SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

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

Form 10-K

(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended: August 31, 2011

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from [ ] to [ ]

Commission file number: 0-25232

APOLLO GROUP, INC.

(Exact name of registrant as specified in its charter)

ARIZONA	**86-0419443**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

4025 S. RIVERPOINT PARKWAY, PHOENIX, ARIZONA 85040
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: (480) 966-5394

Securities registered pursuant to Section 12(b) of the Act:

(Title of Each Class)	**(Name of Each Exchange on Which Registered)**
Apollo Group, Inc. **Class A common stock, no par value**	**The NASDAQ Stock Market LLC**

Securities registered pursuant to Section 12(g) of the Act:
None
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☑ NO ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES ☐ NO ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☑ NO ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ☑ NO ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑	Accelerated filer ☐	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☑

No shares of Apollo Group, Inc. Class B common stock, its voting stock, are held by non-affiliates. The holders of Apollo Group, Inc. Class A common stock are not entitled to any voting rights. The aggregate market value of Apollo Group Class A common stock held by non-affiliates as of February 28, 2011 (last day of the registrant's most recently completed second fiscal quarter), was approximately $5.5 billion.

The number of shares outstanding for each of the registrant's classes of common stock as of October 12, 2011 is as follows:

Apollo Group, Inc. Class A common stock, no par value	130,108,000 Shares
Apollo Group, Inc. Class B common stock, no par value	475,000 Shares

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Information Statement for the 2012 Annual Meeting of Class B Shareholders (Part III)

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APOLLO GROUP, INC. AND SUBSIDIARIES

FORM 10-K

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Special Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K, including Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical fact may be forward-looking statements. Such forward-looking statements include, among others, those statements regarding future events and future results of Apollo Group, Inc. (the "Company," "Apollo Group," "Apollo," "APOL," "we," "us" or "our") that are based on current expectations, estimates, forecasts, and the beliefs and assumptions of us and our management, and speak only as of the date made and are not guarantees of future performance or results. In some cases, forward-looking statements can be identified by terminology such as "may," "will," "should," "could," "believe," "expect," "anticipate," "estimate," "plan," "predict," "target," "potential," "continue," "objectives," or the negative of these terms or other comparable terminology. Such forward-looking statements are necessarily estimates based upon current information and involve a number of risks and uncertainties. Such statements should be viewed with caution. Actual events or results may differ materially from the results anticipated in these forward-looking statements as a result of a variety of factors. While it is impossible to identify all such factors, factors that could cause actual results to differ materially from those estimated by us include but are not limited to:

- *changes in regulation of the U.S. education industry and eligibility of proprietary schools to participate in U.S. federal student financial aid programs, including the factors discussed in Item 1, Business, under "Accreditation and Jurisdictional Authorizations," "Financial Aid Programs," and "Regulatory Environment;"*
- *each of the factors discussed in Item 1A, Risk Factors; and*
- *those factors set forth in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.*

The cautionary statements referred to above also should be considered in connection with any subsequent written or oral forward-looking statements that may be issued by us or persons acting on our behalf. We undertake no obligation to publicly update or revise any forward-looking statements, for any facts, events, or circumstances after the date hereof that may bear upon forward-looking statements. Furthermore, we cannot guarantee future results, events, levels of activity, performance, or achievements.

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Part I

Item 1 — *Business*

Overview

Apollo Group, Inc. is one of the world's largest private education providers and has been in the education business for more than 35 years. We offer innovative and distinctive educational programs and services both online and on-campus at the undergraduate, master's and doctoral levels through our wholly-owned subsidiaries:

- The University of Phoenix, Inc. ("University of Phoenix");
- Institute for Professional Development ("IPD"); and
- The College for Financial Planning Institutes Corporation ("CFFP").

In addition to these wholly-owned subsidiaries, we formed a joint venture with The Carlyle Group ("Carlyle") in October 2007, called Apollo Global, Inc. ("Apollo Global"), to pursue investments primarily in the international education services industry. Apollo Group currently owns 85.6% of Apollo Global, with Carlyle owning the remaining 14.4%. As of August 31, 2011, total contributions made to Apollo Global were $604.2 million, of which $517.1 million was funded by Apollo. Apollo Global is consolidated in our financial statements. We offer educational programs and services through the following wholly-owned subsidiaries of Apollo Global:

- BPP Holdings plc ("BPP") in the United Kingdom;
- Western International University, Inc. ("Western International University") in the U.S.;
- Universidad de Artes, Ciencias y Comunicación ("UNIACC") in Chile; and
- Universidad Latinoamericana ("ULA") in Mexico.

University of Phoenix. University of Phoenix has been accredited by The Higher Learning Commission of the North Central Association of Colleges and Schools since 1978 and holds other programmatic accreditations. University of Phoenix offers associate's, bachelor's, master's and doctoral degrees in a variety of program areas. University of Phoenix offers its educational programs worldwide through its online education delivery system and at its campus locations and learning centers in 40 states, the District of Columbia and Puerto Rico. University of Phoenix's online programs are designed to provide uniformity with University of Phoenix's on-campus programs, which enhances University of Phoenix's ability to expand into new markets while maintaining academic quality. University of Phoenix represented 91% of our total consolidated net revenue and more than 100% of our operating income in fiscal year 2011.

IPD. IPD provides program development, administration and management consulting services to private colleges and universities ("Client Institutions") to establish or expand their programs for working learners. These services typically include degree program design, curriculum development, market research, student admissions services, accounting, and administrative services.

CFFP. CFFP has been accredited by The Higher Learning Commission of the North Central Association of Colleges and Schools since 1994. CFFP provides financial services education programs, including a Master of Science in three majors, and certification programs in retirement, asset management, and other financial planning areas. CFFP offers these programs online.

BPP. BPP was acquired by Apollo Global in July 2009 and is headquartered in London, England. BPP offers professional training through schools located in the United Kingdom, a European network of BPP offices, and the sale of books and other publications globally. BPP University College, comprised of BPP Law School and BPP Business School, is the first proprietary institution to have been granted degree awarding powers in the United Kingdom and in July 2010 became the first private institution to be awarded the title of "University College" by the U.K. since 1976.

Western International University. Western International University has been accredited by The Higher Learning Commission of the North Central Association of Colleges and Schools since 1984. Western International University offers associate's, bachelor's and master's degrees in a variety of program areas as well as certificate programs. Western International University offers its undergraduate program courses at its Arizona campus locations and online at Western International University Interactive Online. Western International University was previously a wholly-owned subsidiary of Apollo. During fiscal year 2010, we contributed all of the common stock of Western International University to Apollo Global, which was accounted for as a transfer of assets between entities under common control.

UNIACC. UNIACC is accredited by the Chilean Council of Higher Education (Consejo Superior de Educación). UNIACC is an arts and communications university which offers bachelor's and master's degree programs on campuses in Chile and online.

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ULA. ULA carries authorization from Mexico's Ministry of Public Education (Secretaría de Educación Publica), from the National Autonomous University of Mexico (Universidad Nacional Autónoma de México) for its high school and undergraduate psychology and law programs and by the Ministry of Education of the State of Morelos (Secretaría de Educación del Estado de Morelos) for its medicine and nutrition programs. ULA offers degree programs at its four campuses throughout Mexico.

The educational institutions described above are presented in the following four reportable segments:

1. University of Phoenix;
2. Apollo Global — BPP;
3. Apollo Global — Other; and
4. Other Schools.

The Apollo Global — Other segment includes Western International University, UNIACC, ULA and Apollo Global corporate operations. The Other Schools segment includes IPD and CFFP, as well as Meritus University, Inc. ("Meritus"), which ceased operations during the third quarter of fiscal year 2011. See Note 22, Segment Reporting, in Item 8, *Financial Statements and Supplementary Data*, for further discussion of our segments. The Corporate caption, as detailed in the table below, includes adjustments to reconcile segment results to consolidated results, which primarily consist of net revenue and corporate charges that are not allocated to our reportable segments. The following table presents net revenue for fiscal years 2011, 2010 and 2009 for each of our reportable segments:

	Year Ended August 31,		
($ in thousands)	**2011**	**2010**	**2009**
University of Phoenix	$ 4,322,670	$ 4,498,325	$ 3,766,600
Apollo Global:			
BPP	244,181	251,743	13,062
Other	75,800	78,253	76,083
Total Apollo Global	319,981	329,996	89,145
Other Schools	88,517	95,706	95,045
Corporate	1,854	1,792	2,776
Net revenue	$ 4,733,022	$ 4,925,819	$ 3,953,566

See Note 22, Segment Reporting, in Item 8, *Financial Statements and Supplementary Data,* for the segment and related geographic information required by Items 101(b) and 101(d) of Regulation S-K, which information is incorporated by this reference.

During the fourth quarter of fiscal year 2011, we entered into an agreement to acquire all of the stock of Carnegie Learning, Inc., a publisher of research-based math curricula and adaptive learning for $75 million. In a separate transaction, we entered into an agreement to acquire related technology from Carnegie Mellon University for $21.5 million, payable over a 10-year period. These acquisitions were completed on September 12, 2011. The acquisitions allow us to accelerate our efforts to incorporate adaptive learning into our academic platform and to provide tools to help raise student achievement in mathematics, which supports improved retention and graduation rates. Given our postsecondary focus, we intend to evaluate strategic alternatives for the K-12 portion of the business in order to support Carnegie Learning's continued success in this market.

We completed the sale of Insight Schools, Inc. ("Insight Schools") during the second quarter of fiscal year 2011. See Note 5, Discontinued Operations, in Item 8, *Financial Statements and Supplementary Data,* for further discussion.

Our operations are generally subject to seasonal trends. We experience, and expect to continue to experience, fluctuations in our results of operations as a result of seasonal variations in the level of our institutions' enrollments. Although University of Phoenix enrolls students throughout the year, its net revenue is generally lower in our second fiscal quarter (December through February) than the other quarters due to holiday breaks.

University of Phoenix degreed enrollment ("Degreed Enrollment") for the quarter ended August 31, 2011 was 380,800. Degreed Enrollment for a quarter is composed of:

- students enrolled in a University of Phoenix degree program who attended a credit bearing course during the quarter and had not graduated as of the end of the quarter;

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- students who previously graduated from one degree program and started a new degree program in the quarter (for example, a graduate of the associate’s degree program returns for a bachelor’s degree or a bachelor’s degree graduate

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returns for a master's degree); and

- students participating in certain certificate programs of at least 18 credits with some course applicability into a related degree program.

University of Phoenix aggregate new degreed enrollment ("New Degreed Enrollment") for the sum of the four quarters in fiscal year 2011 was 221,900. New Degreed Enrollment for each quarter is composed of:

- new students and students who have been out of attendance for more than 12 months who enroll in a University of Phoenix degree program and start a credit bearing course in the quarter;
- students who have previously graduated from a degree program and start a new degree program in the quarter; and
- students who commence participation in certain certificate programs of at least 18 credits with some course applicability into a related degree program.

Students enrolled in or serviced by Apollo Global's institutions (BPP, Western International University, UNIACC and ULA) and Other Schools (IPD and CFFP) are not included in Degreed Enrollment or New Degreed Enrollment.

We incorporated in Arizona in 1981 and maintain our principal executive offices at 4025 S. Riverpoint Parkway, Phoenix, Arizona 85040. Our telephone number is (480) 966-5394. Our website addresses are as follows:

• Apollo Group	www.apollogrp.edu
• University of Phoenix	www.phoenix.edu
• Apollo Global	www.apolloglobal.us
• BPP	www.bpp.com
• Western International University	www.west.edu
• UNIACC	www.uniacc.cl
• ULA	www.ula.edu.mx
• IPD	www.ipd.org
• CFFP	www.cffp.edu
• Carnegie Learning	www.carnegielearning.com

Our fiscal year is from September 1 to August 31. Unless otherwise stated, references to the years 2011, 2010, 2009, 2008 and 2007 relate to fiscal years 2011, 2010, 2009, 2008 and 2007, respectively.

Strategy

Our goal is to strengthen our position as a leading provider of high quality, accessible education for individuals around the world by affording strong returns for all of our stakeholders: students, faculty, employees, employers and investors. Our principal focus is to provide innovative, high quality educational products and services in order for our students to maximize the benefit from their educational investment. Across our institutions, we believe our students receive energizing and compelling learning experiences and quality academic outcomes that provide the opportunity to improve their lives. We also look to leverage our national and international scale, academic breadth and student diversity to engage our employer partners by matching the skills and competencies of our graduates to ensure they are prepared to succeed in the workplace. We believe that providing a superior student experience, positioning our students to attain desired life outcomes, and building strong industry connections are keys to building value for our shareholders. We intend to pursue our goal in a manner that is consistent with our core organizational values: operate with integrity and social responsibility, change lives through education, be the employer of choice and build long-term value. These values provide the foundation for everything we do as a business.

The key themes of our strategic plan are as follows:

- *Maximize the value of our University of Phoenix business*. This is our highest priority. We will continue to focus on academic quality and the student experience that differentiate University of Phoenix, and also concentrate on responsible growth and improving operational effectiveness. We will work to align more closely with the outcomes that students, alumni and employers want and need in accordance with today's educational and job markets. We believe that we can strengthen our position, responsibly grow our net revenue and cash flow and increase our ability to invest in initiatives to support our students and enhance our brand by continuing to deliver quality educational experiences and outcomes to our students, expanding access

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in certain markets, establishing and sustaining relationships with employers, enhancing our brand and improving our operating efficiency.

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- *Intelligently expand access into new markets*. We believe we can capitalize on opportunities to utilize our core expertise and organizational capabilities, both domestically and internationally. In particular, we have observed a growing demand for high quality postsecondary and other education services both within and outside the U.S. We intend to actively pursue quality opportunities to partner with or acquire existing institutions of higher learning where we believe we can achieve attractive long-term growth and value creation.

To implement our strategy, we are working on and have completed a number of important initiatives that support our students and improve their educational outcomes. These initiatives include, but are not limited to, the following:

- Upgrading our learning and data platforms;
- Building key career services capabilities and connecting education more directly to jobs or careers with our employer partners;
- Creating, acquiring, developing and implementing new learning methods across our institutions;
- Implementing tools to facilitate learning and use of other support services, tailored to varying levels of student preparedness and ability;
- Streamlining core processes to more efficiently deliver critical services; and
- Organizing our operations to more effectively leverage our core expertise, including shared services resources.

Industry Background

Domestic Postsecondary Education

The non-traditional education sector is a significant and growing component of the domestic postsecondary degree-granting education industry, which was estimated to be a $461 billion industry in 2009, according to the Digest of Education Statistics published in 2011 by the U.S. Department of Education's National Center for Education Statistics (the "NCES"). According to the National Postsecondary Student Aid Study published in 2000 by the NCES, 73% of undergraduates in 1999-2000 were in some way non-traditional (defined as a student who delays enrollment, attends part time, works full time, is financially independent for purposes of financial aid eligibility, has dependents other than a spouse, is a single parent, or does not have a high school diploma). The non-traditional students typically are looking to improve their skills and enhance their earnings potential within the context of their careers. We believe that the demand for non-traditional education will continue to increase, due to the increasingly knowledge-based economy in the U.S.

Many non-traditional students, who we refer to as working learners, seek accredited degree programs that provide flexibility to accommodate the fixed schedules and time commitments associated with their professional and personal obligations. The education formats offered by our institutions enable working learners to attend classes and complete coursework on a more flexible schedule than many traditional universities offer.

Although an increasing proportion of colleges and universities are beginning to address the needs of working learners, many universities and institutions do not effectively address their needs for the following reasons:

- Traditional universities and colleges were designed to fulfill the educational needs of conventional, full-time students aged 18 to 24, and that industry sector remains the primary focus of these universities and institutions. This focus has resulted in a capital-intensive teaching/learning model that often is characterized by:
  - a high percentage of full-time, tenured faculty;
  - physical classrooms, library facilities and related full-time staff;
  - dormitories, student unions, and other significant physical assets to support the needs of conventional, full-time students; and
  - an emphasis on research and related laboratories, staff, and other facilities.

- The majority of accredited colleges and universities continue to provide the bulk of their educational programming on an agrarian calendar with time off for traditional breaks. The traditional academic year runs from September to mid-December and from mid-January to May. As a result, most full-time faculty members only teach during that limited period of time. While this structure may serve the needs of the conventional, full-time students, it limits the educational opportunity for working learners who must delay their education for up to four months during these traditional breaks.

- Traditional universities and colleges may also be limited in their ability to provide the necessary customer service for working learners because they lack the necessary administrative infrastructure.

- Diminishing financial support for public colleges and universities has required them to focus more tightly on their existing student populations and missions, which in some cases has reduced access to traditional education.

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International Education

There were approximately 159 million students enrolled in postsecondary education worldwide in 2008 according to the Global Education Digest 2010 published in 2010 by the United Nations Educational, Scientific and Cultural Organization Institute for Statistics.

We believe that private education is playing an important role in advancing the development of education, specifically higher education and lifelong learning, in many countries around the world. While primary and secondary education outside the U.S. are still funded mainly through government expenditures, we believe that postsecondary education outside of the U.S. is experiencing governmental funding constraints that create opportunities for a broader private sector role.

We believe that the following key trends are driving the growth in private education worldwide:

- unmet demand for education;
- insufficient public funding to meet demand for education;
- shortcomings in the quality of higher education offerings, resulting in the rise of supplemental training to meet industry demands in the developing world;
- worldwide appreciation of the importance that knowledge plays in economic progress; and
- increased availability and role of technology in education, broadening the accessibility and reach of education.

Our Programs

Our more than 35 years as a provider of education enables us to provide students with quality education and responsive customer service at the undergraduate, master's and doctoral levels. Our institutions have gained expertise in designing curriculum, recruiting and training faculty, monitoring academic quality, and providing a high level of support services to students. Our institutions offer the following:

- **Accredited Degree Programs.** University of Phoenix, Western International University and CFFP are accredited by The Higher Learning Commission of the North Central Association of Colleges and Schools. BPP's University College has been granted degree-awarding powers by the United Kingdom's Privy Council. Additionally, certain programs offered at our institutions and our other educational institutions are accredited by appropriate accrediting entities. See *Accreditation and Jurisdictional Authorizations*, below.

- **Professional Examinations Training and Professional Development.** BPP provides training and published materials for qualifications in accountancy (including tax), financial services, actuarial science, and insolvency. BPP also provides professional development through continuing education training and supplemental skills courses to post-qualification markets in finance, law, and general management. University of Phoenix and certain of our other institutions, including CFFP, also provide various training and professional development education.

- **Faculty.**

  - ***Domestic Postsecondary:*** Substantially all University of Phoenix faculty possess either a master's or doctoral degree. Faculty members typically have many years of experience in the field in which they instruct. Our institutions have well-developed methods for hiring and training faculty, which include peer reviews of newly hired instructors by other members of the faculty, training in student instruction and grading, and teaching mentorships with more experienced faculty members.

  - ***International:*** Our recruitment standards and processes for international faculty are appropriate for the respective markets in which we operate and are consistent with and in compliance with local accreditation and regulatory requirements in these markets.

- **Standardized Programs.**

  - ***Domestic Postsecondary:*** Faculty content experts design curriculum for the majority of programs at our domestic postsecondary institutions. This enables us to offer current and relevant standardized programs to our students. We also utilize standardized tests and institution-wide systems to assess the educational outcomes of our students and improve the quality of our curriculum and instructional model. These systems evaluate the cognitive (subject matter) and affective (educational, personal and professional values) skills of our students upon registration and upon conclusion of the program, and also survey students two years after graduation in order to assess the quality of the education they received. Classes are designed to be small and engaging.

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- ***International:*** Our international institutions typically follow a course development process in which faculty members who are subject matter experts work with instructional designers to develop curriculum materials based on learning objectives provided by school academic officers. Curriculum is tailored to the relevant standards

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applicable in each local market within which we operate.

- **Benefits to Employers.** The employers of students enrolled in our programs often provide input to faculty members in designing curriculum, and class projects are based on issues relevant to the companies that employ our students. Classes are taught by faculty members, many of whom, in our domestic postsecondary institutions, are practitioners and employers who emphasize the skills desired by employers. We conduct focus groups with business professionals, students, and faculty members who provide feedback on the relevancy of course work. Our objective is to gain insight from these groups so that we can develop new courses and offer relevant subject matter that reflect the changing needs of the marketplace and prepare our students for today's workplace. In addition, the class time flexibility further benefits employers since it minimizes conflict with their employees' work schedules.

Teaching Model and Degree Programs and Services

Domestic Postsecondary

Teaching Model

The teaching/learning models used by University of Phoenix were designed specifically to meet the educational needs of working learners, who seek accessibility, curriculum consistency, time and cost-effectiveness, and learning that has immediate application to the workplace. The models are structured to enable students who are employed full-time or have other commitments to earn their degrees and still meet their personal and professional responsibilities. Our focus on working, non-traditional, non-residential students minimizes the need for capital-intensive facilities and services like dormitories, student unions, food service, personal and employment counseling, health care, sports and entertainment.

University of Phoenix has campus locations and learning centers in 40 states, the District of Columbia and Puerto Rico and offers many students the flexibility to attend both on-campus and online classes. University of Phoenix online classes employ a proprietary online learning system. All classes are small and have mandatory participation requirements for both the faculty and the students. Each class is instructionally designed so that students have learning outcomes that are consistent with the outcomes of their on-campus counterparts. All online class materials are delivered electronically.

Components of our teaching/learning models at University of Phoenix for both online and on-campus classes include:

Curriculum	Curriculum is designed by teams of academicians and practitioners to integrate academic theory and professional practice and their application to the workplace. The curriculum provides for the achievement of specified educational outcomes that are based on input from faculty, students and employers.
Faculty	All faculty applicants participate in a rigorous selection and training process. For substantially all University of Phoenix faculty positions, the faculty member must have earned a master's or doctoral degree from a regionally accredited institution or international equivalent and have recent professional experience in a field related to the relevant course. With courses designed to facilitate the application of knowledge and skills to the workplace, faculty members are able to share their professional knowledge and skills with the students.
Accessibility	Our academic programs may be accessed through a variety of delivery modes (electronically delivered, campus-based or a blend of both), which make our educational programs accessible and even portable, regardless of where the students work and live.

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Class Schedule and Active Learning Environment

Courses are designed to encourage and facilitate collaboration among students and interaction with the instructor. The curriculum requires a high level of student participation for purposes of enhancing learning and increasing the student's ability to work as part of a team. University of Phoenix students (other than associate's degree students) are enrolled in five-to-eight week courses year round and complete classes sequentially, rather than concurrently. This permits students to focus their attention and resources on one subject at a time and creates a better balance between learning and ongoing personal and professional responsibilities. In addition to attending class, University of Phoenix students (other than associate's degree students) meet weekly (online or in-person) as part of a three-to-five person learning team. Learning team sessions are an integral part of each University of Phoenix course to facilitate in-depth review of and reflection on course materials. Members work together to complete assigned group projects and develop communication and teamwork skills.

Our associate's degree students attend nine week courses, offered in complementary pairs, year-round. Students and instructors interact electronically and non-simultaneously, resulting in increased access for students by allowing them to control the time and place of their participation.

Student Education Services

Students and faculty members are provided with electronic and other learning resources for their information and research needs. Students access these services directly through the Internet or with the help of a learning resource services research librarian.

PhoenixConnect, the University's proprietary social media network, is used to support students in their academic programs. Each college has an online community manager who provides oversight and guidance with respect to college-related conversations in the network.

Academic Quality

University of Phoenix has an academic quality assessment plan that measures whether the institution meets its mission and purposes. A major component of this plan is the assessment of student learning. To assess student learning, University of Phoenix measures whether graduates meet its programmatic and learning goals. The measurement is composed of the following four ongoing and iterative steps:

- preparing an annual assessment plan for academic programs;
- preparing an annual assessment result report for academic programs, based on student learning outcomes;
- implementing improvements based on assessment results; and
- monitoring effectiveness of implemented improvements.

By achieving programmatic competencies, University of Phoenix graduates are expected to become proficient in the following areas:

- critical thinking and problem solving;
- collaboration;
- information utilization;
- communication; and
- professional competence and values.

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We have developed an assessment matrix which outlines specific learning outcomes to measure whether students are meeting University of Phoenix learning goals. Multiple methods have been identified to assess each outcome.

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Degree Programs

University of Phoenix offers degrees in the following program areas:

Associate's	Bachelor's	Master's	Doctoral
• Arts and Sciences	• Arts and Sciences		
• Business and Management	• Business and Management	• Business and Management	• Business and Management
• Criminal Justice and Security	• Criminal Justice and Security	• Criminal Justice and Security	
• Education	• Education	• Education	• Education
• Health Care	• Health Care	• Health Care	• Health Care
• Human Services	• Human Services	• Human Services	
	• Nursing	• Nursing	• Nursing
• Psychology	• Psychology	• Psychology	• Psychology
• Technology	• Technology	• Technology	• Technology

Academic Annual Report

In December 2010, University of Phoenix published its third Academic Annual Report which contains a variety of comparative performance measures related to student outcomes and university initiatives related to quality and accountability. The Academic Annual Report is available on the University of Phoenix website at www.phoenix.edu.

International

Teaching Model

Our international operations include full-time, part-time and distance learning courses for professional examination preparation, professional development training and various degree/certificate/diploma programs. Our international operations faculty members consist of both full-time and part-time professors. Instructional models include face-to-face, online and blended learning (simultaneous and non-simultaneous) methodologies.

Degree Programs and Services

Our international operations offer bachelor's, master's and doctoral degrees in a variety of degree programs and related areas of specialization, including degrees from BPP University College, which is comprised of BPP Law School and BPP Business School. Additionally, we offer training and published materials for qualifications in specific markets for accountancy (including tax), financial services, actuarial science, insolvency, human resources, marketing, management and law. We also provide professional development through continuing education training and supplemental skills courses primarily in the legal and finance industries.

Admissions Standards

Domestic Postsecondary

Undergraduate. To gain admission to undergraduate programs at University of Phoenix, students must have a high school diploma or a Certificate of General Educational Development, commonly referred to as GED, and satisfy employment requirements, if applicable, for their field of study. Applicants whose native language is not English must take and pass the Test of English as a Foreign Language, Test of English for International Communication or the Berlitz® Online English Proficiency Exam. Non-U.S. citizens attending a campus located in the U.S. are required to hold an approved visa or to have been granted permanent residency. Additional requirements may apply to individual programs or to students who are attending a specific campus. Students already in undergraduate programs at other schools may petition to be admitted to University of Phoenix on a provisional status if they do not meet certain criteria. Some programs have work requirements (e.g., nursing) such that students must have a certain amount of experience in given areas in order to be admitted. These vary by program, and not all programs have them.

In addition to the above requirements, we require all prospective University of Phoenix associate's and bachelor's students with fewer than 24 incoming credits to participate in University Orientation. This program is a free, three-week orientation designed to help inexperienced prospective students better understand the time commitments and rigors of higher education prior to enrollment. Students practice using the University of Phoenix learning system, learn techniques to be successful in college, and identify useful university services and resources.

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Master's. To gain admission to master's programs at University of Phoenix, students must have an undergraduate degree from a regionally or nationally accredited college or university, satisfy the minimum grade point average requirement, and have

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relevant work and employment experience, if applicable for their field of study. Applicants whose native language is not English must take and pass the Test of English as a Foreign Language, Test of English for International Communication or the Berlitz® Online English Proficiency Exam. Non-U.S. citizens attending a campus located in the U.S. are required to hold an approved visa or have been granted permanent residency. Additional requirements may apply to individual programs or to students who are attending a specific campus.

Doctoral. To gain admission to doctoral programs at University of Phoenix, students must generally have a master's degree from a regionally accredited college or university, satisfy the minimum grade point average requirement, satisfy employment requirements as appropriate to the program applied for, have a laptop computer and have membership in a research library. Applicants whose native language is not English must take and pass the Test of English as a Foreign Language, Test of English for International Communication or the Berlitz® Online English Proficiency Exam.

The admission requirements for our other domestic institutions are similar to those detailed above and may vary depending on the respective program.

International

In general, postsecondary students in our international institutions must have obtained a high school or equivalent diploma from an approved school. Other requirements apply for graduate and other programs. Admissions requirements for our international institutions are appropriate for the respective markets in which we operate.

Students

University of Phoenix Degreed Enrollment

University of Phoenix Degreed Enrollment for the quarter ended August 31, 2011 was 380,800. See *Overview* above for a description of the manner in which we calculate Degreed Enrollment. The following table details Degreed Enrollment for the respective periods:

	Quarter Ended August 31,		%
(Rounded to the nearest hundred)	2011	2010	Change
Associate's	136,300	200,800	(32.1)%
Bachelor's	183,100	193,600	(5.4)%
Master's	54,000	68,700	(21.4)%
Doctoral	7,400	7,700	(3.9)%
Total	380,800	470,800	(19.1)%

The following chart details quarterly Degreed Enrollment by degree type for the respective periods:

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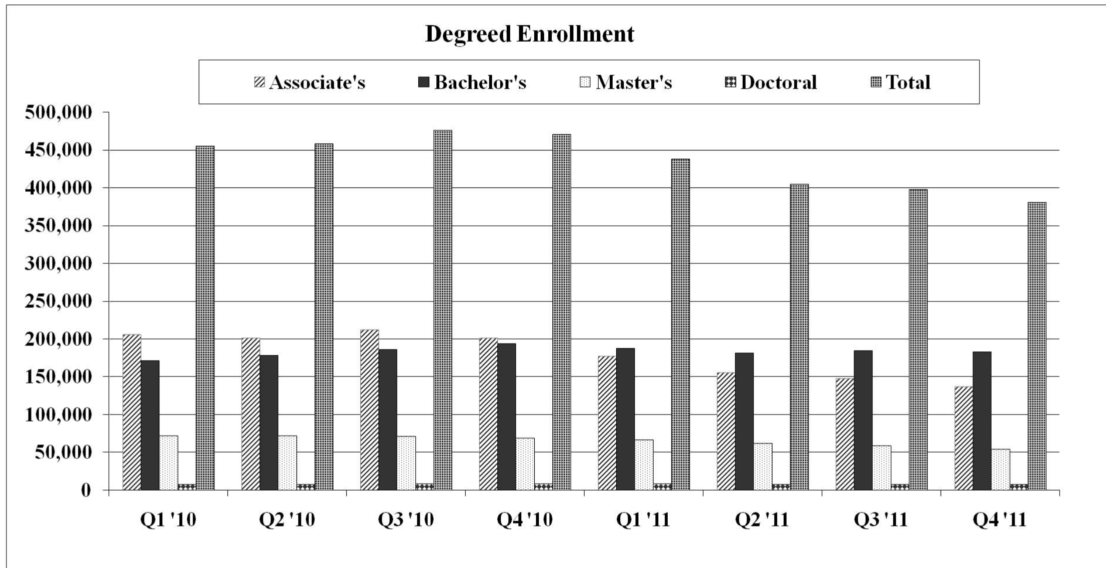

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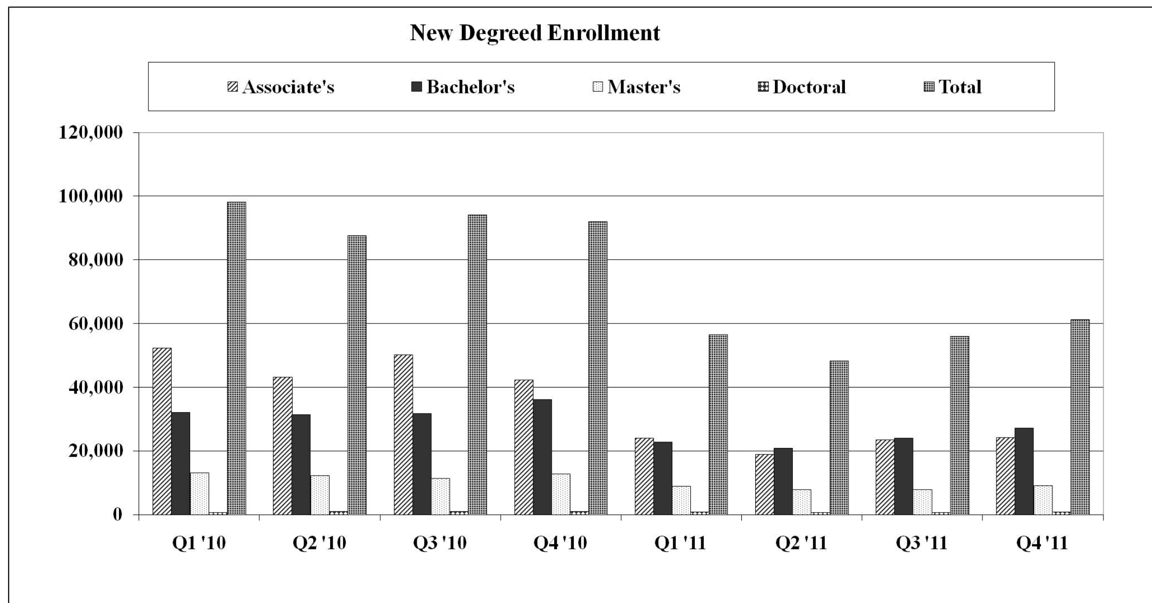
University of Phoenix New Degreed Enrollment

University of Phoenix aggregate New Degreed Enrollment for fiscal year 2011 was 221,900. See *Overview* above for a description of the manner in which we calculate New Degreed Enrollment. The following table details University of Phoenix aggregate New Degreed Enrollment for the respective fiscal years:

	Year Ended August 31,		%
(Rounded to the nearest hundred)	**2011**	**2010**	**Change**
Associate's	90,500	187,700	(51.8)%
Bachelor's	94,900	131,300	(27.7)%
Master's	33,600	49,300	(31.8)%
Doctoral	2,900	3,400	(14.7)%
Total	221,900	371,700	(40.3)%

The following chart details quarterly New Degreed Enrollment by degree type for the respective periods:



University of Phoenix Student Demographics

We have a diverse student population. The following tables show the relative demographic characteristics of the students attending University of Phoenix courses in our fiscal years 2011 and 2010:

Gender	**2011**	**2010**
Female	67.7%	67.7%
Male	32.3%	32.3%
	100.0%	**100.0%**

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Race/Ethnicity[1]	2011	2010
African-American	28.0%	28.1%
Asian/Pacific Islander	3.2%	3.3%
Caucasian	50.7%	51.9%
Hispanic	12.4%	11.6%
Native American/Alaskan	1.2%	1.2%
Other/Unknown	4.5%	3.9%
	100.0%	**100.0%**

(1) Based on voluntary reporting by students. For 2011 and 2010, 68% and 66%, respectively, of the students attending University of Phoenix courses provided this information.

Age[1]	2011	2010
22 and under	12.3%	12.1%
23 to 29	32.0%	32.6%
30 to 39	32.8%	32.7%
40 to 49	16.4%	16.2%
50 and over	6.5%	6.4%
	100.0%	**100.0%**

(1) Based on students included in New Degreed Enrollment.

Marketing

While there is intense demand by working learners for a quality education, not everyone realizes that there is an option to get a degree while maintaining a job, a family and other life responsibilities. We engage in a broad range of advertising and marketing activities to educate potential students about our teaching/learning model and programs, including but not limited to online, broadcast, outdoor, print and direct mail. We are focused on enhancing our brand perception and utilizing our different communication channels to attract students who are more likely to persist in our programs. Our marketing informs and educates students of the options they have in higher learning.

Brand

Brand advertising is intended to increase potential students' understanding of our academic quality, innovations in 21st century post-secondary education, commitment to service, academic outcomes and achievements of our academic community. Our brand is advertised primarily through national and regional broadcast, radio and print media. Brand advertising also serves to expand the addressable market and establish brand recognition and familiarity with our schools, colleges and programs on both a national and a local basis.

Internet

Prospective students are identifying their education opportunities online through search engines, information and social network sites, various education portals on the Internet and school-specific sites such as our own phoenix.edu. We advertise on the Internet using search engine keywords, banners, and custom advertising placements on targeted sites, such as education portals, career sites, and industry-specific websites. Our focused and selective Internet and non-Internet advertising activities have improved our identification of students who have the ability to succeed in our educational programs. Our website, phoenix.edu, provides prospective students with relevant information about University of Phoenix.

We intend to continue to employ the unique qualities of the Internet and its emerging technologies to enhance our brand among prospective students, and to improve our ability to deliver relevant messages to satisfy prospective students' specific needs and requirements. New media technologies that we have begun to use to communicate with our current and prospective students include online social networks and emerging video advertising.

Sponsorships and Other

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We build our presence in communities through sponsorships, advertising and event marketing to support specific activities, including local and national career events, academic lecture series, workshops focused on trends in the 21st century economy and symposiums regarding the future of education in America. In addition, we utilize direct mail to expand our local presence

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by targeting individuals in specific career fields in which we offer programs and degrees.

Relationships with Employers and Community Colleges

We work closely with businesses and governmental agencies to meet their specific educational and training needs either by modifying existing programs or, in some cases, by developing customized programs. These programs are often held at the employers' offices or on site at select military bases. University of Phoenix has formed educational partnerships with various corporations to provide programs specifically designed for their employees. BPP enrolls the majority of its students through relationships with employers. We consider the employers that provide tuition assistance to their employees through tuition reimbursement plans or direct bill arrangements to be our secondary customers.

The University of Phoenix Community College Center of Excellence partners with community colleges across the U.S. to connect associate's degree students at community colleges with University of Phoenix bachelor's degree programs. By leveraging relevant curriculum from both University of Phoenix and community colleges, the Center of Excellence works with community colleges to provide students with a course of study relevant to employers.

The Phoenix Prep Center

The Phoenix Prep Center serves prospective students by providing tools, information, and resources that answer key questions and concerns for prospective students, including tests to assess a potential student's academic abilities and readiness to pursue higher education, a tuition calculator and information on careers.

Competition

Domestic Postsecondary

The higher education industry is highly fragmented with no single private or public institution enjoying a significant market share. We compete primarily with traditional four and two-year degree-granting public and private regionally accredited colleges and universities. University of Phoenix acknowledges the differences in educational needs between working learners and conventional, full-time students and provides programs and services that allow students to earn their degrees without major disruption to their personal and professional lives.

An increasing number of colleges and universities enroll working learners in addition to conventional, full-time students, and we expect that these colleges and universities will continue to modify their existing programs to serve working learners more effectively, including by offering more distance learning programs. There has also been increased competition in the proprietary sector. We believe that the primary factors on which we compete are the following:

- active and relevant curriculum development that considers the needs of employers;
- the ability to provide flexible and convenient access to programs and classes;
- reliable and high-quality products and services;
- comprehensive student support services;
- differentiation of student services such as University Orientation and academic social networking;
- breadth of programs offered;
- the time necessary to earn a degree;
- qualified and experienced faculty;
- reputation of the institution and its programs;
- relationships with employers and community colleges;
- the variety of geographic locations of campuses;
- cost of programs; and
- size of alumni network.

In our offerings of non-degree programs, we compete with a variety of business and information technology providers, primarily those in the proprietary training sector. Many of these competitors have significantly more market share in given geographical regions and longer-term relationships with key employers of potential students.

International

Competitive factors for our international schools vary by country and generally include the following:

- breadth of programs offered;
- active and relevant curriculum development that considers the needs of employers; and

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- reputation of programs and classes.

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Employees

We believe that our employee relations are satisfactory. As of August 31, 2011, we had the following employees:

	Non-Faculty		
	Full-Time	Part-Time	Faculty[1]
University of Phoenix	14,050	55	35,093
Apollo Global:			
BPP	837	194	629
Other	1,166	—	1,880
Total Apollo Global	2,003	194	2,509
Other Schools	445	6	55
Corporate[2]	2,315	18	—
Total	**18,813**	**273**	**37,657**

(1) Includes both Full-Time and Part-Time faculty. Also includes 1,208 employees included in Non-Faculty who serve in both roles.

(2) Consists primarily of employees in executive management, information systems, accounting and finance, financial aid, marketing and corporate human resources.

Accreditation and Jurisdictional Authorizations

Domestic Postsecondary

Accreditation

University of Phoenix is regionally accredited, which provides the following:

- recognition and acceptance by employers, other higher education institutions and governmental entities of the degrees and credits earned by students;
- qualification to participate in Title IV programs (in combination with state higher education operating and degree granting authority); and
- qualification for authority to operate in certain states.

Regional accreditation is accepted nationally as the basis for the recognition of earned credit and degrees for academic purposes, employment, professional licensure and, in some states, authorization to operate as a degree-granting institution. Under the terms of a reciprocity agreement among the six regional accrediting associations, including the Higher Learning Commission ("HLC") of the North Central Association of Colleges and Schools, which is the primary accrediting association of University of Phoenix, representatives of each region in which a regionally accredited institution operates may participate in the evaluations for reaffirmation of accreditation of that institution by its accrediting association.

In August 2010, University of Phoenix received a letter from HLC requiring University of Phoenix to provide certain information and evidence of compliance with HLC accreditation standards. The letter related to the August 2010 report published by the U.S. Government Accountability Office ("GAO") of its undercover investigation into the enrollment and recruiting practices of a number of proprietary institutions of higher education, including University of Phoenix. We submitted the response to HLC in September 2010 and subsequently responded to further requests for information. In July 2011, HLC informed University of Phoenix that the Special Committee formed to review this matter had completed its work, concluding that based on its limited review, it found no apparent evidence of systematic misrepresentations to students or that University of Phoenix's procedures in the areas of recruiting, financial aid and admissions are significantly inadequate or inappropriate. These were the areas on which HLC's review was focused. HLC also stated that there remain significant questions as well as areas that University of Phoenix should work on improving. HLC indicated that these will be reviewed by the comprehensive evaluation team at its previously scheduled visit beginning in March 2012, which is its next comprehensive evaluation visit. These questions relate to: student loans in collection and the minimization of student loan defaults; the offering of limited career services particularly in relation to associate programs; timing of prospective student access to financial aid advisors during the recruiting process; academic qualifications of admissions personnel and financial aid advisors; the

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hiring and evaluation of financial aid officers; retention of students, including the relationship of remediation to retention; and the role of the University of Phoenix First Year Sequence, or curriculum, in relation to University of Phoenix's transfer policy and impacts on student retention. See Part I, Item 1A, *Risk Factors - Risks Related to the Highly Regulated Industry in Which We Operate - If we fail to maintain our institutional accreditation or if our institutional accrediting body loses recognition by the U.S.*

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Department of Education, we could lose our ability to participate in Title IV programs, which would materially and adversely affect our business.

Accreditation information for University of Phoenix and applicable programs is described in the chart below:

Institution/Program	Accrediting Body (Year Accredited)	Status
University of Phoenix	— The Higher Learning Commission of the North Central Association of Colleges and Schools (1978, reaffirmed in 1982, 1987, 1992, 1997, and 2002)	— Next comprehensive evaluation visit by The Higher Learning Commission is scheduled to be conducted in 2012. — North Central Association of Colleges and Schools may require focused visits between comprehensive visits as part of the normal and continuing relationship.
— Business programs	— Association of Collegiate Business Schools and Programs (2007)	— Reaffirmation visit expected in 2017.
— Bachelor of Science in Nursing	— Commission on Collegiate Nursing Education (2005) — Previously accredited by National League for Nursing Accrediting Commission from 1989 to 2005	— Reaffirmation visit expected in 2020.
— Master of Science in Nursing	— Commission on Collegiate Nursing Education (2005) — Previously accredited by National League for Nursing Accrediting Commission from 1996 to 2005	— Reaffirmation visit expected in 2020.
— Master of Counseling in Community Counseling (Phoenix and Tucson, Arizona campuses)	— Council for Accreditation of Counseling and Related Educational Programs (1995, reaffirmed in 2002 and 2010)	— Reaffirmation visit expected in 2012.
— Master of Counseling in Mental Health Counseling (Salt Lake City, Utah campus)	— Council for Accreditation of Counseling and Related Educational Programs (2001, reaffirmed in 2010)	— Reaffirmation visit expected in 2012.
— Master of Arts in Education with options in Elementary Teacher Education and Secondary Teacher Education	— Teacher Education Accreditation Council (reaccredited in 2007)	— Reaccreditation due in 2012.

