the SSQ is structured to provide an incentive to focus more generally on student satisfaction and success, our business operations and continuous quality improvement. Furthermore, we have structured the SSQ to be paid on a quarterly basis based on monthly results because we track the components of the SSQ daily, and we believe frequent payments heightens the focus of our employees on these metrics and continuous quality improvement. All of our employees and NEOs have the same SSQ goals.

Financial performance. In 2009, the compensation committee determined that the half of the annual incentive compensation plan target award that relates to financial performance would be based on achieving and surpassing a specified amount of budgeted earnings per share. Of the half of the target award that is tied to financial performance, a 50% payout would be earned if budgeted earnings per share of \$1.12 was achieved, and a full payout would be earned if earnings per share of at least \$1.20 was achieved, with payouts interpolated for achievement in between the budget and the higher target measures. We provided that a portion of the targeted award would be paid out at budgeted earnings per share of \$1.12, or 30% growth over full year 2008 earnings per share, because we viewed 30% growth as representing a relatively high level of growth for which management's performance should be rewarded, but we wanted to emphasize that the targeted awards should not be paid until the budgeted amounts set by our board were achieved.



The maximum bonus potential is earned if 100% or more of SSQ goals are met, budgeted earnings per share is at least \$1.20, and, for participants in our Annual Incentive Compensation Plan, all personal management objectives, as discussed below, are met.

The below tables illustrate how the Annual Incentive Compensation Plan would have rewarded our NEO's assuming a variety of performance circumstances related to the SSQ and financial components of the plan.

Named Executive Officer	PAYMENTS FOR ACHIEVING 100% OR GREATER OF THE SSQ GOALS IN THE QUARTERS INDICATED			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Wallace E. Boston	\$32,625	\$32,625	\$32,625	\$32,625
Harry T. Wilkins	\$16,875	\$16,875	\$16,875	\$16,875
Peter W. Gibbons	\$12,750	\$12,750	\$12,750	\$12,750
Carol S. Gilbert	\$13,750	\$13,750	\$13,750	\$13,750
Frank McCluskey	\$12,750	\$12,750	\$12,750	\$12,750

Named Executive Officer	AWARD EARNED BASED ON ACHIEVING EPS (1)	
	Amount to be paid for achieving Goal of \$1.12	Additional Amount to be Paid for Achieving Stretch Goal of \$1.20
Wallace E. Boston	\$130,500	\$174,000
Harry T. Wilkins	\$67,500	\$81,000
Peter W. Gibbons	\$51,000	\$40,800
Carol S. Gilbert	\$55,000	\$44,000
Frank McCluskey	\$51,000	\$40,800

(1) Amounts do not include any reduction, if any, for failure to meet MBOs.

Payment of the half of the target award that is tied to earnings for senior level participants in our Annual Incentive Compensation Plan, including our NEOs, is subject to reduction to the extent that personal management objective, or MBO, targets are not achieved. Thus, even if the annual financial goal is met but the NEO does not achieve all of his or her annual MBO targets, the NEO's payment related to the financial goal is reduced by the relative weight of the missed MBO targets. We believe that setting personal MBO targets for our NEOs that are tied to company-wide goals for which they are directly responsible, or to whose success they contribute, provide personal accountability in addition to rewards for company performance. We have conditioned receipt of this portion of the award on achieving MBO targets in order to recognize that corporate success is the most important measure and that individual success alone will not be rewarded without meeting the financial targets. Similarly, many MBO targets are shared between

executives to reflect that executives have to work together to achieve results.

For 2009, our compensation committee set MBO targets for Mr. Boston. Mr. Boston in turn set MBOs for the other NEOs. In turn, our NEOs set MBOs for their direct reports and so on throughout the organization for all management level employees. MBOs for our NEOs are derived from the MBOs that are set for Mr. Boston and our annual corporate performance goals derived from our strategic plan, including taking into account the sphere of responsibility for achievement of those goals for the particular NEO. We strive to have MBOs that can be objectively measured and are time-bound, which helps to provide incentives that can be clearly understood by our NEOs. We believe that the MBOs help to keep management from focusing solely on the current year's financial results, 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. The compensation committee actively advises Mr. Boston on the MBOs he sets for the other NEOs.

For Mr. Boston, the compensation committee adopted the following MBOs consistent with his role as our chief executive officer, all of which were equally weighted:

Increase new student registrations from non-military tuition assistance markets by more than 55%.

Strengthen executive team through the addition of a senior officer by November 2009.

Develop a long range roadmap for leveraging advanced technology to optimize the learning environment – including obtaining Board approval.

Launch specified classroom interface initiatives to enhance the student experience/usability.

Launch a specified social networking initiative to create a stronger sense of community.

Board approval of a budget of at least \$1.54 of earnings per share for 2010, excluding stock based compensation.

Mr. Wilkins' MBOs, consistent with his responsibilities as our chief financial officer, all of which were equally weighted, included:

Board approval of a budget of at least \$1.54 of earnings per share for 2010, excluding stock based compensation.

Work with IT to complete the top 5 list of Great Plains system improvement/enhancements.

Work with IT to complete the top 5 list of Partnership at a Distance improvements for FSA process streamlining.

Reorganize the finance department staffing.

The Company having no material weaknesses under the Sarbanes Oxley Act Section 404 in its 2009 audit.

Mr. Gibbons MBOs, consistent with his role as our chief administrative officer, included:

Board approval of a budget of at least \$1.54 of earnings per share for 2010, excluding stock based compensation (weighted 20%).

The Company having no material weakness under the Sarbanes Oxley Act Section 404 in its 2009 audit (weighted at 10%).

Maintain a specified budget of cost to revenue for his areas of responsibility (weighted at 20%).

Reorganize the Career Services department such that it will be self-funded in 2010 (weighted at 20%)

Reorganize and consolidate human resources department (weighted at 20%).

Increase efficiency in transfer credit evaluation process to include upgrades to specific systems, as well as submit a budget for 2010 that reflects increased efficiencies (weighted at 10%).

Ms. Gilbert's MBOs, consistent with her role as our executive vice president for programs and marketing, included:

Increase new student registrations from non-military tuition assistance markets by more than 55% (weighted 25%).

Board approval of a budget of at least \$1.54 of earnings per share for 2010, excluding stock based compensation (weighted 25%).

Increase new student registrations to 38% (weighted 20%).

Develop and launch a marketing plan for four specified new academic programs (weighted 25%).

Dr. McCluskey's MBOs (all of which were equally weighted) consistent with his role as our provost and chief academic officer, included:

Develop a long range roadmap for leveraging advanced technology to optimize the learning environment including obtaining Board approval.

Launch specified classroom initiatives to enhance the student experience/usability.

Launch a specified social networking initiative to create a stronger sense of community.

Board approval of a budget of at least \$1.54 of earnings per share for 2010, excluding stock based compensation.

Maintain a specified budget of cost to revenue for his areas of responsibility.

Submit four of six specified programs to Higher Learning Commission by November 2009.

Increase student course completion percentages in specified courses.

Based on 2008 results, for 2009 the committee set our SSQ and financial performance targets on what it believed to be the high end of realistically achievable goals. Similar to the approach that we use for setting our internal budget, the committee determined to increase the SSQ targets and EPS financial goal. In setting the SSQ goals for 2009, in keeping with our objective of continuous improvement, the compensation committee expected that there would be an improvement from 2008 performance for the metrics used in the SSQ, and consistent with past practice, removed metrics from the SSQ for which the committee determined that the company was already performing well and there was not significant room for improvement. In establishing our MBOs for 2009, we set goals that were consistent with our strategic plan. Accordingly, our MBOs were set at levels that we thought could realistically be achieved but were at a level necessary for superior company performance.

We believe that 2009 was a year of extraordinary achievement for the company, including an increase in revenues, profitability, course registrations and successful operation as a public company, as well as recognition of the academic achievements of our education programs. As a result, in 2009 we achieved each quarter of our SSQ goals at an average of at least 100% and achieved our financial goal so all of our employees, including the NEOs, were entitled to receive the total payout available under each portion of our annual incentive plan, and our NEOs were also entitled to receive the additional bonus percentages related to the maximum bonus potential. In addition, because each of our NEOs achieved his respective MBO targets, with the exception of Ms. Gilbert, the portion of the annual incentive plan related to their financial goals was not reduced. Ms. Gilbert achieved 95% of her respective MBO targets, and as a result her portion of the annual incentive plan related to financial goals was reduced by \$4,950. We designed our

incentive plan to help produce the results we had in 2009, and the committee was pleased that the amounts were fully paid consistent with the terms of the plan targets set at the beginning of the year.

## Equity Incentives

We believe that NEOs should have a significant potential to benefit from increases in our equity value in order to align the interests of the NEOs and our stockholders. Our equity awards are split between stock options and restricted stock. We have determined to use a component of restricted stock in addition to options, which is what we used before our initial public offering in 2007, so that the NEOs are incented to preserve as well as grow stockholder value. Our stock options and restricted stock awards use three-year vesting with options having seven year terms.

We did not make equity awards to Mr. Boston or Mr. Wilkins in 2009, because at the time of our initial public offering in 2007, we made grants that were intended to be multi-year grants. We felt it was desirable to award a larger grant to these officers than we would have if we expected to award them a grant every year to provide them incentive to gain from the value created above the initial public offering price given their importance to our success, and to align their interests most directly with investors acquiring our shares in connection with our initial public offering. For determining the size of these awards, we calculated an aggregate award value after taking into account the peer group and comparative survey information requested by the committee and provided by Towers Perrin (Towers Perrin did not determine the amount or size of any equity award). In calculating the aggregate award value, we considered the peer group information and survey data provided by Towers Perrin, after applying certain regression analyses to account for our relative size, and determined that the award values we selected were near the mid-point of the downward adjusted equity values. We determined that given our expected status as a newly public company and that the awards were in connection with our initial public offering, it was appropriate for the time being to consider the average, on an adjusted basis, of comparable companies. We then split the aggregate award value for each of Mr. Boston and Mr. Wilkins into options and restricted stock by using 60% options and 40% restricted stock. In arriving at the aggregate award value and number of options and restricted stock, we used an assumed estimated fair market value of \$16 per share, which was the midpoint of the price range on the cover of the preliminary prospectus for our initial public offering when it was first circulated. We determined to calculate the number of options and restricted stock in that manner in part to facilitate disclosure of our plans to make these grants at the time of our initial public offering. The options and restricted stock awards were approved and effective in connection with the pricing of our initial public offering. The options were issued with an exercise price equal to the price to the public in our initial public offering, in part to align the interests of our NEOs with those stockholders who acquired shares in the public offering. The formal issuance of the shares of restricted stock was delayed until after the closing of the initial public offering so that the shares of restricted stock were not outstanding prior to the record time of the special distribution made in connection with our initial public offering.

In 2009, the compensation committee reviewed the comparative survey information requested by the committee and provided by Towers Perrin (Towers Perrin did not determine the amount or size of any equity award to our NEOs.) In calculating the equity incentive grants to our NEOs (other than Mr. Boston and Mr. Wilkins), we considered the survey data provided by Towers Perrin and determined that awards that were consistent with the 50th percentile of the market median of companies in the comparative survey would be at an appropriate level. Our stock option awards were made at the closing price of our common stock on the date of grant on the NASDAQ Global Market. Our stock option awards and our restricted stock awards vest in one-third equal annual installments on the first three anniversaries of the grant date.

## Equity Grant Practices

Prior to our initial public offering, grants of equity awards were not historically made on a set schedule, but rather were made from time to time based upon events such as hirings and promotions. Our 2009 equity awards were approved in December 2008 with a grant date of January 1, 2009. We expect that going forward equity awards will be made on a consistent basis at the beginning of the year to which the award relates.



## Employment Agreements and Post-Termination Compensation

We have entered into employment agreements with each of Mr. Boston, Mr. Wilkins and Dr. McCluskey. These agreements provide the executive with severance payments upon certain terminations, including termination in connection with a change-in-control, which are commonly referred to as double-trigger provisions, terminations without cause, terminations by the executive for good reason in the event of a change of control, or if the executive's employment agreement is not assumed by a successor entity in a change of control. We believe that these agreements were necessary to attract some of our NEOs and help in our retention of our NEOs due to the prevalence of similar provisions in the market in which we compete for executives and so that we can be competitive with our peers.

In 2007, we entered into an amendment and restatement of our employment agreements with Mr. Boston and Mr. Wilkins to provide for additional severance payments for certain terminations in connection with a change of control and to provide that if severance payments payable by us become subject to the excise tax on "excess parachute payments" that we will reimburse him for the amount of such excise tax (and the income and excise taxes on such reimbursement). We agreed to provide Mr. Boston and Mr. Wilkins with these changes in anticipation of our initial public offering to reflect what we think are prevalent practices in the marketplace in which we compete for executives, because as a newly public company we want these officers to be able to focus on our operations and not be distracted by their personal situations in the event a change in control transaction arises and, in the case of Mr. Boston, to reflect his long-term commitment to us and our long-term commitment to him as our Chief Executive Officer. For Mr. Wilkins, we determined that in light of his shorter tenure with us, the additional severance benefits in connection with a change of control would not be effective until after February 28, 2010. We further amended the employment agreements for Mr. Boston, Mr. Wilkins and Dr. McCluskey in December 2008 to provide for technical compliance with certain treasury regulations. Additional information regarding these agreements, including a quantification of benefits that would be received by these officers had termination occurred on December 31, 2009, is found below under the heading "Potential Payments on Termination or Change-in-Control."