Our other domestic institutions maintain the requisite accreditations for their respective operations.

Jurisdictional Authorizations

In addition to accreditation by independent accrediting bodies, our schools must be authorized to operate by the appropriate regulatory authorities in many of the jurisdictions in which they operate.

In the U.S., institutions that participate in Title IV programs must be authorized to operate by the appropriate postsecondary regulatory authority in each state where the institution has a physical presence. Prior to July 1, 2011, such authorization was not required if the institution was exempt from such regulatory authorization, usually based on recognized accreditation. University of Phoenix is specifically authorized to operate and has a physical presence in 36 states, Puerto Rico and the District of Columbia. In an additional four states, including California, University of Phoenix has a physical presence and is qualified to operate through June 30, 2012 without specific state regulatory approval due to available state exemptions and annual waivers from the U.S. Department of Education. Under the new program integrity rules adopted by the Department effective July 1, 2011, we are required to obtain specific regulatory approval by June 30, 2012, or to seek a further annual waiver from the Department through June 30, 2013 to operate in California, Colorado, Hawaii and New Mexico. Each of these states now must adopt additional statutes or regulations in order to comply with the new regulations adopted by the Department in order for us and other institutions to remain eligible for Title IV funds in respect of operations within the states. We have no assurance that these states will be willing or able to adopt such additional statutes or regulations or that we will be able to complete the approval process in those states in order to obtain specific state regulatory approval.

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In order to obtain annual waivers that could allow us to operate without specific state approval through July 1, 2013, University of Phoenix must have a supporting letter from each such state and file a request for an annual waiver to be considered by the U.S. Department of Education. We have obtained such supporting letters in each of the four states noted above and have filed a request for an annual waiver through July 1, 2012 with the Department. On August 22, 2011, the U.S. Department of Education issued electronic guidance

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indicating that as long as University of Phoenix has such supporting letters, no specific approval of the annual waiver from the Department is required, and that the Department will not require additional approvals through June 30, 2012. If we cannot obtain an additional annual waiver for the period July 1, 2012 through June 30, 2013 in those states in which we operate without specific state regulatory approval, and are thereafter unable to obtain the requisite approvals, our business could be adversely impacted, particularly in California, the state in which we conduct the most business by revenue. As a result, the manner in which the Department's final regulation will apply to our business in these states, and the impact of such regulation on our business, is uncertain. If we are unable to operate in California in a manner that would preserve Title IV eligibility for our students, our business would be materially and adversely impacted.

All regionally accredited institutions, including University of Phoenix, are required to be evaluated separately for authorization to operate in Puerto Rico. University of Phoenix has obtained authorization from the Puerto Rico Commission on Higher Education, and that authorization remains in effect.

Some states assert authority to regulate all degree-granting institutions if their educational programs are available to their residents, whether or not the institutions maintain a physical presence within those states. University of Phoenix and Western International University have obtained licensure in states which require such licensure and where students are enrolled.

Our other domestic institutions maintain the requisite authorizations in the jurisdictions in which they operate.

International

Our international schools must be authorized by the relevant regulatory authorities under applicable local law, which in some cases requires accreditation, as described in the chart below:

School	Accrediting Body	Operational Authority
BPP	— BPP Professional Education and BPP University College of Professional Studies operate under a number of professional body accreditations to offer training towards professional body certifications — BPP has additional accreditations by country and/or program as necessary	— The Privy Council for the United Kingdom has designated BPP University College of Professional Studies Limited as an awarding body for qualifications (including degrees) in the United Kingdom. — BPP University College of Professional Studies' reauthorization will be due when its current authority expires in August 2013.
WIU	— The Higher Learning Commission of the North Central Association of Colleges and Schools since 1984 — Reaffirmation visit expected in 2012	— Arizona State Board for Private Postsecondary Education.
UNIACC	— Council for Higher Education (Consejo Superior de Educación) — National Commission on Accreditation (Comisión Nacional de Acreditación)	— Chilean Ministry of Education (Ministerio de Educación de Chile). — Reaccreditation due in 2011. Review has been conducted; report pending.
ULA	— Federation of Private Mexican Institutions of Higher Education (Federación de Instituciones Mexicanas Particulares de Educación Superior)	— Mexico's Ministry of Public Education (Secretaria de Educación Pública). — Ministry of Education of the State of Morelos (Secretaria de Educación del Estado de Morelos). — National Autonomous University of Mexico (Universidad Nacional Autónoma de México).

Financial Aid Programs

Domestic Postsecondary

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The Higher Education Act of 1965 and the related regulations govern all higher education institutions participating in U.S. Title IV federal financial aid programs. In August 2008, the Higher Education Act was reauthorized through September 30, 2013 by the Higher Education Opportunity Act. Financial aid under Title IV of the Higher Education Act, as reauthorized (which we refer to generally as Title IV), is awarded every academic year to eligible students. Certain types of U.S. federal student aid are awarded on the basis of financial need, generally defined as the difference between the cost of attending an educational institution and the amount the student and/or the student's family, as the case may be, can reasonably be expected to contribute to that cost. The amount of financial aid awarded to a student per academic year is based on many

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factors, including, but not limited to, program of study, grade level, Title IV annual loan limits, and financial need. We have substantially no control over the amount of Title IV student loans or grants sought by or awarded to our students. All recipients of Title IV program funds must maintain satisfactory academic progress within the guidelines published by the U.S. Department of Education.

We collected the substantial majority of our fiscal year 2011 total consolidated net revenue from receipt of Title IV financial aid program funds, principally from federal student loans and Pell Grants. University of Phoenix represented 91% of our fiscal year 2011 total consolidated net revenue and University of Phoenix generated 86% of its cash basis revenue for eligible tuition and fees during fiscal year 2011 from the receipt of Title IV financial aid program funds, as calculated under the 90/10 Rule described below.

Student loans are currently the most significant source of U.S. federal student aid and are administered through the Federal Direct Loan Program. Annual and aggregate loan limits apply based on the student's grade level. There are two types of federal student loans: subsidized loans, which are based on the U.S. federal statutory calculation of student need, and unsubsidized loans, which are not based on student need. Neither type of student loan is based on creditworthiness. Students are not responsible for interest on subsidized loans while the student is enrolled in school. Students are responsible for the interest on unsubsidized loans while enrolled in school, but have the option to defer payment while enrolled. Repayment on federal student loans begins six months after the date the student ceases to be enrolled. The loans are repayable over the course of 10 years and, in some cases, longer. Both graduate and undergraduate students are eligible for loans. During fiscal year 2011, federal student loans (both subsidized and unsubsidized) represented approximately 76% of the gross Title IV funds received by University of Phoenix.

Federal Pell Grants are awarded based on need and only to undergraduate students who have not earned a bachelor's or professional degree. Unlike loans, Pell Grants do not have to be repaid. During fiscal year 2011, Pell Grants represented approximately 23% of the gross Title IV funds received by University of Phoenix. The eligibility for and maximum amount of Pell Grants have increased over recent years. Since the 2006-2007 award year, the maximum annual Pell Grant award has increased from $4,050 to $5,550.

In April 2011, President Obama signed the fiscal year 2011 spending bill, also known as the Continuing Resolution, which permanently eliminated year-round Pell Grant awards beginning with the 2011-2012 award year. The Continuing Resolution maintains the $5,550 maximum annual Pell Grant for the 2011-2012 award year. However, because the federal Pell Grant program is one of the largest non-defense discretionary spending programs in the federal budget, it is a target for reduction as Congress addresses the budget deficit. A reduction in the maximum annual Pell Grant amount or changes in eligibility could result in increased student borrowing, which would make it more difficult for us to comply with other important regulatory requirements, and could negatively impact enrollment. See Part I, Item 1A, *Risk Factors- Risks Related to the Highly Regulated Industry in Which We Operate - Action by the U.S. Congress to revise the laws governing the federal student financial aid programs or reduce funding for those programs could reduce our student population and increase our costs of operation*.

In August 2011, President Obama signed into law the Budget Control Act of 2011, which provides for an increase in the federal government borrowing limit and spending reductions in two phases. The first phase imposes various spending cuts, including the elimination of the partial in-school interest subsidy for graduate student loans beginning July 1, 2012. The cost of borrowing will increase for graduate students who defer payment of interest while enrolled, which could adversely impact enrollment. The second phase requires a bipartisan, joint Congressional committee to develop legislation to achieve future deficit reduction, which must be voted on by December 23, 2011. The outcome of this process is highly uncertain. If the committee does not achieve the required level of deficit reduction, an across-the-board cutting mechanism known as sequestration will take effect beginning with the federal fiscal year 2013. Although the Pell Grant program currently is exempt from the sequestration process, other federal programs and services that could impact our business would be included. See Part I, Item 1A, *Risk Factors- Risks Related to the Highly Regulated Industry in Which We Operate - Action by the U.S. Congress to revise the laws governing the federal student financial aid programs or reduce funding for those programs could reduce our student population and increase our costs of operation*.

The remaining funding for tuition and other fees for our students primarily consists of state-funded student financial aid, tuition assistance for military personnel, including veterans, tuition assistance from employers and personal funds. Economic uncertainty over recent years has reduced the availability of state-funded student financial aid as many states face historic budget shortfalls. These reductions may reduce our enrollment and, to the extent that Title IV funds replace any state funding sources for our students, may adversely impact our 90/10 Rule percentage. In addition, a reduction in military funding or a change in the way such funding is treated for purposes of the 90/10 Rule may adversely impact our 90/10 Rule percentage, and may negatively impact enrollment. See Part I, Item 1A, *Risk Factors- Risks Related to the Highly Regulated Industry in Which We Operate - Action by the U.S. Congress to revise the laws governing the federal student financial aid programs or reduce funding for those programs could reduce our student population and increase our costs of operation*.

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International

Government financial aid funding for students enrolled in our international institutions has not been widely available historically.

Regulatory Environment

Domestic Postsecondary

Our domestic postsecondary operations are subject to significant regulations. Changes in or new interpretations of applicable laws, rules, or regulations could have a material adverse effect on our eligibility to participate in Title IV programs, accreditation, authorization to operate in various states, permissible activities, and operating costs. The failure to maintain or renew any required regulatory approvals, accreditation, or state authorizations could have a material adverse effect on us. See Part I, Item 1A, *Risk Factors* for further discussion.

The Higher Education Act, as reauthorized, and the related regulations govern all higher education institutions participating in Title IV financial aid programs, and provide for a regulatory triad by mandating specific regulatory responsibilities for each of the following:

- the accrediting agencies recognized by the U.S. Department of Education;
- the federal government through the U.S. Department of Education; and
- state higher education regulatory bodies.

To be eligible to participate in Title IV programs, a postsecondary institution must be accredited by an accrediting body recognized by the U.S. Department of Education and must comply with the Higher Education Act, as reauthorized, and all applicable regulations thereunder. We have summarized below recent material activity in the regulatory environment and the most significant regulatory requirements applicable to our domestic postsecondary operations.

U.S. Department of Education Rulemaking Initiative. In November 2009, the U.S. Department of Education convened two new negotiated rulemaking teams related to Title IV program integrity issues and foreign school issues. The resulting program integrity rules promulgated in October 2010 and June 2011 address numerous topics. The most significant for our business are the following:

- Modification of the standards relating to the payment of incentive compensation to employees involved in student recruitment and enrollment;
- Implementation of standards for state authorization of institutions of higher education;
- Adoption of a definition of "gainful employment" for purposes of the requirement for Title IV student financial aid that a program of study offered by a proprietary institution prepare students for gainful employment in a recognized occupation; and
- Expansion of the definition of misrepresentation, relating to the Department's authority under the Higher Education Act, as reauthorized, to suspend or terminate an institution's participation in Title IV programs if the institution engages in substantial misrepresentation of the nature of its educational program, its financial charges, or the employability of graduates, and expansion of the sanctions that the Department may impose for engaging in a substantial misrepresentation.

The Department published final program integrity regulations in October 2010, with most of the final rules effective July 1, 2011, including some reporting and disclosure rules related to gainful employment. On June 13, 2011, the Department published final regulations, effective July 1, 2012, on the metrics for determining whether an academic program prepares students for gainful employment, as discussed further below.

The program integrity rules require a large number of reporting and operational changes. We believe we have substantially complied with the new reporting and disclosure requirements that were effective July 1, 2011, and we expect to be in substantial compliance with the remaining requirements by the respective effective dates. However, because of the significance of the changes and the scale and complexity of our educational programs, we may be unable to fully develop, test and implement all of the necessary modifications to our information management systems and administrative processes by the required dates. We may be subject to administrative or other sanctions if we are unable to comply with these reporting and disclosure requirements on a timely basis. In addition, these changes, individually or in combination, may impact our student enrollment, persistence and retention in ways that we cannot now predict.

On May 5, 2011, the Department announced its intention to establish additional negotiated rulemaking committees to prepare proposed regulations under the Higher Education Act, as reauthorized. Three public hearings were conducted in May 2011 at which interested parties suggested issues that should be considered for action by the negotiating committees. The Department also conducted roundtable discussions to inform policy in the areas of teacher preparation and college completion. More information can be found at http://www2.ed.gov/policy/highered/reg/hearulemaking/2011/index.html.

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On September 27, 2011, the Department published a Notice of Proposed Rulemaking ("NPRM") to amend the regulations for institutional eligibility under the Higher Education Act, as reauthorized, and to streamline the application and approval process for new programs, as required by the October 2010 rules on gainful employment. After the public comment period ends on November 14, 2011, the Department will review and consider responses to the NPRM before publishing final regulations that would be effective by July 2013.

See Part I, Item 1A, *Risk Factors - Risks Related to the Highly Regulated Industry in Which We Operate - Rulemaking by the U.S. Department of Education could materially and adversely affect our business.*

Incentive Compensation. A school participating in Title IV programs may not pay any commission, bonus or other incentive payments to any person involved in student recruitment or admissions or awarding of Title IV program funds, if such payments are based in any part directly or indirectly on success in enrolling students or obtaining student financial aid. The law and regulations governing this requirement do not establish clear criteria for compliance in all circumstances. Previously, there were twelve safe harbors that defined specific types of compensation that were deemed to constitute permissible incentive compensation. Prior to the effective date of the new program integrity regulations, we relied on several of these safe harbors to ensure that our compensation and recruitment practices complied with the applicable requirements.

In the final regulations adopted by the Department, the twelve safe harbors were eliminated and, in lieu of the safe harbors, some of the relevant concepts relating to the incentive compensation limitations are defined. These changes increase the uncertainty about what constitutes incentive compensation and which employees are covered by the regulation. This makes the development of effective and compliant performance metrics more difficult to establish. In response to the Department's concern about the impact of compensation structures that relied on the safe harbors and in order to enhance the admissions process for our students, we developed a new structure, which we believe complies with the Department's new rule, and implemented it on a broad scale during the first quarter of fiscal year 2011. In connection with this, we eliminated enrollment results as a component of compensation for our admissions personnel effective September 1, 2010.

This change in our approach to recruiting, which among other things reduces the emphasis on enrollment and increases the emphasis on improving the student experience, has adversely impacted our enrollment rates and increased our operating costs. We believe this change is consistent with our on-going efforts to lead the industry in addressing the concerns of the Department and others, including members of Congress, about admissions practices in the proprietary sector. We anticipate that this increased cost and the impact on our revenue from reduced enrollment will be offset partly by the benefits realized from improved student retention. However, we are not able to precisely predict the impact.

The elimination of the twelve safe harbors also affected the manner in which we conduct our IPD business. Our IPD business previously utilized a revenue sharing model with its client institutions, which was expressly permitted under one of the twelve incentive compensation safe harbors. We have modified this economic model to comply with the rules effective July 1, 2011, which among other things, has required changes to existing customer contracts and caused certain customers to choose to discontinue their arrangement with IPD, which has adversely impacted IPD's financial results. We believe our modifications to IPD's economic model comply with the Department's new rule. IPD's net revenue and operating income represented less than 2% of our consolidated net revenue and operating income in fiscal year 2011.

State Authorization. In the U.S., institutions that participate in Title IV programs must be authorized to operate by the appropriate postsecondary regulatory authority in each state where the institution has a physical presence. Prior to July 1, 2011, such authorization was not required if the institution was exempt from such regulatory authorization, usually based on recognized accreditation. University of Phoenix is specifically authorized to operate and has a physical presence in 36 states, Puerto Rico and the District of Columbia. In an additional four states, including California, University of Phoenix has a physical presence and is qualified to operate through June 30, 2012 without specific state regulatory approval due to available state exemptions and annual waivers from the U.S. Department of Education. Under the new program integrity rules adopted by the Department effective July 1, 2011, we are required to seek and obtain specific regulatory approval by June 30, 2012, or to seek a further annual waiver from the Department through June 30, 2013 to operate in California, Colorado, Hawaii and New Mexico. Each of these states now must adopt additional statutes or regulations in order to comply with the new regulations adopted by the Department in order for us and other institutions to remain eligible for Title IV funds in respect of operations within the states. We have no assurance that these states will be willing or able to adopt such additional statutes or regulations or that we will be able to complete the approval process in those states in order to obtain specific state regulatory approval. In order to obtain annual waivers that could allow us to operate without specific state approval through July 1, 2013, University of Phoenix must have a supporting letter from each such state and file a request for an annual waiver to be considered by the U.S. Department of Education. We have obtained such supporting letters in each of the four states noted above and have filed a request for an annual waiver through July 1, 2012 with the Department. On August 22, 2011, the U.S. Department of Education issued electronic guidance indicating that as long as University of Phoenix has such supporting letters, no specific approval of the annual waiver from the

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Department is required, and that the Department will not require additional approvals through June 30, 2012. If we cannot obtain an additional annual waiver for the period July 1, 2012 through June 30, 2013 in those states in

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which we operate without specific state regulatory approval, and are thereafter unable to obtain the requisite approvals, our business could be adversely impacted, particularly in California, the state in which we conduct the most business by revenue. As a result, the manner in which the Department's final regulation will apply to our business in these states, and the impact of such regulation on our business, is uncertain. If we are unable to operate in California in a manner that would preserve Title IV eligibility for our students, our business would be materially and adversely impacted.

Gainful Employment. Under the Higher Education Act, as reauthorized, proprietary schools are eligible to participate in Title IV programs only in respect of educational programs that lead to "gainful employment in a recognized occupation." Historically, this concept has not been defined in detailed regulations. On October 29, 2010 and June 13, 2011, the Department published final regulations on gainful employment. Under these rules, beginning July 1, 2011, proprietary institutions of higher education and public or not-for profit institutions offering postsecondary non-degree programs must provide prospective students with each eligible program's recognized occupations, cost, completion rate, job placement rate, and median loan debt of program completers. Beginning October 1, 2011, institutions must annually submit information to the Department about students who complete a program leading to gainful employment in a recognized occupation, including the amount of debt incurred under private loans or institutional finance plans, matriculation information, and end of year enrollment information. Additionally, institutions must notify the Department at least 90 days before the commencement of new educational programs leading to gainful employment in recognized occupations. This notification must include information on the demand for the program, a wage analysis, an institutional program review and approval process, and a demonstration of accreditation. Unless the Department, in its discretion, requires approval for new programs, a school is not required to obtain formal Department approval if the notification is submitted on a timely basis. If such approval is required, an alert notice will be sent to the school at least 30 days before the first day of class with a request for additional information. If a new program is denied, the Department will explain how the program failed and provide an opportunity for the school to respond or request reconsideration.

The final gainful employment rules also define – for the first time – the standards that will be used to measure "preparation for gainful employment." The rules establish three annual standards related to student loan borrowing by which gainful employment will be measured, effective July 1, 2012:

1. Annual loan repayment rate, which assesses whether the federal student loan debt incurred by the applicable cohort of borrowers to attend the program is being repaid at a rate that implies gainful employment. Generally, the annual loan repayment rate for an academic program is the percentage of student loans incurred to fund the costs of a program that are in satisfactory repayment status three to four years after entering repayment. Rates are calculated on a federal fiscal year basis. The repayment rate must be at least 35%. Institutions can challenge the repayment rate data using a process similar to one used to challenge cohort default rates, which are discussed below.

2. Discretionary income threshold, which determines whether the annual repayment required on total student loan debt of students who completed an academic program is reasonable compared to their discretionary income. For purposes of determining the annual loan repayment, the Department will use the lesser of the amount of student loan debt incurred by the student or the total amount of tuition and fees the institution charged the student for enrollment in all programs at the institution, if tuition and fee information is provided by the institution. The median annual loan payment amount for the applicable cohort of students (calculated as described below) may not be greater than 30% of the greater of their average or median discretionary income. Discretionary income is the annual earnings of a program completer minus 150% of the U.S. Department of Health and Human Services (HHS) poverty guideline for a single person. Like the repayment rate, the debt-to-discretionary income ratio examines students in their third or fourth year after graduation, calculated on a federal fiscal year basis.

3. Actual earnings threshold, which determines whether the annual repayment required on total student loan debt of students who completed an academic program is reasonable when compared to their actual annual earnings. For purposes of determining the annual loan repayment, the Department will use the lesser of the amount of student loan debt incurred by the student or the total amount of tuition and fees the institution charged the student for enrollment in all programs at the institution, if tuition and fee information is provided by the institution. The median annual loan payment amount for the applicable cohort of students (calculated as described below) may not be greater than 12% of the greater of their average or median annual earnings. Like the repayment rate, the debt-to-total earnings ratio examines students in their third or fourth year after graduation, calculated on a federal fiscal year basis.

An academic program that passes any one standard for a given year is considered to be preparing students for gainful employment. If an academic program fails all three metrics for a given year, the institution will have the opportunity to improve the performance of that program. After one failure, the institution must disclose the amount by which the program missed the minimal acceptable performance and the program's plan for improvement. After two failures within three years, the institution must inform students in the failing program that their debts may be unaffordable, that the program may lose eligibility, and what transfer options exist. After three failures within four years, the academic program loses eligibility to participate in

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Title IV programs for at least three years, although the program could be continued without federal student aid. If a particular program ceased to be eligible for Title IV funding, in most cases it would not be practical to continue offering that program under our current business model.

The annual loan repayment amounts for the debt-to-earnings ratios is derived by determining the median loan debt of the applicable cohort of students who completed the program, and includes federal student loans, private loans, and debt obligations arising from institutional financing plans. The payment amounts are calculated on the basis of the interest rate then charged on federal direct unsubsidized student loans and the following amortization terms:

- 10 years for programs that lead to an undergraduate or post-baccalaureate certificate or to an associate's degree;
- 15 years for programs that lead to a bachelor's or master's degree;
- 20 years for programs that lead to a doctoral or first-professional degree.

The gainful employment standards will be calculated on a fiscal year basis beginning with federal fiscal year 2012. The first year for which eligibility could be lost for a program is 2015, which would occur if the program fails all three standards for each of 2012, 2013 and 2014. For that first year of potential ineligibility, however, the Department will limit the number of programs subject to loss of eligibility to five percent of each institutional category (public, private nonprofit, and proprietary), taking into account the lowest repayment rates and the numbers of students impacted. We believe substantially all of our academic programs currently prepare students for gainful employment measured in the manner set forth in the final gainful employment regulations for purposes of continued eligibility to participate in federal student financial aid programs.

The above description of the proposed gainful employment rules is qualified in its entirety by the text of the final rules and other information found at http://ifap.ed.gov/GainfulEmploymentInfo/index.html.

See Part I, Item 1A, *Risk Factors - Risks Related to the Highly Regulated Industry in Which We Operate - Rulemaking by the U.S. Department of Education could materially and adversely affect our business.*

Substantial Misrepresentation. The Higher Education Act prohibits an institution that participates in Title IV programs from engaging in "substantial misrepresentation" of the nature of its educational program, its financial charges, or the employability of its graduates. The U.S. Department of Education's program integrity regulations effective July 1, 2011 expand the definition of misrepresentation and expand the sanctions that the Department may impose for engaging in a substantial misrepresentation. Under the new rules, a misrepresentation is any statement made by the institution or a third party that provides educational programs, marketing, advertising, recruiting, or admissions services to the institution, that is false, erroneous or has the likelihood or tendency to deceive or confuse. A substantial misrepresentation is any misrepresentation on which the person to whom it was made could reasonably be expected to rely, or has reasonably relied, to that person's detriment. Considering the breadth of the definition of "substantial misrepresentation," it is possible that despite our efforts to prevent such misrepresentations, our employees or service providers may make statements that could be construed as substantial misrepresentations. As a result, we may face complaints from students and prospective students over statements made by us and our agents throughout the enrollment, admissions and financial aid process, as well as throughout attendance at University of Phoenix or Western International University, which would expose us to increased risk of enforcement action and applicable sanctions or other penalties and increased risk of private *qui tam* actions under the Federal False Claims Act. Under the new rules, if the Department determines that an institution has engaged in substantial misrepresentation, the Department may revoke an institution's program participation agreement, impose limitations on the institution's participation in Title IV programs, deny applications from the institution for approval of new programs or locations or other matters, or initiate proceedings to fine the institution or limit, suspend, or terminate its eligibility to participate in Title IV programs. If the Department determines that statements made by us or on our behalf are in violation of the new regulations, we could be subject to sanctions and other liability, which could have a material adverse effect on our business.

U.S. Congressional Hearings. Beginning last year, there has been increased focus by members of the U.S. Congress on the role that proprietary educational institutions play in higher education. In June 2010, the U.S. Senate Committee on Health, Education, Labor and Pensions ("HELP Committee") held the first in a series of hearings to examine the proprietary education sector. At a subsequent hearing in August 2010, the Government Accountability Office ("GAO") presented a report of its review of various aspects of the proprietary sector, including recruitment practices and the degree to which proprietary institutions' revenue is composed of Title IV funding. Following the August hearing, Sen. Tom Harkin, the Chairman of the HELP Committee, requested a broad range of detailed information from 30 proprietary institutions, including University of Phoenix and other subsidiaries of Apollo Group. We have been and intend to continue being responsive to the requests of the HELP Committee. Sen. Harkin has held subsequent hearings and roundtable discussions, most recently on July 21, 2011, and we believe that future hearings may be held. On September 22, 2011, Sen. Tom Carper, the Chairman of the Senate Homeland Security and Government Affairs Subcommittee on Federal Financial Management, Government

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Information, Federal Services and International Security, held a hearing on “Improving Educational Outcomes for Our Military and Veterans,” focusing on

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the quality of education for the military and veterans population and the treatment of such funding for purposes of the 90/10 Rule calculation that, if enacted, would adversely impact our 90/10 Rule percentage. Sen. Carper suggested a follow-up roundtable discussion. In addition, other Congressional hearings or roundtable discussions are expected to be held regarding various aspects of the education industry that may affect our business. We cannot predict what legislation, if any, may emanate from these Congressional committee hearings or what impact any such legislation might have on the proprietary education sector and our business in particular. The significant federal budget deficit could increase the likelihood of legislation affecting the proprietary education sector that reduces federal spending levels. Any action by Congress that significantly reduces Title IV program funding, or the eligibility of our institutions or students to participate in Title IV programs would have a material adverse effect on our enrollment, financial condition, results of operations and cash flows. Congressional action could also require us to modify our practices in ways that could increase our administrative costs and reduce our operating income, which could have a material adverse effect on our financial condition, results of operations and cash flows. See Part I, Item 1A, *Risk Factors - Risks Related to the Highly Regulated Industry in Which We Operate - Action by the U.S. Congress to revise the laws governing the federal student financial aid programs or reduce funding for those programs could reduce our student population and increase our costs of operation*.

90/10 Rule. One requirement of the Higher Education Act, as reauthorized, commonly referred to as the "90/10 Rule," applies to proprietary institutions such as University of Phoenix and Western International University. Under this rule, a proprietary institution will be ineligible to participate in Title IV programs if for any two consecutive fiscal years it derives more than 90% of its cash basis revenue, as defined in the rule, from Title IV programs. An institution that exceeds this limit for any single fiscal year will be automatically placed on provisional certification for two fiscal years and will be subject to possible additional sanctions determined to be appropriate under the circumstances by the U.S. Department of Education. While the Department has broad discretion to impose additional sanctions on such an institution, there is only limited precedent available to predict what those sanctions might be, particularly in the current regulatory environment. The Department could specify a wide range of additional conditions as a part of the provisional certification and the institution's continued participation in Title IV programs. These conditions may include, among other things, restrictions on the total amount of Title IV program funds that may be distributed to students attending the institution; restrictions on programmatic and geographic expansion; requirements to obtain and post letters of credit; and additional reporting requirements to include additional interim financial reporting. Should an institution be subject to such provisional certification at the time that its program participation agreement expired, the effect on recertification of the institution or continued eligibility to participate in Title IV programs pending recertification is uncertain. An institution that derives more than 90% of its revenue from Title IV programs for two consecutive fiscal years will be ineligible to participate in Title IV programs for at least two fiscal years. University of Phoenix and Western International University are required to calculate this percentage at the end of each fiscal year. If an institution is determined to be ineligible to participate in Title IV programs due to the 90/10 Rule, any disbursements of Title IV program funds while ineligible must be repaid to the Department.

The following table details the 90/10 Rule percentages for University of Phoenix and Western International University for fiscal years 2011, 2010 and 2009:

	90/10 Rule Percentages[(1)] for Fiscal Years Ended August 31,		
	2011	**2010**	**2009**
University of Phoenix	86%	88%	86%
Western International University	66%	62%	57%

(1) Calculated excluding the temporary relief from the impact of loan limit increases.

Although the University of Phoenix 90/10 Rule percentage for fiscal year 2011 was approximately 200 basis points lower than fiscal year 2010, the 90/10 Rule percentage for University of Phoenix has increased materially over the past several years. This overall increase is primarily attributable to the increase in student loan limits enacted by the Ensuring Continued Access to Student Loans Act of 2008 and expanded eligibility for and increases in the maximum amount of Pell Grants.

We believe the decrease in the University of Phoenix 90/10 Rule percentage in fiscal year 2011 compared to fiscal year 2010 is primarily attributable to the reduction in the proportion of our students who are enrolled in our associate's degree programs, which historically have had a higher percentage of Title IV funds applied to eligible tuition and fees. We have also implemented in recent years various measures intended to reduce the percentage of University of Phoenix's cash basis revenue attributable to Title IV funds, including emphasizing employer-paid and other direct-pay education programs, encouraging students to carefully evaluate the amount of necessary Title IV borrowing, and continued focus on professional development and continuing education programs. Although we

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believe these measures will favorably impact the 90/10 Rule percentage, they have had only limited impact to date. We have substantially no control over the amount of Title IV student loans and grants sought by or awarded to our students.

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Based on our most recent trends, we do not expect the 90/10 Rule percentage for University of Phoenix to exceed 90% for fiscal year 2012. However, the 90/10 Rule percentage for University of Phoenix remains near 90% and could exceed 90% in the future depending on the degree to which our various initiatives are effective, the impact of future changes in our enrollment mix, and regulatory and other factors outside our control, including any reduction in government tuition assistance for military personnel, including veterans, or changes in the treatment of such funding for purposes of the 90/10 Rule calculation.

Any necessary further efforts to reduce the 90/10 Rule percentage for University of Phoenix, especially if the percentage exceeds 90% for a fiscal year, may involve taking measures which reduce our revenue, increase our operating expenses, or both, in each case perhaps significantly. In addition, we may be required to make structural changes to our business in the future in order to remain in compliance, which changes may materially alter the manner in which we conduct our business and materially and adversely impact our business, financial condition, results of operations and cash flows. Furthermore, these required changes could make more difficult our ability to comply with other important regulatory requirements, such as the cohort default rate regulations, which are discussed below. See Part I, Item 1A, *Risk Factors - Risks Related to the Highly Regulated Industry in Which We Operate - Our schools and programs would lose their eligibility to participate in federal student financial aid programs if the percentage of our revenues derived from those programs is too high, in which event we could not conduct our business as it is currently conducted*.

Student Loan Cohort Default Rates. To remain eligible to participate in Title IV programs, an educational institution's student loan cohort default rates must remain below certain specified levels. Each cohort is the group of students who first enter into student loan repayment during a federal fiscal year (ending September 30). The currently applicable cohort default rate for each cohort is the percentage of the students in the cohort who default on their student loans prior to the end of the following federal fiscal year, which represents a two-year measuring period. An educational institution will lose its eligibility to participate in some or all Title IV programs if its student loan cohort default rate equals or exceeds 25% for three consecutive cohorts or 40% for any given cohort. If our student loan default rates approach these limits, we may be required to increase efforts and resources dedicated to improving these default rates. In addition, because there is a lag between the funding of a student loan and a default thereunder, many of the borrowers who are in default or at risk of default are former students with whom we may have only limited contact. Accordingly, there can be no assurance that we would be able to effectively improve our default rates or improve them in a timely manner to meet the requirements for continued participation in Title IV funding if we experience a substantial increase in our student loan default rates.

If an educational institution's two-year cohort default rate exceeds 10% for any one of the three preceding years, it must delay for 30 days the release of the first disbursement of U.S. federal student loan proceeds to first time borrowers enrolled in the first year of an undergraduate program. University of Phoenix and Western International University have implemented a 30-day delay for such disbursements.

The two-year cohort default rates for University of Phoenix, Western International University and for all proprietary postsecondary institutions for the federal fiscal years 2009, 2008 and 2007 were as follows:

	Two-Year Cohort Default Rates for Cohort Years Ended September 30,		
	2009	**2008**	**2007**
University of Phoenix[1]	18.8%	12.9%	9.3%
Western International University[1]	9.3%	10.7%	18.5%
All proprietary postsecondary institutions[1]	15.0%	11.6%	11.0%

(1) Based on information published by the U.S. Department of Education.

We believe the University of Phoenix cohort default rate has been increasing over the past several years due to the challenging economic climate, the growth in our associate's degree student population and changes in the manner in which student loans are serviced. Although we expect that the challenging economic environment will continue to put pressure on our student borrowers, we believe that our ongoing efforts to shift our student mix to a higher proportion of bachelor and graduate level students, the full implementation of our University Orientation program in November 2010 and our investment in student protection initiatives and repayment management services will help to stabilize and over time favorably impact our rates. Based on the available preliminary data, we do not expect the University of Phoenix or Western International University 2010 two-year cohort default rates to exceed 25%.

The cohort default rate requirements were modified by the Higher Education Opportunity Act enacted in August 2008 to increase by one year the measuring period for each cohort. Starting in September 2012, the U.S. Department of Education will publish the official three-year cohort default rates in addition to the two-year rates, beginning with the 2009 cohort. If an institution's three-year cohort default rate exceeds 30% for any given year (25% under the current two-year standard), it must establish a default prevention task force and develop a default prevention plan with measurable objectives for improving the

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cohort default rate. We believe that our current repayment management efforts meet these requirements. If an institution's three-year cohort default rates for the 2009 and 2010 cohorts exceeds 30%, the institution may be subject to provisional certification imposing various additional requirements for participation in Title IV programs.

Beginning with the three-year cohort default rate for the 2011 cohort published in September 2014, the three-year rates will be applied for purposes of measuring compliance with the requirements, as follows:

- *Annual test.* If the three-year cohort default rate for the 2011 cohort exceeds 40%, the institution will cease to be eligible to participate in Title IV programs; and
- *Three consecutive years test.* If the institution's three-year cohort default rate for any given year exceeds 30% (an increase from the current 25% threshold applicable to the two-year cohort default rates) for three consecutive years, beginning with the 2009 cohort, the institution will cease to be eligible to participate in Title IV programs.

See Part I, Item 1A, *Risk Factors - Risks Related to the Highly Regulated Industry in Which We Operate - An increase in our student loan default rates could result in the loss of eligibility to participate in Title IV programs, which would materially and adversely affect our business.*

Eligibility and Certification Procedures. The Higher Education Act, as reauthorized, specifies the manner in which the U.S. Department of Education reviews institutions for eligibility and certification to participate in Title IV programs. Every educational institution involved in Title IV programs must be certified to participate and is required to periodically renew this certification. University of Phoenix was recertified in November 2009 and entered into a new Title IV Program Participation Agreement which expires on December 31, 2012. Western International University was recertified in May 2010 and entered into a new Title IV Program Participation Agreement which expires on September 30, 2014. See Part I, Item 1A, *Risk Factors - Risks Related to the Highly Regulated Industry in Which We Operate - If we are not recertified to participate in Title IV programs by the U.S. Department of Education, we would lose eligibility to participate in Title IV programs and could not conduct our business as it is currently conducted.*

U.S. Department of Education Program Review. The U.S. Department of Education periodically reviews institutions participating in Title IV programs for compliance with applicable standards and regulations. In December 2010, the Department commenced a program review of policies, procedures and practices of University of Phoenix relevant to participation in Title IV programs, including specific procedures relating to distance education. The review covered federal financial aid years 2009 - 2010 and 2010 - 2011 through October 31, 2010. In February 2011, University of Phoenix received an Expedited Final Program Review Determination Letter from the Department. There were no significant adverse findings in the program review. The Department concluded that University of Phoenix has initiated or completed acceptable corrective actions in respect of each compliance item identified in the review and each finding had been closed. No economic or other sanctions were imposed.

During the third quarter of fiscal year 2011, the Department released our $126 million letter of credit previously posted in connection with our February 2009 program review.

Administrative Capability. The Higher Education Act, as reauthorized, directs the U.S. Department of Education to assess the administrative capability of each institution to participate in Title IV programs. The failure of an institution to satisfy any of the criteria used to assess administrative capability may cause the Department to determine that the institution lacks administrative capability and, therefore, subject the institution to additional scrutiny or deny eligibility for Title IV programs. See Part I, Item 1A, *Risk Factors - Risks Related to the Highly Regulated Industry in Which We Operate - A failure to demonstrate "administrative capability" or "financial responsibility" may result in the loss of eligibility to participate in Title IV programs, which would materially and adversely affect our business.*

Standards of Financial Responsibility. Pursuant to the Title IV regulations, each eligible higher education institution must satisfy a measure of financial responsibility that is based on a weighted average of three annual tests which assess the financial condition of the institution. The three tests measure primary reserve, equity, and net income ratios. The Primary Reserve Ratio is a measure of an institution's financial viability and liquidity. The Equity Ratio is a measure of an institution's capital resources and its ability to borrow. The Net Income Ratio is a measure of an institution's profitability. These tests provide three individual scores which are converted into a single composite score. The maximum composite score is 3.0. If the institution achieves a composite score of at least 1.5, it is considered financially responsible. A composite score from 1.0 to 1.4 is considered financially responsible, and the institution may continue to participate as a financially responsible institution for up to three years, subject to additional monitoring and other consequences. If an institution does not achieve a composite score of at least 1.0, it can be transferred from the "advance" system of payment of Title IV funds to cash monitoring status or to the "reimbursement" system of payment, under which the institution must disburse its own funds to students and document the students' eligibility for Title IV program funds before receiving such funds from the U.S. Department of Education. The fiscal year 2011 composite scores for Apollo Group, University of Phoenix and Western

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International University were 2.6, 2.2 and 1.8, respectively. See Part I, Item 1A, *Risk Factors - Risks Related to the Highly Regulated Industry in Which We Operate - A*

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failure to demonstrate "administrative capability" or "financial responsibility" may result in the loss of eligibility to participate in Title IV programs, which would materially and adversely affect our business.

Limits on Title IV Program Funds. The Title IV regulations place restrictions on the types of programs offered and the amount of Title IV program funds that a student is eligible to receive in any one academic year. Only certain types of educational programs offered by an institution qualify for Title IV program funds. For students enrolled in qualified programs, the Title IV regulations place limits on the amount of Title IV program funds that a student is eligible to receive in any one academic year, as defined by the U.S. Department of Education. An academic year must consist of at least 30 weeks of instructional time and a minimum of 24 credits. Most of University of Phoenix's and Western International University's degree programs meet the academic year minimum definition of 30 weeks of instructional time and 24 credits. Substantially all of University of Phoenix's degree programs qualify for Title IV program funds. The programs that do not qualify for Title IV program funds consist primarily of corporate training programs and certain certificate and continuing professional education programs. The tuition for these programs is often paid by employers.

Restricted Cash. The U.S. Department of Education places restrictions on Title IV financial aid program funds held for students for unbilled educational services. As a trustee of these Title IV financial aid funds, we are required to maintain and restrict these funds pursuant to the terms of our program participation agreement with the U.S. Department of Education. These funds are included in restricted cash and cash equivalents in our Consolidated Balance Sheets in Item 8, *Financial Statements and Supplementary Data*.

Authorizations for New Locations and Programs. University of Phoenix, Western International University and CFFP are required to have authorization to operate as degree-granting institutions in each state where they physically provide educational programs. Certain states accept accreditation as evidence of meeting minimum state standards for authorization or for exempting the institution entirely from formal state licensure or approval. Other states require separate evaluations for authorization. Depending on the state, the addition of a degree program not offered previously or the addition of a new location must be included in the institution's accreditation and be approved by the appropriate state authorization agency. University of Phoenix, Western International University and CFFP are currently authorized to operate or have confirmed an exemption to operate based upon their accreditation in all states in which they have physical locations and in all states in which they operate and in which separate licensure is required for their distance education programs.

Under new regulations adopted by the U.S. Department of Education, which became effective July 1, 2011, we are required to seek and obtain specific regulatory approval to operate in certain states in which University of Phoenix relied on available exemptions based on accreditation to operate in the respective state. If we experience a delay in obtaining or cannot obtain these approvals, our business could be adversely impacted. See "State Authorization" above for further discussion.

University of Phoenix, Western International University and CFFP also must obtain the prior approval of The Higher Learning Commission before expanding into new locations to conduct instructional activities.

Branching and Classroom Locations. The Title IV regulations contain specific requirements governing the establishment of new main campuses, branch campuses and classroom locations at which the eligible institution offers, or could offer, 50% or more of an educational program. In addition to classrooms at campuses and learning centers, locations affected by these requirements include the business facilities of client companies, military bases and conference facilities used by University of Phoenix and Western International University. The U.S. Department of Education requires that the institution notify the U.S. Department of Education of each location offering 50% or more of an educational program prior to disbursing Title IV program funds to students at that location. University of Phoenix and Western International University have procedures in place to ensure timely notification and acquisition of all necessary location approvals prior to disbursing Title IV funds to students attending any new location. In addition, The Higher Learning Commission requires that each new campus or learning center of University of Phoenix or Western International University be approved before offering instruction. States in which the two universities operate have varying requirements for approval of branch and classroom locations.

Change of Ownership or Control. A change of ownership or control, depending on the type of change, may have significant regulatory consequences for University of Phoenix, Western International University and CFFP. Such a change of ownership or control could trigger recertification by the U.S. Department of Education, reauthorization by state licensing agencies, or the reevaluation of the accreditation by The Higher Learning Commission.

The Department has adopted the change of ownership and control standards used by the U.S. federal securities laws for institutions owned by publicly-held corporations. If a change of ownership and control occurs that requires us to file a Form 8-K with the Securities and Exchange Commission, or there is a change in the identity of a controlling shareholder of Apollo Group, University of Phoenix and/or Western International University may become ineligible to participate in Title IV programs until recertified by the Department. Under some circumstances, the Department may continue an institution's participation in Title IV programs on a temporary provisional basis pending completion of the change in ownership approval process. In addition, some states where University of Phoenix, Western International University or CFFP are presently licensed

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have requirements governing change of ownership or control that require approval of the change to remain authorized to operate in those states. See Part I, Item 1A, *Risk Factors* for further discussion. Moreover, University of Phoenix, Western International University and CFFP are required to report any material change in stock ownership to The Higher Learning Commission. In the event of a material change in stock ownership, The Higher Learning Commission may seek to evaluate the effect of such a change on the continuing operations of University of Phoenix, Western International University and CFFP.

New U.S. Department of Education Reporting and Disclosure Requirements. The Higher Education Opportunity Act includes various provisions aimed at the rising cost of postsecondary education and other efforts for more transparency. Beginning July 1, 2011, the U.S. Department of Education published national lists disclosing the top five percent in each of nine institutional categories with the highest college costs and largest percentage cost increases. University of Phoenix and Western International University were not on the lists.