## Effect of Accounting and Tax Treatment on Compensation Decisions

Section 162(m) of the Internal Revenue Code of 1986, as amended, generally imposes a \$1 million limit on the amount that a public company may deduct for compensation paid to a company's CEO or any of the company's three other most highly compensated executive officers (other than the CFO) who are employed as of the end of the year. This limitation does not apply to compensation that meets the requirements under Section 162(m) for "qualifying performance-based" compensation (i.e., compensation paid only if the individual's performance meets pre-established objective goals based on performance criteria approved by stockholders) that is established by a committee that consists only of "outside directors" as defined for purposes of Section 162(m). All members of our compensation committee qualify as "outside directors", and we consider the potential long-term impact of Section 162(m) when establishing compensation. Our Annual Incentive Compensation Plan and the portion of our equity awards made in options qualify as performance-based compensation within the meaning of the Internal Revenue Code. We currently expect to continue to qualify our compensation programs as performance-based compensation within the meaning of the Internal Revenue Code to the extent that doing so remains consistent with our compensation philosophy and objectives.

## Role of Executives in Executive Compensation Decisions

Historically, each element of compensation has been recommended to the compensation committee by our Chief Executive Officer for compensation of executive officers other than himself, and the compensation committee determines the target level of compensation for each executive officer. Our Chief Executive Officer sets the MBO targets for our other executive officers based on his MBO targets and our annual corporate performance goals, after taking into account the sphere of responsibility for achievement of those goals for the particular NEO. The Chief

Executive Officer reports the MBOs of the other NEOs and other key executives to the compensation committee for its comment prior to the end of the first quarter.

The amount of each element of compensation for our Chief Executive Officer is determined by the compensation committee. Neither our Chief Executive Officer nor any of our other executives participates in deliberations relating to his or her own compensation.

## Compensation Committee Report

The compensation committee reviewed and discussed the above Compensation Discussion and Analysis (“CD&A”) with the Company’s management. Based on its review and discussions with the Company’s management, the compensation committee recommended that the CD&A be included in the Company’s Proxy Statement and in the Company’s Annual Report on Form 10-K (including by incorporation to the Proxy Statement).

## Compensation Committee (April 1, 2010)

J. Christopher Everett (Chair)

Barbara G. Fast

F. David Fowler

Phillip A. Clough

## Compensation Tables and Disclosures

## Summary Compensation Table

Name and Principal Position	Year	Salary	Stock Awards -2	Option Awards -2	Non-Equity Incentive Plan Compensation -3	All Other Compensation -4	Total
Wallace E. Boston, Jr. President and Chief Executive Officer	2009	447,981	—	—	435,000	78,167	961,148
	2008	357,692	—	—	360,000	59,157	776,849
	2007	297,885	645,300	674,291	180,000	21,174	1,818,650
Harry T. Wilkins Executive Vice President, Chief Financial Officer	2009	279,385	—	—	216,000	21,949	517,333
	2008	250,000	—	—	200,000	24,277	474,277
	2007	209,605	290,400	1,017,591	103,549	17,128	1,638,273
Carol S. Gilbert Executive Vice President, Marketing and Programs (5)	2009	226,821	45,744	54,439	149,050	14,560	490,614
	2008	187,200	—	—	131,040	11,389	329,629
	2007	179,238	24,000	29,209	90,000	11,260	333,707
Dr. Frank B. McCluskey Executive Vice President, Provost	2009	211,006	45,744	54,439	142,800	11,736	465,725
	2008	187,510	—	—	131,040	11,797	330,347
	2007	174,615	42,000	45,934	87,500	11,343	361,392

Peter W. Gibbons	2009	211,006	35,331	42,048	142,800	13,494	444,678
Senior Vice	2008	187,200	0	0	131,040	11,850	330,090
President,							
Chief	2007	179,231	24,000	29,209	90,000	11,526	333,966
Administrative							
Officer							

- (1) Mr. Boston served as both our principal executive officer and principal financial officer until February 2007 when Mr. Wilkins became our principal financial officer when he joined us as Chief Financial Officer.
- (2) Amounts reflect the aggregate grant date fair value, computed in accordance with ASC Topic 718.
- (3) Amounts represent annual incentive payments paid pursuant to our Annual Incentive Compensation Plan based upon the achievement of certain performance goals established by our compensation committee for 2009
- (4) Amounts in this column consist of (i) life insurance premiums; (ii) 401(k) contribution matches by us; (iii) for Mr. Wilkins, fringe benefit payment in lieu of health benefits; (iv) \$57,002 and \$37,474 in 2009 and 2008, respectively, for tuition related to Mr. Boston's Executive Doctorate in Higher Education Management, and (v) in 2007 for Mr. Boston, a service anniversary gift.
- (5) Ms. Gilbert served as Senior Vice President, Programs and Marketing until December 31, 2008, when she became Executive Vice President, Programs and Marketing.

## 2009 Grants of Plan Based Awards

The following table sets forth information with respect to grants of plan-based awards to our NEOs during 2009:

Estimated Future Payouts Under  
Non-Equity  
Incentive Plan Awards (1)

	Grant	Date of Committee Action	Threshold (\$)	Target (\$)	Maximum (\$)	All Other Stock Awards (#)	All Other Option Awards (#)	Exercise or Base Price of Option Award (\$/share)	Grant Date Fair Value of Stock or Option Awards (2)
Wallace E. Boston, Jr.	1/16/2009		32,625	261,000	435,000				
Harry T. Wilkins	12/18/2008		16,875	135,000	216,000				
Carol S. Gilbert	12/18/2008 01/01/2009 12/31/2008 01/01/2009 12/31/2008		13,750	110,000	154,000	1,230	5,988	34.36	45,744 54,439
Dr. Frank B. McCluskey	12/18/2008 01/01/2009 12/31/2008 01/01/2009 12/31/2008		12,750	102,000	142,800	1,230	5,988	34.36	45,744 54,439
Peter W. Gibbons	12/18/2008 01/01/2009 12/31/2008 01/01/2009 12/31/2008		12,750	102,000	142,800	950	4,625	34.36	35,331 42,048

(1) These columns show the range of cash payouts for 2009 performance pursuant to our Annual Incentive Compensation Plan. As set forth in the Summary Compensation Table above, the maximum for payments under each NEO's non-equity incentive award was met. For a discussion of the performance goals established by the compensation committee for these awards, see the section titled "Annual Incentive Cash Compensation" in the Compensation Discussion and Analysis. The threshold amounts in this table represent the amounts that would have been paid if only SSQ goals for one quarter were achieved.

(2) Amounts reflect the grant date fair value, computed in accordance with ASC Topic 718.



Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table Employment Agreements

For Mr. Boston, Mr. Wilkins and Dr. McCluskey, the amounts disclosed in the tables above are in part a result of the terms of their employment agreements. We do not have employment agreements with our other NEOs.

**Mr. Boston's Employment Agreement.** In June 2004, we entered into an employment agreement with Mr. Boston to serve as our president and Chief Executive Officer with an initial term of three years starting from June 21, 2004 and ending June 21, 2007, which was subsequently amended to provide for renewal until February 28, 2010 and annually thereafter unless we give written notice of our intent not to renew at least 30 days prior to the renewal date. In December 2008, his employment agreement was amended to provide for technical compliance with certain treasury regulations. Pursuant to his agreement, Mr. Boston's initial base salary was set at \$225,000 per year, subject to annual review and adjustment by our compensation committee. Under the agreement, Mr. Boston's base salary may be reduced at any time as part of a general salary reduction to all employees with annual salaries in excess of \$100,000, provided, however, that any reduction shall be no more than the lesser of the median percentage salary reduction applied to such employees or 20%. Mr. Boston's employment agreement provides that he is entitled to participate in our annual incentive plan with a target award of up to 60% of his then base salary as determined by our compensation committee and based upon the performance goals set by that committee for the year.

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

Mr. Boston's base salary for 2009 was \$435,000 and his annual incentive compensation plan award for 2009 was targeted at \$261,000, with a maximum bonus potential of \$435,000.

**Mr. Wilkins's Employment Agreement.** Upon his hiring in February 2007, we entered into an employment agreement with Mr. Wilkins to serve as our executive vice president and chief financial officer, which agreement was amended and restated on October 10, 2007. In December 2008, his employment agreement was amended to provide for technical compliance with certain treasury regulations. The agreement has an initial term of approximately three years commencing from January 29, 2007 and ending February 28, 2010 and will automatically renew for additional one year terms unless we give written notice of our intent not to renew at least 30 days prior to the renewal date. Pursuant to his agreement, Mr. Wilkins's initial base salary is set at \$225,000 per year, subject to annual review and adjustment by our compensation committee. Under the agreement, Mr. Wilkins's base salary may be reduced at any time as part of a general salary reduction to all employees with annual salaries in excess of \$100,000, provided, however, that any reduction shall be no more than the lesser of the median percentage salary reduction applied to such employees or 20%. Pursuant to his employment agreement, Mr. Wilkins is entitled to participate in our annual incentive plan with a target award of up to 50% of his then base salary as determined by our compensation committee and based upon the performance goals set by that committee for the year.

In addition to a base salary and annual bonus, Mr. Wilkins is entitled to receive such other benefits approved by our compensation committee and made available to our other senior executives and to participate in plans and receive bonuses, incentive compensation and fringe benefits as we may grant or establish from time to time. Furthermore, under Mr. Wilkins's employment agreement, we are required to pay or reimburse him for customary and reasonable

moving expenses he incurs in connection with any subsequent relocation of our executive offices, including a gross-up amount in the event that the relocation expense amount is considered taxable income to him. In his employment agreement, Mr. Wilkins has agreed not to compete with us nor solicit our employees for alternative employment during the term of his agreement and for a period of one year after termination for any reason.

Mr. Wilkins's base salary for 2009 was \$270,000 and his annual incentive compensation plan award for 2009 was targeted at \$135,000, with a maximum bonus potential of \$216,000.

Dr. McCluskey's Employment Agreement. We have an employment agreement with Dr. McCluskey that has similar provisions to the provisions of Mr. Boston's agreement discussed above, except with respect to their positions, term renewal provisions and amounts relating to their base salary and annual bonus. We entered into the employment agreement with Dr. McCluskey to serve as Executive Vice President and Provost (Chief Academic Officer) beginning April 10, 2005. In December 2008, his employment agreement was amended to provide for technical compliance with certain treasury regulations. Under his employment agreement, Dr. McCluskey has an initial term of employment of three years from the date employment commenced. Pursuant to his agreement, Dr. McCluskey's initial annual salary was \$160,000 and he was eligible for an annual bonus of 50% of his base salary then in effect. In 2009, Dr. McCluskey's base salary and target annual bonus was \$204,000 and \$102,000, with a maximum bonus potential of \$142,800.

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

#### 2009 Outstanding Equity Awards at Fiscal Year-End

The following table sets forth information with respect to the outstanding equity awards at December 31, 2009 for our NEOs:

Name	Option Awards(1)				Stock Awards	
	Number of Securities	Number of Securities	Option Exercise	Option Expiration	Number of Shares or	Market Value of Shares or
	Underlying	Underlying			Units of	Units of Stock
Unexercised Options (#)	Unexercised Options (#)	Price (\$)	Date	Stock That Have Not Vested (#)	That Have Not Vested (\$)(2)	
Wallace E. Boston, Jr.	60,788	42,130	1.05	6/20/2014	10,755	369,542
Harry T. Wilkins	147,366	45,588	3.96	2/8/2017		
	37,920	18,960	20.00	11/13/2014	4,840	166,302
Carol S. Gilbert	15,197	1,825	1.43	11/29/2014		
	3,650	5,988	20.00	11/13/2014		
			37.19	1/1/2016	1,630	56,007
Dr. Frank B. McCluskey		15,197	1.67	4/10/2015		
	21,782	30,394	3.30	2/27/2016		
	5,740	2,870	20.00	11/13/2014		
		5,988	37.19	1/1/2016		

					1,930	66,315
Peter W. Gibbons		6,078	1.04	1/13/2015		
	1,825	1,825	20.00	11/13/2014		
		4,625	37.19	1/1/2016		
					1,350	46,386

(1) The vesting date for each service based option award that is not otherwise fully vested is listed in the table below by expiration date as of December 31, 2009.

Expiration Date	Vesting Schedule and Date for Unvested Portion
11/13/2014	Remaining portion vests on November 14, 2010
1/13/2015	Remaining portion vests on January 14, 2010
4/10/2015	Remaining portion vests on April 11, 2010
1/1/2016	Remaining portions vest in three equal installments on January 1, 2010, 2011 and 2012
2/27/2016	Remaining portions vest on February 28, 2010 and 2011
2/8/2017	Remaining portion vests on February 9, 2010

(2) The market value of the shares of common stock that have not vested is based on the closing price of our common stock on The NASDAQ Global Market of \$34.36 on December 31, 2009.

#### Option Exercises and Stock Vested

The following table sets forth information with respect to option exercises by our NEOs during 2009 and shares of restricted stock held by our NEOs that vested during 2009:

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)(1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)(2)
Wallace E. Boston, Jr.	—	—	10,755	365,347
Harry T. Wilkins	30,000	845,760	4,840	164,415
Carol S. Gilbert	—	—	400	13,588
Dr. Frank B. McCluskey	54,597	2,031,737	700	23,779
Peter W. Gibbons	7,904	274,384	400	13,588

(1) The value realized on exercise is based on the difference between the exercise price of the option and the closing price of our common stock on The NASDAQ Global Market on the day of exercise, multiplied by the number of shares acquired.

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

## Potential Payments on Termination or Change-in-Control

The section below describes the payments that may be made to our NEOs in connection with a change-in-control or pursuant to certain termination events. Other than in the event of a corporate transaction, as that term is defined under our equity incentive plans and as described in further detail below, in the absence of an employment agreement or other arrangement, our NEOs are employed at-will and are not entitled to any payments upon termination or a change-in-control other than their accrued but unpaid salary or benefits.

The employment agreements for Mr. Boston, Mr. Wilkins and Dr. McCluskey, described above, have certain provisions that provide for payments to them in the event of the termination of their respective employment.