International

Governmental regulations in foreign countries significantly affect our international operations. New or revised interpretations of regulatory requirements could have a material adverse effect on us. Changes in existing or new interpretations of applicable laws, rules, or regulations in the foreign jurisdictions in which we operate could have a material adverse effect on our accreditation, authorization to operate, permissible activities, and costs of doing business outside of the U.S. The failure to maintain or renew any required regulatory approvals, accreditation or state authorizations could have a material adverse effect on our international operations.

Other Matters

We file annual, quarterly and current reports with the Securities and Exchange Commission. You may read and copy any document we file at the Securities and Exchange Commission's Public Reference Room at 100 F Street N.E., Washington, D.C. 20549. Please call the Securities and Exchange Commission at 1-800-SEC-0330 for information on the Public Reference Room. The Securities and Exchange Commission maintains a website that contains annual, quarterly and current reports that issuers file electronically with the Securities and Exchange Commission. The Securities and Exchange Commission's website is http://www.sec.gov.

Our website address is www.apollogrp.edu. We make available free of charge on our website our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Information Statements on Schedule 14C, Forms 3, 4, and 5 filed on behalf of directors and executive officers, and all amendments to those reports filed or furnished pursuant to the Securities Exchange Act of 1934, as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the Securities and Exchange Commission.

Item 1A — *Risk Factors*

You should carefully consider the risks and uncertainties described below and all other information contained in this Annual Report on Form 10-K. In order to help assess the major risks in our business, we have identified many, but not all, of these risks. Due to the scope of our operations, a wide range of factors could materially affect future developments and performance.

If any of the following risks are realized, our business, financial condition, cash flow or results of operations could be materially and adversely affected, and as a result, the trading price of our Class A common stock could be materially and adversely impacted. These risk factors should be read in conjunction with other information set forth in this Annual Report, including Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, and Item 8, *Financial Statements and Supplementary Data*, including the related *Notes to Consolidated Financial Statements*.

Risks Related to the Control Over Our Voting Stock

Our Class A common stock has no voting rights. Our Executive Chairman and Vice Chairman of the Board control 100% of our voting stock and control substantially all actions requiring the vote or consent of our shareholders, which may have an adverse effect on the trading price of our Class A common stock and may discourage a takeover.

Dr. John G. Sperling, our Executive Chairman of the Board and Founder, controls approximately 51% of our only class of voting securities, the Apollo Group Class B common stock. Dr. Sperling's son, Mr. Peter Sperling, the Vice Chairman of our board of directors, controls the remainder of our Class B common stock. Dr. Sperling and Mr. Sperling together control the election of all members of our Board of Directors and substantially all other actions requiring a vote of our shareholders, except in certain limited circumstances. Holders of our outstanding Apollo Group Class A common stock do not have the right to vote for the election of directors or for

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substantially any other action requiring a vote of shareholders. In the event of Dr. Sperling's passing, control of the John Sperling Voting Stock Trust, which currently is a revocable, grantor trust that holds a majority of the outstanding Apollo Group Class B common stock, will be exercised by a majority of three successor trustees: Mr. Sperling,

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Terri Bishop, who is employed by and is a Director of Apollo, and Darby Shupp, a Director of Apollo. No assurances can be given that the Apollo Group Class B shareholders will exercise their control of Apollo Group in the same manner that a majority of the outstanding Class A shareholders would if they were entitled to vote on actions currently reserved exclusively for our Class B shareholders. In addition, the control of a majority of our voting stock by Dr. Sperling makes it impossible for a third party to acquire voting control of us without Dr. Sperling's consent.

We are a "Controlled Company" as defined in Rule 5615(c)(1) of the NASDAQ Listing Rules, because more than 50% of the voting power of Apollo Group is held by the John Sperling Voting Stock Trust. As a consequence, we are exempt from certain requirements of NASDAQ Listing Rule 5605, including that:

- our Board be composed of a majority of Independent Directors (as defined in NASDAQ Listing Rule 5605(a)(2));
- the compensation of our officers be determined by a majority of the independent directors or a compensation committee composed solely of independent directors; and
- nominations to the Board of Directors be made by a majority of the independent directors or a nominations committee composed solely of independent directors.

However, NASDAQ Listing Rule 5605(b)(2) does require that our independent directors have regularly scheduled meetings at which only independent directors are present ("executive sessions"). In addition, Internal Revenue Code Section 162(m) requires that a compensation committee of outside directors (within the meaning of Section 162(m)) approve stock option grants to executive officers in order for us to be able to claim deductions for the compensation expense attributable to such stock options. Notwithstanding the foregoing exemptions, we do have a majority of independent directors on our Board of Directors and we do have an Audit Committee, a Compensation Committee and a Nominating and Governance Committee composed entirely of independent directors.

The charters for the Compensation, Audit and Nominating and Governance Committees have been adopted by the Board of Directors and are available on our website, www.apollogrp.edu. These charters provide, among other items, that each member must be independent as such term is defined by the rules of the NASDAQ Stock Market LLC and the Securities and Exchange Commission.

If regulators do not approve or delay their approval of transactions involving a change of control of our company, our state licenses, accreditation, and ability to participate in Title IV programs and state grant programs may be impaired.

A change of ownership or control of Apollo Group, depending on the type of change, may have significant regulatory consequences for University of Phoenix and Western International University. Such a change of ownership or control could require recertification by the U.S. Department of Education, reauthorization by state licensing agencies, or the reevaluation of the accreditation by The Higher Learning Commission of the North Central Association of Colleges and Schools. The Department has adopted the change of ownership and control standards used by the federal securities laws for institutions owned by publicly-held corporations. Upon a change of ownership and control sufficient to require us to file a Form 8-K with the Securities and Exchange Commission, or a change in the identity of a controlling shareholder of Apollo Group, University of Phoenix and/or Western International University may immediately cease to be eligible to participate in Title IV programs until recertified by the Department. There can be no assurances that such recertification would be obtained on a timely basis. Under some circumstances, the Department may continue an institution's participation in the Title IV programs on a temporary provisional basis pending completion of the change in ownership approval process. In addition, some states where University of Phoenix, Western International University or CFFP is presently licensed have requirements governing change of ownership or control that require approval of the change to remain authorized to operate in those states, and participation in grant programs in some states may be interrupted or otherwise affected by a change of ownership or control. Moreover, University of Phoenix, Western International University and CFFP are required to report any material change in stock ownership to The Higher Learning Commission. In the event of a material change in stock ownership of Apollo Group, The Higher Learning Commission may seek to evaluate the effect of such a change of stock ownership on the continuing operations of University of Phoenix, Western International University and CFFP and could suspend our accreditation status during its review, which would make our operations ineligible to participate in Title IV programs. Even a temporary suspension in our eligibility to participate in Title IV programs, whether because of Department action, Higher Learning Commission action or otherwise, could have a material adverse impact on our business, financial condition, results of operations and cash flows.

All of our voting stock is owned and controlled by Dr. John Sperling and Mr. Peter Sperling. We cannot prevent a change of ownership or control that would arise from a transfer of voting stock by Dr. Sperling or Mr. Sperling, including a transfer that may occur or be deemed to occur upon the death of one or both of Dr. Sperling or Mr. Sperling. Dr. and Mr. Sperling have established voting stock trusts and other agreements with the intent to maintain the Company's voting stock in such a way as to prevent a change of ownership or control upon either's death, but we cannot assure you that these arrangements will have the desired effect.

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Risks Related to the Highly Regulated Industry in Which We Operate

U.S. Operations

If we fail to comply with the extensive regulatory requirements for our business, we could face significant monetary liabilities, fines and penalties, including loss of access to U.S. federal student loans and grants for our students.

As a provider of higher education, we are subject to extensive U.S. regulation on both the federal and state levels. In particular, the Higher Education Act, as reauthorized by the Higher Education Opportunity Act in August 2008, and related regulations impose significant regulatory scrutiny on University of Phoenix and Western International University, and all other higher education institutions that participate in the various federal student financial aid programs under Title IV of the Higher Education Act ("Title IV programs"). We collected the substantial majority of our fiscal year 2011 total consolidated net revenue from receipt of Title IV financial aid program funds. University of Phoenix represented approximately 91% of our fiscal year 2011 total consolidated net revenue and University of Phoenix generated 86% of its cash basis revenue for eligible tuition and fees during fiscal year 2011 from receipt of Title IV financial aid program funds.

These regulatory requirements cover virtually all phases of our U.S. operations, including educational program offerings, branching and classroom locations, instructional and administrative staff, administrative procedures, marketing and recruiting, financial operations, payment of refunds to students who withdraw, maintenance of restricted cash, acquisitions or openings of new schools, commencement of new educational programs and changes in our corporate structure and ownership.

The Higher Education Act, as reauthorized, mandates specific regulatory responsibilities for each of the following components of the higher education regulatory triad: (1) the U.S. federal government through the U.S. Department of Education; (2) independent accrediting agencies recognized by the U.S. Department of Education; and (3) state higher education regulatory bodies.

The regulations, standards and policies of these regulatory agencies frequently change and are subject to interpretation, particularly where they are crafted for traditional, academic term-based schools rather than our non-term academic delivery model. Changes in, or new interpretations of, applicable laws, regulations, or standards could have a material adverse effect on our accreditation, authorization to operate in various states, permissible activities, receipt of funds under Title IV programs, or costs of doing business. We cannot predict with certainty how all of the requirements applied by these agencies will be interpreted or whether our schools will be able to comply with these requirements in the future.

From time to time, we identify inadvertent compliance deficiencies that we must address and, where appropriate, report to the U.S. Department of Education. Such reporting, even in regard to a minor compliance issue, could result in a more significant compliance review by the Department or even a full recertification review, which may require the expenditure of substantial administrative time and resources to address. If the Department concluded that these reported deficiencies reflect a lack of administrative capability, we could be subject to additional sanctions or even lose our eligibility to participate in Title IV programs. See *A failure to demonstrate "administrative capability" or "financial responsibility" may result in the loss of eligibility to participate in Title IV programs, which would materially and adversely affect our business*, below.

If we are found not to be in compliance with any of these regulations, standards or policies, any one of the relevant regulatory agencies may be able to do one or more of the following:

- impose monetary fines or penalties;
- limit or terminate our operations or ability to grant degrees and diplomas;
- restrict or revoke our accreditation, licensure or other approval to operate;
- limit, suspend or terminate our eligibility to participate in Title IV programs or state financial aid programs;
- require repayment of funds received under Title IV programs or state financial aid programs;
- require us to post a letter of credit with the U.S. Department of Education;
- subject our schools to heightened cash monitoring by the U.S. Department of Education;
- transfer us from the U.S. Department of Education's advance system of receiving Title IV program funds to its reimbursement system, under which a school must disburse its own funds to students and document the students' eligibility for Title IV program funds before receiving such funds from the U.S. Department of Education;
- subject us to other civil or criminal penalties; and/or
- subject us to other forms of censure.

In addition, in some circumstances of noncompliance or alleged noncompliance, we may be subject to *qui tam* lawsuits under the Federal False Claims Act. In these actions, private plaintiffs seek to enforce remedies under the Act on behalf of the U.S. and, if successful, are entitled to recover their costs and to receive a portion of any amounts recovered by the U.S. in the lawsuit. These

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lawsuits can be prosecuted by a private plaintiff in respect of some action taken by us, even if the Department does not agree with plaintiff's theory of liability.

Any of the penalties, injunctions, restrictions or other forms of censure listed above could have a material adverse effect on our

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business, financial condition, results of operations and cash flows. If we lose our Title IV eligibility, we would experience a dramatic decline in revenue and we would be unable to continue our business as it currently is conducted.

Action by the U.S. Congress to revise the laws governing the federal student financial aid programs or reduce funding for those programs could reduce our student population and increase our costs of operation.

The U.S. Congress must periodically reauthorize the Higher Education Act and annually determine the funding level for each Title IV program. In 2008, the Higher Education Act was reauthorized through September 30, 2013 by the Higher Education Opportunity Act. Changes to the Higher Education Act, including changes in eligibility and funding for Title IV programs, are likely to occur in subsequent reauthorizations, but we cannot predict the scope or substance of any such changes.

In April 2011, Congress permanently eliminated year-round Pell Grant awards beginning with the 2011-2012 award year as part of the fiscal year 2011 Continuing Resolution spending bill. We believe this change, which did not reduce the maximum annual grant level, will have only a nominal impact on our business. However, because the Pell Grant program is one of the largest non-defense discretionary spending programs in the federal budget, it is a target for reduction as Congress addresses the unprecedented budget deficits. A reduction in the maximum annual Pell Grant amount or changes in eligibility could result in increased student borrowing, which would make it more difficult for us to comply with other important regulatory requirements, and could negatively impact enrollment.

In August 2011, President Obama signed into law the Budget Control Act of 2011, which provides for an increase in the federal government borrowing limit and spending reductions in two phases. The first phase imposes various spending cuts, including the elimination of the partial in-school interest subsidy for graduate student loans beginning July 1, 2012. The cost of borrowing will increase for graduate students who defer payment of interest while enrolled, which could adversely impact enrollment. The second phase requires a bipartisan, joint Congressional committee to develop legislation to achieve future deficit reduction, which must be voted on by December 23, 2011. The outcome of this process is highly uncertain. If the committee does not achieve the required level of deficit reduction, an across-the-board cutting mechanism known as sequestration will take effect beginning with the federal fiscal year 2013. Although the Pell Grant program currently is exempt from the sequestration process, other federal programs and services that could impact our business would be included.

In addition to Congress's focus on the federal government's funding challenges, in recent years, there has been increased focus by Congress on the role that proprietary educational institutions play in higher education. In June 2010, the Education and Labor Committee of the U.S. House of Representatives held a hearing to examine the manner in which accrediting agencies review higher education institutions' policies on credit hours and program length. This followed a report from the Office of the Inspector General of the U.S. Department of Education in December 2009 criticizing the accreditation of a proprietary school by a regional accrediting body and requesting that the Department review the appropriateness of its recognition of the accrediting body. Also in June 2010, the U.S. Senate Committee on Health, Education, Labor and Pensions ("HELP Committee") held the first in a series of hearings to examine the proprietary education sector. At a subsequent hearing in August 2010, the Government Accountability Office ("GAO") presented a report of its review of various aspects of the proprietary sector, including recruitment practices and the degree to which proprietary institutions' revenue is composed of Title IV funding. Following the August hearing, Sen. Tom Harkin, the Chairman of the HELP Committee, requested a broad range of detailed information from 30 proprietary institutions, including University of Phoenix and other subsidiaries of Apollo Group. We have been and intend to continue being responsive to the requests of the HELP Committee. In September 2010, the HELP Committee held a third hearing and Sen. Harkin's staff released a memorandum entitled "The Return on the Federal Investment in For-Profit Education: Debt Without a Diploma." Sen. Harkin has held subsequent hearings and roundtable discussions, most recently on July 21, 2011, and we believe that future hearings may be held. On September 22, 2011, Sen. Tom Carper, the Chairman of the Senate Homeland Security and Government Affairs Subcommittee on Federal Financial Management, Government Information, Federal Services and International Security, held a hearing on "Improving Educational Outcomes for Our Military and Veterans," focusing on the quality of education for the military and veterans population and the treatment of such funding for purposes of the 90/10 Rule calculation that, if enacted, would adversely impact our 90/10 Rule percentage. Sen. Carper suggested a follow-up roundtable discussion. In addition, other Congressional hearings or roundtable discussions are expected to be held regarding various aspects of the education industry that may affect our business. We cannot predict what legislation, if any, may emanate from these Congressional committee hearings or what impact any such legislation might have on the proprietary education sector and our business in particular.

The confluence of the increasing scrutiny in Congress of the proprietary education sector and the unprecedented budget deficits increases the likelihood of legislation that will adversely impact our business. For example, Congress could extend the elimination of the in-school interest subsidy to undergraduate students or to undergraduate students in proprietary institutions, reduce the maximum amount of or change the eligibility standards for student loans and/or Pell Grants or make other material changes in Title IV programs driven by policy considerations, economic considerations or both. Any action by Congress that significantly reduces Title IV program

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funding, whether through across-the-board funding reductions, sequestration or otherwise, or materially impacts the eligibility of our institutions or students to participate in Title IV programs would have a

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material adverse effect on our enrollment, financial condition, results of operations and cash flows. Congressional action could also require us to modify our practices in ways that could increase our administrative costs and reduce our operating income, which could have a material adverse effect on our financial condition, results of operations and cash flows.

If Congress significantly reduced the amount of available Title IV program funding, we would attempt to arrange for alternative sources of financial aid for our students, which may include lending funds directly to our students, but private sources would not be able to provide as much funding to our students on as favorable terms as is currently provided by Title IV. In addition, private organizations could require us to guarantee all or part of this assistance and we might incur other additional costs. For these reasons, private, alternative sources of student financial aid would only partly offset, if at all, the impact on our business of reduced Title IV program funding.

If we fail to maintain our institutional accreditation or if our institutional accrediting body loses recognition by the U.S. Department of Education, we could lose our ability to participate in Title IV programs, which would materially and adversely affect our business.

University of Phoenix and Western International University are institutionally accredited by The Higher Learning Commission ("HLC") of the North Central Association of Colleges and Schools, one of the six regional accrediting agencies recognized by the U.S. Department of Education. Accreditation by an accrediting agency recognized by the U.S. Department of Education is required in order for an institution to become and remain eligible to participate in Title IV programs.

If the U.S. Department of Education ceased to recognize HLC for any reason, University of Phoenix and Western International University would not be eligible to participate in Title IV programs beginning 18 months after the date such recognition ceased unless HLC was again recognized or our institutions were accredited by another accrediting body recognized by the U.S. Department of Education. In December 2009, the Office of Inspector General of the U.S. Department of Education ("OIG") requested that the U.S. Department of Education review the appropriateness of the U.S. Department of Education's recognition of HLC as an accrediting body, following the OIG's unfavorable review of HLC's initial accreditation of a non-traditional, proprietary postsecondary educational institution. In addition, the HLC is scheduled to be reviewed by the National Advisory Committee on Institutional Quality and Integrity ("NACIQI") in December 2011. We cannot predict the outcome of the U.S. Department of Education's review of HLC's recognition or NACIQI's review of HLC. HLC accredits over 1,000 colleges and universities, including some of the most highly regarded universities in the U.S.

Regardless of the outcome of the U.S. Department of Education's review of HLC, the focus by the OIG and the U.S. Department of Education on the process pursuant to which HLC accredited a non-traditional, proprietary postsecondary educational institution may make the accreditation review process more challenging for University of Phoenix and Western International University when they undergo their normal HLC accreditation review process in the future or in connection with programmatic or location expansion.

In addition, in August 2010, University of Phoenix received a letter from HLC requiring University of Phoenix to provide certain information and evidence of compliance with HLC accreditation standards. The letter related to the August 2010 report published by the U.S. Government Accountability Office ("GAO") of its undercover investigation into the enrollment and recruiting practices of a number of proprietary institutions of higher education, including University of Phoenix. The letter required that University of Phoenix submit a report to HLC addressing the specific GAO allegations regarding University of Phoenix and any remedial measures being undertaken in response to the GAO report. In addition, the report was required to include (i) evidence demonstrating that University of Phoenix, on a university-wide basis, currently is meeting and in the future will meet the HLC Criteria for Accreditation relating to operating with integrity and compliance with all state and federal laws, (ii) evidence that University of Phoenix has adequate systems in place which currently and in the future will assure appropriate control of all employees engaged in the recruiting, marketing or admissions process, (iii) evidence demonstrating that Apollo Group is not encouraging inappropriate behavior on the part of recruiters and is taking steps to encourage appropriate behavior, and (iv) detailed information about University of Phoenix policies, procedures and practices relating to marketing, recruiting, admissions and other related matters. We submitted the response to the HLC in September 2010 and subsequently responded to further requests for additional information.

On July 11, 2011, HLC informed University of Phoenix that the Special Committee formed to review this matter had completed its work, concluding that based on its limited review, it found no apparent evidence of systematic misrepresentations to students or that University of Phoenix's procedures in the areas of recruiting, financial aid and admissions are significantly inadequate or inappropriate.

HLC also stated that there remain significant questions as well as areas that University of Phoenix should work on improving. HLC indicated that these will be reviewed by the comprehensive evaluation team at its previously scheduled visit beginning in March 2012, which is its next comprehensive evaluation visit. These questions relate to student loans in collection and the minimization of student loan defaults; the offering of limited career services particularly in relation to University of Phoenix's associate's degree programs; timing of prospective student access to financial aid advisors during the recruiting process; academic qualifications of admissions personnel and financial aid advisors; the hiring and evaluation of financial aid officers;

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retention of students, including the relationship of remediation to retention; and the role of the University of Phoenix First Year Sequence, or curriculum, in relation to University of Phoenix's transfer policy and impacts on student retention.

The loss of accreditation for any reason would, among other things, render our schools and programs ineligible to participate in Title IV programs, affect our authorization to operate and to grant degrees in certain states and decrease student demand. If University of Phoenix became ineligible to participate in Title IV programs, we could not conduct our business as it is currently conducted and it would have a material adverse effect on our business, financial condition, results of operations and cash flows.

Rulemaking by the U.S. Department of Education could materially and adversely affect our business.

In November 2009, the U.S. Department of Education convened two negotiated rulemaking teams related to Title IV program integrity issues and foreign school issues. The resulting program integrity rules promulgated in October 2010 and June 2011 address numerous topics. The most significant for our business are the following:

- Modification of the standards relating to the payment of incentive compensation to employees involved in student recruitment and enrollment;
- Implementation of standards for state authorization of institutions of higher education;
- Adoption of a definition of "gainful employment" for purposes of the requirement of Title IV student financial aid that a program of study offered by a proprietary institution prepare students for gainful employment in a recognized occupation; and
- Expansion of the definition of misrepresentation, relating to the Department's authority under the Higher Education Act, as reauthorized, to suspend or terminate an institution's participation in Title IV programs if the institution engages in substantial misrepresentation of the nature of its educational program, its financial charges, or the employability of graduates, and expansion of the sanctions that the Department may impose for engaging in a substantial misrepresentation.

The Department published final program integrity regulations on October 29, 2010, with most of the final rules effective July 1, 2011, including some reporting and disclosure rules related to gainful employment. On June 13, 2011, the Department published final regulations on metrics for gainful employment programs effective July 1, 2012. In addition to the rules, the Department routinely issues "Dear Colleague Letters" to provide sub-regulatory guidance on certain areas of final regulations. The guidance is provided to assist institutions with understanding the regulations in these areas, and does not make any changes to the regulations. The Department has issued numerous Dear Colleague Letters to provide further information on other provisions of the program integrity regulations and created a website dedicated to gainful employment information found at http://ifap.ed.gov/GainfulEmploymentInfo/index.html.

The program integrity rules require a large number of reporting and operational changes. We believe we have substantially complied with the new reporting and disclosure requirements that were effective July 1, 2011, and we expect to be in substantial compliance with the remaining requirements by the respective effective dates. However, because of the scale and complexity of our educational programs, we may be unable to fully develop, test and implement all of the necessary modifications to our information management systems and administrative processes by the required dates. We may be subject to administrative or other sanctions if we are unable to comply with these reporting and disclosure requirements on a timely basis. In addition, these changes, individually or in combination, may impact our student enrollment, persistence and retention in ways that we cannot now predict.

On May 5, 2011, the Department announced its intention to establish additional negotiated rulemaking committees to prepare proposed regulations under the Higher Education Act, as reauthorized. Three public hearings were conducted in May 2011 at which interested parties suggested issues that should be considered for action by the negotiating committees. The Department also conducted roundtable discussions to inform policy in the areas of teacher preparation and college completion. More information can be found at http://www2.ed.gov/policy/highered/reg/hearulemaking/2011/index.html.

On September 27, 2011, the Department published a Notice of Proposed Rulemaking ("NPRM") to amend the regulations for institutional eligibility under the Higher Education Act, as reauthorized, and to streamline the application and approval process for new programs, as required by the October 2010 rules on gainful employment. After the public comment period ends on November 14, 2011, the Department will review and consider responses to the NPRM before publishing final regulations that would be effective by July 2013.

Incentive Compensation

A school participating in Title IV programs may not pay any commission, bonus or other incentive payments to any person involved in student recruitment or admissions or awarding of Title IV program funds, if such payments are based in any part, directly or indirectly, on success in enrolling students or obtaining student financial aid. The law and regulations governing this requirement do not establish clear criteria for compliance in all circumstances. Previously, there were twelve safe harbors that defined specific types of compensation that were deemed to constitute permissible incentive compensation. Prior to the

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effective date of the new program integrity regulations, we relied on several of these safe harbors to ensure that our compensation and recruitment practices complied with the applicable requirements.

In the final regulations adopted by the Department, the twelve safe harbors were eliminated and, in lieu of the safe harbors, some of the relevant concepts relating to the incentive compensation limitations are defined. These changes increase the uncertainty about what constitutes incentive compensation and which employees are covered by the regulation. This makes the development of effective and compliant performance metrics more difficult to establish. In response to the Department's concern about the impact of compensation structures that relied on the safe harbors and in order to enhance the admissions process for our students, we developed a new structure, which we believe complies with the Department's new rule, and implemented it on a broad scale during the first quarter of fiscal year 2011. In connection with this, we eliminated enrollment results as a component of compensation for our admissions personnel effective September 1, 2010.

This change in our approach to recruiting, which among other things reduces the emphasis on enrollment and increases the emphasis on improving the student experience, has adversely impacted our enrollment rates and increased our operating costs. We believe this change is consistent with our on-going efforts to lead the industry in addressing the concerns of the Department and others, including members of Congress, about admissions practices in the proprietary sector. We anticipate that this increased cost and the impact on our revenue from reduced enrollment will be offset partly by the benefits realized from improved student retention. However, we are not able to precisely predict the impact.

The elimination of the twelve safe harbors also affected the manner in which we conduct our IPD business and may limit our ability to expand our educational services offerings. Our IPD business previously utilized a revenue sharing model with its client institutions, which was expressly permitted under one of the twelve incentive compensation safe harbors. We have modified this economic model to comply with the rules effective July 1, 2011, which among other things, has required changes to existing customer contracts and caused certain customers to choose to discontinue their arrangements with IPD, which has adversely impacted IPD's financial results. IPD's net revenue and operating income represented less than 2% of our consolidated net revenue and operating income in fiscal year 2011.

State Authorization

In the U.S., institutions that participate in Title IV programs must be authorized to operate by the appropriate postsecondary regulatory authority in each state where the institution has a physical presence. Prior to July 1, 2011, such authorization was not required if the institution was exempt from such regulatory authorization, usually based on recognized accreditation. University of Phoenix is specifically authorized to operate and has a physical presence in 36 states, Puerto Rico and the District of Columbia. In an additional four states, including California, University of Phoenix has a physical presence and is qualified to operate through June 30, 2012 without specific state regulatory approval due to available state exemptions and annual waivers from the U.S. Department of Education. Under the new program integrity rules adopted by the Department effective July 1, 2011, we are required to seek and obtain specific regulatory approval by June 30, 2012, or to seek a further annual waiver from the Department through June 30, 2013 to operate in California, Colorado, Hawaii and New Mexico. Each of these states now must adopt additional statutes or regulations in order to comply with the new regulations adopted by the Department in order for us and other institutions to remain eligible for Title IV funds in respect of operations within the states. We have no assurance that these states will be willing or able to adopt such additional statutes or regulations or that we will be able to complete the approval process in those states in order to obtain specific state regulatory approval. In order to obtain annual waivers that could allow us to operate without specific state approval through July 1, 2013, University of Phoenix must have a supporting letter from each such state and file a request for an annual waiver to be considered by the U.S. Department of Education. We have obtained such supporting letters in each of the four states noted above and have filed a request for an annual waiver through July 1, 2012 with the Department. On August 22, 2011, the U.S. Department of Education issued electronic guidance indicating that as long as University of Phoenix has such supporting letters, no specific approval of the annual waiver from the Department is required, and that the Department will not require additional approvals through June 30, 2012. If we cannot obtain an additional annual waiver for the period July 1, 2012 through June 30, 2013 in those states in which we operate without specific state regulatory approval, and are thereafter unable to obtain the requisite approvals, our business could be adversely impacted, particularly in California, the state in which we conduct the most business by revenue. As a result, the manner in which the Department's final regulation will apply to our business in these states, and the impact of such regulation on our business, is uncertain. If we are unable to operate in California in a manner that would preserve Title IV eligibility for our students, our business would be materially and adversely impacted.

Gainful Employment

Under the Higher Education Act, as reauthorized, proprietary schools are eligible to participate in Title IV programs only in respect of educational programs that lead to "gainful employment in a recognized occupation." Historically, this concept has not been defined in detailed regulations. On October 29, 2010 and June 13, 2011, the Department published final regulations on gainful employment. Under

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these rules, beginning July 1, 2011, proprietary institutions of higher education and public or not-for profit institutions offering postsecondary non-degree programs must provide prospective students with each eligible

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program's recognized occupations, cost, completion rate, job placement rate, and median loan debt of program completers. Beginning October 1, 2011, institutions must annually submit information to the Department about students who complete a program leading to gainful employment in a recognized occupation, including the amount of debt incurred under private loans or institutional finance plans, matriculation information, and end of year enrollment information. Additionally, beginning July 1, 2011 the final regulations require institutions to notify the Department at least 90 days before the commencement of new educational programs leading to gainful employment in recognized occupations. This notification must include information on the demand for the program, a wage analysis, an institutional program review and approval process, and a demonstration of accreditation. Unless the Department, in its discretion, requires approval for new programs, a school is not required to obtain formal Department approval if the notification is submitted on a timely basis. If such approval is required, an alert notice will be sent to the school at least 30 days before the first day of class with a request for additional information. If a new program is denied, the Department will explain how the program failed and provide an opportunity for the school to respond or request reconsideration.

The final gainful employment rules also define -- for the first time -- the standards that will be used to measure "preparation for gainful employment." The rules establish three annual standards related to student loan borrowing by which gainful employment will be measured, effective July 1, 2012:

1. Annual loan repayment rate, which assesses whether the federal student loan debt incurred by the applicable cohort of borrowers to attend the program is being repaid at a rate that implies gainful employment. Generally, the annual loan repayment rate for an academic program is the percentage of student loans incurred to fund the costs of a program that are in satisfactory repayment status three to four years after entering repayment. Rates are calculated on a federal fiscal year basis. The repayment rate must be at least 35%. Institutions can challenge the repayment rate data using a process similar to one used to challenge cohort default rates.

2. Discretionary income threshold, which determines whether the annual repayment required on total student loan debt of students who completed an academic program is reasonable compared to their discretionary income. For purposes of determining the annual loan repayment, the Department will use the lesser of the amount of student loan debt incurred by the student or the total amount of tuition and fees the institution charged the student for enrollment in all programs at the institution, if tuition and fee information is provided by the institution. The median annual loan payment amount for the applicable cohort of students (calculated as described below) may not be greater than 30% of the greater of their average or median discretionary income. Discretionary income is the annual earnings of a program completer minus 150% of the U.S. Department of Health and Human Services (HHS) poverty guideline for a single person. Like the repayment rate, the debt-to-discretionary income ratio examines students in their third or fourth year after graduation, calculated on a federal fiscal year basis.

3. Actual earnings threshold, which determines whether the annual repayment required on total student loan debt of students who completed an academic program is reasonable when compared to their actual annual earnings. For purposes of determining the annual loan repayment, the Department will use the lesser of the amount of student loan debt incurred by the student or the total amount of tuition and fees the institution charged the student for enrollment in all programs at the institution, if tuition and fee information is provided by the institution. The median annual loan payment amount for the applicable cohort of students (calculated as described below) may not be greater than 12% of the greater of their average or median annual earnings. Like the repayment rate, the debt-to-total earnings ratio examines students in their third or fourth year after graduation, calculated on a federal fiscal year basis.

An academic program that passes any one standard for a given year is considered to be preparing students for gainful employment. If an academic program fails all three metrics for a given year, the institution will have the opportunity to improve the performance of that program. After one failure, the institution must disclose the amount by which the program missed the minimal acceptable performance and the program's plan for improvement. After two failures within three years, the institution must inform students in the failing program that their debts may be unaffordable, that the program may lose eligibility, and what transfer options exist. After three failures within four years, the academic program loses eligibility to participate in Title IV programs for at least three years, although the program could be continued without federal student aid. If a particular program ceased to be eligible for Title IV funding, in most cases it would not be practical to continue offering that program under our current business model.

The annual loan repayment amounts for the debt-to-earnings ratios is derived by determining the median loan debt of the applicable cohort of students who completed the program, and includes federal student loans, private loans, and debt obligations arising from institutional financing plans. The payment amounts are calculated on the basis of the interest rate then charged on federal direct unsubsidized student loans and the following amortization terms:

- 10 years for programs that lead to an undergraduate or post-baccalaureate certificate or to an associate's degree;
- 15 years for programs that lead to a bachelor's or master's degree;
- 20 years for programs that lead to a doctoral or first-professional degree.

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The gainful employment standards will be calculated on a fiscal year basis beginning with federal fiscal year 2012. The first year for which eligibility could be lost for a program is 2015, which would occur if the program fails all three standards for each of 2012, 2013 and 2014. For that first year of potential ineligibility, however, the Department will limit the number of programs subject to loss of eligibility to five percent of each institutional category (public, private nonprofit, and proprietary), taking into account the lowest repayment rates and the numbers of students impacted. We believe substantially all of our academic programs currently prepare students for gainful employment measured in the manner set forth in the final gainful employment regulations for purposes of continued eligibility to participate in federal student financial aid programs.

The above description of the final gainful employment rules is qualified in its entirety by the text of the final rules and other information found at http://ifap.ed.gov/GainfulEmploymentInfo/index.html.

The requirements for reporting information relating to our programs to the Department and to our students will substantially increase our administrative burdens, particularly during the implementation phase. These reporting and the other procedural changes in the new rules could impact student enrollment, persistence and retention in ways that we cannot now predict. For example, if our reported program information compares unfavorably with other reporting educational institutions, it could adversely impact demand for our programs.

Although the final rules regarding gainful employment metrics provide opportunities to address program deficiencies before the loss of Title IV eligibility, the continuing eligibility of our educational programs for Title IV funding is at risk due to factors beyond our control, such as changes in the actual or deemed income level of our graduates, changes in student borrowing levels, increases in interest rates, changes in the federal poverty income level relevant for calculating discretionary income, changes in the percentage of our former students who are current in repayment of their student loans, and other factors. In addition, even though deficiencies in the metrics may be correctable on a timely basis, the disclosure requirements to students following a failure to meet the standards may adversely impact enrollment in that program and may adversely impact the reputation of our educational institutions. The exposure to these external factors may reduce our ability to confidently offer or continue certain types of programs for which there is market demand, thus impacting our ability to maintain or grow our business.

Substantial Misrepresentation

The Higher Education Act prohibits an institution that participates in Title IV programs from engaging in "substantial misrepresentation" of the nature of its educational program, its financial charges, or the employability of its graduates. The U.S. Department of Education's program integrity regulations effective July 1, 2011 expand the definition of misrepresentation and expand the sanctions that the Department may impose for engaging in a substantial misrepresentation. Under the new rules, a misrepresentation is any statement made by the institution or a third party that provides educational programs, marketing, advertising, recruiting, or admissions services to the institution, that is false, erroneous or has the likelihood or tendency to deceive or confuse. A substantial misrepresentation is any misrepresentation on which the person to whom it was made could reasonably be expected to rely, or has reasonably relied, to that person's detriment. Considering the breadth of the definition of "substantial misrepresentation," it is possible that despite our efforts to prevent such misrepresentations, our employees or service providers may make statements that could be construed as substantial misrepresentations. As a result, we may face complaints from students and prospective students over statements made by us and our agents throughout the enrollment, admissions and financial aid process, as well as throughout attendance at University of Phoenix or Western International University, which would expose us to increased risk of enforcement action and applicable sanctions or other penalties and increased risk of private *qui tam* actions under the Federal False Claims Act. Under the new rules, if the Department determines that an institution has engaged in substantial misrepresentation, the Department may revoke an institution's program participation agreement, impose limitations on the institution's participation in Title IV programs, deny applications from the institution for approval of new programs or locations or other matters, or initiate proceedings to fine the institution or limit, suspend, or terminate its eligibility to participate in Title IV programs. If the Department determines that statements made by us or on our behalf are in violation of the new regulations, we could be subject to sanctions and other liability, which could have a material adverse effect on our business.

Our schools and programs would lose their eligibility to participate in federal student financial aid programs if the percentage of our revenues derived from those programs is too high, in which event we could not conduct our business as it is currently conducted.

A requirement of the Higher Education Act, as reauthorized by the Higher Education Opportunity Act, commonly referred to as the "90/10 Rule," applies only to proprietary institutions of higher education, which includes University of Phoenix and Western International University. Under this rule, a proprietary institution will be ineligible to participate in Title IV programs if for any two consecutive fiscal years it derives more than 90% of its cash basis revenue, as defined in the rule, from Title IV programs. An institution that derives more than 90% of its revenue from Title IV programs for any single fiscal year will be automatically placed on provisional certification for

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two fiscal years and will be subject to possible additional sanctions determined to be appropriate under the circumstances by the U.S. Department of Education in the exercise of its broad

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discretion. While the Department has broad discretion to impose additional sanctions on such an institution, there is only limited precedent available to predict what those sanctions might be, particularly in the current regulatory environment. The Department could specify any additional conditions as a part of the provisional certification and the institution's continued participation in Title IV programs. These conditions may include, among other things, restrictions on the total amount of Title IV program funds that may be distributed to students attending the institution; restrictions on programmatic and geographic expansion; requirements to obtain and post letters of credit; additional reporting requirements to include additional interim financial reporting; or any other conditions imposed by the Department. Should an institution be subject to a provisional certification at the time that its current program participation agreement expired, the effect on recertification of the institution or continued eligibility in Title IV programs pending recertification is uncertain. An institution that derives more than 90% of its revenue from Title IV programs for two consecutive fiscal years will be ineligible to participate in Title IV programs for at least two fiscal years. University of Phoenix and Western International University are required to calculate this percentage at the end of each fiscal year. If an institution is determined to be ineligible to participate in Title IV programs due to the 90/10 Rule, any disbursements of Title IV program funds while ineligible must be repaid to the Department.

The 90/10 Rule percentage for University of Phoenix has increased materially in recent years before fiscal year 2011. These increases are primarily attributable to the following factors:

- *Increased student loan limits*. The Ensuring Continued Access to Student Loans Act of 2008 increased the annual loan limits on federal unsubsidized student loans by $2,000 for the majority of our students enrolled in associate's and bachelor's degree programs, and also increased the aggregate loan limits (over the course of a student's education) on total federal student loans for certain students. This increase in student loan limits increased the amount of Title IV program funds available to and used by our students to pay tuition, fees and other costs, which increased the proportion of our revenue deemed to be from Title IV programs.
- *Increase in Pell Grants*. The eligibility for and maximum amount of Pell Grants have increased in recent years. Since the 2006-2007 award year, the maximum annual Pell Grant award has increased from $4,050 to $5,550. In addition, the Higher Education Opportunity Act of 2008 further increased the availability of Pell Grants by permitting additional disbursements for students who are continuously enrolled, which will be eliminated with the 2011-2012 award year. These changes further increased the amount of Title IV program funds available to and used by our students to pay tuition, fees and other costs, which, in turn, further increased the proportion of our revenue deemed to be from Title IV programs.

The following table details the 90/10 Rule percentages for University of Phoenix and Western International University for fiscal years 2011, 2010 and 2009:

	90/10 Rule Percentages[(1)] for Fiscal Years Ended August 31,		
	2011	2010	2009
University of Phoenix	86%	88%	86%
Western International University	66%	62%	57%

(1) Calculated excluding the temporary relief from the impact of loan limit increases.

Although the University of Phoenix 90/10 Rule percentage for fiscal year 2011 was approximately 200 basis points lower than fiscal year 2010, the 90/10 Rule percentage for University of Phoenix has increased materially over the past several years. As discussed above, this overall increase is primarily attributable to the increases in student loan limits and Pell Grants.

We believe the decrease in the University of Phoenix 90/10 Rule percentage in fiscal year 2011 compared to fiscal year 2010 is primarily attributable to the reduction in the proportion of our students who are enrolled in our associate's degree programs, which historically have had a higher percentage of Title IV funds applied to eligible tuition and fees. We have also implemented in recent years various measures intended to reduce the percentage of University of Phoenix's cash basis revenue attributable to Title IV funds, including emphasizing employer-paid and other direct-pay education programs, encouraging students to carefully evaluate the amount of necessary Title IV borrowing, and continued focus on professional development and continuing education programs. Although we believe these measures will favorably impact the 90/10 Rule percentage, they have had only limited impact to date and there is no assurance that they will be adequate to prevent the 90/10 Rule percentage from exceeding 90% in the future. We have substantially no control over the amount of Title IV student loans and grants sought by or awarded to our students.

Based on our most recent trends, we do not expect the 90/10 Rule percentage for University of Phoenix to exceed 90% for fiscal year 2012. However, the 90/10 Rule percentage for University of Phoenix remains near 90% and could exceed 90% in the future depending

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on the degree to which our various initiatives are effective, the impact of future changes in our enrollment mix, and regulatory and other factors outside our control, including any reduction in government tuition assistance for military

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personnel, including veterans, or changes in the treatment of such funding for purposes of the 90/10 Rule calculation. Currently, tuition assistance for military personnel, including veterans, is not treated as Title IV revenue under the 90/10 Rule and, therefore, based on the prescribed order of application per the regulations, a majority of such funding is included in the "10%" portion of the rule calculation. A reduction in the availability of this type of funding, or a change that requires that it be treated in the same manner as Title IV funding under the 90/10 Rule, would materially increase our 90/10 Rule percentage and may cause it to exceed 90%.

Because of the increases in Title IV student loan limits and grants in recent years, we believe that many proprietary institutions are experiencing pressure on their 90/10 Rule compliance. In our view, one potential unintended consequence of this pressure is higher tuition rates. This is because one of the more effective methods of reducing the 90/10 Rule percentage is to increase tuition prices above the applicable maximums for Title IV student loans and grants, requiring students to seek other sources of funding to pay eligible tuition and fees in order to reduce the percentage of revenue from Title IV sources. However, this consequence directly undermines the Department of Education's interest in promoting affordable postsecondary education. Although modification of the rule could limit this undesirable impact on tuition, there is no assurance that the Department, or Congress, will address this problem by modifying the rule or will address it in a manner that timely and favorably impacts compliance by University of Phoenix.

Any necessary further efforts to reduce the 90/10 Rule percentage for University of Phoenix, especially if the percentage exceeds 90% for a fiscal year, may involve taking measures which reduce our revenue, increase our operating expenses, or both, in each case perhaps significantly. If the 90/10 Rule is not changed to provide relief for proprietary institutions, we may be required to make structural changes to our business in order to remain in compliance, which changes may materially alter the manner in which we conduct our business and materially and adversely impact our business, financial condition, results of operations and cash flows. Furthermore, these required changes could make more difficult our ability to comply with other important regulatory requirements, such as the cohort default rate regulations discussed under *An increase in our student loan default rates could result in the loss of eligibility to participate in Title IV programs, which would materially and adversely affect our business*, below.

An increase in our student loan default rates could result in the loss of eligibility to participate in Title IV programs, which would materially and adversely affect our business.

To remain eligible to participate in Title IV programs, educational institutions must maintain student loan cohort default rates below specified levels. The U.S. Department of Education reviews an educational institution's cohort default rate annually as a measure of administrative capability. Each cohort is the group of students who first enter into student loan repayment during a federal fiscal year (ending September 30). The currently applicable cohort default rate for each cohort is the percentage of the students in the cohort who default on their student loans prior to the end of the following federal fiscal year, which represents a two-year measuring period. The cohort default rates are published by the Department approximately 12 months after the end of the measuring period. Thus, in September 2011 the Department published the two-year cohort default rates for the 2009 cohort, which measured the percentage of students who first entered into repayment during the year ended September 30, 2009 and defaulted prior to September 30, 2010. As discussed below, the measurement period for the cohort default rate has been increased to three years starting with the 2009 cohort, and the three-year cohort default rates for the 2009 cohort will be published by the Department in September 2012.