Termination for cause, without good reason or by reason of death. In the event that any of Mr. Boston's, Mr. Wilkins', or Dr. McCluskey's employment is terminated by us for "cause", by the executive without "good reason", or by reason of death (each of "cause" and "good reason" as defined below), we will pay to each of them or their estate, as the case may be, their full base salary and benefits that are otherwise payable to them through the termination date of their employment. However, in the event that their employment is terminated by them without "good reason" or by reason of their death, we will also pay to them or their estate any earned, but unpaid, amounts they are entitled to under any of our incentive compensation plans or programs, including the annual bonus under their employment agreements (as adjusted for the period of the year during which they served).

Termination by reason of disability. If any of Mr. Boston's, Mr. Wilkins' or Dr. McCluskey's employment is terminated by reason of disability, we are required to pay to them or their estates, as the case may be, the full base salary or other benefits payable to them, including any earned, but unpaid, amounts they are entitled to under any of our incentive compensation plans or programs, including the annual bonus under their employment agreements (to the extent that performance would merit it being paid). However, payments made to them during the time they are disabled shall be reduced by the sum of the amounts, if any, payable to them at or prior to the time of any payment under our disability benefit plans and which amounts were not previously applied to reduce any payment.

Termination without cause or for good reason. In the event that we terminate any of Mr. Boston's, Mr. Wilkins' or Dr. McCluskey's employment without "cause" or they terminate their employment for "good reason," we are required to pay, or provide, to them:

in a lump sum, the sum of (a) their full base salary through the date of their termination, (b) a pro-rata amount of their annual bonus for the current fiscal year, provided that the necessary performance requirements were satisfied, adjusted for the shorter period, through their termination date, and (c) any compensation previously deferred by them and any accrued vacation pay;

for a period of 12 months following their termination date, an amount equal to the sum of their base salary and their annual bonus, to the extent that their and our performance was satisfying the relevant performance targets, adjusted for the short period, after their termination date through the end of the calendar year and, as to the remainder of the 12 month period following the termination date, only if our net income has increased from the same period in the prior year and the performance targets established for the NEO's successor are being satisfied in that period;

for a period of 12 months following their termination date or any longer period provided for under the terms of any benefit, a continuation of benefits to them or their family at a level and in an amount that is at least equal to that which would have been provided by us to them had they continued their employment, provided, however, that if they become reemployed and are eligible to receive any of the benefits that had been provided by us, then the benefits we provide shall be secondary; and

to the extent not otherwise paid or provided, for a period of 12 months following their termination date, any other amounts or benefits required to be paid or provided or which they are eligible to receive under any of our other existing benefit schemes.

In addition, for Mr. Boston, to the extent that less than 33 1/3% of all stock options granted to him are outstanding and unexercisable on their termination date, such additional options, if any, shall immediately accelerate and vest and become exercisable. Pursuant to an amendment and restatement of his employment agreement in August 2007, if we terminate Mr. Boston's employment without "cause" or he terminates his employment for "good reason" in connection with a change of control, we will calculate the amounts referred to in the last three bullet points above for a 24-month period instead of a 12-month period, will pay the amount in respect of the annual bonus for that period based on his and our prior performance and not with respect to future performance and will pay the amount in respect of his base salary and annual bonus in a lump sum instead of in accordance with our regular payroll practices. The amendment and restatement of Mr. Boston's employment agreement also provides that if severance payments payable by us become subject to the excise tax on "excess parachute payments" imposed by Section 4999 of the Internal Revenue Code ("IRC") or additional tax under Section 409A of the IRC, we will reimburse him for the amount of such excise tax (and the income and excise taxes on such reimbursement). We entered into a similar amendment and restatement of Mr. Wilkins' agreement in August 2007, provided that the provisions related to the termination of his employment in connection with a change in control were not effective until after February 28, 2010.

Acceleration of options upon change of control. Under Mr. Boston's, Mr. Wilkins' and Dr. McCluskey's employment agreements, immediately prior to a change of control (as defined below), all stock options granted to them on or prior to the date of their respective employment agreements that are outstanding immediately prior to a change of control shall vest and become fully exercisable.

Our equity incentive plans provide that, upon a corporate transaction, all outstanding shares of restricted stock and all stock units shall vest in full. All outstanding stock options and stock appreciation rights shall either (i) become immediately exercisable for a period of fifteen days prior to the scheduled consummation of the corporate transaction or (ii) our Board may elect, in its sole discretion, to cancel any outstanding awards of stock options, restricted stock, stock units and/or stock appreciation units and pay to the holder, in the case of restricted stock or stock units, an amount equal to the per share corporate transaction consideration or, in the case of stock options or stock appreciation rights, an amount equal to the number of shares of stock subject to the stock option or stock appreciation right multiplied by the difference of the per share corporate transaction consideration and the exercise price of the stock option or stock appreciation price.

For this purpose, a "corporate transaction" is generally defined as:

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

a sale of substantially all of our assets to another person or entity; or

any transaction that results in any person or entity, other than persons who are stockholders or affiliates immediately prior to the transaction, owning 50% or more of the combined voting power of all classes of our stock.

Accelerated vesting upon a "corporate transaction" will not occur to the extent that provision is made in writing in connection with the corporate transaction for the assumption or continuation of the outstanding awards, or for the substitution of such outstanding awards for similar awards relating to the stock of the successor entity, or a parent or subsidiary of the successor entity, with appropriate adjustments to the number of shares of stock that would be delivered and the exercise price, grant price or purchase price relating to any such award. For awards made under our 2007 Omnibus Incentive Plan, if an award is assumed or substituted in connection with a corporate transaction and the holder is terminated without cause within a year following a change in control, the award will fully vest and may be exercised in full, to the extent applicable, beginning on the date of such termination and for the one-year period immediately following such termination or for such longer period as the compensation committee shall determine.



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

“Cause” means:

refusal by the NEO to follow a written order of the Chairman of our Board or of the Board;

the NEO's engagement in conduct materially injurious to us or our reputation;

dishonesty of a material nature that relates to the performance of the NEO's duties under their employment agreement; the NEO's conviction for any crime involving moral turpitude or any felony; and

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

“Change of Control” means:

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

a sale of substantially all of our assets to another person or entity; or

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

“Good Reason” means:

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

any failure by us to comply with any provisions of the NEO's employment agreement, excluding an isolated, insubstantial and inadvertent action that we remedy promptly after receipt of notice from the NEO;

there is a merger, acquisition or other similar affiliation with another entity and the NEO does not continue in his position, or any other office he holds at the time of the transaction, of the most senior resulting entity succeeding to our business; and

any failure by us to require any successor or any party that acquires control of us, whether directly or indirectly, by purchase, merger, consolidation or otherwise, or all or substantially all of our business and/or assets to assume expressly and agree to perform the NEO's employment agreement in the same manner and to the same extent that we would be required to perform it if no succession had taken place.

Provided, however, that none of the foregoing constitute Good Reason if the executive consents in writing to such event, and none of the foregoing constitute Good Reason unless we fail to cure the asserted grounds for Good Reason within 30 days of receipt of notice from the executive. In order to terminate his employment for Good Reason, the executive must terminate employment within 30 days of the end of the cure period if the breach has not been cured.

#### Payment and Benefit Estimates

The table below was prepared to reflect the estimated payments that would have been made pursuant to the agreements and arrangements described above. The estimated payments were calculated as though the applicable triggering event occurred, and the NEO's employment was terminated, or the applicable change in control occurred, on December 31, 2009, using the closing price of our common stock on the NASDAQ Global Market of \$34.36 on December 31, 2009. As discussed in the narrative above, upon termination for cause, by the NEO without good reason or upon death or disability, the NEO is generally only entitled to receive amounts he is owed as of the termination date (e.g., salary, benefits and, in limited cases, any previously earned, but unpaid, annual incentive compensation). Assuming a termination date of December 31, 2009, these amounts are set forth in the tables above, and we have not included any such amounts below. We have not included these earned, but unpaid amounts, in the termination events included in the table below.

	Aggregate Severance Pay(1) (\$)	Vesting of Stock Options (\$)(2)	Vesting of Restricted Stock (\$)(3)	Welfare Benefits Continuation (\$)	Gross-Up	Total (\$)
<b>Wallace E. Boston, Jr.</b>						
Termination without Cause or by executive for Good Reason	870,000	604,987	-	12,000	-	1,486,987
Termination without cause or by executive for Good Reason in connection with a Change-in-Control(2)	1,740,000	604,987	369,542	24,000	644,874	3,383,403
Occurrence of a Change-in-Control(2)	-	-	-	-	-	-
<b>Harry T. Wilkins</b>						
Termination without Cause or by executive for Good Reason	375,000	-	-	12,000	-	387,000
Occurrence of a Change-in-Control(2)	-	3,588,230	359,999	12,000	-	3,960,229
<b>Carol S. Gilbert</b>						
Occurrence of a Change-in-Control(2)	-	558,778	29,752	-	-	588,530

Dr. Frank B.  
McCluskey

Termination without Cause or by executive for Good Reason	280,800		4,323	285,123
Occurrence of a Change-in-Control(2)		2,492,063	52,066	2,548,452

Peter W. Gibbons

Occurrence of a  
Change-in-Control(2)

- (1) We have assumed for purposes of calculating the aggregate severance pay that our net income and the NEO's successor's performance would be sufficient for the NEO to receive the maximum payout.
- (2) Except for stock options for Mr. Boston, Mr. Wilkins and Dr. McCluskey, which accelerate upon a change in control pursuant to the terms of their employments, we have assumed for purposes of calculating the acceleration of equity awards that a Corporate Transaction as defined in our equity incentive plans had occurred and that equity awards are not assumed or substituted.

## EQUITY COMPENSATION PLAN INFORMATION

The following table summarizes the Company's equity compensation plan information as of December 31, 2009. All equity compensation plans have been approved by Company shareholders.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by Company shareholders	1,175,143	\$10.42	637,511
Equity compensation plans not approved by Company shareholders	0	0	0
<b>Total</b>	<b>1,175,143</b>	<b>\$10.42</b>	<b>637,511</b>

## Compensation Committee Interlocks and Insider Participation

No member of our compensation committee has ever been an executive officer or employee of ours. None of our executive officers currently serves, or has served during the last completed fiscal year, on the compensation committee or board of directors of any other entity that has one or more executive officers serving as a member of our board of directors or compensation committee.

## PROPOSAL NO. 2 — RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We are asking our stockholders to ratify the audit committee's selection of McGladrey & Pullen, LLP ("McGladrey & Pullen") as our independent registered public accounting firm for the fiscal year ending December 31, 2010. Although ratification is not required by our bylaws or otherwise, the Board is submitting the selection of McGladrey & Pullen to our stockholders for ratification as a matter of good corporate practice. If the selection is not ratified, the audit committee will consider whether it is appropriate to select another registered public accounting firm. Even if the selection is ratified, the audit committee in its discretion may select a different registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of American Public Education and our stockholders.

The Board first approved McGladrey & Pullen as our independent auditors in October 2007, and McGladrey & Pullen audited our financial statements for the fiscal years ended December 31, 2009, 2008 and 2007. Representatives of McGladrey & Pullen are expected to be present at the meeting. They will be given an opportunity to make a statement at the meeting if they desire to do so, and they will be available to respond to appropriate questions.



## Principal Accountant Fees and Services

We regularly review the services and fees of our independent accountants. These services and fees are also reviewed by the audit committee on an annual basis. The aggregate fees billed for the fiscal years ended December 31, 2009 and 2008 for each of the following categories of services are as follows:

Fee Category	2009	2008
Audit Fees	\$ 456,000	\$ 536,000
Audit-Related Fees	24,000	146,245
Tax Fees	19,435	60,532
All Other Fees	0	0
Total Fees	\$ 499,435	\$ 742,777

**Audit Fees.** Consist of fees billed for professional services rendered for the audit of our annual financial statements and services provided in connection with our securities offerings and registration statements.

**Audit-Related Fees.** Consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under "Audit Fees." Includes fees billed for SAS No. 100 and public offering related services.

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

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

During the fiscal years ended December 31, 2009 and 2008, McGladrey & Pullen has provided various services, in addition to auditing our financial statements. The audit committee has determined that the provision of such services is compatible with maintaining McGladrey & Pullen's independence. In 2009 and 2008, all fees paid to McGladrey & Pullen were pre-approved pursuant to the policy described below.

## Audit Committee's Pre-Approval Policies and Procedures

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

## Audit Committee Report

THE FOLLOWING REPORT OF THE AUDIT COMMITTEE DOES NOT CONSTITUTE SOLICITING MATERIAL AND SHOULD NOT BE DEEMED FILED OR INCORPORATED BY REFERENCE INTO ANY OTHER FILING BY US UNDER THE SECURITIES ACT OF 1933 OR THE SECURITIES EXCHANGE ACT OF

1934, EXCEPT TO THE EXTENT WE SPECIFICALLY INCORPORATE THIS REPORT.

During 2009, the Audit Committee of the Board of Directors of American Public Education, Inc. consisted of Ms. Halle, who serves as the chairperson, Mr. Fowler and Mr. Landon and Mr. Weglicki. The Audit Committee operates under a written charter adopted by the Board, which is available in the Corporate Governance — Committees section of our corporate website, which is [www.americanpubliceducation.com](http://www.americanpubliceducation.com). The Audit Committee reviews the charter and proposes necessary changes to the Board on an annual basis.

During the fiscal year ended December 31, 2009, the Audit Committee fulfilled its duties and responsibilities generally as outlined in its charter. The Audit Committee has:

reviewed and discussed with management American Public Education's audited financial statements for the fiscal year ended December 31, 2009;

discussed with McGladrey & Pullen, LLP ("McGladrey"), American Public Education's independent auditors for fiscal 2009, the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended, as adopted by the Public Company Accounting Oversight Board in Rule 3200T; and

received the written disclosures and the letter from McGladrey required by applicable requirements of the Public Company Accounting Oversight Board regarding McGladrey's communications with the Audit Committee concerning independence, and has discussed with McGladrey its independence.

On the basis of the reviews and discussions referenced above, the Audit Committee recommended to the Board that the audited financial statements be included in American Public Education's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 for filing with the Securities and Exchange Commission.