If an educational institution's two-year cohort default rate exceeds 10% for any one of the three preceding years, it must delay for 30 days the release of the first disbursement of U.S. federal student loan proceeds to first time borrowers enrolled in the first year of an undergraduate program. University of Phoenix and Western International University have implemented a 30-day delay for such disbursements. If an institution's two-year cohort default rate exceeds 25% for three consecutive years or 40% for any given year, it will be ineligible to participate in Title IV programs and, as a result, its students would not be eligible for federal student financial aid.

The two-year cohort default rates for University of Phoenix, Western International University and for all proprietary postsecondary institutions for the federal fiscal years 2009, 2008 and 2007 were as follows:

	Two-Year Cohort Default Rates for Cohort Years Ended September 30,		
	2009	2008	2007
University of Phoenix[(1)]	18.8%	12.9%	9.3%
Western International University[(1)]	9.3%	10.7%	18.5%
All proprietary postsecondary institutions[(1)]	15.0%	11.6%	11.0%

(1) Based on information published by the U.S. Department of Education.

We believe the University of Phoenix cohort default rate has been increasing over the past several years due to the challenging

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economic climate, the growth in our associate's degree student population and changes in the manner in which student loans are serviced.

Although we expect that the challenging economic environment will continue to put pressure on our student borrowers, we believe that our ongoing efforts to shift our student mix to a higher proportion of bachelor and graduate level students, the full implementation of our University Orientation program in November 2010 and our investment in student protection initiatives and repayment management services will help to stabilize and over time favorably impact our rates. As part of our repayment management initiatives, we have engaged third party service providers to assist our students who are at risk of default. These service providers contact students and offer assistance, which includes providing students with specific loan repayment information such as repayment options and loan servicer contact information, and they attempt to transfer these students to the relevant loan servicer to resolve their delinquency. In addition, we are intensely focused on student retention and enrolling students who have a reasonable chance to succeed in our programs, in part because the rate of default is higher among students who do not complete their degree program compared to students who graduate. Based on the available preliminary data, we do not expect the University of Phoenix or Western International University 2010 two-year cohort default rates to exceed 25%.

The July 2010 elimination of the Federal Family Education Loan Program (FFELP), under which private lenders originated and serviced federally guaranteed student loans, and the resulting migration of all federal student loans to the Federal Direct Loan Program under which the federal government lends directly to students, could adversely impact loan repayment rates and our cohort default rates, if the federal government is less effective in promoting timely repayment of federal student loans than the private lenders were under the FFELP.

If our student loan default rates approach the limits detailed above, we may be required to increase our efforts and resources dedicated to improving these default rates. In addition, because there is a lag between the funding of a student loan and a default thereunder, many of the borrowers who are in default or at risk of default are former students with whom we may have only limited contact. Accordingly, there can be no assurance that we would be able to effectively improve our default rates or improve them in a timely manner to meet the requirements for continued participation in Title IV funding if we experience a substantial increase in our student loan default rates.

The cohort default rate requirements were modified by the Higher Education Opportunity Act enacted in August 2008 to increase by one year the measuring period for each cohort. Starting in September 2012, the U.S. Department of Education will publish the official three-year cohort default rates in addition to the two-year rates, beginning with the 2009 cohort. If an institution's three-year cohort default rate exceeds 30% for any given year (25% under the current two-year standard), it must establish a default prevention task force and develop a default prevention plan with measurable objectives for improving the cohort default rate. We believe that our current repayment management efforts meet these requirements. If an institution's three-year cohort default rates for the 2009 and 2010 cohorts exceeds 30%, the institution may be subject to provisional certification imposing various additional requirements for participation in Title IV programs.

Beginning with the three-year cohort default rate for the 2011 cohort published in September 2014, only the three-year rates will be applied for purposes of measuring compliance with the requirements, as follows:

- *Annual test*. If the three-year cohort default rate for any given year exceeds 40%, the institution will cease to be eligible to participate in Title IV programs; and
- *Three consecutive years test*. If the institution's three-year cohort default rate exceeds 30% (an increase from the current 25% threshold applicable to the two-year cohort default rates) for three consecutive years, beginning with the 2009 cohort, the institution will cease to be eligible to participate in Title IV programs.

The consequences applicable to two-year cohort default rates will continue to apply through 2013 for the fiscal 2011 cohort.

The Department has published, for informational purposes, "trial rates" to assist institutions in understanding the impact of the new three-year cohort default rate calculation. The trial three-year cohort default rates for prior periods are as follows:

	Three-Year Cohort Default Rates for Cohort Years Ended September 30,		
	2008	2007	2006
University of Phoenix	21.1%	15.9%	10.3%
Western International University	16.3%	26.5%	36.9%
All proprietary postsecondary institutions	22.4%	21.2%	18.8%

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If any regulatory audit, investigation or other proceeding finds us not in compliance with the numerous laws and regulations applicable to the postsecondary education industry, we may not be able to successfully challenge such finding and our business could suffer.

Due to the highly regulated nature of the postsecondary education industry, we are subject to audits, compliance reviews, inquiries, complaints, investigations, claims of non-compliance and lawsuits by federal and state governmental agencies, regulatory agencies, accrediting agencies, present and former students and employees, shareholders and other third parties, any of whom may allege violations of any of the regulatory requirements applicable to us. If the results of any such claims or actions are unfavorable to us, we may be required to pay monetary fines or penalties, be required to repay funds received under Title IV programs or state financial aid programs, have restrictions placed on or terminate our schools' or programs' eligibility to participate in Title IV programs or state financial aid programs, have limitations placed on or terminate our schools' operations or ability to grant degrees and certificates, have our schools' accreditations restricted or revoked, or be subject to civil or criminal penalties. Any one of these sanctions could materially adversely affect our business, financial condition, results of operations and cash flows and result in the imposition of significant restrictions on us and our ability to operate.

In February 2009, the Department performed a program review of University of Phoenix's policies and procedures involving Title IV programs. The Department issued its Final Program Review Determination letter on June 16, 2010, which confirmed we had completed the corrective actions and satisfied the obligations arising from the review. On June 9, 2010, we posted a letter of credit in the amount of approximately $126 million as required to comply with the Department's standards of financial responsibility. The Department's regulations require institutions to post a letter of credit where a program review report cites untimely return of unearned Title IV funds for more than 10% of the sampled students in a period covered by the review. The letter of credit was fully cash collateralized and was initially required to be maintained until at least June 30, 2012, but was released in fiscal year 2011 as described below.

In December 2010, the Department commenced a new program review of policies, procedures and practices of University of Phoenix relevant to participation in Title IV programs, including specific procedures relating to distance education. The review covered federal financial aid years 2009 - 2010 and 2010 - 2011 through October 31, 2010. In February 2011, University of Phoenix received an Expedited Final Program Review Determination Letter from the Department in respect of this program review. There were no significant adverse findings. The Department concluded that University of Phoenix has initiated or completed acceptable corrective actions in respect of each compliance item identified in the review and each finding had been closed. No economic or other sanctions were imposed. Additionally, the Department released our $126 million letter of credit during the third quarter of fiscal year 2011 previously posted in connection with our February 2009 program review.

In October 2011, the Office of the Inspector General of the Department notified us that it is conducting a nationwide audit of the Department's program requirements, guidance, and monitoring of institutions of higher education offering distance education. We understand that this is part of the Office of the Inspector General's annual internal audit plan for its oversight of the Department, and we have been asked to provide various records for review by the auditors. If any Title IV or other compliance issues arise in the course of this audit of the Department's procedures, the Department could elect to commence a limited or general program review.

Our business could be harmed if we experience a disruption in our ability to process student loans under the Federal Direct Loan Program.

We collected the substantial majority of our fiscal year 2011 total consolidated net revenue from receipt of Title IV financial aid program funds, principally from federal student loans under the Federal Direct Loan Program (FDLP). Any processing disruptions by the U.S. Department of Education may impact our students' ability to obtain student loans on a timely basis. If we experience a disruption in our ability to process student loans through the FDLP, either because of administrative challenges on our part or the inability of the Department to process the volume of direct loans on a timely basis, our business, financial condition, results of operations and cash flows could be adversely and materially affected.

If we fail to maintain any of our state authorizations, we would lose our ability to operate in that state and to participate in Title IV programs there.

University of Phoenix, Western International University and CFFP are authorized to operate and to grant degrees by the applicable state agency of each state where such authorization is required and where we maintain a campus, or are exempt from such regulatory authorization usually based on recognized accreditation. In addition, several states require University of Phoenix and Western International University to obtain separate authorization for the delivery of distance education to residents of those states. Compliance with these state requirements is also necessary for students in the respective states to participate in Title IV programs. The loss of such authorization in one or more states would render students resident in those states ineligible to participate in Title IV programs and could have a material adverse effect on our business, financial condition, results of operations and cash flows. Loss of authorization in one or more states could increase the likelihood of additional scrutiny and potential loss of operating and/or degree granting authority in other

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states in which we operate, which would further impact our business. In addition, under the new program integrity rules adopted by the U.S. Department of Education, we are required to

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seek and obtain specific regulatory approval to operate in certain states in which we are currently exempt from state authorization, and cannot rely on previously available exemptions based on accreditation. If we experience a delay in obtaining or cannot obtain these approvals, our business could be adversely impacted. See *Rulemaking by the U.S. Department of Education could materially and adversely affect our business*, above.

We will be subject to sanctions if we fail to properly calculate and make timely payment of refunds of Title IV program funds for students who withdraw before completing their educational program.

The Higher Education Act, as reauthorized, and U.S. Department of Education regulations require us to calculate refunds of unearned Title IV program funds disbursed to students who withdraw from their educational program before completing it. If refunds are not properly calculated or timely paid, we will be subject to sanctions imposed by the U.S. Department of Education, which could increase our cost of regulatory compliance and adversely affect our business, financial condition, results of operations and cash flows.

A failure to demonstrate "administrative capability" or "financial responsibility" may result in the loss of eligibility to participate in Title IV programs, which would materially and adversely affect our business.

The U.S. Department of Education regulations specify extensive criteria an institution must satisfy to establish that it has the requisite administrative capability to participate in Title IV programs. The failure of an institution to satisfy any of the criteria used to assess administrative capability may cause the Department to determine that the institution lacks administrative capability and, therefore, subject the institution to additional scrutiny or deny eligibility for Title IV programs. These criteria require, among other things, that the institution:

- comply with all applicable Title IV program regulations;
- have capable and sufficient personnel to administer the federal student financial aid programs;
- have acceptable methods of defining and measuring the satisfactory academic progress of its students;
- not have a student loan cohort default rate above specified levels;
- have procedures in place for safeguarding federal funds;
- not be, and not have any principal or affiliate who is, debarred or suspended from federal contracting or engaging in activity that is cause for debarment or suspension;
- provide financial aid counseling to its students;
- refer to the Office of Inspector General any credible information indicating that any applicant, student, employee or agent of the institution has been engaged in any fraud or other illegal conduct involving Title IV programs;
- submit in a timely manner all reports and financial statements required by the regulations; and
- not otherwise appear to lack administrative capability.

Furthermore, to participate in Title IV programs, an eligible institution must satisfy specific measures of financial responsibility prescribed by the Department, or post a letter of credit in favor of the Department and possibly accept other conditions on its participation in Title IV programs. Pursuant to the Title IV regulations, each eligible higher education institution must satisfy a measure of financial responsibility that is based on a weighted average of three annual tests which assess the financial condition of the institution. The three tests measure primary reserve, equity, and net income ratios. The Primary Reserve Ratio is a measure of an institution's financial viability and liquidity. The Equity Ratio is a measure of an institution's capital resources and its ability to borrow. The Net Income Ratio is a measure of an institution's profitability. These tests provide three individual scores which are converted into a single composite score. The maximum composite score is 3.0. If the institution achieves a composite score of at least 1.5, it is considered financially responsible. A composite score from 1.0 to 1.4 is considered financially responsible, and the institution may continue to participate as a financially responsible institution for up to three years, subject to additional monitoring and other consequences. If an institution does not achieve a composite score of at least 1.0, it can be transferred from the "advance" system of payment of Title IV funds to cash monitoring status or to the "reimbursement" system of payment, under which the institution must disburse its own funds to students and document the students' eligibility for Title IV program funds before receiving such funds from the U.S. Department of Education. The fiscal year 2011 composite scores for Apollo Group, University of Phoenix and Western International University were 2.6, 2.2 and 1.8, respectively.

If our schools eligible to participate in Title IV programs fail to maintain administrative capability or financial responsibility, as defined by the Department, those schools could lose their eligibility to participate in Title IV programs or have that eligibility adversely conditioned, which would have a material adverse effect on our business. Limitations on, or termination of, participation in Title IV programs as a result of the failure to demonstrate administrative capability or financial responsibility would limit students' access to Title IV program funds, which could significantly reduce the enrollments and revenues of our schools eligible to participate in Title IV programs and materially and adversely affect our business, financial condition, results of operations and cash flows.

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If we are not recertified to participate in Title IV programs by the U.S. Department of Education, we would lose eligibility to participate in Title IV programs and could not conduct our business as it is currently conducted.

University of Phoenix and Western International University are eligible and certified to participate in Title IV programs. University of Phoenix was recertified for Title IV programs in November 2009 and its current certification expires in December 2012. Western International University was recertified in May 2010 and its current certification expires in September 2014.

Generally, the recertification process includes a review by the Department of the institution's educational programs and locations, administrative capability, financial responsibility, and other oversight categories. The Department could limit, suspend or terminate an institution's participation in Title IV programs for violations of the Higher Education Act, as reauthorized, or Title IV regulations.

Continued Title IV eligibility is critical to the operation of our business. If University of Phoenix becomes ineligible to participate in Title IV federal student financial aid programs, we could not conduct our business as it is currently conducted and it would have a material adverse effect on our business, financial condition, results of operations and cash flows.

Budget constraints in states that provide state financial aid to our students could reduce the amount of such financial aid that is available to our students, which could reduce our enrollment and adversely affect our 90/10 Rule percentage.

Many states are experiencing severe budget deficits and constraints. Some of these states have reduced or eliminated various student financial assistance programs, and additional states may do so in the future. If our students who receive this type of assistance cannot secure alternate sources of funding, they may be forced to withdraw or reduce the rate at which they seek to complete their education. Other students who would otherwise have been eligible for state financial assistance may not be able to enroll without such aid. This reduced funding could decrease our enrollment and adversely affect our business, financial condition, results of operations and cash flows.

In addition, the reduction or elimination of these non-Title IV sources of student funding may adversely affect our 90/10 Rule percentage by increasing the proportion of the affected students' funding needs satisfied by Title IV programs. This could negatively impact or increase the cost of our compliance with the 90/10 Rule, as discussed under the Risk Factor, "*Our schools and programs would lose their eligibility to participate in federal student financial aid programs if the percentage of our revenues derived from those programs is too high, in which event we could not conduct our business as it is currently conducted*," above.

If regulators do not approve our domestic acquisitions, the acquired schools' state licenses, accreditation, and ability to participate in Title IV programs may be impaired.

When we acquire an institution, we must seek approval from the U.S. Department of Education, if the acquired institution participates in Title IV programs, and from most applicable state agencies and accrediting agencies because an acquisition is considered a change of ownership or control of the acquired institution under applicable regulatory standards. A change of ownership or control of an institution under the Department's standards can result in the temporary suspension of the institution's participation in the Title IV programs unless a timely and materially complete application for recertification is filed with the Department and the Department issues a temporary provisional certification. If we are unable to obtain approvals from the state agencies, accrediting agencies or Department for any institution we may acquire in the future, depending on the size of that acquisition, such a failure to obtain approval could have a material adverse effect on our business, financial condition, results of operations and cash flows.

If IPD's client institutions are sanctioned due to non-compliance with Title IV requirements, our business could be responsible for any resulting fines and penalties.

Our subsidiary, Institute for Professional Development, Inc. ("IPD") provides to its client institutions numerous consulting and administrative services, including services that involve the handling and receipt of Title IV funds. As a result of this, IPD may be jointly and severally liable for any fines, penalties or other sanctions imposed by the U.S. Department of Education on the client institution for violation of applicable Title IV regulations, regardless of the degree of fault, if any, on IPD's part. The imposition of such fines, penalties or other sanctions could have a material adverse impact on our business, financial condition, results of operations and cash flows.

Government regulations relating to the Internet could increase our cost of doing business and affect our ability to grow.

The increasing popularity and use of the Internet and other online services has led to and may lead to further adoption of new laws and regulatory practices in the U.S. or foreign countries and to new interpretations of existing laws and regulations. These new laws and interpretations may relate to issues such as online privacy, copyrights, trademarks and service marks, sales taxes, value-added taxes, withholding taxes, allocation and apportionment of income amongst various state, local and foreign jurisdictions, fair business practices and the requirement that online education institutions qualify to do business as foreign corporations or be licensed in one or more

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jurisdictions where they have no physical location or other presence. New laws, regulations or interpretations related to doing business over the Internet could increase our costs and materially and adversely

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affect our enrollments, which could have a material adverse affect on our business, financial condition, results of operations and cash flows.

Non-U.S. Operations

Our non-U.S. operations are subject to regulatory requirements of the applicable countries in which we operate, and our failure to comply with these requirements may result in substantial monetary liabilities, fines and penalties and a loss of authority to operate.

We operate physical and online educational institutions in the United Kingdom, Europe, Chile, Mexico, and elsewhere, and are actively seeking further expansion in other countries. Our operations in each of the relevant foreign jurisdictions are subject to the Foreign Corrupt Practices Act educational and other regulations, which may differ materially from the regulations applicable to our U.S. operations.

Risks Related to Our Business

Changes we are making to our business to improve the student experience may adversely affect our growth rate, profitability, financial condition, results of operations and cash flows.

We are focused on improving the student experience and identifying and enrolling students who have a greater likelihood to succeed in our educational programs. In furtherance of this focus, in fiscal year 2010 we began to implement a number of important changes and initiatives to transition our business to more effectively support our students and improve their educational outcomes, which efforts have continued in fiscal year 2011. These initiatives include, but are not limited to, the following:

- Upgrading our learning and data platforms;
- Adopting new tools to better support students' education financing decisions, such as our Responsible Borrowing Calculator, which is designed to help students calculate the amount of student borrowing necessary to achieve their educational objectives and to motivate them to not incur unnecessary student loan debt;
- Refining our marketing approaches to more effectively identify students who have a greater likelihood to succeed in our educational programs, including reduced emphasis on the utilization of third parties for lead generation;
- Requiring all associate's and bachelor's students who enroll in University of Phoenix with fewer than 24 credits (one year of college credit) to first attend a free, three-week University Orientation program which is designed to help inexperienced prospective students understand the rigors of higher education prior to enrollment. After piloting the program for a year, we implemented this policy university-wide in November 2010; and
- Better aligning our admissions personnel and other employees with our students' success, including eliminating all enrollment factors in evaluating the performance and any related compensation adjustments for our admissions personnel effective September 1, 2010. See *Risks Related to the Highly Regulated Industry in Which We Operate -Rulemaking by the U.S. Department of Education could materially and adversely affect our business*, above.

We believe that the reduction in University of Phoenix aggregate New Degreed Enrollment during fiscal year 2011 compared to fiscal year 2010 is principally due to the change in the evaluation and compensation structure for our admissions personnel, the full implementation of University Orientation, and the changes in our marketing approach. We expect that each of these measures will continue to reduce University of Phoenix net revenue, operating income and cash flow in fiscal year 2012, and potentially beyond.

Our business may be adversely affected by changes in the U.S. economy.

The U.S. and much of the world economy are experiencing difficult and uncertain economic circumstances. We believe that our enrollment is affected by changes in economic conditions, although the nature and magnitude of this effect are uncertain and may change over time. We believe that the sharp economic downturn in the U.S. beginning in 2008 contributed to our enrollment growth in our fiscal years 2009 and 2010 as an increased number of working learners sought to advance their education to improve job security or reemployment prospects. The modest improvement in the U.S. economy in 2011 may have reduced this effect on demand for educational services among potential working learners, and contributed to the declines in New Degreed Enrollment that we experienced during 2011. A further improvement in economic conditions in the U.S. and, in particular, an improvement in the U.S. unemployment rate, may reduce demand among potential working learners for educational services. Such a reduction could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Conversely, a worsening of economic and employment conditions may reduce the willingness of employers to sponsor educational opportunities for their employees or discourage existing or potential students from pursuing education due to a perception that there are insufficient job opportunities or due to their increased economic uncertainty or otherwise, any of which could adversely impact our enrollment. In addition, worsening economic and employment conditions could adversely affect the ability or willingness of our former students to repay student loans, which could increase our bad debt expense and

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our student loan cohort default rate and require increased time, attention and resources to manage these defaults, which could have a material adverse effect on our business. See *Risks Related to the Highly Regulated Industry in Which We Operate - An increase in our student loan default rates could result in the loss of eligibility to participate in Title IV programs*, *which would materially and adversely affect our business,* above.

We face intense competition in the postsecondary education market from both public and private educational institutions, which could adversely affect our business.

Postsecondary education in our existing and new market areas is highly competitive and is becoming increasingly so. We compete with traditional public and private two-year and four-year colleges, other proprietary schools and alternatives to higher education. Some of our competitors, both public and private, have greater financial and other resources than we have. Our competitors, both public and private, may offer programs similar to ours at a lower tuition level as a result of government subsidies, government and foundation grants, tax-deductible contributions and other financial resources not available to proprietary institutions. In addition, an increasing number of our competitors, including traditional colleges and community colleges, are offering distance learning and other online education programs. Companies providing online learning systems have enabled a greater number of traditional colleges and community colleges to offer online courses, in some cases at lower tuition levels and/or with a higher perceived reputation. As the online and distance learning segment of the postsecondary education market matures, the intensity of the competition we face will continue to increase further. This intense competition could adversely affect our business, financial condition, results of operations and cash flows.

Our financial performance depends on our ability to continue to develop awareness among, and enroll and retain students; adverse publicity may negatively impact demand for our programs.

Building awareness of our schools and the programs we offer is critical to our ability to attract prospective students. If our schools are unable to successfully market and advertise their educational programs, our schools' ability to attract and enroll prospective students in such programs could be adversely affected. It is also critical to our success that we convert these prospective students to enrolled students in a cost-effective manner and that these enrolled students remain active in our programs.

The proprietary postsecondary education sector is under intense regulatory and other scrutiny which has led to media attention that in many instances has portrayed the sector in an unflattering light. This negative media attention may cause some prospective students to choose educational alternatives outside of the proprietary sector or may cause them to choose proprietary alternatives other than University of Phoenix, either of which could negatively impact our new enrollments.

Some of the additional factors that could prevent us from successfully enrolling and retaining students in our programs include:

- regulatory investigations that may damage our reputation;
- increased regulation of online education, including in states in which we do not have a physical presence;
- a decrease in the perceived or actual economic benefits that students derive from our programs or education in general;
- increased competition from schools offering distance learning and other online educational programs;
- litigation that may damage our reputation;
- inability to continue to recruit, train and retain quality faculty;
- student or employer dissatisfaction with the quality of our services and programs;
- inability of graduates to obtain employment, professional licensure, or certification in their fields of study;
- student financial, personal or family constraints;
- tuition rate reductions by competitors that we are unwilling or unable to match; and
- a decline in the acceptance of online education.

If one or more of these factors reduces demand for our programs, our enrollment could be negatively affected or our costs associated with each new enrollment could increase, or both, either of which could have a material adverse impact on our business, financial condition, results of operations and cash flows.

If the proportion of our students who enroll with, and accumulate, fewer than 24 credits continues to increase, we may experience increased cost and reduced profitability.

In recent years, a substantial proportion of our overall growth has arisen from the increase in associate's degree students enrolled in University of Phoenix. As a result of this, the proportion of our Degreed Enrollment composed of associate's degree students has increased in recent years and may increase again in the future. We have experienced certain adverse effects from this shift, such as an increase in our student loan cohort default rate. Although the proportion of our Degreed Enrollment composed of associate's degree students decreased in fiscal year 2011, the proportion of our bachelor's degree students who enroll with fewer than 24 incoming credits has increased, which may contribute to a continued increase in our student loan cohort default rate. If the proportion of students with

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fewer than 24 incoming credits continues to increase in the future, we may experience additional consequences, such as higher cost per New Degreed Enrollment, lower retention rates and/or higher student services costs, an increase in the percentage of our revenue derived from Title IV funding under the 90/10 Rule, an

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increase in our student loan default rates, an increase in our bad debt expense, more limited ability to implement tuition price increases and other effects that may adversely affect our business, financial condition, results of operations and cash flows.

System disruptions and security threats to our computer networks or phone systems could have a material adverse effect on our business.

The performance and reliability of our computer network and phone systems infrastructure at our schools, including our online programs, is critical to our operations, reputation and ability to attract and retain students. From time to time we experience intermittent outages of the information technology systems used by our students, including system-wide outages. Any computer system error or failure, regardless of cause, could result in a substantial outage that materially disrupts our online and on-ground operations. We have only limited redundancies in our core computer and network infrastructure, which is concentrated in a single geographic area. We are currently evaluating our information technology systems to identify and address design and hardware risks. Because we do not have real-time comprehensive redundancies in our IT infrastructure, a catastrophic failure or unavailability for any reason of our principal data center may require us to replicate the function of this data center at our existing remote data facility or elsewhere. An event such as this may require equipping and restoring activities that could take up to several weeks to complete. The disruption from such an event could significantly impact our operations and have a material adverse effect on our business, financial condition, results of operations and cash flows, and could adversely affect our compliance with applicable regulations and accrediting body standards.

In addition, we face the threat to our computer systems of unauthorized access, computer hackers, computer viruses, malicious code, organized cyber attacks and other security problems and system disruptions. We have devoted and will continue to devote significant resources to the security of our computer systems, but they may still be vulnerable to these threats. A user who circumvents security measures could misappropriate proprietary information or cause interruptions or malfunctions in operations. As a result, we may be required to expend significant resources to protect against the threat of these system disruptions and security breaches or to alleviate problems caused by these disruptions and breaches. Any of these events could have a material adverse effect on our business, financial condition, results of operations and cash flows.

If we do not maintain existing, and develop additional, relationships with employers, our future growth may be impaired.

We currently have relationships with large employers to provide their employees with the opportunity to obtain degrees through us while continuing their employment. These relationships are an important part of our strategy as they provide us with a steady source of potential working learners for particular programs and also serve to increase our reputation among high-profile employers. In addition, programs in which employers directly pay tuition have a beneficial impact on our 90/10 Rule percentage calculation by reducing the proportion of our cash-basis revenues attributable to Title IV funds. If we are unable to develop new relationships or further develop our existing relationships, or if our existing relationships deteriorate or end, our efforts to seek these sources of potential working learners may be impaired, and this could materially and adversely affect our business, financial condition, results of operations and cash flows.

If we are unable to successfully conclude pending litigation and governmental inquiries, our business, financial condition, results of operations and cash flows could be adversely affected.

We, certain of our subsidiaries, and certain of our current and former directors and executive officers have been named as defendants in various lawsuits.

In January 2008, a jury returned an adverse verdict against us and two remaining individual co-defendants in a securities class action lawsuit entitled, *In re Apollo Group, Inc. Securities Litigation*, Case No. CV04-2147-PHX-JAT, filed in the U.S. District Court for the District of Arizona, relating to alleged false and misleading statements in connection with our failure to publicly disclose the contents of a preliminary U.S. Department of Education program review report. After various post-trial challenges, the case was returned to the trial court in March 2011 to administer the shareholder claims process. In September 2011, we entered into an agreement in principle with the plaintiffs to settle the litigation for a payment of $145.0 million. The outcome of this legal proceeding remains uncertain including, but not limited to, the requirement that any settlement agreement must be approved by the court.

In November 2010, the District Court for the District of Arizona consolidated three securities class action complaints into a single action entitled, *In re Apollo Group, Inc. Securities Litigation* and appointed the “Apollo Institutional Investors Group” consisting of the Oregon Public Employees Retirement Fund, the Mineworkers’ Pension Scheme, and Amalgamated Bank as lead plaintiffs. The consolidated complaint alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder and asserts a putative class period of May 21, 2007 to October 13, 2010. On April 19, 2011, we filed a motion to dismiss. We anticipate that the plaintiffs will seek substantial damages, including damages representing the aggregate investment losses attributable to the alleged false and misleading statements by all shareholders who purchased shares during the 29-month putative class period and still held those shares on October 13, 2010.

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On May 25, 2011, we were notified that a qui tam complaint had been filed against us by private relators under the Federal

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False Claims Act and California False Claims Act. The complaint alleges, among other things, that University of Phoenix has violated the Federal False Claims Act since December 12, 2009 and the California False Claims Act for the preceding ten years by falsely certifying to the U.S. Department of Education and the State of California that University of Phoenix was in compliance with various regulations that require compliance with federal rules regarding the payment of incentive compensation to admissions personnel, in connection with University of Phoenix's participation in student financial aid programs. In addition to injunctive relief and fines, the relators seek significant damages on behalf of the Department of Education and the State of California, including all student financial aid disbursed by the Department to our students since December 2009 and by the State of California to our students during the preceding ten years. The complaint was served on June 22, 2011. On July 12, 2011, we filed a motion to dismiss and on August 30, 2011, relators filed a motion to file an amended complaint. No oral argument on either motion is currently scheduled.

During fiscal year 2011, we received notices from the Attorney General's Office of each of Florida, Massachusetts and Delaware regarding their investigations under applicable consumer protection laws of the business practices at University of Phoenix. We believe that there may be an informal coalition of states considering investigations into recruiting practices and the financing of education at proprietary educational institutions, which may or may not include these three states. The consumer protection laws of states are broad and subject to substantial interpretation. If our past or current business practices at University of Phoenix are found to violate applicable consumer protection laws, we could be subject to monetary fines or penalties and possible limitations on the manner in which we conduct our business, which could materially and adversely affect our business, financial condition, results of operations and cash flows. To the extent that more states commence such investigations or multiple states act in a concerted manner, the cost of responding to these inquiries and investigations could increase significantly and the potential impact on our business would be substantially greater.

We are also subject to various other lawsuits, investigations and claims, covering a range of matters, including, but not limited to, claims involving shareholders and employment matters. Refer to Note 20, Commitments and Contingencies, in Part II, Item 8, *Financial Statements and Supplementary Data*, which is incorporated herein by reference, for further discussion of pending litigation and other proceedings. In addition, changes in our business and pending actions by regulators and HLC may increase our risk of claims by shareholders.

We cannot predict the ultimate outcome of these matters and expect to incur significant defense costs and other expenses in connection with them. Such costs and expenses could have a material adverse effect on our business, financial condition, results of operations and cash flows and the market price of our common stock. We may be required to pay substantial damages or settlement costs in excess of our insurance coverage related to these matters, or may be required to pay substantial fines or penalties, any of which could have a further material adverse effect on our business, financial condition, results of operations and cash flows. An adverse termination in any of these matters could also materially and adversely affect our licenses, accreditation and eligibility to participate in Title IV programs.

We may not be able to successfully identify, pursue or integrate acquisitions; acquisitions may result in additional debt or dilution to our shareholders.

As part of our growth strategy, we are actively considering acquisition opportunities in the U.S. and worldwide. We have acquired and expect to acquire additional proprietary educational institutions that complement our strategic direction, some of which could be material. Any acquisition involves significant risks and uncertainties, including:

- inability to successfully integrate the acquired operations, including the information technology systems, into our institutions and maintain uniform standards, controls, policies and procedures;
- inability to successfully operate and grow the acquired businesses, including, with respect to BPP, risks related to:
  - damage to BPP's reputation, including as a result of unfavorable public opinion in the United Kingdom regarding proprietary schools and ownership of BPP by a U.S. company;
  - uncertainty of future enrollment relating to BPP's newly established Business School, reduced demand for professional degrees, increased competition for professional examinations training, changes in the content of or procedures for professional examinations or other factors;
  - BPP's large fixed cost base; and
  - uncertainty regarding reauthorization criteria for BPP University College's degree awarding powers;
- distraction of management's attention from normal business operations;
- challenges retaining the key employees of the acquired operation;
- operating, market or other challenges causing operating results to be less than projected;
- expenses associated with the acquisition;
- challenges relating to conforming non-compliant financial reporting procedures to those required of a subsidiary of a U.S. reporting company, including procedures required by the Sarbanes-Oxley Act; and
- unidentified issues not discovered in our due diligence process, including commitments and/or contingencies.

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Acquisitions are inherently risky. We cannot be certain that our previous or future acquisitions will be successful and will not

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materially adversely affect our business, financial condition, results of operations and cash flows. We may not be able to identify suitable acquisition opportunities, acquire institutions on favorable terms, or successfully integrate or profitably operate acquired institutions. Future transactions may involve use of our cash resources, issuance of equity or debt securities, incurrence of other forms of debt or a significant increase in our financial leverage, which could adversely affect our business, financial condition, results of operations and cash flows, especially if the cash flows associated with any acquisition are not sufficient to cover the additional debt service. If we issue equity securities as consideration in an acquisition, current shareholders' percentage ownership and earnings per share may be diluted. In addition, our acquisition of an educational institution could be considered a change in ownership and control of the acquired institution under applicable regulatory standards. For such an acquisition in the U.S., we may need approval from the U.S. Department of Education and applicable state agencies and accrediting agencies and possibly other regulatory bodies. Our inability to obtain such approvals with respect to a completed acquisition could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our future operating results and the market price of our common stock could be materially adversely affected if we are required to further write down the carrying value of goodwill and/or other intangible assets associated with any of our reporting units in the future.

We review our goodwill and other indefinite-lived intangible asset balances for impairment on at least an annual basis through the application of a fair-value-based test. In assessing the fair value of our reporting units, we rely primarily on using a discounted cash flow analysis which includes our estimates about the future cash flows of our reporting units that are based on assumptions consistent with our plans to manage the underlying businesses. Other factors we consider include, but are not limited to, significant underperformance relative to expected historical or projected future operating results, significant changes in the manner or use of the acquired assets or the overall business strategy, and significant negative industry or economic trends. We recorded goodwill and other intangible asset impairments totaling $219.9 million for our BPP reporting unit during fiscal year 2011. For further discussion of these items, see Note 10, Goodwill and Intangible Assets, in Part II, Item 8, *Financial Statements and Supplementary Data*.

If our estimates or related assumptions change in the future, we may be required to record additional non-cash impairment charges for these assets. In the future, if we are required to significantly write down the carrying value of goodwill and/or other intangible assets associated with any of our reporting units, our operating results and the market price of our common stock may be materially adversely affected.

Our financial performance depends, in part, on our ability to keep pace with changing market needs and technology; if we fail to keep pace or fail in implementing or adapting to new technologies, our business may be adversely affected.

Increasingly, prospective employers of students who graduate from our schools demand that their new employees possess appropriate technological skills and also appropriate "soft" skills, such as communication, critical thinking and teamwork skills. These skills can evolve rapidly in a changing economic and technological environment. Accordingly, it is important for our schools' educational programs to evolve in response to these economic and technological changes. The expansion of existing programs and the development of new programs may not be accepted by current or prospective students or the employers of our graduates. Even if our schools are able to develop acceptable new programs, our schools may not be able to begin offering those new programs as quickly as required by prospective employers or as quickly as our competitors offer similar programs. In addition, we may be unable to obtain specialized accreditations or licensures that may make certain programs desirable to students. To offer a new academic program, we may be required to obtain federal, state and accrediting agency approvals, which may be conditioned or delayed in a manner that could significantly affect our growth plans. In addition, to be eligible for Title IV programs, a new academic program may need to be certified by the U.S. Department of Education. If we are unable to adequately respond to changes in market requirements due to regulatory or financial constraints, unusually rapid technological changes, or other factors, our ability to attract and retain students could be impaired, the rates at which our graduates obtain jobs involving their fields of study could suffer, and our business, financial condition, results of operations and cash flows could be adversely affected.

Establishing new academic programs or modifying existing programs requires us to make investments in management and capital expenditures, incur marketing expenses and reallocate other resources. We may have limited experience with the courses in new areas and may need to modify our systems and strategy or enter into arrangements with other educational institutions to provide new programs effectively and profitably. If we are unable to increase the number of students or offer new programs in a cost-effective manner, or are otherwise unable to manage effectively the operations of newly established academic programs, our business, financial condition, results of operations and cash flows could be adversely affected.

We have invested and continue to invest significant resources in information technology, which is a key element of our business strategy. Our information technology systems and tools could become impaired or obsolete due to our action or failure to act. For instance, we could install new information technology without accurately assessing its costs or benefits, or we could experience delayed or ineffective implementation of new information technology. Similarly, we could fail to respond in a

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timely or sufficiently competitive way to future technological developments in our industry. Should our action or failure to act impair or otherwise render our information technology less effective, this could have a material adverse effect on our business, financial condition, results of operations and cash flows.

A failure of our information systems to properly store, process and report relevant data may reduce our management's effectiveness, interfere with our regulatory compliance and increase our operating expenses.

We are heavily dependent on the integrity of our data management systems. If these systems do not effectively collect, store, process and report relevant data for the operation of our business, whether due to equipment malfunction or constraints, software deficiencies, or human error, our ability to effectively plan, forecast and execute our business plan and comply with applicable laws and regulations, including the Higher Education Act, as reauthorized, and the regulations thereunder, will be impaired, perhaps materially. Any such impairment could materially and adversely affect our financial condition, results of operations, and cash flows.

We rely on proprietary rights and intellectual property that may not be adequately protected under current laws, and we encounter disputes from time to time relating to our use of intellectual property.

Our success depends in part on our ability to protect our proprietary rights and intellectual property. We rely on a combination of copyrights, trademarks, trade secrets, patents, domain names and contractual agreements to protect our proprietary rights. For example, we rely on trademark protection in the U.S. and various foreign jurisdictions to protect our rights to various marks as well as distinctive logos and other marks associated with our services. We also rely on agreements under which we obtain intellectual property to own or license rights to use intellectual property developed by faculty members, content experts and other third-parties. We cannot assure you that these measures are adequate, that we have secured, or will be able to secure, appropriate permissions or protections for all of the intellectual property rights we use or claim rights to in the U.S. or various foreign jurisdictions, or that third parties will not terminate our license rights or infringe upon or otherwise violate our intellectual property rights or the intellectual property rights of others. Despite our efforts to protect these rights, unauthorized third parties may attempt to use, duplicate or copy the proprietary aspects of our student recruitment and educational delivery methods and systems, curricula, online resource material or other content. Our management's attention may be diverted by these attempts and we may need to use funds in litigation to protect our proprietary rights against any infringement or violation, which could have a material adverse affect on our business, financial condition, results of operations and cash flows.

We may become party to disputes from time to time over rights and obligations concerning intellectual property, and we may not prevail in these disputes. For example, third parties may allege that we have infringed upon or not obtained sufficient rights in the technologies used in our educational delivery systems, the content of our courses or other training materials or in our ownership or uses of other intellectual property claimed by that third party. Some third party intellectual property rights may prove to be extremely broad, and it may not be possible for us to conduct our operations in such a way as to avoid violating those intellectual property rights. Any such intellectual property claim could subject us to costly litigation and impose a significant strain on our financial resources and management personnel regardless of whether such claim has merit. Our various liability insurance coverages, if any, may not cover potential claims of this type adequately or at all, and we may be required to alter the design and operation of our systems or the content of our courses or pay monetary damages or license fees to third parties, which could have a material adverse affect on our business, financial condition, results of operations and cash flows.

We may incur liability for the unauthorized duplication, distribution or other use of materials posted online.

In some instances, our employees, including faculty members, or our students may post various articles or other third-party content online in class discussion boards or in other venues including Facebook, PhoenixConnect, University of Phoenix's proprietary social media network, and other social networks. We may incur liability to third parties for the unauthorized duplication, distribution or other use of this material. Any such claims could subject us to costly litigation and impose a significant strain on our financial resources and management personnel regardless of whether the claims have merit. Our various liability insurance coverages, if any, may not cover potential claims of this type adequately or at all, and we may be required to alter or cease our uses of such material (which may include changing or removing content from our courses) or pay monetary damages, which could have a material adverse affect on our business, financial condition, results of operations and cash flows.

The personal information that we collect may be vulnerable to breach, theft or loss that could adversely affect our reputation and operations.

Possession and use of personal information in our operations subjects us to risks and costs that could harm our business. Our educational institutions collect, use and retain large amounts of personal information regarding our students and their families, including social security numbers, tax return information, personal and family financial data and credit card numbers. We also collect and maintain personal information of our employees in the ordinary course of our business. Some of this personal information is held and

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managed by certain of our vendors. Although we use security and business controls to limit access and use of personal information, a third party may be able to circumvent those security and business controls, which could result in

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a breach of student or employee privacy. In addition, errors in the storage, use or transmission of personal information could result in a breach of student or employee privacy, and the increased availability and use of portable data devices by our employees and students increases the risk of unintentional disclosure of personal information. Possession and use of personal information in our operations also subjects us to legislative and regulatory burdens that could require notification of data breaches and restrict our use of personal information. We cannot assure you that a breach, loss or theft of personal information will not occur. A breach, theft or loss of personal information regarding our students and their families or our employees that is held by us or our vendors could have a material adverse effect on our reputation and results of operations and result in liability under state and federal privacy statutes and legal actions by state attorneys, general and private litigants, and any of which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our expansion into new markets outside the U.S. subjects us to risks inherent in international operations.

As part of our growth strategy, through Apollo Global, Inc., our consolidated majority-owned subsidiary, we have acquired additional universities outside the U.S. and we intend to actively pursue further acquisitions. To the extent that we make such acquisitions, we will face risks that are inherent in international operations, including:

- complexity of operations across borders;
- compliance with foreign regulatory environments;
- changes in existing laws to prohibit or restrict for-profit education, whether arising from public discontent or otherwise;
- currency exchange rate fluctuations;
- monetary policy risks, such as inflation, hyperinflation and deflation;
- price controls or restrictions on exchange of foreign currencies;
- potential political and economic instability in the countries in which we operate, including potential student uprisings such as the recent student protests in London against tuition increases and the ongoing student protests in Chile against for-profit education;
- expropriation of assets by local governments;
- multiple and possibly overlapping and conflicting tax laws;
- compliance with anti-corruption regulations such as the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act of 2010;
- potential unionization of employees under local labor laws and local labor laws that make it more expensive and complex to negotiate with, retain or terminate employees;
- greater difficulty in utilizing and enforcing our intellectual property and contract rights;
- failure to understand the local culture and market;
- limitations on the repatriation of funds; and
- acts of terrorism and war, epidemics and natural disasters.

We may have unanticipated tax liabilities that could adversely impact our results of operations and financial condition.

We are subject to multiple types of taxes in the U.S., United Kingdom and various other foreign jurisdictions. The determination of our worldwide provision for income taxes and other tax accruals involves various judgments, and therefore the ultimate tax determination is subject to uncertainty. In addition, changes in tax laws, regulations, or rules may adversely affect our future reported financial results, may impact the way in which we conduct our business, or may increase the risk of audit by the Internal Revenue Service or other tax authorities.

Our U.S. federal income tax returns for our fiscal years 2006 through 2010 are currently under review by the Internal Revenue Service. In addition, we are subject to numerous ongoing audits by state, local and foreign tax authorities. Although we believe our tax accruals are reasonable, the final determination of tax audits in the U.S. or abroad and any related litigation could be materially different from our historical income tax provisions and accruals. The results of an audit or litigation could have a material effect on our business, financial condition, results of operations and cash flows.