AUDIT COMMITTEE (February 19, 2010)

Jean C. Halle, Chairperson

F. David Fowler  
Timothy Landon  
Timothy Weglicki

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

Section 16(a) of the Securities Exchange Act of 1934 requires our directors, executive officers and 10% stockholders to file reports of ownership of our equity securities. To our knowledge, based solely on review of the copies of such reports furnished to us related to the year ended December 31, 2009, all such reports were made on a timely basis except the following Section 16 reporting persons failed to timely file such number of Form 4s as indicated: Ms. Gilbert failed to timely file a Form 4 due to miscommunication between the Company and Ms. Gilbert's broker for the transaction; Mr. Landon failed to timely file a Form 4 due to an administrative error at the Company; in April 2009, the following directors failed to timely file a Form 4 related to grants of restricted stock in lieu of payment of annual director fees due to an administrative error: Mr. Clough, Mr. Everett, Mr. Fowler, and Mr. Weglicki; in August 2009 and September 2009, Mr. Wilkins failed to timely file a Form 4 due to administrative miscommunications; and in October 2009, Mr. Clough and Mr. Weglicki failed to file a Form 4 due to technical difficulties with the entity handling their filings.

#### BENEFICIAL OWNERSHIP OF COMMON STOCK

The following table sets forth certain information as of March 30, 2010 (unless otherwise specified), with respect to the beneficial ownership of our common stock by each person who is known to own beneficially more than 5% of the outstanding shares of common stock, each person currently serving as a director, each nominee for director, each NEO (as set forth in the Summary Compensation Table above), and all directors and executive officers as a group:



Name of Beneficial Owner	Shares of Common Stock Beneficially Owned(1)	Percentage of Class
<b>5% Stockholders:</b>		
T.Rowe Price Associates, Inc.(2)	1,613,721	8.79%
BlackRock, Inc.(3)	1,375,436	7.49%
Waddell & Reed Financial Inc.(4)	1,059,545	5.77%
<b>Directors and Named Executive Officers</b>		
Wallace E. Boston, Jr.(5)	403,389	2.18%
Phillip Clough	14,647	0.08%
Jean C. Halle(6)	38,437	0.21%
Barbara G. Fast	1,132	0.01%
Timothy Weglicki(7)	15,950	0.09%
J. Christopher Everett(8)	43,483	0.24%
Timothy Landon	2,301	0.01%
F. David Fowler(9)	34,941	0.19%
Harry T. Wilkins(10)	371,751	2.00%
Carol S. Gilbert(11)	62,123	0.34%
Dr. Frank B. McCluskey(12)	72,551	0.39%
Peter W. Gibbons(13)	20,516	0.11%
All of our directors and executive officers as a group (13 persons)	1,086,721	5.76%

\* Represents beneficial ownership of less than 1%.

- (1) Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Shares of common stock subject to options or warrants currently exercisable or exercisable within 60 days of March 30, 2010 are deemed outstanding for purposes of computing the percentage ownership of the person holding such options, but are not deemed outstanding for purposes of computing the percentage ownership of any other person. Except where indicated otherwise, and subject to community property laws where applicable, the persons named in the table above have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them.
- (2) Based solely on a Schedule 13G filed by T. Rowe Price Associates, Inc. (“T. Rowe Price Associates”) and T. Rowe Price New Horizons Fund, Inc. (“T. Rowe Price Fund”) on February 12, 2010. The stockholders’ address is 100 E. Pratt Street, Baltimore, Maryland 21202. T. Rowe Price Associates is deemed to be the beneficial owner of 1,613,721 shares of the Company’s common stock as a result of acting as an investment advisor. T. Rowe Price Fund is deemed to be the beneficial owner of 1,000,00 shares of the Company's common stock as a result of acting an investment advisor.
- (3) Based solely on a Schedule 13G filed by BlackRock, Inc.on January 29, 2010. This stockholder's address is 40 East 52nd Street New York, NY 10022. This stockholder is deemed to be the beneficial owner of 1,375,426 shares of the Company's common stock as a result of being a parent holding company or control person.
- (4) Based solely on a Schedule 13G filed by the stockholder on February 12, 2010. Based on such Schedule 13G, the securities reported are beneficially owned by one or more open-end investment companies or other managed accounts which are advised or sub-advised by Waddell & Reed Investment Management Company (“WRIMCO”), an investment advisory subsidiary of Waddell & Reed, Inc. (“WRI”). WRI is a broker-dealer and underwriting

subsidiary of Waddell & Reed Financial Services, Inc., a parent holding company (“WRFSI”). In turn, WRFSI is a subsidiary of Waddell & Reed Financial, Inc., a publicly traded company (“WDR”). The investment advisory contracts grant WRIMCO all investment and/or voting power over securities owned by such advisory clients. The investment sub-advisory contracts grant WRIMCO investment power over securities owned by such sub-advisory clients and, in most cases, voting power. Any investment restriction of a sub-advisory contract does not restrict investment discretion or power in a material manner. Therefore, WRIMCO may be deemed the beneficial owner of the securities covered by Schedule 13G under Rule 13d-3 of the Securities Exchange Act of 1934 (the “1934 Act”). WRIMCO, WRI, WRFSI and WDR are of the view that they are not acting as a “group” for purposes of Section 13(d) under the 1934 Act. Indirect “beneficial ownership” is attributed to the respective parent companies solely because of the parent companies’ control relationship to WRIMCO.

- (5)(i) Includes 22,814 shares of common stock held of record by The Boston Family LLC, which is 98% owned by trusts for the benefit of the Mr. Boston's family members. Mr. Boston is the managing member of The Boston Family LLC and has voting and dispositive power over the shares. Mr. Boston disclaims beneficial ownership of the shares except to the extent of his pecuniary interest therein.
- (ii) Includes 145,048 shares of common stock issuable upon exercise of options that are exercisable within 60 days of March 30, 2010.
- (6) Includes 28,874 shares of common stock issuable upon exercise of options that are exercisable within 60 days of March 30, 2010.
- (7) Includes 5,192 shares of common stock held of record by The Timothy T. Weglicki Irrevocable Trust dated March 11, 1999. Mr. Weglicki disclaims beneficial ownership of the shares except to the extent of his pecuniary interest therein.
- (8) Includes 37,992 shares of common stock issuable upon exercise of options that are exercisable within 60 days of March 30, 2010.
- (9) Includes 29,492 shares of common stock issuable upon exercise of options that are exercisable within 60 days of March 30, 2010.
- (10) Includes:
- (i) 220,874 shares of common stock issuable upon exercise of options that are exercisable within 60 days of March 30, 2010; and
- (ii) 41,111.5 shares of common stock held of record by Wilkins Asset Management, Inc., in which company Mr. Wilkins has an interest. Mr. Wilkins disclaims beneficial ownership of the shares except to the extent of his pecuniary interest therein; and
- (iii) 300 shares of common stock held of record by Mr. Wilkins' son. Mr. Wilkins disclaims beneficial ownership of the shares except to the extent of his pecuniary interest therein
- (11) Includes 20,843 shares of common stock issuable upon exercise of options that are exercisable within 60 days of March 30, 2010.
- (12) Includes 27,130 shares of common stock issuable upon exercise of options that are exercisable within 60 days of March 30, 2010.
- (13) Includes 1,542 shares of common stock issuable upon exercise of options that are exercisable within 60 days of March 30, 2010.
- (14) The shares of common stock shown as beneficially owned by all directors and executive officers as a group include 511,795 shares of common stock issuable upon exercise of options that are exercisable within 60 days of March 30, 2010.