In addition, an increasing number of states are adopting new laws or changing their interpretation of existing laws regarding the apportionment of service revenues for corporate income tax purposes in a manner that could result in a larger proportion of our income being taxed by the states into which we sell services. These legislative and administrative changes could result in a portion of our income being taxed by two or more states. The magnitude of this possible double taxation could continue to increase as more states change the manner in which they tax income from services. If we experience double taxation by states for a substantial portion of our income, it could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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We are subject to the oversight of the Securities and Exchange Commission and other regulatory agencies, and investigations by these agencies could divert management's focus and have a material adverse impact on our reputation and financial condition.

As a result of this government regulation and oversight, we may be subject to legal and administrative proceedings. For example, in October 2009, we received notification from the Enforcement Division of the Securities and Exchange Commission indicating that it had commenced an informal inquiry into our revenue recognition practices. The Securities and Exchange Commission has requested various information and documents from us and/or from our auditors, including information regarding our revenue recognition practices, our policies and practices relating to student refunds, the return of Title IV funds to lenders and bad debt reserves, our insider trading policies and procedures, a chronology of the internal processing and availability of information about the U.S. Department of Education program review of University of Phoenix commenced in early 2009, certain information relating to non-Title IV revenue sources and other matters. Based on these requests, the eventual scope, duration and outcome of the inquiry cannot be predicted at this time. However, we have devoted substantial time and incurred substantial legal and other expenses in connection with this inquiry and we may have to devote additional time and incur additional expenses in the future. The costs of responding to, and the publicity surrounding investigations or enforcement actions by the Securities and Exchange Commission or the Department of Justice, even if ultimately resolved favorably for us, could have a material adverse impact on our business, financial condition, results of operations and cash flows.

Our principal credit agreement limits our ability to take various actions.

Our principal credit agreement limits our ability to take various actions, including paying dividends, repurchasing shares and acquiring and disposing of assets or businesses. Accordingly, we may be restricted from taking actions that management believes would be desirable and in the best interests of us and our shareholders. Our principal credit agreement also requires us to satisfy specified financial and non-financial covenants, including covenants relating to regulatory compliance. A breach of any covenants contained in our credit agreement would result in an event of default under the agreement and allow the lenders to pursue various remedies, including accelerating the repayment of any indebtedness outstanding under the agreement, any of which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We may experience movements in foreign currency exchange rates which could adversely affect our operating results.

We report revenues, costs and earnings in U.S. dollars. Exchange rates between the U.S. dollar and the local currency in the countries where we operate are likely to fluctuate from period to period. Because consolidated financial results are reported in U.S. dollars, we are subject to the risk of translation losses for reporting purposes. When the U.S. dollar appreciates against the applicable local currency in any reporting period, our consolidated operating results are adversely impacted due to translation.

As we continue to expand our international operations, we will conduct more transactions in currencies other than the U.S. dollar. To the extent that foreign revenue and expense transactions are not denominated in the local currency, we are also subject to the risk of transaction losses. Given the volatility of exchange rates, there is no assurance that we will be able to effectively manage currency transaction and/or translation risks. Fluctuations in foreign currency exchange rates could have a material adverse affect on our business, financial condition, results of operations and cash flows.

Item 1B — *Unresolved Staff Comments*

None.

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Item 2 — *Properties*

As of August 31, 2011, we utilized 442 facilities, the majority of which were leased. As of August 31, 2011, we were obligated to lease approximately 9.2 million square feet and owned approximately 0.6 million square feet, as follows:

			Leased		Owned		Total	
Reportable Segment	Location	Type	Sq. Ft.	# of Properties	Sq. Ft.	# of Properties	Sq. Ft.	# of Properties
University of Phoenix	United States	Office	1,024,230	11	—	—	1,024,230	11
		Dual Purpose	5,815,436	263	—	—	5,815,436	263
			6,839,666	274	—	—	6,839,666	274
	International	Office	3,519	2	—	—	3,519	2
Apollo Global:								
BPP	International	Office	29,965	3	—	—	29,965	3
		Dual Purpose	321,779	36	178,525	5	500,304	41
			351,744	39	178,525	5	530,269	44
Other	United States	Office	3,557	1	—	—	3,557	1
		Dual Purpose	93,709	5	—	—	93,709	5
			97,266	6	—	—	97,266	6
	International	Office	22,475	2	6,189	1	28,664	3
		Dual Purpose	159,608	20	412,624	20	572,232	40
			182,083	22	418,813	21	600,896	43
Other Schools	United States	Office	22,174	1	—	—	22,174	1
		Dual Purpose	109,259	45	—	—	109,259	45
			131,433	46	—	—	131,433	46
	International	Office	11,218	1			11,218	1
Corporate	United States	Office	1,606,258	26	—	—	1,606,258	26
	Total		9,223,187	416	597,338	26	9,820,525	442

Dual purpose space includes office and classroom facilities. Leases generally range from five to ten years with one to two renewal options for extended terms. We also lease space from time to time on a short-term basis in order to provide specific courses or programs. We evaluate current utilization of the educational facilities and projected enrollment to determine facility needs.

In addition to the above properties, we executed a lease agreement in fiscal year 2009 for a property that has been constructed for which we did not have the right to control the use of the property under lease at August 31, 2011. The property has approximately 274,000 of aggregate square footage and we began using the property in the first quarter of fiscal year 2012.

During the fourth quarter of fiscal year 2011, we implemented a real estate rationalization plan in Phoenix, Arizona to streamline our operations and better align our operations with our business strategy, refined business model and outlook. The plan consists of abandoning all, or a portion of, four leased facilities (approximately 495,000 square feet), which is included in the above table. See Note 4, Restructuring and Other Charges, in Item 8, *Financial Statements and Supplementary Data,* for further discussion.

Item 3 — *Legal Proceedings*

We are subject to various claims and contingencies which are in the scope of ordinary and routine litigation incidental to our business, including those related to regulation, business transactions, employee-related matters and taxes, among others. While the outcomes of these matters are uncertain, management does not expect that the ultimate costs to resolve these matters will have a material adverse effect on our consolidated financial position, results of operations or cash flows.

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When we become aware of a claim or potential claim, the likelihood of any loss or exposure is assessed. If it is probable that a loss will result and the amount of the loss can be reasonably estimated, we record a liability for the loss. The liability recorded includes probable and estimable legal costs associated with the claim or potential claim. If the loss is not probable or the

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amount of the loss cannot be reasonably estimated, we disclose the claim if the likelihood of a potential loss is reasonably possible and the amount is material. For matters where no loss contingency is recorded, our policy is to expense legal fees as incurred. The assessment of the likelihood of a potential loss and the estimation of the amount of a loss are subjective and require judgment.

A description of pending litigation, settlements, and other proceedings that are outside the scope of ordinary and routine litigation incidental to our business is provided under Note 20, Commitments and Contingencies, *Contingencies Related to Litigation and Other Proceedings* and *Regulatory and Other Matters*, in Item 8, *Financial Statements and Supplementary Data*, which is incorporated herein by reference.

Item 4 — *(Removed and Reserved)*

PART II

Item 5 — *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

Market Information

Our Apollo Group Class A common stock trades on the NASDAQ Global Select Market under the symbol "APOL." The holders of our Apollo Group Class A common stock are not entitled to any voting rights.

There is no established public trading market for our Apollo Group Class B common stock and all shares of our Apollo Group Class B common stock are beneficially owned by affiliates.

The table below sets forth the high and low bid share prices for our Apollo Group Class A common stock as reported by the NASDAQ Global Select Market.

	High	Low
2010		
First Quarter	$ 76.86	$ 52.79
Second Quarter	65.72	53.59
Third Quarter	66.69	52.20
Fourth Quarter	53.21	38.39
2011		
First Quarter	$ 53.61	$ 33.75
Second Quarter	46.42	34.10
Third Quarter	45.67	38.00
Fourth Quarter	54.23	40.60

Holders

As of August 31, 2011, there were approximately 244 registered holders of record of Apollo Class A common stock and four registered holders of record of Apollo Class B common stock. A substantially greater number of holders of Apollo Group Class A common stock are "street name" or beneficial holders, whose shares are held of record by banks, brokers and other financial institutions.

Dividends

Although we are permitted to pay dividends on our Apollo Class A and Apollo Class B common stock, subject to the satisfaction of applicable financial covenants in our principal credit facility, we have never paid cash dividends on our common stock. Dividends are payable at the discretion of the Board of Directors, and the Articles of Incorporation treat the declaration of dividends on the Apollo Class A and Apollo Class B common stock in an identical manner as follows: holders of our Apollo Class A common stock and Apollo Class B common stock are entitled to receive cash dividends, if and to the extent declared by the Board of Directors, payable to the holders of either class or both classes of common stock in equal or unequal per share amounts, at the discretion of the Board of Directors. We have no current plan to pay dividends in the near term. The decision of our Board of Directors to pay future dividends

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will depend on general business conditions, the effect of a dividend payment on our financial condition and other factors the Board of Directors may consider relevant.

Recent Sales of Unregistered Securities

None.

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Securities Authorized for Issuance under Equity Compensation Plans

The information required by Item 201(d) of Regulation S-K is provided under Item 12, *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters,* which is incorporated herein by reference.

Purchases of Equity Securities

Our Board of Directors has authorized programs to repurchase shares of Apollo Class A common stock, from time to time depending on market conditions and other considerations. The share repurchases under these programs for the three months ended August 31, 2011 are as follows:

(in thousands, except per share data)	Total Number of Shares Repurchased (1)	Average Price Paid per Share	Total Number of Shares Repurchased as Part of Publicly Announced Plans or Programs	Maximum Value of Shares Available for Repurchase Under the Plans or Programs
Treasury stock as of May 31, 2011	50,952	$ 55.07	50,952	$ 357,711
New authorizations	—	—	—	—
Shares repurchased	—	—	—	—
Shares reissued	(228)	55.07	(228)	—
Treasury stock as of June 30, 2011	50,724	$ 55.07	50,724	$ 357,711
New authorizations	—	—	—	—
Shares repurchased	—	—	—	—
Shares reissued	(351)	55.07	(351)	—
Treasury stock as of July 31, 2011	50,373	$ 55.07	50,373	$ 357,711
New authorizations	—	—	—	—
Shares repurchased	7,734	46.16	7,734	(357,000)
Shares reissued	(105)	53.88	(105)	—
Treasury stock as of August 31, 2011	58,002	$ 53.88	58,002	$ 711

(1) Shares repurchased in the above table exclude approximately 131,000 shares repurchased for $6.1 million during the three months ended August 31, 2011 related to tax withholding requirements on restricted stock units. These repurchases do not fall under the repurchase program described below, and therefore do not reduce the amount that is available for repurchase under that program. Please refer to Note 16, Shareholders' Equity, in Item 8, *Financial Statements and Supplementary Data*, for additional information.

As of August 31, 2011, approximately $0.7 million remained available under our share repurchase authorization. Subsequent to August 31, 2011, our Board of Directors authorized an increase in the amount available under our share repurchase program up to an aggregate amount of $500 million. The amount and timing of future share repurchase authorizations and repurchases, if any, will be made as market and business conditions warrant. Repurchases may be made on the open market through various methods including but not limited to accelerated share repurchase programs, or in privately negotiated transactions, pursuant to the applicable Securities and Exchange Commission rules, and may include repurchases pursuant to Securities and Exchange Commission Rule 10b5-1 nondiscretionary trading programs.

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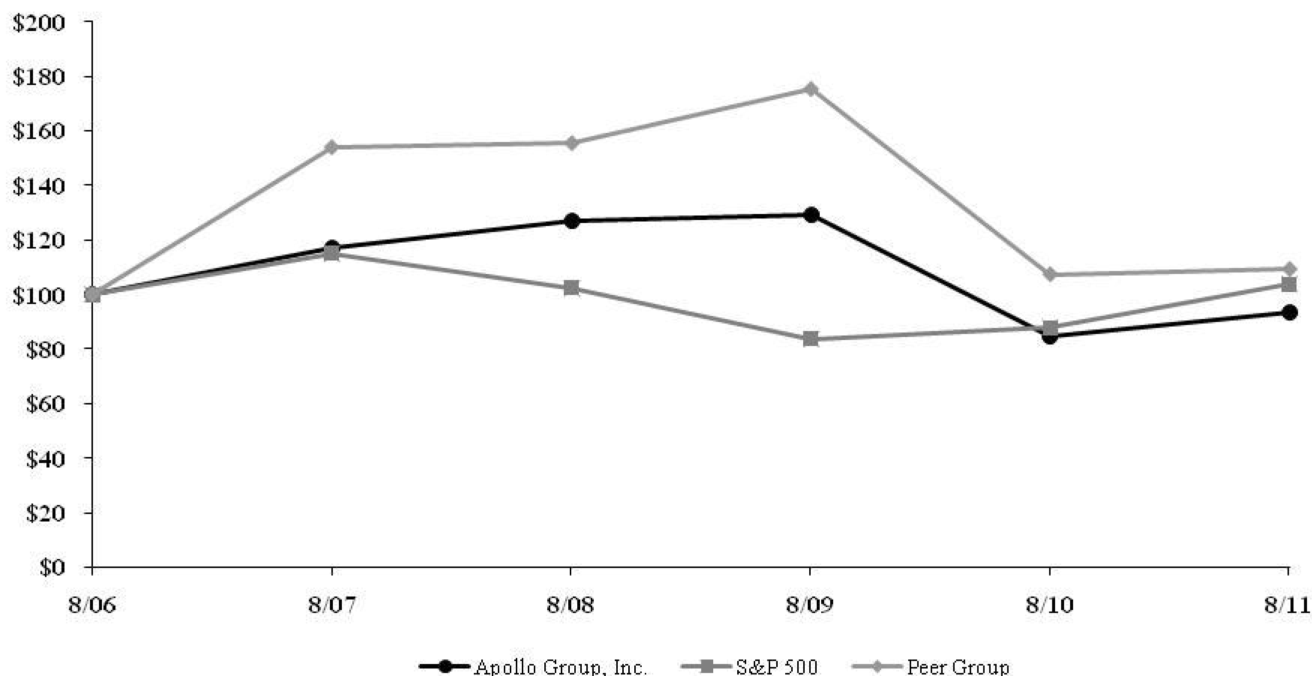
Company Stock Performance

The following graph compares the cumulative 5-year total return attained by shareholders on Apollo Class A common stock relative to the cumulative total returns of the S&P 500 index and a customized peer group of five companies that includes: Career Education Corp., Corinthian Colleges Inc., DeVry Inc., ITT Educational Services Inc., and Strayer Education Inc. An investment of $100 (with reinvestment of all dividends) is assumed to have been made in our common stock, in the index, and in the peer group on August 31, 2006, and its relative performance is tracked through August 31, 2011.



*$100 invested on 8/31/06 in stock and index-including reinvestment of dividends.
Fiscal year ending August 31.
Source: Standard & Poor's.

	8/06	8/07	8/08	8/09	8/10	8/11
Apollo Group, Inc.	**100**	**117**	**127**	**129**	**85**	**93**
S&P 500	**100**	**115**	**102**	**84**	**88**	**104**
Peer Group	**100**	**154**	**155**	**175**	**108**	**110**

The information contained in the performance graph shall not be deemed "soliciting material" or to be "filed" with the Securities and Exchange Commission nor shall such information be deemed incorporated by reference into any future filing under the Securities Act or the Exchange Act, except to the extent that we specifically incorporate it by reference into such filing.

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

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Item 6 — *Selected Consolidated Financial Data*

The following selected consolidated financial data is qualified by reference to and should be read in conjunction with Item 8, *Financial Statements and Supplementary Data,* and Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations,* to fully understand factors that may affect the comparability of the information presented below. The consolidated statements of income data for fiscal years 2011, 2010 and 2009, and the consolidated balance sheets data as of August 31, 2011 and 2010, were derived from the audited consolidated financial statements, included herein.

We have made certain changes in presentation to the financial data presented below associated with our disaggregation of operating expenses. For further discussion of these changes in presentation, refer to Note 3, Changes in Presentation, in Item 8, *Financial Statements and Supplementary Data*.

	As of August 31,				
($ in thousands)	**2011**	**2010**	**2009**	**2008**	**2007**
Consolidated Balance Sheets Data:					
Cash and cash equivalents and marketable securities	$ 1,577,610	$ 1,299,943	$ 987,825	$ 511,459	$ 392,681
Restricted cash and cash equivalents	$ 379,407	$ 444,132	$ 432,304	$ 384,155	$ 296,469
Long-term restricted cash and cash equivalents	$ —	$ 126,615	$ —	$ —	$ —
Total assets	$ 3,269,706	$ 3,601,451	$ 3,263,377	$ 1,860,412	$ 1,449,863
Current liabilities	$ 1,655,287	$ 1,793,511	$ 1,755,278	$ 865,609	$ 743,835
Long-term debt	179,691	168,039	127,701	15,428	—
Long-term liabilities	190,739	251,161	155,785	133,210	72,188
Total equity	1,243,989	1,388,740	1,224,613	846,165	633,840
Total liabilities and shareholders' equity	$ 3,269,706	$ 3,601,451	$ 3,263,377	$ 1,860,412	$ 1,449,863

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(In thousands, except per share data)	Year Ended August 31, 2011	2010	2009	2008	2007
Consolidated Statements of Income Data:					
Net revenue	$ 4,733,022	$ 4,925,819	$ 3,953,566	$ 3,133,436	$ 2,721,812
Costs and expenses:					
Instructional and student advisory	1,774,087	1,733,134	1,333,919	1,177,991	1,045,713
Marketing	655,362	623,743	497,568	416,551	341,538
Admissions advisory	415,386	466,358	437,908	374,175	311,622
General and administrative	355,751	301,116	277,887	204,793	189,391
Provision for uncollectible accounts receivable	181,297	282,628	151,021	104,201	120,614
Depreciation and amortization	159,006	145,564	108,828	88,349	80,926
Goodwill and other intangibles impairment	219,927	184,570	—	—	—
Restructuring and other charges	22,913	—	—	—	—
Litigation (credit) charge, net	(11,951)	177,982	80,500	—	—
Total costs and expenses	3,771,778	3,915,095	2,887,631	2,366,060	2,089,804
Operating income	961,244	1,010,724	1,065,935	767,376	632,001
Interest income	3,222	2,920	12,591	30,078	31,172
Interest expense	(8,931)	(11,891)	(4,448)	(3,450)	(232)
Other, net	(1,588)	(685)	(7,151)	6,772	672
Income from continuing operations before income taxes	953,947	1,001,068	1,066,927	800,776	663,613
Provision for income taxes	(420,638)	(464,063)	(456,720)	(314,025)	(250,961)
Income from continuing operations	533,309	537,005	610,207	486,751	412,652
Income (loss) from discontinued operations, net of tax	2,487	(15,424)	(16,377)	(10,824)	(3,842)
Net income	535,796	521,581	593,830	475,927	408,810
Net loss attributable to noncontrolling interests	36,631	31,421	4,489	598	—
Net income attributable to Apollo	$ 572,427	$ 553,002	$ 598,319	$ 476,525	$ 408,810
Earnings (loss) per share — Basic:					
Continuing operations attributable to Apollo	$ 4.03	$ 3.74	$ 3.90	$ 2.97	$ 2.39
Discontinued operations attributable to Apollo	0.02	(0.10)	(0.11)	(0.07)	(0.02)
Basic income per share attributable to Apollo	$ 4.05	$ 3.64	$ 3.79	$ 2.90	$ 2.37
Earnings (loss) per share — Diluted:					
Continuing operations attributable to Apollo	$ 4.02	$ 3.72	$ 3.85	$ 2.94	$ 2.38
Discontinued operations attributable to Apollo	0.02	(0.10)	(0.10)	(0.07)	(0.03)
Diluted income per share attributable to Apollo	$ 4.04	$ 3.62	$ 3.75	$ 2.87	$ 2.35
Basic weighted average shares outstanding	141,269	151,955	157,760	164,109	172,309
Diluted weighted average shares outstanding	141,750	152,906	159,514	165,870	173,603

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Item 7 — *Management's Discussion and Analysis of Financial Condition and Results of Operations*

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help investors understand our results of operations, financial condition and present business environment. The MD&A is provided as a supplement to, and should be read in conjunction with, our consolidated financial statements and related notes included in Item 8, *Financial Statements and Supplementary Data*. The MD&A is organized as follows:

- **Overview:** From management's point of view, we discuss the following:
  - An overview of our business and the sectors of the education industry in which we operate;
  - Key trends, developments and challenges; and
  - Significant events from the current period.
- **Critical Accounting Policies and Estimates:** A discussion of our accounting policies that require critical judgments and estimates.
- **Recent Accounting Pronouncements:** A discussion of recently issued accounting pronouncements.
- **Results of Operations:** An analysis of our results of operations as reflected on our consolidated financial statements.
- **Liquidity, Capital Resources, and Financial Position:** An analysis of cash flows and contractual obligations and other commercial commitments.

Overview

Apollo is one of the world's largest private education providers and has been a provider of education services for more than 35 years. We offer innovative and distinctive educational programs and services at the undergraduate, master's and doctoral levels at our various campuses and learning centers, and online throughout the world. Our principal wholly-owned subsidiaries and subsidiaries that we control include the following:

- The University of Phoenix, Inc. ("University of Phoenix"),
- Apollo Global, Inc. ("Apollo Global"):
  - BPP Holdings, plc ("BPP"),
  - Western International University, Inc. ("Western International University"),
  - Universidad de Artes, Ciencias y Comunicación ("UNIACC"),
  - Universidad Latinoamericana ("ULA"),
- Institute for Professional Development ("IPD"), and
- The College for Financial Planning Institutes Corporation ("CFFP").

Substantially all of our net revenue is composed of tuition and fees for educational services. University of Phoenix represented 91% of our total consolidated net revenue and more than 100% of our operating income in fiscal year 2011. University of Phoenix generated 86% of its cash basis revenue for eligible tuition and fees during fiscal year 2011 from receipt of Title IV financial aid program funds, as calculated under the 90/10 Rule.

We believe that a critical element of generating successful long-term growth and attractive returns for our stakeholders is to provide high quality educational products and services for our students in order for them to maximize the benefits of their educational experience. Accordingly, we are intensely focused on student success and more effectively identifying and enrolling students who have a greater likelihood to succeed in our educational programs. We are continuously enhancing and expanding our current service offerings and investing in academic quality. We have developed customized systems for academic quality management, faculty recruitment and training, student tracking, and marketing to help us more effectively manage toward this objective. We believe we utilize one of the most comprehensive postsecondary learning assessment programs in the U.S. We seek to improve student retention by enhancing student services, promoting instructional innovation and improving academic support. All of these efforts are designed to help our students stay in school and succeed.

Key Trends, Developments and Challenges

The following developments and trends present opportunities, challenges and risks as we work toward our goal of providing attractive returns for all of our stakeholders:

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- *Initiative to Enhance Student Experience and Outcomes.* We are intensely focused on improving student experiences and outcomes. In furtherance of this focus, in fiscal year 2010 we began to implement a number of important changes and initiatives to transition our business to more effectively support our students and improve their educational outcomes, which efforts have continued in fiscal year 2011. These initiatives include, but are not limited to, the

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following:

- Upgrading our learning and data platforms;
- Adopting new tools to better support students' financing decisions for educational costs, such as our Responsible Borrowing Calculator, which is designed to help students calculate the amount of student borrowing necessary to achieve their educational objectives and to motivate them to not incur unnecessary student loan debt;
- Refining our marketing approaches to more effectively identify students who have a greater likelihood to succeed in our educational programs, including reduced emphasis on the utilization of third parties for lead generation;
- Requiring all associate's and bachelor's students who enroll in University of Phoenix with fewer than 24 credits (one year of college credit) to first attend a free, three-week University Orientation program which is designed to help inexperienced prospective students better understand the time commitments and rigors of higher education prior to enrollment. After piloting the program for a year, we implemented this policy university-wide in November 2010; and
- Better aligning our admissions personnel and other employees with our students' success, including eliminating all enrollment factors in evaluating the performance and any related compensation adjustments for our admissions personnel effective September 1, 2010. See Part I, Item 1A, *Risk Factors - Risks Related to the Highly Regulated Industry in Which We Operate - Rulemaking by the U.S. Department of Education could materially and adversely affect our business*.

We believe the 40.3% reduction in University of Phoenix aggregate New Degreed Enrollment in fiscal year 2011 compared to fiscal year 2010 is principally due to the change in the evaluation and compensation structure for our admissions personnel, the full implementation of University Orientation, and the changes in our marketing approach. We expect that these initiatives will continue to reduce University of Phoenix net revenues, operating income and cash flow in fiscal year 2012, and potentially beyond. However, we believe that many of these efforts are in the best interests of our students and, over the long-term, will improve student retention and completion rates, reduce bad debt expense, reduce the risks to our business associated with our regulatory environment, and position us for more stable long-term growth.

- *Regulatory Environment*
  - *Rulemaking Initiative.* In November 2009, the U.S. Department of Education convened two negotiated rulemaking teams related to Title IV program integrity issues and foreign school issues. The resulting program integrity rules promulgated in October 2010 and June 2011 address numerous topics. The most significant for our business are the following:
    - Modification of the standards relating to the payment of incentive compensation to employees involved in student recruitment and enrollment;
    - Implementation of standards for state authorization of institutions of higher education;
    - Adoption of a definition of "gainful employment" for purposes of the requirement of Title IV student financial aid that a program of study offered by a proprietary institution prepare students for gainful employment in a recognized occupation; and
    - Expansion of the definition of misrepresentation, relating to the Department's authority under the Higher Education Act, as reauthorized, to suspend or terminate an institution's participation in Title IV programs if the institution engages in substantial misrepresentation of the nature of its educational program, its financial charges, or the employability of graduates, and expansion of the sanctions that the Department may impose for engaging in a substantial misrepresentation.

  Except for the gainful employment metrics discussed below, most of the rules were effective July 1, 2011.

  On June 13, 2011, the Department published final regulations, effective July 1, 2012, on the metrics for determining whether an academic program prepares students for gainful employment. The regulations establish three annual, program-level metrics: debt repayment rate, debt-to-discretionary income ratio, and debt-to-total earnings ratio. If an academic program fails all three metrics in a year, the institution must disclose the amount by which the program missed the minimum acceptable performance and the institution's plan to improve the program. If an academic program fails all three metrics in two out of three years, the institution must inform students in the failing program that their debts may be unaffordable and the program may lose eligibility, and

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must describe for students their available transfer options. If an academic program fails all three metrics in three out of four years, the academic program would become ineligible to participate in federal student financial aid programs for at least three years. We believe substantially all of our academic programs currently prepare students for gainful employment measured in the manner set forth in the final gainful employment regulations for purposes of continued eligibility to participate in federal student financial aid programs.

The program integrity rules require a large number of reporting and operational changes. We believe we have substantially complied with the new reporting and disclosure requirements that were effective July 1, 2011, and we expect to be in substantial compliance with the remaining requirements by the respective effective dates. However, because of the scale and complexity of our educational programs, we may be unable to fully develop, test and implement all of the necessary modifications to our information management systems and administrative processes by the required dates. We may be subject to administrative or other sanctions if we are unable to comply with these reporting and disclosure requirements on a timely basis. In addition, these changes, individually or in combination, may impact our student enrollment, persistence and retention in ways that we cannot now predict and could adversely affect our business, financial condition, results of operations and cash flows. See Part I, Item IA, *Risk Factors - Risks Related to the Highly Regulated Industry in Which We Operate - Rulemaking by the U.S. Department of Education could materially and adversely affect our business.*

On May 5, 2011, the Department announced its intention to establish additional negotiated rulemaking committees to prepare proposed regulations under the Higher Education Act, as reauthorized. Three public hearings were conducted in May 2011 at which interested parties suggested issues that should be considered for action by the negotiating committees. The Department also conducted roundtable discussions to inform policy in the areas of teacher preparation and college completion. More information can be found at http://www2.ed.gov/policy/highered/reg/hearulemaking/2011/index.html.

On September 27, 2011, the Department published a Notice of Proposed Rulemaking ("NPRM") to amend the regulations for institutional eligibility under the Higher Education Act, as reauthorized, and to streamline the application and approval process for new programs, as required by the October 2010 rules on gainful employment. After the public comment period ends on November 14, 2011, the Department will review and consider responses to the NPRM before publishing final regulations that would be effective by July 2013.

- *U.S. Congressional Hearings.* Beginning last year, there has been increased focus by members of the U.S. Congress on the role that proprietary educational institutions play in higher education. In June 2010, the U.S. Senate Committee on Health, Education, Labor and Pensions ("HELP Committee") held the first in a series of hearings to examine the proprietary education sector. At a subsequent hearing in August 2010, the Government Accountability Office ("GAO") presented a report of its review of various aspects of the proprietary sector, including recruitment practices and the degree to which proprietary institutions' revenue is composed of Title IV funding. Following the August hearing, Sen. Tom Harkin, the Chairman of the HELP Committee, requested a broad range of detailed information from 30 proprietary institutions, including University of Phoenix and other subsidiaries of Apollo Group. We have been and intend to continue being responsive to the requests of the HELP Committee. Sen. Harkin has held subsequent hearings and roundtable discussions, most recently on July 21, 2011, and we believe that future hearings may be held. On September 22, 2011, Sen. Tom Carper, the Chairman of the Senate Homeland Security and Government Affairs Subcommittee on Federal Financial Management, Government Information, Federal Services and International Security, held a hearing on "Improving Educational Outcomes for Our Military and Veterans," focusing on the quality of education for the military and veterans population and the treatment of such funding for purposes of the 90/10 Rule calculation that, if enacted, would adversely impact our 90/10 Rule percentage. Sen. Carper suggested a follow-up roundtable discussion. In addition, other Congressional hearings or roundtable discussions are expected to be held regarding various aspects of the education industry that may affect our business. See Part I, Item 1A, *Risk Factors - Risks Related to the Highly Regulated Industry in Which We Operate - Action by the U.S. Congress to revise the laws governing the federal student financial aid programs or reduce funding for those programs could reduce our student population and increase our costs of operation*.
- *90/10 Rule*. One requirement of the Higher Education Act, as reauthorized, commonly referred to as the "90/10 Rule," applies to proprietary institutions such as University of Phoenix and Western International University. Under this rule, a proprietary institution will be ineligible to participate in Title IV programs if for any two consecutive fiscal years it derives more than 90% of its cash basis revenue, as defined in the rule, from Title IV programs. An institution that exceeds this limit for any single fiscal year will be automatically placed on provisional certification for two fiscal years and will be subject to possible additional sanctions determined to be appropriate under the circumstances by the U.S.

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Department of Education. While the Department has broad discretion to impose additional sanctions on such an institution, there is only limited precedent available to

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predict what those sanctions might be, particularly in the current regulatory environment. The Department could specify a wide range of additional conditions as a part of the provisional certification and the institution's continued participation in Title IV programs. These conditions may include, among other things, restrictions on the total amount of Title IV program funds that may be distributed to students attending the institution; restrictions on programmatic and geographic expansion; requirements to obtain and post letters of credit; and additional reporting requirements to include additional interim financial reporting. Should an institution be subject to such provisional certification at the time that its program participation agreement expired, the effect on recertification of the institution or continued eligibility to participate in Title IV programs pending recertification is uncertain.

The University of Phoenix 90/10 Rule percentage for fiscal year 2011 was 86%, which represented a 200 basis point decrease compared to fiscal year 2010. We believe the decrease is primarily attributable to the reduction in the proportion of our students who are enrolled in our associate's degree programs, which historically have had a higher percentage of Title IV funds applied to eligible tuition and fees. We have also implemented in recent years various measures intended to reduce the percentage of University of Phoenix's cash basis revenue attributable to Title IV funds, including emphasizing employer-paid and other direct-pay education programs, encouraging students to carefully evaluate the amount of necessary Title IV borrowing, and continued focus on professional development and continuing education programs. Although we believe these measures will favorably impact the 90/10 Rule percentage, they have had only limited impact to date. We have substantially no control over the amount of Title IV student loans and grants sought by or awarded to our students.

Based on our most recent trends, we do not expect the 90/10 Rule percentage for University of Phoenix to exceed 90% for fiscal year 2012. However, the 90/10 Rule percentage for University of Phoenix remains near 90% and could exceed 90% in the future depending on the degree to which our various initiatives are effective, the impact of future changes in our enrollment mix, and regulatory and other factors outside our control, including any reduction in government tuition assistance for military personnel, including veterans, or changes in the treatment of such funding for purposes of the 90/10 Rule calculation.

Any necessary further efforts to reduce the 90/10 Rule percentage for University of Phoenix, especially if the percentage exceeds 90% for a fiscal year, may involve taking measures which reduce our revenue, increase our operating expenses, or both, in each case perhaps significantly. In addition, we may be required to make structural changes to our business in the future in order to remain in compliance, which changes may materially alter the manner in which we conduct our business and materially and adversely impact our business, financial condition, results of operations and cash flows. Furthermore, these required changes could make more difficult our ability to comply with other important regulatory requirements, such as the cohort default rate regulations, which is discussed below. See Part I, Item 1A, *Risk Factors - Risks Related to the Highly Regulated Industry in Which We Operate - Our schools and programs would lose their eligibility to participate in federal student financial aid programs if the percentage of our revenues derived from those programs is too high, in which event we could not conduct our business as it is currently conducted.*

- *Student Loan Cohort Default Rates*. To remain eligible to participate in Title IV programs, an educational institution's student loan cohort default rates must remain below certain specified levels. Each cohort is the group of students who first enter into student loan repayment during a federal fiscal year (ending September 30). The currently applicable cohort default rate for each cohort is the percentage of the students in the cohort who default on their student loans prior to the end of the following federal fiscal year, which represents a two-year measuring period. An educational institution will lose its eligibility to participate in some or all Title IV programs if its student loan cohort default rate equals or exceeds 25% for three consecutive cohorts or 40% for any given cohort. If our student loan default rates approach these limits, we may be required to increase efforts and resources dedicated to improving these default rates.

  For University of Phoenix, the 2009 cohort default rate was 18.8%. We believe the University of Phoenix cohort default rate has been increasing over the past several years due to the challenging economic climate, the growth in our associate's degree student population and changes in the manner in which student loans are serviced. Although we expect that the challenging economic environment will continue to put pressure on our student borrowers, we believe that our ongoing efforts to shift our student mix to a higher proportion of bachelor and graduate level students, the full implementation of our University Orientation program in November 2010 and our investment in student protection initiatives and repayment management services will help to stabilize and over time favorably impact our rates. Based on the available preliminary data, we do not expect the University of Phoenix or Western International University 2010 two-year cohort default rates to exceed 25%. See Part I, Item 1A, *Risk Factors - Risks Related to the Highly Regulated Industry in Which We Operate -*

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An increase in our student loan default rates could result in the loss of eligibility to participate in Title IV programs, which

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would materially and adversely affect our business.

- *Federal and State Financial Aid Funding.* In April 2011, President Obama signed the fiscal year 2011 spending bill, also known as the Continuing Resolution, which permanently eliminated year-round Pell Grant awards beginning with the 2011-2012 award year. The Continuing Resolution maintains the $5,550 maximum annual Pell Grant for the 2011-2012 award year. However, because the federal Pell Grant program is one of the largest non-defense discretionary spending programs in the federal budget, it is a target for reduction as Congress addresses the budget deficit. A reduction in the maximum annual Pell Grant amount or changes in eligibility could result in increased student borrowing, which would make it more difficult for us to comply with other important regulatory requirements, and could negatively impact enrollment. Any action by Congress that significantly reduces Title IV program funding, whether through across-the-board funding reductions, sequestration or otherwise, or materially impacts the eligibility of our institutions or students to participate in Title IV programs would have a material adverse effect on our enrollment, financial condition, results of operations and cash flows. Further, a reduction in government tuition assistance for military personnel, including veterans, or a change in the way such funding is treated for purposes of the 90/10 Rule may adversely impact our 90/10 Rule percentage, and may negatively impact enrollment. In addition to possible reductions in federal student financial aid, economic uncertainty over recent years has reduced the availability of state-funded student financial aid as many states face historic budget shortfalls. These reductions may reduce our enrollment and, to the extent that Title IV funds replace any state funding sources for our students, may adversely impact our 90/10 Rule percentage. See Part I, Item 1A, *Risk Factors - Risks Related to the Highly Regulated Industry in Which We Operate - Action by the U.S. Congress to revise the laws governing the federal student financial aid programs or reduce funding for those programs could reduce our student population and increase our costs of operation* and Part I, Item 1A, *Risk Factors - Risks Related to the Highly Regulated Industry in Which We Operate - Risks Related to the Highly Regulated Industry in Which We Operate - Budget constraints in states that provide state financial aid to our students could reduce the amount of such financial aid that is available to our students, which could reduce our enrollment and adversely affect our 90/10 Rule percentage*.

- *Higher Learning Commission ("HLC")*. In August 2010, University of Phoenix received a letter from HLC requiring University of Phoenix to provide certain information and evidence of compliance with HLC accreditation standards. The letter related to the August 2010 report published by the GAO of its undercover investigation into the enrollment and recruiting practices of a number of proprietary institutions of higher education, including University of Phoenix. We submitted the response to HLC in September 2010 and subsequently responded to further requests for information. In July 2011, HLC informed University of Phoenix that the Special Committee formed to review this matter had completed its work, concluding that based on its limited review, it found no apparent evidence of systematic misrepresentations to students or that University of Phoenix's procedures in the areas of recruiting, financial aid and admissions are significantly inadequate or inappropriate. These were the areas on which HLC's review was focused. HLC also stated that there remain significant questions as well as areas that University of Phoenix should work on improving. HLC indicated that these will be reviewed by the comprehensive evaluation team at its previously scheduled visit beginning in March 2012, which is its next comprehensive evaluation visit. See Part I, Item 1A, *Risk Factors - Risks Related to the Highly Regulated Industry in Which We Operate - If we fail to maintain our institutional accreditation or if our institutional accrediting body loses recognition by the U.S. Department of Education, we could lose our ability to participate in Title IV programs, which would materially and adversely affect our business*.

- *Intelligently Expand Access into New Markets.* We believe we can capitalize on opportunities to utilize our core expertise and organizational capabilities, both domestically and internationally. In particular, we have observed a growing demand for high quality postsecondary and other education services outside of the U.S. We intend to actively pursue quality opportunities to partner with or acquire existing institutions of higher learning where we believe we can achieve attractive long-term growth and value creation.

For a more detailed discussion of our business, industry and risks, refer to Item 1, *Business*, and Item 1A, *Risk Factors*.

Fiscal Year 2011 Significant Events

In addition to the items mentioned above, we experienced the following significant events during the fiscal year 2011:

1. University of Phoenix Academic Annual Report. In December 2010, University of Phoenix published its third Academic Annual Report which contains a variety of comparative performance measures related to student outcomes and university initiatives related to quality and accountability.

2. University of Phoenix Program Review. In February 2011, University of Phoenix received an Expedited Final Program Review Determination Letter from the Department in respect of the Department's December 2010

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program review. There were no significant adverse findings. The Department concluded that University of Phoenix has initiated or completed acceptable corrective actions in respect of each compliance item identified in the review and each finding had been closed. No economic or other sanctions were imposed. Additionally, the Department released our $126 million letter of credit during the third quarter of fiscal year 2011 previously posted in connection with our February 2009 program review.

3. *Changes in Directors*. The following changes in directors have occurred during fiscal year 2011:
   - During the second quarter of fiscal year 2011, Stephen J. Giusto resigned from the Board of Directors in connection with his acceptance of employment with Apollo in a senior management position to manage, expand and grow Apollo's educational services offerings;
   - During the second quarter of fiscal year 2011, James R. Reis ceased to serve as a director of Apollo when his term expired upon the annual meeting of our Class B shareholders;
   - During the third quarter of fiscal year 2011, Darby Shupp was appointed to our Board of Directors; and
   - During the fourth quarter of fiscal year 2011, Robert S. Murley was appointed to our Board of Directors.
4. *BPP Goodwill and Other Intangibles Impairment*. During the second quarter of fiscal year 2011, we recorded impairment charges of BPP's goodwill and other intangibles totaling $219.9 million. Refer to Note 10, Goodwill and Intangible Assets, in Item 8, *Financial Statements and Supplementary Data,* for additional information.
5. *Securities Class Action (Policeman's Annuity and Benefit Fund of Chicago)*. In January 2008, a jury returned an adverse verdict against us and two remaining individual co-defendants in a securities class action lawsuit entitled, *In re Apollo Group, Inc. Securities Litigation*, Case No. CV04-2147-PHX-JAT, filed in the U.S. District Court for the District of Arizona, relating to alleged false and misleading statements in connection with our failure to publicly disclose the contents of a preliminary U.S. Department of Education program review report. After various post-trial challenges, the case was returned to the trial court in March 2011 to administer the shareholder claims process. In September 2011, we entered into an agreement in principle with the plaintiffs to settle the litigation for a payment of $145.0 million. The outcome of this legal proceeding remains uncertain including, but not limited to, the requirement that any settlement agreement must be approved by the court. Refer to Note 20, Commitments and Contingencies, in Item 8, *Financial Statements and Supplementary Data*, for additional information.
6. *Sale-Leaseback.* On March 24, 2011, we entered into an agreement to sell our principal office buildings in Phoenix, Arizona plus the related land and parking facilities comprising approximately 600,000 square feet of office space for $169 million net of transaction fees. Pursuant to the agreement, we have simultaneously leased back the facilities for an initial term of 20 years, with four five-year renewal options. We are required to pay rent of $12 million for the initial year, which is increased 2% per year until the end of the initial lease term. We generated a gain on sale of $27.5 million, which has been deferred and is being recognized on a straight-line basis over the initial lease term. Based on the terms of the agreement, we have classified and are accounting for the lease as an operating lease. The classification as an operating lease required judgment and estimates in developing key assumptions that include, but are not limited to, the lease term, the discount rate used in discounting future lease payments and the economic useful life of the asset.
7. *Apollo Global Change in Management*. During the second quarter of fiscal year 2011, Timothy F. Daniels was hired to serve as President of Apollo Global, succeeding Jeff Langenbach who accepted a new assignment with Apollo Group as both Chief of Staff for the Office of the CEO and Chief Administration Officer.
8. *Restructuring and Other Charges.* During fiscal year 2011, we recorded restructuring and other charges totaling $22.9 million associated with a real estate rationalization plan and a strategic reduction in force. These initiatives were designed to streamline our operations and better align our operations with our business strategy, refined business model and outlook. Refer to Note 4, Restructuring and Other Charges, in Item 8, *Financial Statements and Supplementary Data*, for additional information.
9. *Arizona Department of Revenue.* During the fourth quarter of fiscal year 2011, we executed a Closing Agreement with the Arizona Department of Revenue to settle a matter regarding apportionment of our income for state income tax purposes. Based on the settlement, we have foregone our refund claims of $51.5 million, paid or will pay $59.8 million, and realized a $43.3 million benefit. Refer to Note 15, Income Taxes, in Item 8, *Financial Statements and Supplementary Data*, for additional information.

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10. *Carnegie Learning, Inc. Acquisition*. During the fourth quarter of fiscal year 2011, we entered into an agreement to acquire all of the stock of Carnegie Learning, Inc., a publisher of research-based math curricula and adaptive

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learning for $75 million. In a separate transaction, we entered into an agreement to acquire related technology from Carnegie Mellon University for $21.5 million, payable over a 10-year period. These acquisitions were completed on September 12, 2011. The acquisitions allow us to accelerate our efforts to incorporate adaptive learning into our academic platform and to provide tools to help raise student achievement in mathematics, which supports improved retention and graduation rates. Given our postsecondary focus, we intend to evaluate strategic alternatives for the K-12 portion of the business in order to support Carnegie Learning's continued success in this market.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires management to make certain estimates, assumptions and judgments that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Our critical accounting policies involve a higher degree of judgments, estimates and complexity, and are detailed below.

Revenue Recognition

Our educational programs, primarily composed of University of Phoenix programs, are designed to range in length from one-day seminars to degree programs lasting up to four years. Students in University of Phoenix degree programs generally enroll in a program of study encompassing a series of five- to nine-week courses taken consecutively over the length of the program. Generally, students are billed on a course-by-course basis when the student first attends a session, resulting in the recording of a receivable from the student and deferred revenue in the amount of the billing. University of Phoenix students generally fund their education through loans and/or grants under various Title IV programs, tuition assistance from their employers, or personal funds.

Net revenue consists principally of tuition and fees associated with different educational programs as well as related educational resources such as access to online materials, books, and study texts. Net revenue is shown net of discounts. Tuition benefits for our employees and their eligible dependents are included in net revenue and instructional and student advisory costs. Total employee tuition benefits were $97.0 million, $100.3 million and $90.5 million for fiscal years 2011, 2010 and 2009, respectively.

The following table presents the components of our net revenue, and each component as a percentage of total net revenue, for the fiscal years 2011, 2010 and 2009:

	Year Ended August 31,					
($ in thousands)	2011		2010		2009	
Tuition and educational services revenue	$ 4,570,983	96 %	$ 4,757,918	97 %	$ 3,815,014	96 %
Educational materials revenue	320,780	7 %	324,951	6 %	226,388	6 %
Services revenue	76,500	2 %	84,185	2 %	83,238	2 %
Other revenue	23,139	— %	22,414	— %	28,249	1 %
Gross Revenue	4,991,402	105 %	5,189,468	105 %	4,152,889	105 %
Less: Discounts	(258,380)	(5)%	(263,649)	(5)%	(199,323)	(5)%
Net revenue	$ 4,733,022	100 %	$ 4,925,819	100 %	$ 3,953,566	100 %

- *Tuition and educational services revenue* encompasses both online and on-campus classroom-based learning. For our University of Phoenix operations, tuition revenue is recognized pro rata over the period of instruction as services are delivered to students.

  BPP recognizes tuition revenue as services are provided over the course of the program, which varies depending on the program structure. For our remaining Apollo Global operations, tuition revenue is generally recognized over the length of the course and/or program as applicable.

- *Educational materials revenue* relates to online course materials delivered to students over the period of instruction. Revenue associated with these materials is recognized pro rata over the period of the related course to correspond with delivery of the materials to students. Educational materials also includes the sale of various books, study texts, course notes, and CDs for which we recognize revenue when the materials have been delivered to and accepted by students or other customers.

- *Services revenue* represents net revenue generated by IPD, which provides program development, administration and

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management consulting services to private colleges and universities ("Client Institutions") to establish or expand their programs for working learners. These services typically include degree program design, curriculum development, market research, certain student admissions services, accounting, and administrative services. Prior to July 1, 2011, IPD was typically paid a portion of the tuition revenue generated from these programs, and the portion of service revenue to which IPD was entitled under the terms of the contract was recognized as the services were provided. Under new U.S. Department of Education regulations, subsequent to July 1, 2011, IPD's revenue is generated based on fixed fee contracts with Client Institutions and is recognized on a straight line basis over the term of the contract as the services are provided. The term for these fixed fee contracts range from one to five years with provisions for renewal thereafter.

- *Other revenue* consists of the fees students pay when submitting an enrollment application, which, along with the related application costs associated with processing the applications, are deferred and recognized over the average length of time a student remains enrolled in a program of study. Other revenue also includes non-tuition generating revenues, such as renting classroom space and other student support services. Revenue from these sources is recognized as the services are provided.
- *Discounts* reflect reductions in charges for tuition or other fees from our standard rates and include military, corporate, and other employer discounts, along with institutional scholarships, grants and promotions.

University of Phoenix's refund policy permits students who attend 60% or less of a course to be eligible for a refund for the portion of the course they did not attend. Refunds result in a reduction in deferred revenue during the period that a student drops or withdraws from a class because associated tuition revenue is recognized pro rata over the period of instruction as the services are delivered. This refund policy applies to students in most, but not all states, as some states require different policies.

Generally, net revenue varies from period to period based on several factors, including the aggregate number of students attending classes, the number of classes held during the period, and the tuition price per credit.

Sales tax collected from students is excluded from net revenue. Collected but unremitted sales tax is included as a liability in our Consolidated Balance Sheets and is not material to our consolidated financial statements.

Allowance for Doubtful Accounts

We reduce accounts receivable by an allowance for amounts that we expect to become uncollectible in the future. Estimates are used in determining the allowance for doubtful accounts and are based on historical collection experience and current trends. In determining these amounts, we consider and evaluate the historical write-offs of our receivables. We monitor our collections and write-off experience to assess whether adjustments are necessary.

When a student with Title IV loans withdraws, Title IV rules determine if we are required to return a portion of Title IV funds to the lenders. We are then entitled to collect these funds from the students, but collection rates for these types of receivables is significantly lower than our collection rates for receivables for students who remain in our educational programs.

We routinely evaluate our estimation methodology for adequacy and modify it as necessary. In doing so, our objective is to cause our allowance for doubtful accounts to reflect the amount of receivables that will become uncollectible by considering our most recent collections experience, changes in trends and other relevant facts. In doing so, we believe our allowance for doubtful accounts reflects the most recent collections experience and is responsive to changes in trends. Our accounts receivable are written off once the account is deemed to be uncollectible, which typically occurs after outside collection agencies have pursued collection for approximately six months.

We recorded bad debt expense of $181.3 million, $282.6 million and $151.0 million during fiscal years 2011, 2010 and 2009, respectively. Our allowance for doubtful accounts was $128.9 million and $192.9 million as of August 31, 2011 and 2010, respectively. For the purpose of sensitivity, a one percent change in our allowance for doubtful accounts as a percentage of gross student receivables as of August 31, 2011 would have resulted in a pre-tax change in income of $3.2 million. Additionally, if our bad debt expense were to change by one percent of total net revenue for the fiscal year ended August 31, 2011, we would have recorded a pre-tax change in income of approximately $47.3 million.

Goodwill and Intangible Assets

- *Goodwill and Indefinite-Lived Intangible Assets* — Goodwill represents the excess of the purchase price of an acquired business over the amount assigned to the assets acquired and liabilities assumed. At the time of an acquisition, we allocate the goodwill and related assets and liabilities to our respective reporting units. We identify our reporting units by assessing whether the components of our operating segments constitute businesses for which discrete financial information is available and segment management regularly reviews the operating results of those components.

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Indefinite-lived intangible assets are recorded at fair market value on their acquisition date and primarily include trademarks and foreign regulatory accreditations and designations as a result of the BPP, UNIACC and ULA acquisitions. We assign indefinite lives to acquired trademarks, accreditations and designations that we believe have the continued ability to generate cash flows indefinitely; have no legal, regulatory, contractual, economic or other factors limiting the useful life of the respective intangible asset; and when we intend to renew the respective trademark, accreditation or designation and renewal can be accomplished at little cost.

We assess goodwill and indefinite-lived intangible assets at least annually for impairment or more frequently if events occur or circumstances change between annual tests that would more likely than not reduce the fair value of the respective reporting unit below its carrying amount.

- *Goodwill* — We test for goodwill impairment at the reporting unit level by applying a two-step test. In the first step, we compare the fair value of the reporting unit to the carrying value of its net assets. If the fair value of the reporting unit exceeds the carrying value of the net assets of the reporting unit, goodwill is not impaired and no further testing is required. If the carrying value of the net assets of the reporting unit exceeds the fair value of the reporting unit, we perform a second step which involves using a hypothetical purchase price allocation to determine the implied fair value of the goodwill and compare it to the carrying value of the goodwill. An impairment loss is recognized to the extent the implied fair value of the goodwill is less than the carrying amount of the goodwill. Effective September 1, 2011, we early adopted Accounting Standards Update ("ASU") No. 2011-08, "*Intangibles-Goodwill and Other (Topic 350): Testing Goodwill for Impairment*," which allows, but does not require, us to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test discussed above. Refer to *Recent Accounting Pronouncements* in Note 2, Significant Accounting Policies, in Item 8, *Financial Statements and Supplementary Data*.
- *Indefinite-lived intangible assets* — The annual impairment test for indefinite-lived intangible assets involves a comparison of the estimated fair value of the intangible asset with its carrying value. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. We perform our annual indefinite-lived intangible asset impairment tests on the same dates that we perform our annual goodwill impairment tests for the respective reporting units.

Our goodwill and indefinite-lived intangible assets by reportable segment are summarized in the table below:

	Annual Impairment	Goodwill as of August 31,		Indefinite-lived Intangibles as of August 31,	
($ in thousands)	Test Date	2011	2010	2011	2010
University of Phoenix	May 31	$ 37,018	$ 37,018	$ —	$ —
Apollo Global — BPP[1]	July 1	50,694	241,204	97,662	114,330
Apollo Global — Other					
UNIACC	May 31	13,103	12,132	5,311	4,919
ULA[1]	May 31	15,591	14,914	2,504	2,395
Western International University	May 31	1,581	1,581	—	—
Other Schools					
CFFP	August 31	15,310	15,310	—	—

(1) We recorded impairment charges during the second quarter of fiscal year 2011 for BPP's goodwill and other intangible assets of $197.7 million and $22.2 million, respectively. During fiscal year 2010, we recorded impairment charges of $156.3 million and $19.6 million for BPP's goodwill and other intangible assets, respectively, and an $8.7 million impairment charge for ULA's goodwill.

The process of evaluating the potential impairment of goodwill is subjective and requires significant judgment at many points during the analysis, including identification of our reporting units, identification and allocation of assets and liabilities to each of our reporting units and determination of fair value of our reporting units. Our goodwill testing process includes the use of industry accepted valuation methods, involvement of various levels of management in different operating functions to review and approve certain criteria and assumptions and, in certain instances, engaging third-party valuation specialists to assist with our analysis.

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To determine the fair value of our reporting units, we primarily use an income-based approach consisting of a discounted cash flow valuation method. We also consider a market-based approach or a combination of both

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methods. The discounted cash flow valuation method consists of projecting future cash flows for a reporting unit, which may include developing one or multiple sets of cash flow scenarios and applying a reasonable weighting to those scenarios, calculating a terminal value, and discounting such cash flows by a risk-adjusted rate of return. Generally, the market-based approach incorporates information from comparable transactions in the market and publicly traded companies with similar operating and investment characteristics of the reporting unit to develop a multiple which is then applied to the operating performance of the reporting unit to determine value. The determination of fair value of our reporting units consists primarily of using unobservable inputs under the fair value measurement standards.

We believe the most critical assumptions and estimates in determining the estimated fair value of our reporting units, include, but are not limited to, the amounts and timing of expected future cash flows for each reporting unit, the probability weightings assigned to cash flow scenarios, the discount rate applied to those cash flows, terminal growth rates, selection of comparable market multiples and applying weighting factors when a combination of valuation methods is used. The assumptions used in determining our expected future cash flows consider various factors such as historical operating trends particularly in student enrollment and pricing, the political environment the reporting unit operates in, anticipated economic and regulatory conditions and reasonable expectations for planned business, and operating strategies and initiatives over a long-term planning horizon. The discount rate used by each reporting unit is based on our assumption of a prudent investor's required rate of return of assuming the risk of investing in a particular company in a specific country. The terminal growth rate reflects the sustainable operating income a reporting unit could generate in a perpetual state as a function of revenue growth, inflation and future margin expectations. We also believe the assumptions used in our goodwill impairment tests are consistent with a reasonable market participant view while employing the concept of highest and best use of the asset. If we determine our critical assumptions discussed above require revision or are adversely impacted, a potential goodwill impairment may result in the future.

To determine the fair value of our trademark intangible assets we use the relief-from-royalty method. This method estimates the benefit of owning the intangible assets rather than paying royalties for the right to use a comparable asset. This method incorporates the use of significant judgments in determining both the projected revenues attributable to the asset, as well as the appropriate discount rate and royalty rates applied to those revenues to determine fair value. To fair value the accreditations and designations intangible assets, we primarily use the cost savings method which estimates the cost savings of owning the intangible asset rather than either creating the asset or not having the asset in place to be used in current operations. This method incorporates the use of significant judgments in determining the projected profit or replacement cost attributable to the asset and the appropriate discount rate. The determination of fair value of our indefinite-lived intangible assets consists primarily of using unobservable inputs under the fair value measurement standards.

During fiscal year 2011, we completed our annual goodwill impairment tests for each of our reporting units and our annual indefinite-lived intangible asset impairment tests, as applicable. For our BPP reporting unit, we were required to perform an interim goodwill impairment test in the second quarter of fiscal year 2011, which resulted in recognizing goodwill and other intangibles impairment charges, as further discussed below. We did not record any impairment charges associated with our other reporting units as the estimated fair value of each of the reporting units exceeded the carrying value of their respective net assets as of their annual impairment test date. The excess as a percentage of fair value for University of Phoenix, UNIACC, Western International University and CFFP was at least 25%, and the excess for ULA was approximately 16% as of their respective annual impairment test dates.

To determine the fair value for our University of Phoenix and Western International University reporting units, we used market multiple information and recent transaction data, if applicable, of comparable sized companies. For our CFFP reporting unit, we determined fair value using the discounted cash flow valuation method utilizing a 14.0% discount rate and 3% terminal growth rate. For our UNIACC and ULA reporting units, we determined fair value by using a combination of the discounted cash flow valuation method and the market-based approach, to which we applied weighting factors of 80% and 20%, respectively. Specifically, for our UNIACC and ULA reporting units, the key assumptions used in our analysis include the following:

- Projected net revenue growth at UNIACC through its established online and working learner educational programs, and projected net revenue growth at ULA through its working learner educational programs offered through a blend of on-campus and online modalities. If the projected revenue growth from these programs does not materialize, we may be required in the future to record impairment charges for our goodwill and intangible assets.
- Discount rates for UNIACC and ULA of 15.5% and 16.5%, respectively, and a terminal growth rate of 5% for both reporting units. For sensitivity purposes, a 100 basis point change in either of these assumptions

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would not have resulted in the carrying value exceeding the fair value for either reporting unit as of their May 31, 2011 annual impairment test date.

Our UNIACC and ULA reporting units also have indefinite-lived intangible assets consisting of trademarks and accreditations totaling $7.8 million as of August 31, 2011. We performed a fair value analysis of these indefinite-lived intangible assets as of the May 31, 2011 annual impairment test date and determined there was no impairment.

BPP Reporting Unit

During the second quarter of fiscal year 2011, BPP experienced lower than expected rates of enrollment for its accounting and finance professional training programs. As a result, we revised our outlook for BPP and reduced forecasted revenues and operating cash flows for the remainder of fiscal year 2011.

The majority of students take multiple years to complete these programs and, as a result, the lower than expected rates of enrollment in these programs are expected to negatively impact revenue growth for the next couple of years. In addition, we also reduced our forecasts for future years from what we had previously anticipated, as we now believe that we will likely experience further near term declines. Currently, accounting and finance professional training programs account for approximately one-half of BPP's revenues and a significant portion of BPP's operating cash flows. For these reasons, we performed an interim goodwill impairment analysis for BPP in the second quarter of fiscal year 2011.

To determine the fair value of our BPP reporting unit in our interim step one analysis, we used a combination of the discounted cash flow valuation method and the market-based approach and applied weighting factors of 80% and 20%, respectively. We used assumptions in our interim step one analysis to reflect what we believe to be a reasonable market participant's view of the increased uncertainty in the broader market conditions impacting BPP. Specifically, the key assumptions used in our revised cash flow estimates include the following:

- the markets in which BPP's professional training programs operate in will experience further declines in the near term, and a recovery in the market for such programs will take longer than previously expected,
- decreased our pricing assumptions for degree programs at BPP's University college, given the emerging competitive landscape and the implementation of the U.K. government's review of funding for higher education, and
- a significant increase in revenues over a long-term horizon at BPP's University College, and
- a 13.5% discount rate and 3.0% terminal growth rate.

Incorporating these assumptions into our interim step one goodwill impairment analysis resulted in a lower estimated fair value for the BPP reporting unit as compared to its carrying value. This was the second time that we had received new information that has caused us to revise our forecasts for BPP and record impairment charges, as we recorded goodwill and other intangibles impairment charges of $175.9 million in fiscal year 2010. See Note 10, Goodwill and Intangible Assets, in Item 8, *Financial Statements and Supplementary Data*, for further discussion.

Accordingly, we performed an interim step two analysis which required us to fair value BPP's assets and liabilities, including identifiable intangible assets, using the fair value derived from the interim step one analysis as the purchase price in a hypothetical acquisition of the BPP reporting unit. The significant hypothetical purchase price adjustments included in the step two analysis consisted of:

- Adjusting the carrying value of land and buildings included in property and equipment to estimated fair value using the market approach and based on appraisals.
- Adjusting the carrying value of the trademark and accreditations and designation indefinite-lived intangible assets to estimated fair value using the valuation methods discussed above. Our interim impairment tests for these indefinite-lived intangible assets utilized the same assumptions used in the BPP reporting unit goodwill impairment analysis which resulted in a lower fair value estimate for BPP's trademark.
- Adjusting all other finite-lived intangible assets to estimated fair value using a variety of methods under the income approach. As a result of this analysis, we determined that all significant finite-lived intangible assets were not impaired in the second quarter of fiscal year 2011.

Based on our analysis, we recorded impairment charges during the second quarter of fiscal year 2011 for BPP's goodwill and trademark of $197.7 million and $22.2 million, respectively. As BPP's goodwill is not deductible for tax purposes, we did not

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record a tax benefit associated with the goodwill impairment charge. In the second quarter of fiscal year 2011, BPP's goodwill and other intangibles impairment charges in the aggregate approximate $213.9

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million (net of $6.0 million benefit for income taxes associated with the other intangibles impairment charge).

In the fourth quarter of fiscal year 2011, we performed our annual goodwill impairment for BPP. There have been no significant changes within BPP or the U.K. that we believe would have a meaningful impact on our cash flow estimates and other significant assumptions used in the interim impairment test performed in the second quarter of fiscal year 2011 discussed above. Accordingly, for the purpose of performing the annual goodwill impairment as of July 1, 2011, we utilized a similar valuation methodology and underlying assumptions. BPP's goodwill was determined to not be impaired and the excess as a percentage of fair value was approximately 23%. Additionally, we completed our annual impairment tests for the indefinite-lived assets at BPP and determined there was no impairment.

Although our projections used in both our interim and annual goodwill impairment tests assume that the markets in which BPP operates will ultimately stabilize, we may be required to record additional impairment charges for BPP's remaining goodwill and other intangibles balances of $50.7 million and $110.4 million, respectively, if there are further deteriorations in these markets, if economic conditions in the U.K. further decline, or we are unable to achieve the projected growth in future enrollment and related revenue at BPP's University College.

- *Finite-Lived Intangible Assets* — Finite-lived intangible assets that are acquired in business combinations are recorded at fair market value on their acquisition date and are amortized on either a straight-line basis or using an accelerated method to reflect the pattern in which the economic benefits of the asset are consumed. The weighted average useful life of our finite-lived intangible assets that are not fully amortized as of August 31, 2011 is 5.2 years.

  At August 31, 2011 and 2010, our finite-lived intangible asset balances were $15.6 million and $28.9 million, respectively.

Other Long-Lived Asset Impairments

We evaluate the carrying amount of our major other long-lived assets, including property and equipment and finite-lived intangible assets, whenever changes in circumstances or events indicate that the value of such assets may not be fully recoverable. Excluding the impairment charges discussed in Note 4, Restructuring and Other Charges, in Item 8, *Financial Statements and Supplementary Data*, we did not recognize any impairment charges for our other long-lived assets during fiscal years 2011 and 2010. At August 31, 2011, we believe the carrying amounts of our remaining other long-lived assets are fully recoverable and no impairment exists.

Loss Contingencies

We are subject to various claims and contingencies which are in the scope of ordinary and routine litigation incidental to our business, including those related to regulation, litigation, business transactions, employee-related matters and taxes, among others. When we become aware of a claim or potential claim, the likelihood of any loss or exposure is assessed. If it is probable that a loss will result and the amount of the loss can be reasonably estimated, we record a liability for the loss. The liability recorded includes probable and estimable legal costs incurred to date and future legal costs to the point in the legal matter where we believe a conclusion to the matter will be reached. If the loss is not probable or the amount of the loss cannot be reasonably estimated, we disclose the claim if the likelihood of a potential loss is reasonably possible and the amount of the potential loss could be material. For matters where no loss contingency is recorded, our policy is to expense legal fees as incurred. The assessment of the likelihood of a potential loss and the estimation of the amount of a loss are subjective and require judgment.

Accounting for Income Taxes

The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in an entity's financial statements or tax returns. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period when the new rate is enacted. We record a valuation allowance to reduce deferred tax assets to the amount that we believe is more likely than not to be realized.

The determination of our uncertain tax positions requires us to make significant judgments. We evaluate and account for uncertain tax positions using a two-step approach. Recognition (step one) occurs when we conclude that a tax position, based solely on its technical merits, is more likely than not to be sustained upon examination. Measurement (step two) determines the amount of benefit that is greater than 50% likely to be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. Derecognition of a tax position that was previously recognized would occur when we subsequently determine that a tax position no longer meets the more likely than not threshold of being sustained. We do not use a valuation allowance as a substitute for derecognition of tax positions. Our total unrecognized tax benefits, excluding interest

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and penalties, were $25.8 million and $166.0 million as of August 31, 2011 and 2010, respectively. The decrease in our unrecognized tax benefits from August 31, 2010 is principally due to resolution regarding the apportionment of income for state income tax purposes. Refer to Note 15, Income Taxes, in Item 8, *Financial Statements and Supplementary Data*, for additional information.

Share-Based Compensation

We measure and recognize compensation expense for all share-based awards issued to faculty, employees and directors based on estimated fair values of the share awards on the date of grant. We record compensation expense, net of forfeitures, for all share-based awards over the requisite service period using the straight-line method for awards with only a service condition, and the graded vesting attribution method for awards with service and performance conditions.

We calculate the fair value of share-based awards on the date of grant. For stock options, we typically use the Black-Scholes-Merton option pricing model to estimate fair value. The Black-Scholes-Merton option pricing model requires us to estimate key assumptions such as expected term, volatility, risk-free interest rates and dividend yield to determine the fair value of stock options, based on both historical information and management judgment regarding market factors and trends. The expected term of options represents the period of time that the options granted are expected to be outstanding. Prior to fiscal year 2011, we generally used the simplified mid-point method to estimate the expected term of stock options based on our determination that the terms and exercise behavior of our stock options had changed significantly in recent periods, causing our historical exercise data to not be reflective of our expectations of future exercise behavior. The simplified method uses the mid-point between the vesting and contractual terms of the stock options. During fiscal year 2011, we estimated the expected term of our stock options granted based primarily on the vesting period of the awards and historical exercise behavior, which did not result in a significant change in our expected term assumption compared to prior years.

For share-based awards with performance conditions, such as our Performance Share Awards described in Note 18, Stock and Savings Plans, in Item 8, *Financial Statements and Supplementary Data*, we measure the fair value of such awards as of the date of grant and amortize share-based compensation expense for our estimate of the number of shares expected to vest. Our estimate of the number of shares that will vest is based on our determination of the probable outcome of the performance condition, which requires considerable judgment. We record a cumulative adjustment to share-based compensation expense in periods that we change our estimate of the number of shares expected to vest. Additionally, we ultimately adjust the expense recognized to reflect the actual vested shares following the resolution of the performance conditions.

We estimate expected forfeitures of share-based awards at the grant date and recognize compensation cost only for those awards expected to vest. We estimate our forfeiture rate based on several factors including historical forfeiture activity, expected future employee turnover, and other qualitative factors. We ultimately adjust this forfeiture assumption to actual forfeitures. Therefore, changes in the forfeiture assumptions do not impact the total amount of expense ultimately recognized over the requisite service period. Rather, different forfeiture assumptions only impact the timing of expense recognition over the requisite service period. If the actual forfeitures differ from management estimates, additional adjustments to compensation expense are recorded.

We used the following weighted average assumptions in the Black-Scholes-Merton option pricing model for stock options granted in the respective fiscal years:

	Year Ended August 31,		
	2011	2010	2009
Weighted average fair value	$ 16.71	$ 17.30	$ 27.32
Expected volatility	46.8%	48.6%	47.7%
Expected life (years)	4.2	4.2	4.2
Risk-free interest rate	1.4%	1.5%	2.2%
Dividend yield	0.0%	0.0%	0.0%

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The assumptions that have the most significant effect on the fair value of the stock option grants and therefore, share-based compensation expense, are the expected life and expected volatility. The following table illustrates how changes to these assumptions would affect the weighted average fair value per option as of the grant date for the 650,000 options granted during fiscal year 2011:

	Expected Volatility		
Expected Life (Years)	42.1%	**46.8%**	51.5%
3.7	$ 14.30	$ 15.72	$ 17.07
4.2	15.26	**16.71**	18.12
4.7	16.12	17.63	19.10

Recent Accounting Pronouncements

Please refer to Note 2, Significant Accounting Policies, in Item 8, *Financial Statements and Supplementary Data*, for recent accounting pronouncements.

Results of Operations

We have included below a discussion of our operating results and significant items explaining the material changes in our operating results during fiscal years 2011, 2010 and 2009.

As discussed in the *Overview* of this MD&A, our initiatives to enhance the student experience and outcomes and maintain compliance with new regulatory requirements have adversely impacted our fiscal year 2011 net revenue, operating income, and cash flow, as well as University of Phoenix New Degreed Enrollment and Degreed Enrollment. However, we believe that many of these efforts are in the best interests of our students and, over the long-term, will improve student persistence and completion rates and therefore reduce bad debt expense, reduce our risk associated with our regulatory environment, and position us for more stable long-term growth.

Our operations are generally subject to seasonal trends. We experience, and expect to continue to experience, fluctuations in our results of operations as a result of seasonal variations in the level of our institutions' enrollments. Although University of Phoenix enrolls students throughout the year, its net revenue is generally lower in our second fiscal quarter (December through February) than the other quarters due to holiday breaks.

Effective during the first quarter of fiscal year 2011, we revised our presentation of operating expenses and changed our presentation of prior periods to conform to our revised presentation. There were no changes to total operating expenses or operating income as a result of these changes in presentation. Refer to Note 3, Changes in Presentation, in Item 8, *Financial Statements and Supplementary Data*. We categorize our operating expenses as follows:

- *Instructional and student advisory* – consist primarily of costs related to the delivery and administration of our educational programs and include costs related to faculty, student advisory and administrative compensation, classroom and administration lease expenses (including facilities that are shared and support both instructional and admissions functions), financial aid processing costs, costs related to the development of our educational programs and other related costs. Tuition costs for all employees and their eligible family members are recorded as an expense within instructional and student advisory.
- *Marketing* – the substantial majority of costs consist of advertising expenses, compensation for marketing personnel including personnel responsible for establishing relationships with selected employers, which we refer to as our Workforce Solutions team, and production of marketing materials. The category also includes other costs directly related to marketing functions.
- *Admissions advisory* – the substantial majority of costs consist of compensation for admissions personnel. The category also includes other costs directly related to admissions advisory functions.
- *General and administrative* – consist primarily of corporate compensation, occupancy costs, legal and professional fees, and other related costs.
- *Provisions for uncollectible accounts receivable* – consist of expense charged to reduce our accounts receivable to our estimate of the amount we expect to collect.
- *Depreciation and amortization* – consist of depreciation expense on our property and equipment and amortization of our finite-lived intangible assets.

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Fiscal Year 2011 Compared to Fiscal Year 2010

Analysis of Consolidated Statements of Income

The table below details our consolidated results of operations. For a more detailed discussion by reportable segment, refer to our *Analysis of Operating Results by Reportable Segment*.

			% of Net Revenue		
	Year Ended August 31,		Year Ended August 31,		%
($ in thousands)	2011	2010	2011	2010	Change
Net revenue	4,733,022	4,925,819	100.0 %	100.0 %	(3.9)%
Costs and expenses:					
Instructional and student advisory	1,774,087	1,733,134	37.5 %	35.2 %	2.4 %
Marketing	655,362	623,743	13.9 %	12.7 %	5.1 %
Admissions advisory	415,386	466,358	8.8 %	9.5 %	(10.9)%
General and administrative	355,751	301,116	7.5 %	6.1 %	18.1 %
Provision for uncollectible accounts receivable	181,297	282,628	3.8 %	5.7 %	(35.9)%
Depreciation and amortization	159,006	145,564	3.4 %	3.0 %	9.2 %
Goodwill and other intangibles impairment	219,927	184,570	4.6 %	3.7 %	*
Restructuring and other charges	22,913	—	0.5 %	— %	*
Litigation (credit) charge, net	(11,951)	177,982	(0.3)%	3.6 %	*
Total costs and expenses	3,771,778	3,915,095	79.7 %	79.5 %	(3.7)%
Operating income	961,244	1,010,724	20.3 %	20.5 %	(4.9)%
Interest income	3,222	2,920	0.1 %	0.1 %	10.3 %
Interest expense	(8,931)	(11,891)	(0.2)%	(0.3)%	24.9 %
Other, net	(1,588)	(685)	— %	— %	*
Income from continuing operations before income taxes	953,947	1,001,068	20.2 %	20.3 %	(4.7)%
Provision for income taxes	(420,638)	(464,063)	(8.9)%	(9.4)%	9.4 %
Income from continuing operations	533,309	537,005	11.3 %	10.9 %	(0.7)%
Income (loss) from discontinued operations, net of tax	2,487	(15,424)	— %	(0.3)%	*
Net income	535,796	521,581	11.3 %	10.6 %	2.7 %
Net loss attributable to noncontrolling interests	36,631	31,421	0.8 %	0.6 %	16.6 %
Net income attributable to Apollo	572,427	553,002	12.1 %	11.2 %	3.5 %

* not meaningful

Net Revenue

Our net revenue decreased $192.8 million, or 3.9%, in fiscal year 2011 compared to fiscal year 2010. The decrease was primarily attributable to University of Phoenix's 3.9% decrease in net revenue principally due to lower University of Phoenix enrollment, partially offset by selective tuition price and other fee changes. See further discussion of net revenue by reportable segment below at *Analysis of Operating Results by Reportable Segment*.

Instructional and Student Advisory

Instructional and student advisory increased $41.0 million, or 2.4% in fiscal year 2011 compared to fiscal year 2010, which represents a 230 basis point increase as a percentage of net revenue. The increase in expense was primarily due to various strategic initiatives implemented to more effectively support our students and improve their educational outcomes. These initiatives have increased compensation related to many student advisory and infrastructure support functions, and increased curriculum development and delivery costs. These costs were partially offset by lower faculty costs resulting from lower University of Phoenix and Apollo Global enrollment.

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Marketing

Marketing increased $31.6 million, or 5.1%, in fiscal year 2011 compared to fiscal year 2010, which represents a 120 basis

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point increase as a percentage of net revenue. The increase in expense was due to higher advertising expenditures resulting from increased investment in non-Internet branding, and increased costs associated with our efforts to more effectively identify students who have a greater likelihood to succeed in our educational programs. Additionally, advertising rates for traditional and online media increased due to more competition in the education sector and increases in advertising rates from improving general media market conditions.

Admissions Advisory

Admissions advisory decreased $51.0 million, or 10.9%, in fiscal year 2011 compared to fiscal year 2010, which represents a 70 basis point decrease as a percentage of net revenue. The decrease as a percentage of net revenue was a result of lower admissions advisory headcount partially attributable to a strategic reduction in force during the first quarter of fiscal year 2011. See further discussion at *Restructuring and Other Charges* below. The decrease in admissions advisory was partially offset by higher average employee compensation costs.

General and Administrative

General and administrative expenses increased $54.6 million, or 18.1%, in fiscal year 2011 compared to fiscal year 2010, which represents a 140 basis point increase as a percentage of net revenue. The increase as a percentage of net revenue was primarily attributable to higher employee compensation costs and expenses associated with investment in our information technology resources and capabilities.

Provision for Uncollectible Accounts Receivable

Provision for uncollectible accounts receivable decreased $101.3 million in fiscal year 2011 compared to fiscal year 2010, which represents a 190 basis point decrease as a percentage of net revenue. The decrease was primarily attributable to the following:

- reductions in gross accounts receivable principally resulting from decreases in University of Phoenix enrollment;
- a decrease in the proportion of our receivables that are attributable to students enrolled in associate's degree programs. Our collection rates for such students are generally lower compared to students enrolled in bachelor's and graduate level programs; and
- requiring all students who enroll in University of Phoenix with fewer than 24 credits to first attend University Orientation, which we believe has improved student retention. See *Overview* in this MD&A for further discussion of University Orientation.

Improved collection rates for aged receivables at University of Phoenix also contributed to the decrease. The improved collection rates are in part due to initiatives University of Phoenix is currently implementing to improve its related processes.

Depreciation and Amortization

Depreciation and amortization increased $13.4 million in fiscal year 2011 compared to fiscal year 2010, which represents a 40 basis point increase as a percentage of net revenue. The increase was primarily due to increased capital expenditures during fiscal years 2011 and 2010 related to information technology, network infrastructure, and software. This was partially offset by a decrease in amortization of BPP intangible assets.

Goodwill and Other Intangibles Impairment

During fiscal year 2011, we recorded impairment charges of BPP's goodwill and other intangible assets of $197.7 million and $22.2 million, respectively. Refer to *Critical Accounting Policies and Estimates* in this MD&A. During fiscal year 2010, we recorded goodwill impairment charges for BPP and ULA of $156.3 million and $8.7 million, respectively. We also recorded a $19.6 million impairment of BPP's other intangibles during fiscal year 2010.

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Restructuring and Other Charges

We implemented a strategic reduction in force in November 2010 and a real estate rationalization plan in the fourth quarter of fiscal year 2011. These initiatives, which are discussed further below, were designed to streamline our operations and better align our operations with our business strategy, refined business model and outlook. The following table details the charges incurred in fiscal year 2011:

($ in thousands)	Charge for Year Ended August 31, 2011
Real estate rationalization - Lease obligation costs, net	$ 13,052
Real estate rationalization - Asset impairments	6,015
Reduction in force - Severance and other benefits	3,846
Restructuring and other charges	$ 22,913

- *Real Estate Rationalization* - During the fourth quarter of fiscal year 2011, we initiated a plan to rationalize our real estate portfolio in Phoenix, Arizona through space consolidation and reorganization. The plan consists of abandoning all, or a portion of, four leased facilities, all of which are classified as operating leases. As of August 31, 2011, we were not using one of the facilities and we determined will no longer derive a future economic benefit from the facility. Accordingly, we accrued $13.1 million representing the fair value of our future contractual lease obligation under the respective operating lease. We measured the lease obligation at fair value using a discounted cash flow approach encompassing significant unobservable inputs. The estimation of future cash flows includes non-cancelable contractual lease costs over the remaining term of the lease, partially offset by estimated future sublease rental income, which involves significant judgment. Our estimate of the amount and timing of sublease rental income considered current commercial real estate market data and conditions, comparable transaction data and qualitative factors specific to the facility. We also wrote-off $6.0 million of certain assets, including leasehold improvements, at the facility for which we do not expect a future economic benefit. The lease obligation and asset impairment charges are included in our University of Phoenix reportable segment. With respect to this facility, we estimate we will incur approximately $5 million of additional restructuring costs associated with future accretion of the discounted liability over the remaining lease term. Our estimates of our net lease obligation and future accretion expense could be subject to adjustment as market conditions change or as new information becomes available, including the execution of sublease agreements.

  We expect to abandon the remaining three facilities in fiscal year 2012 and incur approximately $15 million to $20 million of additional charges associated with initially recognizing the net lease obligations and other costs. The majority of these charges will be recorded on the respective cease-use dates for each facility and will be included in our University of Phoenix reportable segment. We expect our rationalization plan will save approximately $10 million to $15 million in annualized operating lease costs for the next several years.

- *Reduction in Force* - We implemented a strategic reduction in force primarily at University of Phoenix in November 2010 that eliminated approximately 700 full-time positions, principally among admissions personnel. In connection with this reduction in force, we incurred a $3.8 million charge consisting of severance and other fringe benefit costs. This charge is included in our University of Phoenix reportable segment and was paid in the second quarter of fiscal year 2011.We began realizing related employee compensation expense reductions of approximately $8 million per quarter beginning in the second quarter of fiscal year 2011.

Litigation (Credit) Charge, Net

We recorded a net credit of $16.2 million in fiscal year 2011 principally due to an agreement in principle to settle the *Securities Class Action (Policeman's Annuity and Benefit Fund of Chicago)*. The outcome of this legal proceeding remains uncertain including, but not limited to, the requirement that any settlement agreement must be approved by the court. This was partially offset by a charge in fiscal year 2011 of an immaterial amount associated with another legal matter. In fiscal year 2010, we recorded $178.0 million of charges associated with the *Securities Class Action (Policeman's Annuity and Benefit Fund of Chicago)*. See Note 20, Commitments and Contingencies, in Item 8, *Financial Statements and Supplementary Data*.

Interest Income

Interest income was essentially flat in fiscal year 2011 compared to fiscal year 2010.

Interest Expense

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Interest expense decreased $3.0 million in fiscal year 2011 compared to fiscal year 2010 primarily due to a decrease in average borrowings at Apollo Global's subsidiaries.

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Other, Net

Other, net in fiscal years 2011 and 2010 primarily consists of net foreign currency losses related to our international operations.

Provision for Income Taxes

Our income tax rate for continuing operations for fiscal year 2011 was 44.1% compared to 46.4% for fiscal year 2010. The decrease was primarily attributable to the following:

- Our state effective rate for fiscal year 2011 was 1.8% compared to 6.3% in fiscal year 2010. Prior to fiscal year 2011, our state effective rate was adversely affected by uncertainty related to the apportionment of income for Arizona corporate income tax purposes. During the fourth quarter of fiscal year 2011, we executed a Closing Agreement with the Arizona Department of Revenue to settle a matter regarding apportionment of our income for state income tax purposes. Based on the settlement, we have foregone our refund claims of $51.5 million, paid or will pay $59.8 million, and realized a $43.3 million benefit. The realized benefit encompassed prior years and fiscal year 2011. The settlement also provides an agreed upon sales factor sourcing methodology through 2020. Our state effective rate for fiscal years 2011 and 2010 would have been approximately 4.7% using an apportionment methodology consistent with our agreement with the Arizona Department of Revenue. See Note 15, Income Taxes, in Item 8, *Financial Statements and Supplementary Data*;
- A $9.6 million tax benefit recorded in fiscal year 2011 associated with resolution with the Internal Revenue Service regarding the deductibility of payments made to settle a lawsuit in fiscal year 2010; and
- A $7.3 million tax benefit related to the closure of Meritus in fiscal year 2011.

The decrease was partially offset by an $11.4 million tax benefit recorded in fiscal year 2010 associated with our settlement of a dispute with the Internal Revenue Service relating to the deduction of certain stock option compensation on our U.S. federal income tax returns beginning in fiscal year 2003. In addition, while our effective rate in both fiscal year 2011 and 2010 was adversely impacted by the non-deductible goodwill impairment charges discussed above, this impact was greater in fiscal year 2011 as a percentage of pre-tax book income.

Income (loss) from Discontinued Operations, Net of Tax

Income (loss) from discontinued operations, net of tax, relates to our Insight Schools business, which we sold in the second quarter of fiscal year 2011. Refer to Note 5, Discontinued Operations, in Item 8, *Financial Statements and Supplementary Data*.

Net Loss Attributable to Noncontrolling Interests

The net loss attributable to noncontrolling interests during fiscal years 2011 and 2010 was primarily due to Apollo Global's noncontrolling shareholder's portion of goodwill and other intangibles impairment charges discussed above.

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Analysis of Operating Results by Reportable Segment

The table below details our operating results by reportable segment for the periods indicated:

	Year Ended August 31,		$	%
($ in thousands)	2011	2010	Change	Change
Net revenue				
University of Phoenix	$ 4,322,670	$ 4,498,325	$ (175,655)	(3.9)%
Apollo Global:				
BPP	244,181	251,743	(7,562)	(3.0)%
Other	75,800	78,253	(2,453)	(3.1)%
Total Apollo Global	319,981	329,996	(10,015)	(3.0)%
Other Schools	88,517	95,706	(7,189)	(7.5)%
Corporate[1]	1,854	1,792	62	3.5 %
Total net revenue	$ 4,733,022	$ 4,925,819	$ (192,797)	(3.9)%
Operating income (loss)				
University of Phoenix	$ 1,270,468	$ 1,447,636	$ (177,168)	(12.2)%
Apollo Global:				
BPP	(224,335)	(186,552)	(37,783)	(20.3)%
Other	(37,750)	(31,147)	(6,603)	(21.2)%
Total Apollo Global	(262,085)	(217,699)	(44,386)	(20.4)%
Other Schools	6,870	9,201	(2,331)	(25.3)%
Corporate[1]	(54,009)	(228,414)	174,405	*
Total operating income	$ 961,244	$ 1,010,724	$ (49,480)	(4.9)%

* not meaningful

[1] The Corporate caption in our segment reporting includes adjustments to reconcile segment results to consolidated results, which primarily consist of net revenue and corporate charges that are not allocated to our segments. The operating loss for Corporate in fiscal years 2011 and 2010 includes a net credit of $16.2 million and charges of $178.0 million, respectively, associated with the *Securities Class Action (Policeman's Annuity and Benefit Fund of Chicago)*. See Note 20, Commitments and Contingencies, in Item 8, *Financial Statements and Supplementary Data*.

University of Phoenix

The $175.7 million, or 3.9%, decrease in net revenue in our University of Phoenix segment was primarily attributable to lower enrollments partially offset by selective tuition price and other fee changes implemented July 1, 2010, which varied by geographic area, program, and degree level. In aggregate, these tuition price and other fee changes, including increased discounts to military veterans in selective programs, were generally in the range of 4-6%. In addition, we experienced a favorable mix shift in our Average Degreed Enrollment toward higher degree-level programs as detailed below.

We also implemented selective tuition price and other fee changes at University of Phoenix depending on geographic area, program, and degree level that became effective July 1, 2011. These tuition price and other fee changes were generally in the range of 3-5%. Future net revenue and operating income will be impacted by these tuition price and other fee changes, along with changes in enrollment, student mix within programs and degree levels, and discounts.

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The following table details University of Phoenix enrollment for fiscal years 2011 and 2010:

(rounded to the nearest hundred)	Average Degreed Enrollment[1]			Aggregate New Degreed Enrollment[1],[4]		
	August 31, 2011[2]	August 31, 2010[3]	% Change	Year Ended August 31, 2011	Year Ended August 31, 2010	% Change
Associate's	163,500	204,200	(19.9)%	90,500	187,700	(51.8)%
Bachelor's	186,000	178,500	4.2 %	94,900	131,300	(27.7)%
Master's	61,700	70,800	(12.9)%	33,600	49,300	(31.8)%
Doctoral	7,500	7,400	1.4 %	2,900	3,400	(14.7)%
Total	418,700	460,900	(9.2)%	221,900	371,700	(40.3)%

(1) Refer to item 1, *Business*, for definitions of Degreed Enrollment and New Degreed Enrollment.

(2) Represents the average of Degreed Enrollment for the quarters ended August 31, 2010, November 30, 2010, February 28, 2011, May 31, 2011 and August 31, 2011.

(3) Represents the average of Degreed Enrollment for the quarters ended August 31, 2009, November 30, 2009, February 28, 2010, May 31, 2010 and August 31, 2010.

(4) Aggregate New Degreed Enrollment represents the sum of the four quarters New Degreed Enrollment in the respective fiscal years.

University of Phoenix Average Degreed Enrollment decreased 9.2% in fiscal year 2011 compared to fiscal year 2010 primarily due to the 40.3% decrease in aggregate New Degreed Enrollment. We believe the decreases in enrollment are primarily the result of our operational changes and initiatives to more effectively support our students and improve their educational outcomes. These changes and initiatives are principally the following:

- changes in the evaluation and compensation structure for our admissions personnel and other employees, including eliminating all enrollment factors in evaluating the performance and any related compensation adjustments for our admissions personnel effective September 1, 2010;
- the full implementation of University Orientation in November 2010; and
- our efforts to more effectively identify students who have a greater likelihood to succeed in our educational programs.

In addition, we believe that the decline in enrollment was partly the result of increased competition as traditional schools continue to expand their services, including on-line degree offerings, to compete for non-traditional students, especially working learners, and increased competition in the proprietary sector.