## GENERAL MATTERS

### Availability of Certain Documents

A copy of our 2009 Annual Report on Form 10-K has been posted on the Internet along with this Proxy Statement to all stockholders entitled to notice of and to vote at the Annual Meeting. The Annual Report is not incorporated into this Proxy Statement and is not considered proxy-soliciting material. We will mail without charge, upon written request, a copy of our 2009 Annual Report on Form 10-K excluding exhibits. Please send a written request to our Corporate Secretary at:

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

The charters for our audit, compensation and nominating and corporate governance committees, as well as our Guidelines and our Code of Ethics, are in the Committees section of our corporate website, which is located at [www.americanpubliceducation.com](http://www.americanpubliceducation.com), and are also available in print without charge by writing to the address above.

Stockholders residing in the same household who hold their stock through a bank or broker may receive only one set of proxy materials in accordance with a notice sent earlier by their bank or broker. This practice will continue unless instructions to the contrary are received by your bank or broker from one or more of the stockholders within the household.

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

### Stockholder Proposals and Nominations

**Requirements for Stockholder Proposals to be Considered for Inclusion in our Proxy Materials.** To be considered for inclusion in next year’s proxy statement, stockholder proposals must be received by our Corporate Secretary at our principal executive offices no later than the close of business on December 10, 2010.

**Requirements for Stockholder Proposals to be Brought Before an Annual Meeting.** Our bylaws provide that, for stockholder nominations to the Board or other proposals to be considered at an annual meeting, the stockholder must have given timely notice thereof in writing to the Corporate Secretary at American Public Education, Inc., 111. W. Congress Street, Charles Town, West Virginia 25414, Attn: Corporate Secretary. To be timely for the 2011 annual meeting, the stockholder’s notice must be delivered to or mailed and received by us not more than 120 days, and not less than 90 days, before the anniversary date of the preceding annual meeting, except that if the annual meeting is set for a date that is not within 30 days before or 60 days after such anniversary date, we must receive the notice not later than the close of business on the tenth day following the day on which we provide notice or public disclosure of the date of the meeting. Such notice must provide the information required by our bylaws with respect to each matter the stockholder proposes to bring before the 2011 annual meeting.

### Other Matters

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

Directions to Annual Meeting

Directions to the 2010 Annual Meeting of Stockholders, to be held at the Sheraton National Hotel, 900 South Orme Street, Arlington, Virginia 22204 are set forth below:

From Washington DC/Dulles —Take Route 66 East to Route 110/Pentagon. Stay in the right lane and continue to the Washington Boulevard Exit. Continue to the Columbia Pike/Navy Annex Exit. The hotel will be directly in front of you.

From East —Take I-95 South to Interstate 495 West to George Washington Parkway. Follow the Parkway for 8 miles to I-395 South/Route 27 (Lyndon B. Johnson Exit). Stay right at the fork and take the Route 244 West Exit (Columbia Pike/Navy Annex). The hotel is on the right.

From North —Take Interstate 395 South to Exit 8 - (Washington Boulevard). Travel in the far right-hand lane for 0.25 mile and take the Columbia Pike/Navy Annex Exit. This will place you directly across from the hotel.

From South —Take Interstate 95 North to I-395. Take Exit 8A - (Washington Boulevard). Travel in the far right lane for 1.25 miles and take the Columbia Pike/Navy Annex Exit. This will place you directly across from the hotel.

By Order of the Board of Directors

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

AMERICAN PUBLIC EDUCATION, INC.  
ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 20, 2010  
THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints Wallace E. Boston, Jr. and J. Christopher Everett as proxies, each with full power of substitution, to represent and vote as designated on the reverse side, all the shares of Common Stock of American Public Education, Inc. held of record by the undersigned on March 30, 2010, at the Annual Meeting of Stockholders to be held at 7:30 a.m. located at Sheraton National Hotel, 900 South Orme Street, Arlington, Virginia 22204, on May 20, 2010, or any adjournment or postponement thereof.

(Continued and to be signed on the reverse side)

ANNUAL MEETING OF STOCKHOLDERS OF  
 AMERICAN PUBLIC EDUCATION, INC.  
 May 20, 2010

THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” THE ELECTION OF DIRECTORS AND “FOR”  
 PROPOSAL 2.

PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR  
 VOTE IN BLUE OR BLACK INK AS SHOWN HERE x

- |   |                          |   |          |              |              |
|---|--------------------------|---|----------|--------------|--------------|
| 1. Election of directors:                 | 2.                       | To ratify the appointment of McGladrey & Pullen, LLP as the independent registered public accounting firm for the Company for the fiscal year ending December 31, 2010.   | FOR<br>o | AGAINST<br>o | ABSTAIN<br>o |
|   | NOMINEES:                |   |          |              |              |
| o FOR ALL NOMINEES                        | o Wallace E. Boston, Jr. |   |          |              |              |
| o WITHHOLD AUTHORITY FOR ALL NOMINEES     | o J. Christopher Everett |   |          |              |              |
| o FOR ALL EXCEPT (See instructions below) | o Barbara G. Fast        |   |          |              |              |
|   | o F. David Fowler        |   |          |              |              |
|   | o Jean C. Halle          | In their discretion, the proxies are authorized to vote upon such other   |          |              |              |
|   | o Timothy J. Landon      | business as may properly come before the meeting.   |          |              |              |
|   | o Timothy T. Weglicki    | This proxy is solicited on behalf of the Board of Directors of the Company. This proxy, when properly executed, will be voted in accordance with the instructions given above. If no instructions are given, this proxy will be voted “FOR” election of the Directors and “FOR” proposal 2. |          |              |              |

IMPORTANT NOTICE REGARDING THE  
 AVAILABILITY OF PROXY  
 MATERIALS FOR THE STOCKHOLDER MEETING TO  
 BE HELD ON  
 MAY 20, 2010 FOR AMERICAN PUBLIC EDUCATION,  
 INC.  
 THE FOLLOWING MATERIALS ARE AVAILABLE AT  
[http://www.amstock.com/ProxyServices/ViewMaterial.asp?  
 CoNumber=15611](http://www.amstock.com/ProxyServices/ViewMaterial.asp?CoNumber=15611)  
 PROXY STATEMENT                      ANNUAL REPORT

INSTRUCTIONS: To withhold authority to vote for any individual nominee(s), mark "FOR ALL EXCEPT" and fill in the circle next to each nominee you wish to withhold, as shown here: =

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method.

Signature of Stockholder      Date:

Signature of Stockholder      Date:

Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.