We expect that the initiatives detailed above will continue to reduce University of Phoenix net revenue, operating income and cash flow in fiscal year 2012, and potentially beyond. However, we continue to believe that many of these efforts are in the best interest of our students and, over the long-term, will improve student retention and completion rates, reduce bad debt expense, reduce the risks to our business associated with the regulatory environment, and position us for more stable long-term growth.

Operating income in our University of Phoenix segment decreased $177.2 million, or 12.2%, during fiscal year 2011 compared to fiscal year 2010. This decrease was primarily attributable to the following:

- The 3.9% decrease in University of Phoenix net revenue;
- An increase in expense associated with our various strategic initiatives to more effectively support our students and improve their educational outcomes. These initiatives have increased compensation related to many student advisory and infrastructure support functions, depreciation related to computer equipment and software, and curriculum development and delivery costs;
- An increase in marketing costs due to higher advertising expenditure resulting from increased investment in non-Internet branding, and increased costs associated with our efforts to more effectively identify students who have a greater likelihood to succeed in our educational programs. Additionally, advertising rates for traditional and online media increased due to more competition in the education sector and increases in advertising rates from improving general media market conditions; and
- $22.9 million of restructuring and other charges as discussed above.

The above factors were partially offset by the following:

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- A decrease in bad debt expense primarily attributable to the following:

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    - reductions in gross accounts receivable principally resulting from decreases in University of Phoenix enrollment;
    - a decrease in the proportion of our receivables that are attributable to students enrolled in associate's degree programs. Our collection rates for such students are generally lower compared to students enrolled in bachelor's and graduate level programs; and
    - requiring all students who enroll in University of Phoenix with fewer than 24 credits to first attend University Orientation, which we believe has improved student retention. See *Overview* in this MD&A for further discussion of University Orientation;

  Improved collection rates for aged receivables at University of Phoenix also contributed to the decrease. The improved collection rates are in part due to initiatives University of Phoenix is currently implementing to improve its related processes;

- Lower headcount in admissions advisory and certain marketing functions partially attributable to a strategic reduction in force implemented during the first quarter of fiscal year 2011 that eliminated approximately 700 full-time positions, principally among admissions personnel; and
- Lower faculty costs resulting from lower enrollment.

Apollo Global

The $10.0 million decrease in Apollo Global net revenue during fiscal year 2011 compared to fiscal year 2010 was primarily attributable to BPP. The decrease at BPP was principally due to lower student enrollment.

Apollo Global's operating loss in fiscal years 2011 and 2010 included goodwill and other intangibles impairment charges of $219.9 million and $184.6 million, respectively.

The increased operating loss was also attributable to the decrease in BPP net revenue and higher marketing costs at the Apollo Global subsidiaries. This was partially offset by a $10.0 million decrease in intangible asset amortization principally at BPP.

Other Schools

The decrease in Other Schools net revenue and operating income during fiscal year 2011 compared to fiscal year 2010 was principally due to a decrease in the number of Client Institutions serviced by IPD. The decrease in IPD's Client Institutions is in part due to modifications to IPD's business model to comply with new rules related to incentive compensation effective July 1, 2011. See Item 1, *Business*, for further discussion. The decrease in operating income was partially offset by reduced expenses at Meritus resulting from its closure in fiscal year 2011.

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Fiscal Year 2010 Compared to Fiscal Year 2009

Analysis of Consolidated Statements of Income

	Year Ended August 31,		% of Net Revenue Year Ended August 31,		%
($ in thousands)	2010	2009	2010	2009	Change
Net revenue	$ 4,925,819	$ 3,953,566	100.0 %	100.0 %	24.6 %
Costs and expenses:					
Instructional and student advisory	1,733,134	1,333,919	35.2 %	33.7 %	29.9 %
Marketing	623,743	497,568	12.7 %	12.6 %	25.4 %
Admissions advisory	466,358	437,908	9.5 %	11.1 %	6.5 %
General and administrative	301,116	277,887	6.1 %	7.0 %	8.4 %
Provision for uncollectible accounts receivable	282,628	151,021	5.7 %	3.8 %	87.1 %
Depreciation and amortization	145,564	108,828	3.0 %	2.8 %	33.8 %
Goodwill and other intangibles impairment	184,570	—	3.7 %	— %	*
Litigation charge	177,982	80,500	3.6 %	2.0 %	*
Total costs and expenses	3,915,095	2,887,631	79.5 %	73.0 %	35.6 %
Operating income	1,010,724	1,065,935	20.5 %	27.0 %	(5.2)%
Interest income	2,920	12,591	0.1 %	0.3 %	(76.8)%
Interest expense	(11,891)	(4,448)	(0.3)%	(0.1)%	(167.3)%
Other, net	(685)	(7,151)	— %	(0.2)%	90.4 %
Income from continuing operations before income taxes	1,001,068	1,066,927	20.3 %	27.0 %	(6.2)%
Provision for income taxes	(464,063)	(456,720)	(9.4)%	(11.6)%	(1.6)%
Income from continuing operations	537,005	610,207	10.9 %	15.4 %	(12.0)%
Loss from discontinued operations, net of tax	(15,424)	(16,377)	(0.3)%	(0.4)%	5.8 %
Net income	521,581	593,830	10.6 %	15.0 %	(12.2)%
Net loss attributable to noncontrolling interests	31,421	4,489	0.6 %	0.1 %	*
Net income attributable to Apollo	$ 553,002	$ 598,319	11.2 %	15.1 %	(7.6)%

* not meaningful

Net Revenue

Our net revenue increased $972.3 million, or 24.6%, in fiscal year 2010 compared to fiscal year 2009. University of Phoenix's 19.4% net revenue growth was the primary contributor to the increase, mainly due to its growth in Degreed Enrollment and selective tuition price increases. Apollo Global's acquisition of BPP also contributed $238.7 million, or 6.0 percentage points, of the overall increase in net revenue in fiscal year 2010 compared to fiscal year 2009. See our *Analysis of Operating Results by Reportable Segment*.

Instructional and Student Advisory

Instructional and student advisory increased $399.2 million, or 29.9%, in fiscal year 2010 compared to fiscal year 2009, which represents a 150 basis point increase as a percentage of net revenue. The increase as a percentage of net revenue was primarily due to BPP's cost structure following Apollo Global's acquisition of BPP in July 2009.

Marketing

Marketing expenses increased $126.2 million, or 25.4%, in fiscal year 2010 compared to fiscal year 2009, which represents a 10 basis point increase as a percentage of net revenue. The increase in expense was primarily attributable to University of Phoenix's increased spending on non-Internet long-term branding and program driven marketing initiatives.

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Admissions Advisory

Admissions advisory increased $28.5 million, or 6.5%, in fiscal year 2010 compared to fiscal year 2009, but represents a 160 basis point decrease as a percentage of net revenue. The decrease as a percentage of net revenue was primarily due to a lower growth rate for admissions personnel headcount compared to the increase in net revenue.

General and Administrative

General and administrative expenses increased $23.2 million, or 8.4%, in fiscal year 2010 compared to fiscal year 2009, but represents a 90 basis point decrease as a percentage of net revenue. The decrease as a percentage of net revenue was primarily due to the following:

- a reduction in share-based compensation;
- a reduction in legal costs in connection with defending ourselves in various legal matters;
- the write-off in fiscal year 2009 of $9.4 million of information technology fixed assets that resulted primarily from our rationalization of software; and
- expense in fiscal year 2009 resulting from our internal review of certain Satisfactory Academic Progress calculations.

Provision for Uncollectible Accounts Receivable

Provision for uncollectible accounts receivable increased $131.6 million in fiscal year 2010 compared to fiscal year 2009, which represents a 190 basis point increase as a percentage of net revenue. The increase was primarily attributable to the economic uncertainty and an increase in the proportion of our aged receivables that are attributable to students enrolled in associate's degree programs. Our collection rates for such students are lower compared to students enrolled in graduate level programs and bachelor's students.

Depreciation and Amortization

Depreciation and amortization increased $36.7 million in fiscal year 2010 compared to fiscal year 2009, which represents a 20 basis point increase as a percentage of net revenue. The increase was primarily attributable to the amortization of BPP's intangible assets, and increased depreciation related to information technology, network infrastructure, and software.

Goodwill and Other Intangibles Impairment

Goodwill and other impairment charges during fiscal year 2010 included the following:

- a $156.3 million charge for BPP's goodwill;
- a $19.6 million charge for BPP's other intangibles; and
- an $8.7 million charge for ULA's goodwill.

Litigation Charge

We recorded $178.0 million of charges in fiscal year 2010 associated with the *Securities Class Action (Policeman's Annuity and Benefit Fund of Chicago)*. See Note 20, Commitments and Contingencies, in Item 8, *Financial Statements and Supplementary Data*. During fiscal year 2009, we recorded an $80.5 million charge representing our agreement in principle to settle a qui tam lawsuit pertaining to alleged violations of the False Claims Act. The settlement was finalized by all parties in fiscal year 2009, and the agreement made clear that we do not acknowledge, admit or concede any liability, wrongdoing, noncompliance, or violation as a result of the settlement.

Interest Income

Interest income decreased $9.7 million in fiscal year 2010 compared to fiscal year 2009 primarily due to lower interest rates during fiscal year 2010.

Interest Expense

Interest expense increased $7.4 million in fiscal year 2010 compared to fiscal year 2009 primarily due to an increase in average borrowings.

Other, Net

The loss in fiscal year 2010 was primarily attributable to net foreign currency losses related to our international operations. The loss in fiscal year 2009 was primarily attributable to $6.9 million of expense incurred for the purchase of a call option to hedge against foreign currency fluctuations related to the BPP acquisition.

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Provision for Income Taxes

Our effective income tax rate for fiscal year 2010 was 46.4% compared to 42.8% for fiscal year 2009. The increase was primarily attributable to the following:

- The BPP and ULA goodwill impairments, discussed above, for which we do not receive a tax benefit;
- An increase in other foreign losses for which we do not receive a tax benefit; and
- An increase in our state effective rate principally due to the decrease in pre-tax income associated with the BPP and ULA goodwill impairment charges noted above. Our state effective rate was also adversely impacted by a number of state law changes or interpretations that resulted in a larger portion of our income being taxed by two or more states. Refer to Note 15, Income Taxes, in Item 8, *Financial Statements and Supplementary Data*.

The above items were partially offset by the following:

- A tax benefit recorded in fiscal year 2010 associated with our settlement of a dispute with the Internal Revenue Service relating to the deduction of certain stock option compensation on our U.S. federal income tax returns beginning in fiscal year 2003;
- The estimated tax impact on the litigation charge recorded in fiscal year 2009 associated with a qui tam lawsuit discussed above for which the tax benefit was uncertain; and
- Certain compensation in fiscal year 2009 for which the tax benefit was uncertain under Internal Revenue Code Section 162(m).

Loss from Discontinued Operations, Net of Tax

Loss from discontinued operations, net of tax, relates to our Insight Schools business, which we classified as held for sale and as discontinued operations in fiscal year 2010. The decrease in the loss in fiscal year 2010 compared to fiscal year 2009 was primarily due to growth in net revenue resulting from increased enrollment in the schools operated by Insight Schools. This was partially offset by a $9.4 million impairment of Insight Schools' goodwill recorded in fiscal year 2010. See Note 5, Discontinued Operations, in Item 8, *Financial Statements and Supplementary Data*.

Net Loss Attributable to Noncontrolling Interests

The increase in net loss attributable to noncontrolling interests was primarily due to Apollo Global's noncontrolling shareholder's portion of the goodwill and other intangibles impairment charges during fiscal year 2010 discussed above.

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Analysis of Operating Results by Reportable Segment

The table below details our operating results by reportable segment for the periods indicated:

($ in thousands)	Year Ended August 31, 2010	Year Ended August 31, 2009	$ Change	% Change
Net revenue				
University of Phoenix	$ 4,498,325	$ 3,766,600	$ 731,725	19.4 %
Apollo Global:				
BPP	251,743	13,062	238,681	*
Other	78,253	76,083	2,170	2.9 %
Total Apollo Global	329,996	89,145	240,851	*
Other Schools	95,706	95,045	661	0.7 %
Corporate[1]	1,792	2,776	(984)	(35.4)%
Total net revenue	$ 4,925,819	$ 3,953,566	$ 972,253	24.6 %
Operating income (loss)				
University of Phoenix	$ 1,447,636	$ 1,131,331	$ 316,305	28.0 %
Apollo Global:				
BPP	(186,552)	(6,607)	(179,945)	*
Other	(31,147)	(11,431)	(19,716)	*
Total Apollo Global	(217,699)	(18,038)	(199,661)	*
Other Schools	9,201	6,931	2,270	32.8 %
Corporate[1]	(228,414)	(54,289)	(174,125)	*
Total operating income	$ 1,010,724	$ 1,065,935	$ (55,211)	(5.2)%

* not meaningful

(1) The Corporate caption in our segment reporting includes adjustments to reconcile segment results to consolidated results, which primarily consist of net revenue and corporate charges that are not allocated to our segments. The operating loss for Corporate in fiscal year 2010 includes $178.0 million of charges associated with the *Securities Class Action (Policeman's Annuity and Benefit Fund of Chicago)*.

University of Phoenix

The $731.7 million, or 19.4%, increase in net revenue in our University of Phoenix segment was primarily due to enrollment growth as detailed below:

(rounded to the nearest hundred)	Average Degreed Enrollment[1] August 31, 2010[2]	Average Degreed Enrollment[1] August 31, 2009[3]	% Change	Aggregate New Degreed Enrollment[1],[4] Year Ended August 31, 2010	Aggregate New Degreed Enrollment[1],[4] Year Ended August 31, 2009	% Change
Associate's	204,200	173,300	17.8%	187,700	191,700	(2.1)%
Bachelor's	178,500	151,700	17.7%	131,300	108,900	20.6 %
Master's	70,800	70,100	1.0%	49,300	51,900	(5.0)%
Doctoral	7,400	6,600	12.1%	3,400	3,300	3.0 %
Total	460,900	401,700	14.7%	371,700	355,800	4.5 %

(1) Refer to item 1, Business, for definitions of Degreed Enrollment and New Degreed Enrollment.

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[2] Represents the average of Degreed Enrollment for the quarters ended August 31, 2009, November 30, 2009, February 28, 2010, May 31, 2010 and August 31, 2010.
[3] Represents the average of Degreed Enrollment for the quarters ended August 31, 2008, November 30, 2008, February 28, 2009, May 31, 2009 and August 31, 2009.
[4] Aggregate New Degreed Enrollment represents the sum of the four quarters New Degreed Enrollment in the respective fiscal years.

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We believe the enrollment growth was primarily attributable to the following:

- Enhancements in our marketing capabilities, along with continued investments in enhancing and expanding University of Phoenix academic quality and service offerings; and
- Economic uncertainties, as working learners seek to advance their education to improve their job security or reemployment prospects.

Partially offsetting the factors above are our efforts to more effectively identify students who have a greater likelihood to succeed in our educational programs. Contributing to this effort are refinements in our marketing strategy and our University Orientation program, which we began piloting during fiscal year 2010. See *Overview* in this MD&A for further discussion of University Orientation. Decreased enrollment in master's degree programs also offsets this growth.

In addition to the growth in Degreed Enrollment, net revenue increased due to selective tuition price and other fee changes implemented July 1, 2009, which varied by geographic area, program, and degree level. In the aggregate, these selective price and other fee changes, including increases in discounts for military and veteran students, averaged approximately 4%.

We also implemented selective tuition price and other fee changes at University of Phoenix depending on geographic area, program, and degree level effective July 1, 2010. In aggregate, these tuition price and other fee changes, including increased discounts to military and other veteran students in selective programs, were generally in the range of 4-6%.

Operating income in our University of Phoenix segment increased $316.3 million, or 28.0%, during fiscal year 2010 compared to fiscal year 2009. The increase was primarily attributable to the following:

- The 19.4% increase in University of Phoenix net revenue;
- Employee headcount has grown at a lower rate than the increase in net revenue; and
- The $80.5 million charge recorded in fiscal year 2009 associated with a qui tam lawsuit discussed above.

The above factors were partially offset by increased bad debt expense as a percentage of net revenue. Bad debt expense has increased as a result of the economic uncertainty and an increase in the proportion of our aged receivables that are attributable to students enrolled in associate's degree programs. Our collection rates for such students are lower compared to students enrolled in graduate level programs and bachelor's students.

Apollo Global

Apollo Global's net revenue increased $240.9 million during fiscal year 2010 compared to fiscal year 2009. Apollo Global's acquisition of BPP during the fourth quarter of fiscal year 2009 contributed $238.7 million of the increase in net revenue in fiscal year 2010.

Apollo Global's operating loss increased $199.7 million during fiscal year 2010 compared to fiscal year 2009 primarily due to the following:

- Goodwill and other intangible impairments in fiscal year 2010 of $175.9 million and $8.7 million at BPP and ULA, respectively;
- Amortization of BPP intangible assets, certain expenditures at BPP associated with the integration process, and an adverse impact on BPP's operations from the global economic uncertainty; and
- Expenditures at Western International University, UNIACC and ULA including, but not limited to, initiatives to enhance academic quality and the respective brands.

Other Schools

The increase in Other Schools' net revenue and operating income was primarily due to increased enrollment at Meritus and a contract termination fee earned by IPD during fiscal year 2010. Operating income also increased due to a decrease in marketing expense at Meritus, which was primarily the result of more expenditures in fiscal year 2009 related to its launch of programs early in fiscal year 2009.

Liquidity, Capital Resources, and Financial Position

We believe that our cash and cash equivalents and available liquidity will be adequate to satisfy our working capital and other liquidity requirements associated with our existing operations through at least the next 12 months. We believe that the most strategic uses of our cash resources include investments in the continued enhancement and expansion of our student offerings, share repurchases, acquisition

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opportunities including our commitment to Apollo Global and acquisition of Carnegie Learning, Inc. as discussed below in *Cash Flows*, investments in our marketing approaches to more effectively identify students who have

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a greater likelihood to succeed in our educational programs, and investments in information technology initiatives. Additionally, we entered into an agreement in principle in September 2011 to settle the *Securities Class Action (Policeman's Annuity and Benefit Fund of Chicago)* for a payment of $145.0 million. The outcome of this legal proceeding remains uncertain including, but not limited to, the requirement that any settlement agreement must be approved by the court. Refer to Note 20, Commitments and Contingencies, in Item 8, *Financial Statements and Supplementary Data*, for additional information.

Although we currently have substantial available liquidity, our ability to access the credit markets and other sources of liquidity may be adversely affected if we experience regulatory compliance challenges, reduced availability of Title IV funding or other funding sources, or other adverse effects on our business from regulatory or legislative changes. See Part I, Item 1A, *Risk Factors - Risks Related to the Highly Regulated Industry in Which We Operate*.

Cash and Cash Equivalents and Restricted Cash and Cash Equivalents

The substantial majority of our cash and cash equivalents, including restricted cash and cash equivalents, are held by our domestic subsidiaries and placed with high-credit-quality financial institutions. The following table provides a summary of our cash and cash equivalents and restricted cash and cash equivalents (including long-term) at August 31, 2011 and 2010:

	August 31,		% of Total Assets at August 31,		%
($ in thousands)	2011	2010	2011	2010	Change
Cash and cash equivalents	$ 1,571,664	$ 1,284,769	48.1%	35.7%	22.3 %
Restricted cash and cash equivalents	379,407	444,132	11.6%	12.3%	(14.6)%
Restricted cash equivalents for collateralization of letter of credit	—	126,615	—%	3.5%	(100.0)%
Total	$ 1,951,071	$ 1,855,516	59.7%	51.5%	5.1 %

Cash and cash equivalents (excluding restricted cash) increased $286.9 million primarily due to $897.1 million of cash provided by operations, $169.0 million of proceeds from the sale-leaseback of our principal office buildings in Phoenix, Arizona, a $126.6 million return of collateral resulting from the release of a letter of credit, $24.9 million received from the issuance of our Class A common stock and $21.3 million of proceeds from our sale of Insight Schools. These items were partially offset by $783.2 million used for share repurchases, $162.6 million used for capital expenditures, and $27.9 million used for payments on borrowings (net of proceeds from borrowings).

We measure our money market funds included in cash and restricted cash equivalents at fair value. At August 31, 2011, we had money market funds of $1,854.9 million. The money market funds were valued primarily using real-time quotes for transactions in active exchange markets involving identical assets. We did not record any material adjustments to reflect these instruments at fair value.

Debt

Bank Facility - In fiscal year 2008, we entered into a syndicated $500 million credit agreement (the "Bank Facility"). The Bank Facility is an unsecured revolving credit facility used for general corporate purposes including acquisitions and stock buybacks. The Bank Facility has an expansion feature for an aggregate principal amount of up to $250 million. The term is five years and will expire on January 4, 2013. The Bank Facility provides a multi-currency sub-limit facility for borrowings in certain specified foreign currencies.

We borrowed substantially all of our credit line under the Bank Facility as of August 31, 2011 and 2010, which included £63.0 million denominated in British Pounds (equivalent to $103.2 million as of August 31, 2011). We repaid the U.S. dollar denominated debt on our Bank Facility of $390.1 million during the first quarter of fiscal year 2012 and $400.1 million during the first quarter of fiscal year 2011. We have classified the U.S. dollar denominated portion of our Bank Facility borrowings as short-term borrowings and the current portion of long-term debt on our Consolidated Balance Sheets because it was repaid subsequent to our respective fiscal year-ends.

The Bank Facility fees are determined based on a pricing grid that varies according to our leverage ratio. The Bank Facility fee ranges from 12.5 to 17.5 basis points and the incremental fees for borrowings under the facility range from LIBOR + 50.0 to 82.5 basis points. The weighted average interest rate on outstanding borrowings under the Bank Facility at August 31, 2011 and 2010 was 2.8% and 2.9%, respectively.

The Bank Facility contains affirmative and negative covenants, including the following financial covenants: maximum leverage ratio, minimum coverage interest and rent expense ratio, and a U.S. Department of Education financial responsibility composite score. In

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addition, there are covenants restricting indebtedness, liens, investments, asset transfers and distributions. We were in compliance with all covenants related to the Bank Facility at August 31, 2011.

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BPP Credit Facility - In fiscal year 2010, we refinanced BPP's debt by entering into a £52.0 million (equivalent to $85.2 million as of August 31, 2011) secured credit agreement (the "BPP Credit Facility"). The BPP Credit Facility contains term debt, which was used to refinance BPP's existing debt, and revolving credit facilities used for working capital and general corporate purposes. The term of the agreement is three years and will expire on August 31, 2013. The interest rate on borrowings varies according to a financial ratio and range from LIBOR + 250 to 325 basis points. The weighted average interest rate on BPP's outstanding borrowings at August 31, 2011 and 2010 was 4.0% and 4.0%, respectively.

The BPP Credit Facility contains financial covenants that include minimum cash flow coverage ratio, minimum fixed charge coverage ratio, maximum leverage ratio, and maximum capital expenditure ratio. We were in compliance with all covenants related to the BPP Credit Facility at August 31, 2011.

Other - Other debt includes $9.1 million of variable rate debt and $12.5 million of fixed rate debt as of August 31, 2011, and $8.7 million of variable rate debt and $17.0 million of fixed rate debt as of August 31, 2010. The interest rates on these debt instruments range from 5.0% to 7.3% with various maturities from 2012 to 2019. The weighted average interest rate on our other debt at August 31, 2011 and 2010 was 6.1% and 6.7%, respectively.

Cash Flows

Operating Activities

The following table provides a summary of our operating cash flows during the respective fiscal years:

	Year Ended August 31,		
($ in thousands)	**2011**	**2010**	**2009**
Net income	$ 535,796	$ 521,581	$ 593,830
Non-cash items	673,660	719,453	376,868
Changes in assets and liabilities, excluding the impact of acquisitions and business disposition	(312,334)	(207,792)	(58,620)
Net cash provided by operating activities	$ 897,122	$ 1,033,242	$ 912,078

Fiscal year 2011 — Our non-cash items primarily consisted of $219.9 million for goodwill and other intangibles impairments, a $181.3 million provision for uncollectible accounts receivable, $159.0 million of depreciation and amortization, $70.0 million of share-based compensation, $55.8 million of deferred income taxes and $22.9 million of restructuring and other charges. The changes in assets and liabilities primarily consisted of a $121.1 million use of cash related to the change in accounts receivable, excluding the provision for uncollectible accounts receivable, a $79.5 million decrease in deferred revenue principally attributable to lower enrollment, a $76.0 million decrease in other liabilities principally attributable to a decrease in our uncertain tax positions, and a $70.1 million decrease in student deposits principally attributable to lower enrollment. This was partially offset by a $64.7 million decrease in restricted cash and cash equivalents principally attributable to lower enrollment.

Fiscal year 2010 — Our non-cash items primarily consisted of a $282.6 million provision for uncollectible accounts receivable, $194.0 million for goodwill and other intangibles impairments (including Insight Schools' goodwill impairment included in discontinued operations), $178.0 million for charges associated with the *Securities Class Action (Policeman's Annuity and Benefit Fund of Chicago)*, $147.0 million for depreciation and amortization, and $64.3 million for share-based compensation. This was partially offset by $125.4 million of deferred income taxes. The changes in assets and liabilities primarily consisted of a $266.0 million increase in gross accounts receivable principally due to increased enrollment and tuition price increases at University of Phoenix, and a $44.7 million decrease in accounts payable and accrued liabilities primarily due to a qui tam lawsuit settlement payment. This was partially offset by a $65.7 million increase in other liabilities principally due to an increase in uncertain tax positions associated with state taxes, and a $32.9 million increase in deferred revenue principally due to increased enrollment and tuition price increases.

Fiscal year 2009 — Our non-cash items primarily consisted of a $152.5 million provision for uncollectible accounts receivable, $113.4 million for depreciation and amortization, $80.5 million for a charge associated with a qui tam lawsuit as discussed in *Results of Operations* in this MD&A, and $68.0 million for share-based compensation, which was partially offset by $18.5 million of excess tax benefits from share-based compensation. The changes in assets and liabilities primarily consisted of a $192.3 million increase in gross accounts receivable primarily due to increased enrollment and a delay in disbursements of certain Title IV funds prior to our fiscal year end, and a $48.1 million increase in restricted cash and cash equivalents principally due to increased enrollment. This was partially offset by an $80.3 million increase in deferred revenue and a $59.5 million increase in student deposits, both of which were primarily due to increased enrollment, and an increase of $45.4 million in accounts payable and accrued liabilities.

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We monitor our accounts receivable through a variety of metrics, including days sales outstanding. We calculate our days sales

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outstanding by determining average daily student revenue based on a rolling twelve month analysis and divide it into the gross student accounts receivable balance as of the end of the period. As of August 31, 2011 excluding accounts receivable and the related net revenue for Apollo Global, our days sales outstanding was 23 days as compared to 30 days as of August 31, 2010. The decrease in days sales outstanding was primarily attributable to the following:

- reductions in gross accounts receivable principally resulting from decreases in University of Phoenix enrollment;
- a decrease in the proportion of our receivables that are attributable to students enrolled in associate's degree programs. Our collection rates for such students are generally lower compared to students enrolled in bachelor's and graduate level programs; and
- requiring all students who enroll in University of Phoenix with fewer than 24 credits to first attend University Orientation, which we believe has improved student retention. See *Overview* in this MD&A for further discussion of University Orientation.

Improved collection rates for aged receivables at University of Phoenix also contributed to the decrease. The improved collection rates are in part due to initiatives University of Phoenix is currently implementing to improve its related processes.

Investing Activities

The following table provides a summary of our investing cash flows during the respective fiscal years:

	Year Ended August 31,		
($ in thousands)	**2011**	**2010**	**2009**
Proceeds from sale-leaseback, net	$ 169,018	$ —	$ —
Collateralization of letter of credit	126,615	(126,615)	—
Proceeds from business disposition	21,251	—	—
Maturities of marketable securities	10,000	5,000	8,035
Acquisitions, net of cash acquired	—	(5,497)	(523,795)
Capital expenditures	(162,573)	(168,177)	(127,356)
Net cash provided by (used in) investing activities	$ 164,311	$ (295,289)	$ (643,116)

Fiscal year 2011 — Cash provided by investing activities primarily consisted of $169.0 million of proceeds from the sale-leaseback of our principal office buildings in Phoenix, Arizona, a $126.6 million return of collateral resulting from the release of a letter of credit, $21.3 million of proceeds from our sale of Insight Schools, and $10.0 million from marketable securities maturities. This was partially offset by $162.6 million used for capital expenditures that primarily related to investments in our information technology, network infrastructure, and software.

Subsequent to August 31, 2011, we paid $75 million for the acquisition of all of the stock of Carnegie Learning, Inc., a publisher of research-based math curricula and adaptive learning. See *Overview* in this MD&A for further discussion.

Fiscal year 2010 — Cash used for investing activities primarily consisted of $168.2 million for capital expenditures principally related to investments in our computer equipment and software, and $126.6 million used for the collateralization of a letter of credit. The letter of credit was posted in favor of the U.S. Department of Education as required in connection with a program review of University of Phoenix by the Department, which was released in fiscal year 2011 as discussed above.

Fiscal year 2009 — Cash used for investing activities primarily consisted of $523.8 million for Apollo Global's acquisitions (including $510.1 related to the acquisition of BPP), and $127.4 million for capital expenditures. This was partially offset by $8.0 million provided from marketable securities maturities.

Financing Activities

The following table provides a summary of our financing cash flows during the respective fiscal years:

	Year Ended August 31,		
($ in thousands)	**2011**	**2010**	**2009**
Apollo Group Class A common stock purchased for treasury	$ (783,168)	$ (446,398)	$ (452,487)
(Payments) proceeds related to borrowings, net	(27,874)	(2,114)	475,829
Issuance of Apollo Group Class A common stock	24,903	19,671	117,076

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Noncontrolling interest contributions	6,875	2,460	58,980
Other	4,014	6,648	18,543
Net cash (used in) provided by financing activities	$ (775,250)	$ (419,733)	$ 217,941

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Fiscal year 2011 — Cash used in financing activities primarily consisted of $783.2 million used for share repurchases and $27.9 million used for payments on borrowings (net of proceeds from borrowings). This was partially offset by $24.9 million of cash received from the issuance of our Class A common stock.

Fiscal year 2010 — Cash used in financing activities primarily consisted of $446.4 million used for share repurchases. This was partially offset by $19.7 million of cash received from the issuance of our Class A common stock.

Fiscal year 2009— Cash provided by financing activities primarily consisted of $475.8 million of proceeds from borrowings (net of payments on borrowings), $117.1 million of cash received from the issuance of our Class A common stock and $59.0 million related to noncontrolling interest contributions. This was partially offset by $452.5 million of cash used for share repurchases.

The following table details shares of our Class A common stock newly authorized for repurchase, repurchased and reissued, and the related total cost, for the last three fiscal years:

(in thousands, except per share data)	Total Number of Shares Repurchased	Cost	Average Price Paid per Share	Maximum Value of Shares Available for Repurchase
Treasury stock as of August 31, 2008	29,536	$ 1,757,277	$ 59.50	$ 500,000
New authorizations	—	—	—	444,382
Shares repurchased	7,212	444,382	61.62	(444,382)
Other share repurchases(1)	119	8,105	68.11	—
Shares reissued	(3,121)	(187,141)	59.96	—
Treasury stock as of August 31, 2009	33,746	$ 2,022,623	$ 59.94	$ 500,000
New authorizations	—	—	—	500,000
Shares repurchased	7,875	439,319	55.78	(439,319)
Other share repurchases(1)	149	7,079	47.45	—
Shares reissued	(1,056)	(61,233)	57.95	—
Treasury stock as of August 31, 2010	40,714	$ 2,407,788	$ 59.14	$ 560,681
New authorizations	—	—	—	215,778
Shares repurchased	18,340	775,748	42.30	(775,748)
Other share repurchases(1)	163	7,420	45.70	—
Shares reissued	(1,214)	(65,781)	54.19	—
Treasury stock as of August 31, 2011	58,003	$ 3,125,175	$ 53.88	$ 711

(1) In connection with the release of vested shares of restricted stock, we repurchased approximately 163,000, 149,000 and 119,000 shares of our Class A common stock for $7.4 million, $7.1 million and $8.1 million during fiscal years 2011, 2010 and 2009, respectively. These repurchases relate to tax withholding requirements on the restricted stock units and are not part of the repurchase program described below.

As of August 31, 2011, approximately $0.7 million remained available under our share repurchase authorization. Subsequent to August 31, 2011, our Board of Directors authorized an increase in the amount available under our share repurchase program up to an aggregate amount of $500 million. The amount and timing of future share repurchase authorizations and repurchases, if any, will be made as market and business conditions warrant. Repurchases may be made on the open market through various methods including but not limited to accelerated share repurchase programs, or in privately negotiated transactions, pursuant to the applicable Securities and Exchange Commission rules, and may include repurchases pursuant to Securities and Exchange Commission Rule 10b5-1 nondiscretionary trading programs.

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Contractual Obligations and Other Commercial Commitments

The following table lists our contractual obligations and other commercial commitments as of August 31, 2011:

	Payments Due by Fiscal Year				
($ in thousands)	**2012**	**2013-2014**	**2015-2016**	**Thereafter**	**Total**
Debt[1]	$ 415,128	$ 146,813	$ 3,157	$ 4,674	$ 569,772
Operating lease obligations	162,217	304,495	246,916	464,969	1,178,597
Capital lease obligations	9,395	16,859	12,447	2,467	41,168
Stadium naming rights[2]	6,716	14,042	14,897	86,655	122,310
Uncertain tax positions[3]	5,941	—	—	22,277	28,218
Other obligations[4]	1,061	3,918	2,756	597	8,332
Total	$ 600,458	$ 486,127	$ 280,173	$ 581,639	$ 1,948,397

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(1) Amounts include expected future interest payments. Refer to Note 13, Debt, in Item 8, *Financial Statements and Supplementary Data*, for additional information on our outstanding debt.

(2) Amounts consist of an agreement for naming rights to the Glendale, Arizona Sports Complex until 2026.

(3) Amounts consist of our reserve for unrecognized tax positions, including interest and penalties, that are included in other current and other long-term liabilities in our August 31, 2011 Consolidated Balance Sheets. We are uncertain as to if or when such amounts may be settled.

(4) Amount consists of unconditional purchase obligations and undiscounted deferred compensation payments due to Dr. John G. Sperling, our founder.

We have no other material commercial commitments not included in the above table.

Off-Balance Sheet Arrangements

As part of our normal operations, our insurers issue surety bonds for us that are required by various states where we operate. We are obligated to reimburse our insurers for any surety bonds that are paid by the insurers. As of August 31, 2011, the total face amount of these surety bonds was approximately $55.7 million.

During fiscal year 2011, the Department of Education released our $126 million letter of credit previously posted in connection with our February 2009 program review.

Financial Aid Program Funds

See the discussion of financial aid program funds in Item 1, *Business*, *Financial Aid Programs — Domestic Postsecondary*.

Item 7A — *Quantitative and Qualitative Disclosures about Market Risk*

Impact of Inflation

Inflation has not had a significant impact on our historical operations.

Foreign Currency Exchange Risk

We use the U.S. dollar as our reporting currency. The functional currencies of our foreign subsidiaries are generally the local currencies. Accordingly, our foreign currency exchange risk is related to the following exposure areas:

- Adjustments resulting from the translation of assets and liabilities of the foreign subsidiaries into U.S. dollars using exchange rates in effect at the balance sheet dates. These translation adjustments are recorded in accumulated other comprehensive income (loss);
- Earnings volatility from the translation of income and expense items of the foreign subsidiaries using an average monthly exchange rate for the respective periods; and

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- Gains and losses resulting from foreign currency exchange rate changes related to intercompany receivables and payables that are not of a long-term investment nature, as well as gains and losses from foreign currency transactions. These items are recorded in Other, net in our Consolidated Statements of Income.

In fiscal year 2011, we recorded $7.6 million in net foreign currency translation gains, net of tax, that are included in other comprehensive income. These gains are primarily the result of the general weakening of the U.S. dollar relative to foreign

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currencies during fiscal year 2011.

As we continue to expand our international operations, we will conduct more transactions in currencies other than the U.S. dollar, thus increasing our exposure to foreign currency exchange rate fluctuations. The following table outlines our net asset (liability) exposure by foreign currency (defined as foreign currency assets less foreign currency liabilities and excluding intercompany balances) denominated in U.S. dollars for foreign currencies in which we have significant assets and/or liabilities as of August 31:

($ in thousands)	2011	2010
Euro	$ 34,981	$ 31,891
Mexican Peso	23,187	20,599
Chilean Peso	20,899	19,498
British Pound Sterling	(37,592)	162,365

The decrease in British Pound denominated net assets is principally due to BPP's $219.9 million of goodwill and other intangibles impairment charges during fiscal year 2011. Our British Pound denominated net assets as of August 31, 2011 and 2010 includes £63.0 million borrowed under our Bank Facility (equivalent to $103.2 million as of August 31, 2011). Apollo has not generally used derivative contracts to hedge foreign currency exchange rate fluctuations.

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Interest Rate Risk

Interest Income

As of August 31, 2011, we held $1,957.0 million in cash and cash equivalents, restricted cash and cash equivalents, and marketable securities. During fiscal year 2011, our interest rate yields were less than 1%, and we earned interest income of $3.2 million. Based on the current Federal Funds Rate, we do not believe any further reduction would have a material impact on us.

Interest Expense

We have exposure to changing interest rates primarily associated with our variable rate debt. At August 31, 2011, we had a total outstanding debt balance of $599.0 million. The following table presents the weighted-average interest rates and our scheduled maturities of principal by fiscal year for our outstanding debt at August 31, 2011:

($ in thousands, except percentages)	2012	2013	2014	2015	2016	Thereafter	Total
Fixed-rate debt	$ 10,258	$ 9,731	$ 8,273	$ 7,970	$ 6,295	$ 6,502	$ 49,029
Average interest rate							4.7%
Variable-rate debt	$ 409,060	$ 140,920	$ —	$ —	$ —	$ —	$ 549,980
Average interest rate							3.0%

We have an interest rate swap with a notional amount of $47.5 million used to minimize the interest rate exposure on a portion of BPP's variable rate debt. The interest rate swap is used to fix the variable interest rate on the associated debt. As of August 31, 2011, the fair value of the swap is a liability of $3.4 million and is included in other liabilities in our Consolidated Balance Sheets.

For the purpose of sensitivity, based on our outstanding variable rate debt exposed to changes in interest rates as of August 31, 2011, an increase of 100 basis points in our weighted average interest rate would increase interest expense by approximately $5.0 million on an annual basis.

Substantially all of our debt is variable interest rate and the carrying amount approximates fair value.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Apollo Group, Inc. and Subsidiaries
Phoenix, Arizona

We have audited the accompanying consolidated balance sheets of Apollo Group, Inc. and subsidiaries (the “Company”) as of August 31, 2011 and 2010, and the related consolidated statements of income, comprehensive income, shareholders’ equity, and cash flows for each of the three years in the period ended August 31, 2011. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Apollo Group, Inc. and subsidiaries as of August 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended August 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of August 31, 2011, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated October 20, 2011 expressed an unqualified opinion on the Company’s internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Phoenix, Arizona
October 20, 2011

APOLLO GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	As of August 31,	
(In thousands)	**2011**	**2010**
ASSETS:		
Current assets		
Cash and cash equivalents	$ 1,571,664	$ 1,284,769
Restricted cash and cash equivalents	379,407	444,132
Accounts receivable, net	215,567	264,377
Deferred tax assets, current portion	124,137	166,549
Prepaid taxes	35,629	39,409
Other current assets	44,382	38,031
Assets held for sale from discontinued operations	—	15,945
Total current assets	2,370,786	2,253,212
Property and equipment, net	553,027	619,537
Restricted cash equivalents for collateralization of letter of credit	—	126,615

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Marketable securities	5,946	15,174
Goodwill	133,297	322,159
Intangible assets, net	121,117	150,593
Deferred tax assets, less current portion	70,949	99,071
Other assets	14,584	15,090
Total assets	$ 3,269,706	$ 3,601,451
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities		
Short-term borrowings and current portion of long-term debt	$ 419,318	$ 416,361
Accounts payable	69,551	90,830
Accrued liabilities	398,806	375,461
Student deposits	424,045	493,245
Deferred revenue	293,436	359,724
Other current liabilities	50,131	53,416
Liabilities held for sale from discontinued operations	—	4,474
Total current liabilities	1,655,287	1,793,511
Long-term debt	179,691	168,039
Deferred tax liabilities	26,400	38,875
Other long-term liabilities	164,339	212,286
Total liabilities	2,025,717	2,212,711
Commitments and contingencies (Note 20)		
Shareholders' equity		
Preferred stock, no par value, 1,000 shares authorized; none issued	—	—
Apollo Group Class A nonvoting common stock, no par value, 400,000 shares authorized; 188,007 issued as of August 31, 2011 and 2010, and 130,004 and 147,293 outstanding as of August 31, 2011 and 2010, respectively	103	103
Apollo Group Class B voting common stock, no par value, 3,000 shares authorized; 475 issued and outstanding as of August 31, 2011 and 2010	1	1
Additional paid-in capital	68,724	46,865
Apollo Group Class A treasury stock, at cost, 58,003 and 40,714 shares as of August 31, 2011 and 2010, respectively	(3,125,175)	(2,407,788)
Retained earnings	4,320,472	3,748,045
Accumulated other comprehensive loss	(23,761)	(31,176)
Total Apollo shareholders' equity	1,240,364	1,356,050
Noncontrolling interests	3,625	32,690
Total equity	1,243,989	1,388,740
Total liabilities and shareholders' equity	$ 3,269,706	$ 3,601,451

The accompanying notes are an integral part of these consolidated financial statements.

APOLLO GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended August 31,		
(In thousands, except per share data)	**2011**	**2010**	**2009**
Net revenue	$ 4,733,022	$ 4,925,819	$ 3,953,566
Costs and expenses:			
Instructional and student advisory	1,774,087	1,733,134	1,333,919
Marketing	655,362	623,743	497,568

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Admissions advisory	415,386	466,358	437,908
General and administrative	355,751	301,116	277,887
Provision for uncollectible accounts receivable	181,297	282,628	151,021
Depreciation and amortization	159,006	145,564	108,828
Goodwill and other intangibles impairment	219,927	184,570	—
Restructuring and other charges	22,913	—	—
Litigation (credit) charge, net	(11,951)	177,982	80,500
Total costs and expenses	3,771,778	3,915,095	2,887,631
Operating income	961,244	1,010,724	1,065,935
Interest income	3,222	2,920	12,591
Interest expense	(8,931)	(11,891)	(4,448)
Other, net	(1,588)	(685)	(7,151)
Income from continuing operations before income taxes	953,947	1,001,068	1,066,927
Provision for income taxes	(420,638)	(464,063)	(456,720)
Income from continuing operations	533,309	537,005	610,207
Income (loss) from discontinued operations, net of tax	2,487	(15,424)	(16,377)
Net income	535,796	521,581	593,830
Net loss attributable to noncontrolling interests	36,631	31,421	4,489
Net income attributable to Apollo	$ 572,427	$ 553,002	$ 598,319
Earnings (loss) per share — Basic:			
Continuing operations attributable to Apollo	$ 4.03	$ 3.74	$ 3.90
Discontinued operations attributable to Apollo	0.02	(0.10)	(0.11)
Basic income per share attributable to Apollo	$ 4.05	$ 3.64	$ 3.79
Earnings (loss) per share — Diluted:			
Continuing operations attributable to Apollo	$ 4.02	$ 3.72	$ 3.85
Discontinued operations attributable to Apollo	0.02	(0.10)	(0.10)
Diluted income per share attributable to Apollo	$ 4.04	$ 3.62	$ 3.75
Basic weighted average shares outstanding	141,269	151,955	157,760
Diluted weighted average shares outstanding	141,750	152,906	159,514

The accompanying notes are an integral part of these consolidated financial statements.

APOLLO GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended August 31,		
($ in thousands)	**2011**	**2010**	**2009**
Net income	$ 535,796	$ 521,581	$ 593,830
Other comprehensive income (loss) (net of tax):			
Currency translation gain (loss)	7,643	(20,844)	(11,705)
Change in fair value of marketable securities	463	369	(390)
Comprehensive income	543,902	501,106	581,735
Comprehensive loss attributable to noncontrolling interests	35,940	34,460	6,625
Comprehensive income attributable to Apollo	$ 579,842	$ 535,566	$ 588,360

The accompanying notes are an integral part of these consolidated financial statements.

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APOLLO GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Common Stock											
	Apollo Group					Treasury Stock						
	Class A Nonvoting		Class B Voting			Apollo Group Class A						
(In thousands)	Shares	Stated Value	Shares	Stated Value	Additional Paid-in Capital	Shares	Cost	Retained Earnings	Accumulated Other Comprehensive Loss	Total Apollo Shareholders' Equity	Non-controlling Interests	Total Equity
Balance as of August 31, 2008	188,007	$103	475	$ 1	—	29,536	$(1,757,277)	$2,595,340	$ (3,781)	$ 834,386	$ 11,779	$ 846,165
Treasury stock purchases	—	—	—	—	—	7,331	(452,487)	—	—	(452,487)	—	(452,487)
Treasury stock issued under stock purchase plans	—	—	—	—	77	(90)	5,384	—	—	5,461	—	5,461
Treasury stock issued under stock incentive plans	—	—	—	—	(71,526)	(3,031)	181,757	1,384	—	111,615	—	111,615
Tax effect for stock incentive plans	—	—	—	—	4,550	—	—	—	—	4,550	—	4,550
Share-based compensation	—	—	—	—	68,038	—	—	—	—	68,038	—	68,038
Currency translation adjustment, net of tax	—	—	—	—	—	—	—	—	(9,569)	(9,569)	(2,136)	(11,705)
Change in fair value of marketable securities, net of tax	—	—	—	—	—	—	—	—	(390)	(390)	—	(390)
Noncontrolling interest contributions	—	—	—	—	—	—	—	—	—	—	58,980	58,980
Other	—	—	—	—	—	—	—	—	—	—	556	556
Net income (loss)	—	—	—	—	—	—	—	598,319	—	598,319	(4,489)	593,830
Balance as of August 31, 2009	188,007	$103	475	$ 1	$ 1,139	33,746	$(2,022,623)	$3,195,043	$ (13,740)	$1,159,923	$64,690	$1,224,613
Treasury stock purchases	—	—	—	—	—	8,024	(446,398)	—	—	(446,398)	—	(446,398)
Treasury stock issued under stock purchase plans	—	—	—	—	(447)	(100)	5,967	—	—	5,520	—	5,520
Treasury stock issued under stock incentive plans	—	—	—	—	(41,115)	(956)	55,266	—	—	14,151	—	14,151
Tax effect for stock incentive plans	—	—	—	—	(4,501)	—	—	—	—	(4,501)	—	(4,501)
Tax benefit related to IRS dispute settlement	—	—	—	—	27,484	—	—	—	—	27,484	—	27,484
Share-based compensation	—	—	—	—	64,305	—	—	—	—	64,305	—	64,305
Currency translation adjustment, net of tax	—	—	—	—	—	—	—	—	(17,805)	(17,805)	(3,039)	(20,844)
Change in fair value of marketable securities, net of tax	—	—	—	—	—	—	—	—	369	369	—	369
Noncontrolling interest contributions	—	—	—	—	—	—	—	—	—	—	2,460	2,460
Net income (loss)	—	—	—	—	—	—	—	553,002	—	553,002	(31,421)	521,581
Balance as of August 31, 2010	188,007	$103	475	$ 1	$46,865	40,714	$(2,407,788)	$3,748,045	$ (31,176)	$1,356,050	$32,690	$1,388,740
Treasury stock purchases	—	—	—	—	—	18,503	(783,168)	—	—	(783,168)	—	(783,168)
Treasury stock issued under stock purchase plans	—	—	—	—	(1,995)	(136)	7,747	—	—	5,752	—	5,752
Treasury stock issued under stock incentive plans	—	—	—	—	(38,883)	(1,078)	58,034	—	—	19,151	—	19,151
Tax effect for stock incentive plans	—	—	—	—	(7,303)	—	—	—	—	(7,303)	—	(7,303)
Share-based compensation	—	—	—	—	70,040	—	—	—	—	70,040	—	70,040
Currency translation adjustment, net of tax	—	—	—	—	—	—	—	—	6,952	6,952	691	7,643
Change in fair value of marketable securities, net of tax	—	—	—	—	—	—	—	—	463	463	—	463
Noncontrolling interest contributions	—	—	—	—	—	—	—	—	—	—	6,875	6,875
Net income (loss)	—	—	—	—	—	—	—	572,427	—	572,427	(36,631)	535,796
Balance as of August 31, 2011	188,007	$103	475	$ 1	$68,724	58,003	$(3,125,175)	$4,320,472	$ (23,761)	$1,240,364	$ 3,625	$1,243,989

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APOLLO GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FROM CONTINUING AND DISCONTINUED OPERATIONS

	Year Ended August 31,		
($ in thousands)	**2011**	**2010**	**2009**
Cash flows provided by (used in) operating activities:			
Net income	$ 535,796	$ 521,581	$ 593,830
Adjustments to reconcile net income to net cash provided by operating activities:			
Share-based compensation	70,040	64,305	68,038
Excess tax benefits from share-based compensation	(4,014)	(6,648)	(18,543)
Depreciation and amortization	159,006	147,035	113,350
Amortization of lease incentives	(18,822)	(13,358)	(12,807)
Impairment on discontinued operations	—	9,400	—
Goodwill and other intangibles impairment	219,927	184,570	—
Loss on fixed assets write-off	—	—	9,416
Amortization of deferred gains on sale-leasebacks	(2,221)	(1,705)	(1,715)
Non-cash foreign currency loss (gain), net	1,662	643	(62)
Provision for uncollectible accounts receivable	181,297	282,628	152,490
Litigation (credit) charge, net	(11,951)	177,982	80,500
Restructuring and other charges	22,913	—	—
Deferred income taxes	55,823	(125,399)	(13,799)
Changes in assets and liabilities, excluding the impact of acquisitions and business disposition:			
Change in restricted cash and cash equivalents	64,725	(11,828)	(48,149)
Accounts receivable	(121,120)	(265,996)	(192,289)
Prepaid taxes	(25,241)	10,421	(30,848)
Other assets	(9,900)	2,183	9,945
Accounts payable and accrued liabilities	4,851	(44,653)	45,406
Student deposits	(70,120)	3,445	59,458
Deferred revenue	(79,488)	32,887	80,315
Other liabilities	(76,041)	65,749	17,542
Net cash provided by operating activities	897,122	1,033,242	912,078
Cash flows provided by (used in) investing activities:			
Additions to property and equipment	(162,573)	(168,177)	(127,356)
Acquisitions, net of cash acquired	—	(5,497)	(523,795)
Maturities of marketable securities	10,000	5,000	8,035
Proceeds from sale-leaseback, net	169,018	—	—
Proceeds from business disposition	21,251	—	—
Collateralization of letter of credit	126,615	(126,615)	—
Net cash provided by (used in) investing activities	164,311	(295,289)	(643,116)
Cash flows provided by (used in) financing activities:			
Payments on borrowings	(437,925)	(477,568)	(37,341)
Proceeds from borrowings	410,051	475,454	513,170
Apollo Group Class A common stock purchased for treasury	(783,168)	(446,398)	(452,487)
Issuance of Apollo Group Class A common stock	24,903	19,671	117,076
Noncontrolling interest contributions	6,875	2,460	58,980
Excess tax benefits from share-based compensation	4,014	6,648	18,543
Net cash (used in) provided by financing activities	(775,250)	(419,733)	217,941

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Exchange rate effect on cash and cash equivalents	712	(1,697)	(1,852)
Net increase in cash and cash equivalents	286,895	316,523	485,051
Cash and cash equivalents, beginning of year	1,284,769	968,246	483,195
Cash and cash equivalents, end of year	$ 1,571,664	$ 1,284,769	$ 968,246
Supplemental disclosure of cash flow and non-cash information			
Cash paid for income taxes, net of refunds	$ 464,701	$ 514,532	$ 472,241
Cash paid for interest	$ 10,972	$ 7,837	$ 3,683
Capital lease additions	$ 31,818	$ 2,372	$ 1,313
Credits received for tenant improvements	$ 25,538	$ 17,372	$ 12,674
Restricted stock units vested and released	$ 21,470	$ 19,868	$ 22,617

The accompanying notes are an integral part of these consolidated financial statements.

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APOLLO GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Operations

Apollo Group, Inc. and its wholly-owned subsidiaries and majority-owned subsidiaries, collectively referred to herein as “the Company,” “Apollo Group,” “Apollo,” “APOL,” “we,” “us” or “our,” has been an education provider for more than 35 years. We offer innovative and distinctive educational programs and services both online and on-campus at the undergraduate, master’s and doctoral levels through our wholly-owned subsidiaries:

- The University of Phoenix, Inc. (“University of Phoenix”);
- Institute for Professional Development (“IPD”); and
- The College for Financial Planning Institutes Corporation (“CFFP”).

In addition to these wholly-owned subsidiaries, we have an 85.6% ownership interest in Apollo Global, Inc. (“Apollo Global”) as of August 31, 2011, which did not change during fiscal year 2011. Apollo Global pursues investments primarily in the international education services industry and is consolidated in our financial statements. We offer educational programs and services through the following wholly-owned subsidiaries of Apollo Global:

- BPP Holdings plc (“BPP”) in the United Kingdom;
- Western International University, Inc. (“Western International University”) in the U.S.;
- Universidad de Artes, Ciencias y Comunicación (“UNIACC”) in Chile; and
- Universidad Latinoamericana (“ULA”) in Mexico.

During the fourth quarter of fiscal year 2011, we entered into an agreement to acquire all of the stock of Carnegie Learning, Inc., a publisher of research-based math curricula and adaptive learning for $75 million. In a separate transaction, we entered into an agreement to acquire related technology from Carnegie Mellon University for $21.5 million, payable over a 10-year period. These acquisitions were completed on September 12, 2011. The acquisitions allow us to accelerate our efforts to incorporate adaptive learning into our academic platform and to provide tools to help raise student achievement in mathematics, which supports improved retention and graduation rates. Given our postsecondary focus, we intend to evaluate strategic alternatives for the K-12 portion of the business in order to support Carnegie Learning’s continued success in this market.

We completed the sale of Insight Schools, Inc. (“Insight Schools”) and ceased operations at Meritus University, Inc. (“Meritus”) during the second and third quarters of fiscal year 2011, respectively. Refer to Note 5, Discontinued Operations and Note 22, Segment Reporting, respectively, for further discussion.

Our fiscal year is from September 1 to August 31. Unless otherwise stated, references to the years 2011, 2010 and 2009 relate to fiscal years 2011, 2010 and 2009, respectively.

Note 2. Significant Accounting Policies

Basis of Presentation

These financial statements have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission and, in the opinion of management, contain all adjustments necessary to fairly present the financial condition, results of operations and cash flows for the periods presented.

Information and note disclosures included in these consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). We believe that the disclosures made are adequate to make the information presented not misleading.

Principles of Consolidation

The consolidated financial statements include the accounts of Apollo Group, Inc., its wholly-owned subsidiaries, and subsidiaries that we control. Interests in our subsidiaries that we control are reported using the full-consolidation method. We fully consolidate the results of operations and the assets and liabilities of these subsidiaries on our consolidated financial statements. All intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

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The preparation of financial statements in accordance with GAAP requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Revenue Recognition

Our educational programs, primarily composed of University of Phoenix programs, are designed to range in length from one-day seminars to degree programs lasting up to four years. Students in University of Phoenix degree programs generally enroll in a program of study encompassing a series of five- to nine-week courses taken consecutively over the length of the program. Generally, students are billed on a course-by-course basis when the student first attends a session, resulting in the recording of a receivable from the student and deferred revenue in the amount of the billing. University of Phoenix students generally fund their education through loans and/or grants under various Title IV programs, tuition assistance from their employers, or personal funds.

Net revenue consists principally of tuition and fees associated with different educational programs as well as related educational resources such as access to online materials, books, and study texts. Net revenue is shown net of discounts. Tuition benefits for our employees and their eligible dependents are included in net revenue and instructional and student advisory. Total employee tuition benefits were $97.0 million, $100.3 million and $90.5 million for fiscal years 2011, 2010 and 2009, respectively.

The following describes the components of our net revenue, which are generally consistent on a percentage basis for all periods presented:

- *Tuition and educational services revenue* represents approximately 92% of our gross consolidated revenue before discounts, and encompasses both online and on-campus classroom-based learning. For our University of Phoenix operations, tuition revenue is recognized pro rata over the period of instruction as services are delivered to students.

  BPP recognizes tuition revenue as services are provided over the course of the program, which varies depending on the program structure. For our remaining Apollo Global operations, tuition revenue is generally recognized over the length of the course and/or program as applicable.

- *Educational materials revenue* represents approximately 6% of our gross consolidated revenue before discounts, and relates to online course materials delivered to students over the period of instruction. Revenue associated with these materials is recognized pro rata over the period of the related course to correspond with delivery of the materials to students. Educational materials also includes the sale of various books, study texts, course notes, and CDs for which we recognize revenue when the materials have been delivered to and accepted by students or other customers.

- *Services revenue* represents approximately 2% of our gross consolidated revenue before discounts. Services revenue represents net revenue generated by IPD, which provides program development, administration and management consulting services to private colleges and universities ("Client Institutions") to establish or expand their programs for working learners. These services typically include degree program design, curriculum development, market research, certain student admissions services, accounting, and administrative services. Prior to July 1, 2011, IPD was typically paid a portion of the tuition revenue generated from these programs, and the portion of service revenue to which IPD was entitled under the terms of the contract was recognized as the services were provided. Under new U.S. Department of Education regulations, subsequent to July 1, 2011, IPD's revenue is generated based on fixed fee contracts with Client Institutions and is recognized on a straight line basis over the term of the contract as the services are provided. The term for these fixed fee contracts range from one to five years with provisions for renewal thereafter.

- *Other revenue* represents less than 1% of our gross consolidated revenue before discounts. Other revenue consists of the fees students pay when submitting an enrollment application, which, along with the related application costs associated with processing the applications, are deferred and recognized over the average length of time a student remains enrolled in a program of study. Other revenue also includes non-tuition generating revenues, such as renting classroom space and other student support services. Revenue from these sources is recognized as the services are provided.

- *Discounts* represent approximately 5% of our gross consolidated revenue. Discounts reflect reductions in charges for tuition or other fees from our standard rates and include military, corporate, and other employer discounts, along with institutional scholarships, grants and promotions.

University of Phoenix's refund policy permits students who attend 60% or less of a course to be eligible for a refund for the portion of the course they did not attend. Refunds result in a reduction in deferred revenue during the period that a student drops or withdraws from a class because associated tuition revenue is recognized pro rata over the period of instruction as the services are delivered. This refund policy applies to students in most, but not all states, as some states require different policies.

Generally, net revenue varies from period to period based on several factors, including the aggregate number of students attending classes, the number of classes held during the period, and the tuition price per credit.

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Sales tax collected from students is excluded from net revenue. Collected but unremitted sales tax is included as a liability in our Consolidated Balance Sheets and is not material to our consolidated financial statements.

Allowance for Doubtful Accounts

We reduce accounts receivable by an allowance for amounts that we expect to become uncollectible in the future. Estimates are used in determining the allowance for doubtful accounts and are based on historical collection experience and current trends. In determining these amounts, we consider and evaluate the historical write-offs of our receivables. We monitor our collections and write-off experience to assess whether adjustments are necessary.

When a student with Title IV loans withdraws, Title IV rules determine if we are required to return a portion of Title IV funds to the lenders. We are then entitled to collect these funds from the students, but collection rates for these types of receivables is significantly lower than our collection rates for receivables for students who remain in our educational programs.

We routinely evaluate our estimation methodology for adequacy and modify it as necessary. In doing so, our objective is to cause our allowance for doubtful accounts to reflect the amount of receivables that will become uncollectible by considering our most recent collections experience, changes in trends and other relevant facts. In doing so, we believe our allowance for doubtful accounts reflects the most recent collections experience and is responsive to changes in trends. Our accounts receivable are written off once the account is deemed to be uncollectible, which typically occurs after outside collection agencies have pursued collection for approximately six months. Refer to Note 7, Accounts Receivable, Net.

Cash and Cash Equivalents

We consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents primarily include money market funds, bank overnight deposits, time deposits and commercial paper, which are all placed with high-credit-quality financial institutions in the U.S. and internationally. We have not experienced any losses on our cash and cash equivalents.

We maintain our cash and cash equivalents accounts with high-credit-quality financial institutions. Only a negligible portion of these deposits are insured by the Federal Deposit Insurance Corporation.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents primarily represents funds held for students for unbilled educational services that were received from Title IV financial aid program funds. As a trustee of these Title IV financial aid funds, we are required to maintain and restrict these funds pursuant to the terms of our program participation agreement with the U.S. Department of Education. Restricted cash and cash equivalents are excluded from cash and cash equivalents in the Consolidated Balance Sheets and Consolidated Statements of Cash Flows from Continuing and Discontinued Operations. Our restricted cash and cash equivalents are primarily held in money market funds.

Property and Equipment, Net

Property and equipment is recorded at cost less accumulated depreciation. Property and equipment under capital leases, and the related obligation, is recorded at an amount equal to the present value of future minimum lease payments. Buildings, furniture, equipment, and software, including internally developed software, are depreciated using the straight-line method over the estimated useful lives of the related assets, which range from 3 to 40 years. Capital leases, leasehold improvements and tenant improvement allowances are amortized using the straight-line method over the shorter of the lease term or the estimated useful lives of the related assets. Construction in progress, excluding software, is recorded at cost until the corresponding asset is placed into service and depreciation begins. Software is recorded at cost and is amortized once the related asset is ready for its intended use. Maintenance and repairs are expensed as incurred.

We capitalize certain internal software development costs consisting primarily of the direct labor associated with creating the internally developed software. Capitalized costs are amortized using the straight-line method over the estimated lives of the software. Software development projects generally include three stages: the preliminary project stage (all costs expensed as incurred), the application development stage (certain costs capitalized, certain costs expensed as incurred), and the post-implementation/operation stage (all costs expensed as incurred). The costs capitalized in the application development stage primarily include the costs of designing the application, coding, installation of hardware, and testing. We capitalize costs incurred during the application development phase of the project as permitted. Refer to Note 9, Property and Equipment, Net.

Goodwill and Intangible Assets

- *Goodwill and Indefinite-Lived Intangible Assets* — Goodwill represents the excess of the purchase price of an acquired business over the amount assigned to the assets acquired and liabilities assumed. At the time of an acquisition, we allocate the goodwill and related assets and liabilities to our respective reporting units. We identify our reporting units by assessing

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whether the components of our operating segments constitute businesses for which discrete financial information is available and segment management regularly reviews the operating results of those components.

Indefinite-lived intangible assets are recorded at fair market value on their acquisition date and primarily include trademarks and foreign regulatory accreditations and designations as a result of the BPP, UNIACC and ULA acquisitions. We assign indefinite lives to acquired trademarks, accreditations and designations that we believe have the continued ability to generate cash flows indefinitely; have no legal, regulatory, contractual, economic or other factors limiting the useful life of the respective intangible asset; and when we intend to renew the respective trademark, accreditation or designation and renewal can be accomplished at little cost.

We assess goodwill and indefinite-lived intangible assets at least annually for impairment or more frequently if events occur or circumstances change between annual tests that would more likely than not reduce the fair value of the respective reporting unit below its carrying amount.

- *Goodwill* - We test for goodwill impairment at the reporting unit level by applying a two-step test. In the first step, we compare the fair value of the reporting unit to the carrying value of its net assets. If the fair value of the reporting unit exceeds the carrying value of the net assets of the reporting unit, goodwill is not impaired and no further testing is required. If the carrying value of the net assets of the reporting unit exceeds the fair value of the reporting unit, we perform a second step which involves using a hypothetical purchase price allocation to determine the implied fair value of the goodwill and compare it to the carrying value of the goodwill. An impairment loss is recognized to the extent the implied fair value of the goodwill is less than the carrying amount of the goodwill. As discussed in *Recent Accounting Pronouncements* below, effective September 1, 2011, we early adopted Accounting Standards Update ("ASU") No. 2011-08, "*Intangibles-Goodwill and Other (Topic 350): Testing Goodwill for Impairment*," which allows, but does not require, us to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test discussed above.

  To determine the fair value of our reporting units, we primarily use an income-based approach consisting of a discounted cash flow valuation method. We also consider a market-based approach or a combination of both methods. The discounted cash flow valuation method consists of projecting future cash flows for a reporting unit, which may include developing one or multiple sets of cash flow scenarios and applying a reasonable weighting to those scenarios, calculating a terminal value, and discounting such cash flows by a risk-adjusted rate of return. Generally, the market-based approach incorporates information from comparable transactions in the market and publicly traded companies with similar operating and investment characteristics of the reporting unit to develop a multiple which is then applied to the operating performance of the reporting unit to determine value. The determination of fair value of our reporting units consists primarily of using unobservable inputs under the fair value measurement standards.

  We believe the most critical assumptions and estimates in determining the estimated fair value of our reporting units, include, but are not limited to, the amounts and timing of expected future cash flows for each reporting unit, the probability weightings assigned to cash flow scenarios, the discount rate applied to those cash flows, terminal growth rates, selection of comparable market multiples and applying weighting factors when a combination of valuation methods is used. The assumptions used in determining our expected future cash flows consider various factors such as historical operating trends particularly in student enrollment and pricing, the political environment the reporting unit operates in, anticipated economic and regulatory conditions and reasonable expectations for planned business, and operating strategies and initiatives over a long-term planning horizon. The discount rate used by each reporting unit is based on our assumption of a prudent investor's required rate of return of assuming the risk of investing in a particular company in a specific country. The terminal growth rate reflects the sustainable operating income a reporting unit could generate in a perpetual state as a function of revenue growth, inflation and future margin expectations. We also believe the assumptions used in our goodwill impairment tests are consistent with a reasonable market participant view and employ the concept of highest and best use of the asset. If we determine our critical assumptions discussed above require revision or are adversely impacted, a potential goodwill impairment may result in the future.

- *Indefinite-lived intangible assets* - The annual impairment test for indefinite-lived intangible assets involves a comparison of the estimated fair value of the intangible asset with its carrying value. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. We perform our annual indefinite-lived intangible asset impairment tests on the same dates that we perform our annual goodwill impairment tests for the respective reporting units.

  To determine the fair value of our trademark intangible assets we use the relief-from-royalty method. This method estimates the benefit of owning the intangible assets rather than paying royalties for the right to use a comparable asset. This method incorporates the use of significant judgments in determining both the projected revenues attributable to the asset, as well as the appropriate discount rate and royalty rates applied to those revenues to

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determine fair value. To fair value the accreditations and designations intangible assets, we primarily use the cost savings method which estimates the cost savings of owning the intangible asset rather than either creating the asset or not having the asset in place to be used in current operations. This method incorporates the use of significant judgments in determining the projected profit or replacement cost attributable to the asset and the appropriate discount rate. The determination of fair value of our indefinite-lived intangible assets consists primarily of using unobservable inputs under the fair value measurement standards.

- *Finite-Lived Intangible Assets* — Finite-lived intangible assets that are acquired in business combinations are recorded at fair market value on their acquisition date and are amortized on either a straight-line basis or using an accelerated method to reflect the pattern in which the economic benefits of the asset are consumed. The weighted average useful life of our finite-lived intangible assets that are not fully amortized as of August 31, 2011 is 5.2 years.

Other Long-Lived Asset Impairments

We evaluate the carrying amount of our major other long-lived assets, including property and equipment and finite-lived intangible assets, whenever changes in circumstances or events indicate that the value of such assets may not be fully recoverable. Excluding the impairment charges discussed in Note 4, Restructuring and Other Charges, we did not recognize any impairment charges for our other long-lived assets during fiscal years 2011 and 2010. At August 31, 2011, we believe the carrying amounts of our remaining other long-lived assets are fully recoverable and no impairment exists.

Share-Based Compensation

We measure and recognize compensation expense for all share-based awards issued to faculty, employees and directors based on estimated fair values of the share awards on the date of grant. We record compensation expense, net of forfeitures, for all share-based awards over the requisite service period using the straight-line method for awards with only a service condition, and the graded vesting attribution method for awards with service and performance conditions.

We calculate the fair value of share-based awards on the date of grant. For stock options, we typically use the Black-Scholes-Merton option pricing model to estimate fair value. The Black-Scholes-Merton option pricing model requires us to estimate key assumptions such as expected term, volatility, risk-free interest rates and dividend yield to determine the fair value of stock options, based on both historical information and management judgment regarding market factors and trends. The expected term of options represents the period of time that the options granted are expected to be outstanding. Prior to fiscal year 2011, we generally used the simplified mid-point method to estimate the expected term of stock options based on our determination that the terms and exercise behavior of our stock options had changed significantly in recent periods, causing our historical exercise data to not be reflective of our expectations of future exercise behavior. The simplified method uses the mid-point between the vesting and contractual terms of the stock options. During fiscal year 2011, we estimated the expected term of our stock options granted based primarily on the vesting period of the awards and historical exercise behavior, which did not result in a significant change in our expected term assumption compared to prior years.

For share-based awards with performance conditions, such as our Performance Share Awards described in Note 18, Stock and Savings Plans, we measure the fair value of such awards as of the date of grant and amortize share-based compensation expense for our estimate of the number of shares expected to vest. Our estimate of the number of shares that will vest is based on our determination of the probable outcome of the performance condition, which requires considerable judgment. We record a cumulative adjustment to share-based compensation expense in periods that we change our estimate of the number of shares expected to vest. Additionally, we ultimately adjust the expense recognized to reflect the actual vested shares following the resolution of the performance conditions.

We estimate expected forfeitures of share-based awards at the grant date and recognize compensation cost only for those awards expected to vest. We estimate our forfeiture rate based on several factors including historical forfeiture activity, expected future employee turnover, and other qualitative factors. We ultimately adjust this forfeiture assumption to actual forfeitures. Therefore, changes in the forfeiture assumptions do not impact the total amount of expense ultimately recognized over the requisite service period. Rather, different forfeiture assumptions only impact the timing of expense recognition over the requisite service period. If the actual forfeitures differ from management estimates, additional adjustments to compensation expense are recorded.

Income Taxes

The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in an entity's financial statements or tax returns. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period when the new rate is enacted. We record a valuation allowance to reduce deferred tax assets to the amount that we believe is more likely than not to be realized.

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The determination of our uncertain tax positions requires us to make significant judgments. We evaluate and account for uncertain tax positions using a two-step approach. Recognition (step one) occurs when we conclude that a tax position, based solely on its technical merits, is more likely than not to be sustained upon examination. Measurement (step two) determines the amount of benefit that is greater than 50% likely to be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. Derecognition of a tax position that was previously recognized would occur when we subsequently determine that a tax position no longer meets the more likely than not threshold of being sustained. We do not use a valuation allowance as a substitute for derecognition of tax positions. Refer to Note 15, Income Taxes.

Earnings per Share

Basic income per share is calculated using the weighted average number of Apollo Group Class A and Class B common shares outstanding during the period. Diluted income per share is calculated similarly except that it includes the dilutive effect of the assumed exercise of stock options and release of restricted stock units and performance share awards issuable under our stock compensation plans. The amount of any tax benefit to be credited to additional paid-in capital related to the exercise of stock options, release of restricted stock units and release of performance share awards, and unrecognized share-based compensation expense is included when applying the treasury stock method in the computation of diluted income per share. Refer to Note 17, Earnings Per Share.

Leases

We lease substantially all of our administrative and educational facilities, with the exception of several Apollo Global facilities, and we enter into various other lease agreements in conducting our business. At the inception of each lease, we evaluate the lease agreement to determine whether the lease is an operating or capital lease. Additionally, most of our lease agreements contain renewal options, tenant improvement allowances, rent holidays, and/or rent escalation clauses. When such items are included in a lease agreement, we record a deferred rent asset or liability in our Consolidated Balance Sheets and record the rent expense evenly over the term of the lease. Leasehold improvements are reflected under investing activities as additions to property and equipment in our Consolidated Statements of Cash Flows from Continuing and Discontinued Operations. Credits received against rent for tenant improvement allowances are reflected as a component of non-cash investing activities in our Consolidated Statements of Cash Flows from Continuing and Discontinued Operations. Lease terms generally range from five to ten years with one to two renewal options for extended terms. For leases with renewal options, we record rent expense and amortize the leasehold improvements on a straight-line basis over the initial non-cancelable lease term (in instances where the lease term is shorter than the economic life of the asset) unless we intend to exercise the renewal option. Refer to Note 20, Commitments and Contingencies.

We are also required to make additional payments under lease terms for taxes, insurance, and other operating expenses incurred during the lease period, which are expensed as incurred. Rental deposits are provided for lease agreements that specify payments in advance or deposits held in security that are refundable, less any damages at lease end.

Marketing Costs

We expense marketing costs, the substantial majority of which includes advertising, as incurred.

Foreign Currency Translation

We use the U.S. dollar as our reporting currency. The functional currency of our entities operating outside the United States is the currency of the primary economic environment in which the entity primarily generates and expends cash, which is generally the local currency. The assets and liabilities of these operations are translated to U.S. dollars using exchange rates in effect at the balance sheet dates. Income and expense items are translated monthly at the average exchange rate for that period. The resulting translation adjustments and the effect of exchange rate changes on intercompany transactions of a long-term investment nature are included in shareholders' equity as a component of accumulated other comprehensive income (loss) or noncontrolling interests, as applicable. We report gains and losses from foreign exchange rate changes related to intercompany receivables and payables that are not of a long-term investment nature, as well as gains and losses from foreign currency transactions in other, net in our Consolidated Statements of Income. These items amounted to a net $1.7 million loss, net $0.6 million loss and net $0.1 million gain in fiscal years 2011, 2010 and 2009, respectively.

Fair Value

The carrying amount of certain assets and liabilities reported in our Consolidated Balance Sheets, including accounts receivable and accounts payable, approximate fair value because of the short-term nature of these financial instruments.

For fair value measurements of assets and liabilities that are recognized or disclosed at fair value, we consider fair value to be an exit price, which represents the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. We use valuation techniques to determine fair value consistent with either the market approach, income approach and/or cost approach, and we prioritize the inputs used in our valuation techniques using the following three-tier fair value hierarchy:

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- Level 1 — Observable inputs that reflect quoted market prices (unadjusted) for identical assets and liabilities in active markets;
- Level 2 — Observable inputs, other than quoted market prices, that are either directly or indirectly observable in the marketplace for identical or similar assets and liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets and liabilities; and
- Level 3 — Unobservable inputs that are supported by little or no market activity that are significant to the fair value of assets or liabilities.

We categorize each of our fair value measurements for disclosure purposes in one of the above three levels based on the lowest level input that is significant to the fair value measurement in its entirety. In measuring fair value, our valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. We use prices and inputs that are current as of the measurement date, including during periods of market volatility. Therefore, classification of inputs within the hierarchy may change from period to period depending upon the observability of those prices and inputs. Our assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value for certain assets and liabilities and their placement within the fair value hierarchy. Refer to Note 11, Fair Value Measurements.

Loss Contingencies

We are subject to various claims and contingencies which are in the scope of ordinary and routine litigation incidental to our business, including those related to regulation, litigation, business transactions, employee-related matters and taxes, among others. When we become aware of a claim or potential claim, the likelihood of any loss or exposure is assessed. If it is probable that a loss will result and the amount of the loss can be reasonably estimated, we record a liability for the loss. The liability recorded includes probable and estimable legal costs incurred to date and future legal costs to the point in the legal matter where we believe a conclusion to the matter will be reached. If the loss is not probable or the amount of the loss cannot be reasonably estimated, we disclose the claim if the likelihood of a potential loss is reasonably possible and the amount of the potential loss could be material. For matters where no loss contingency is recorded, our policy is to expense legal fees as incurred. The assessment of the likelihood of a potential loss and the estimation of the amount of a loss are subjective and require judgment. Refer to Note 20, Commitments and Contingencies.

Restructuring and Other Charges

Restructuring and other charges are comprised principally of employee severance and other fringe benefit costs, non-cancelable lease obligations, and other related costs, including asset impairments. Our employee severance costs are expensed on the date we notify the employee, unless the employee must provide future service, in which case the benefits are expensed ratably over the future service period. For our non-cancelable lease obligations, we record the obligation upon the later of when we terminate the contract in accordance with the contract terms or when we cease using the right conveyed by the contract. We recognize these costs at fair value in the period the liability is incurred. Generally, for restructuring charges that have future payments that extend beyond one year, we record the net present value of the estimated future cash payments and then accrete the discount to restructuring and other charges over the term of the remaining payments. The estimate of our restructuring charges is based on the best information available at the time we record the obligation. Accordingly, any adjustments to previously recorded charges resulting from a change to the estimated liability are recognized in the period the change occurs. Refer to Note 4, Restructuring and Other Charges.

Discontinued Operations

Assets and liabilities expected to be sold or disposed of are presented separately in our Consolidated Balance Sheets as assets or liabilities held for sale. If we determine we will not have significant continuing involvement with components that are classified as held for sale, the results of operations of these components are presented separately as income (loss) from discontinued operations, net of tax, in the current and prior periods. Refer to Note 5, Discontinued Operations.

Recent Accounting Pronouncements

Issued Accounting Changes

On September 15, 2011, the Financial Accounting Standards Board ("FASB") issued ASU No. 2011-08, "*Intangibles-Goodwill and Other (Topic 350): Testing Goodwill for Impairment*" ("ASU 2011-08"), which simplifies how an entity tests goodwill for impairment. The amendments permit an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. Accordingly, an entity will no longer be required to calculate the fair value of a reporting unit in the step one test unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. ASU 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. We adopted ASU 2011-08 on September 1, 2011 for our fiscal year 2012 goodwill impairment tests. Although we are still evaluating the impact of adopting ASU 2011-08, we do not believe it will have material impact on our financial condition, results of operations or disclosures.

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Future Accounting Changes

The FASB and the International Accounting Standards Board ("IASB") are working on joint convergence projects to address accounting differences between GAAP and International Financial Reporting Standards ("IFRS") in order to support their commitment to achieve a single set of high-quality global accounting standards. Some of the most significant projects on the FASB and IASB's agenda include accounting for leases, revenue recognition and financial instruments, among other items. Both the FASB and IASB have issued final guidance for certain accounting topics and are currently redeliberating guidance in other areas. The converged guidance that the FASB has already issued addressing fair value measurements and the statement of other comprehensive income is not expected to have a material impact on our financial condition, results of operations, or disclosures. While we anticipate the lease accounting and revenue recognition proposals will have the most impact on us, the FASB's standard-setting process is ongoing and until new standards have been finalized and issued, we cannot determine the impact on our financial condition, results of operations, or disclosures that may result from any such future changes.

Concurrent with these convergence projects, the Securities and Exchange Commission is considering incorporating IFRS into the U.S. financial reporting system. At this time, the method and timing of potential conversion to IFRS is uncertain and cannot be determined until final conversion requirements are mandated. The potential preparation of our financial statements in accordance with IFRS could have a material impact on our financial condition, results of operations, and disclosures.

Note 3. Changes in Presentation

Operating Expenses

In executing our strategy, we have recently implemented and are continuing to implement a number of important changes and initiatives to transition our business to more effectively support our students and improve their educational outcomes. One of our most significant initiatives is to better align our admissions personnel with our students' success. Effective September 1, 2010, we eliminated enrollment factors in evaluating the performance and any related compensation adjustments for our admissions personnel. This represents a significant change as admissions personnel have been transitioned to more of an advisory function for prospective students during the admissions process, which includes potential students that do not matriculate into one of our educational programs.

Based on our business transition, we evaluated the presentation of our operating expenses and determined that additional disaggregation will provide more meaningful information and increased transparency of our operations. The following details the additional disaggregation and a description of the costs included in our operating expense categories:

- ***Instructional and student advisory*** - We previously reported our provision for uncollectible accounts receivable and a portion of our depreciation and amortization in "instructional costs and services" on our Consolidated Statements of Income. We have disaggregated and are presenting separately our provision for uncollectible accounts receivable and depreciation and amortization, which are discussed in more detail below. Effective during the first quarter of fiscal year 2011, we have renamed the remaining costs "instructional and student advisory." This category primarily consists of costs related to the delivery and administration of our educational programs and include costs related to faculty, student advisory and administrative compensation, classroom and administration lease expenses (including facilities that are shared and support both instructional and admissions functions), financial aid processing costs, costs related to the development of our educational programs and other related costs. Tuition costs for all employees and their eligible family members are recorded as an expense within instructional and student advisory.
- ***Admissions advisory*** - We previously reported costs related to our admissions advisory personnel in "selling and promotional" on our Consolidated Statements of Income. Effective during the first quarter of fiscal year 2011, we began separately stating such costs on our Consolidated Statements of Income as "admissions advisory." Based on the strategic initiative discussed above, we believe the disaggregation of admissions personnel costs better represents our admissions advisory function and provides a more transparent view of our operations. The substantial majority of costs included in this disaggregated presentation consist of compensation for admissions personnel. The category also includes other costs directly related to admissions advisory functions.
- ***Marketing*** - The costs associated with admissions personnel represented a significant portion of our previously reported "selling and promotional" expense. As discussed above, we began presenting such costs separately on our Consolidated Statements of Income. Considering the substantial majority of the remaining costs represent advertising and other marketing activities, we believe the disaggregation of our marketing costs provides additional transparency. Specifically, effective during the first quarter of fiscal year 2011, we have renamed the remaining costs "marketing," which were previously referred to as "selling and promotional." The substantial majority of costs included in the disaggregated presentation of marketing consist of advertising expenses, compensation for marketing personnel including personnel responsible for establishing relationships with selected employers, which we refer to as our Workforce Solutions team, and production of marketing materials. The category also includes other costs directly related to marketing functions. Based on this disaggregation, we also identified certain costs previously included in "selling and promotional" that we believe are now more appropriately represented as general and

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administrative in our revised presentation of operating expenses. These costs principally include compensation associated with our External Affairs employees and other costs related to our External Affairs activities.

- ***General and administrative*** - Excluding the change in presentation noted above related to External Affairs and the disaggregation of depreciation and amortization discussed below, there are no additional changes to our presentation of general and administrative expense. General and administrative costs consist primarily of corporate compensation, occupancy costs, legal and professional fees, and other related costs.
- ***Provision for uncollectible accounts receivable*** - We previously reported our provision for uncollectible accounts receivable in "instructional costs and services" on our Consolidated Statements of Income. We believe the disaggregated presentation of our provision for uncollectible accounts receivable is meaningful and provides a more transparent view of our operations.
- ***Depreciation and amortization*** - We previously reported depreciation and amortization in a combination of all of our operating expense categories on our Consolidated Statements of Income. The assets associated with our depreciation and amortization often possess characteristics that can be associated with multiple operating expense categories. We expect this trend to continue as we implement various strategic initiatives that enhance our operational efficiencies as well as improve the student experience. Accordingly, we believe the disaggregated presentation of our depreciation and amortization provides a more transparent view of our operations.

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APOLLO GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — *(Continued)*

We have changed our presentation of operating expenses for prior periods to conform to the above disaggregation and revisions to our presentation. There were no changes to total operating expenses or operating income as a result of these changes in presentation. The following table presents our operating expenses as previously reported and as changed on our Consolidated Statements of Income for the fiscal years ended:

	Year Ended August 31,			
	2010		2009	
($ in thousands)	As Reported	As Changed	As Reported	As Changed
Instructional and student advisory	$ 2,125,082	$ 1,733,134	$ 1,567,754	$ 1,333,919
Marketing	1,112,666	623,743	952,884	497,568
Admissions advisory	—	466,358	—	437,908
General and administrative	314,795	301,116	286,493	277,887
Provision for uncollectible accounts receivable	—	282,628	—	151,021
Depreciation and amortization	—	145,564	—	108,828
Goodwill and other intangibles impairment	184,570	184,570	—	—
Litigation charge	177,982	177,982	80,500	80,500
Total costs and expenses	$ 3,915,095	$ 3,915,095	$ 2,887,631	$ 2,887,631

Restricted Cash and Cash Equivalents

Effective during fiscal year 2011, we changed our presentation of changes in restricted cash and cash equivalents related to financial aid program funds to cash flows from operating activities on our Consolidated Statements of Cash Flows from Continuing and Discontinued Operations. We previously presented such changes as cash flows from investing activities. Our restricted cash and cash equivalents primarily represents funds held for students for unbilled educational services that were received from Title IV financial aid program funds. When we receive such funds, they are recorded as restricted cash on our balance sheet with an offsetting liability recorded as student deposits. These restricted funds are a core activity of our operations and, accordingly, we believe presentation of changes in such funds as an operating activity more appropriately reflects the nature of the restricted cash. Additionally, we believe that including both changes in the restricted cash asset and the student deposit liability within operating activities provides better transparency. We have changed our presentation on our Consolidated Statements of Cash Flows from Continuing and Discontinued Operations for all periods presented. The changes have no other impact on our financial position and results of operations.

The following table presents our cash flows as previously reported and as changed for the fiscal years ended:

	Year Ended August 31,			
	2010		2009	
($ in thousands)	As Reported	As Changed	As Reported	As Changed
Cash flows provided by (used in) operating activities:				
Change in restricted cash and cash equivalents	$ —	$ (11,828)	$ —	$ (48,149)
Net cash provided by operating activities	$ 1,045,070	$ 1,033,242	$ 960,227	$ 912,078
Cash flows provided by (used in) investing activities:				
Collateralization of letter of credit[1]	$ (138,443)	$ (126,615)	$ (48,149)	$ —
Net cash used in investing activities	$ (307,117)	$ (295,289)	$ (691,265)	$ (643,116)

[1]Following the change in presentation discussed above, the remaining change in restricted cash and cash equivalents in fiscal year 2010 represents funds used to collateralize a letter of credit. We have continued to present this change as an investing activity based on the nature of the restricted cash; however, we have renamed the remaining change, "Collateralization of letter of credit." Refer to Note 8, Restricted Cash Equivalents for Collateralization of Letter of Credit, for further discussion.

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Note 4. Restructuring and Other Charges

As discussed in Note 3, Changes in Presentation, we have recently implemented a number of important operational changes and initiatives to transition our business to more effectively support our students and improve their educational outcomes. As part of this transition, we implemented a strategic reduction in force in November 2010 and a real estate rationalization plan in the fourth quarter of fiscal year 2011. These initiatives, which are discussed further below, were designed to streamline our operations and better align our operations with our business strategy, refined business model and outlook. The following table details the charges incurred in fiscal year 2011 associated with these initiatives, which are presented in restructuring and other charges on our Consolidated Statements of Income:

($ in thousands)	Charge for Year Ended August 31, 2011	
Real estate rationalization - Lease obligation costs, net	$	13,052
Real estate rationalization - Asset impairments		6,015
Reduction in force - Severance and other benefits		3,846
Restructuring and other charges	$	22,913

Real Estate Rationalization

During the fourth quarter of fiscal year 2011, we initiated a plan to rationalize our real estate portfolio in Phoenix, Arizona through space consolidation and reorganization. The plan consists of abandoning all, or a portion of, four leased facilities, all of which are classified as operating leases. As of August 31, 2011, we were not using one of the facilities and we determined will no longer derive a future economic benefit from the facility. Accordingly, we accrued $13.1 million in other liabilities on our Consolidated Balance Sheets representing the fair value of our future contractual lease obligation under the respective operating lease. We measured the lease obligation at fair value using a discounted cash flow approach encompassing significant unobservable inputs. The estimation of future cash flows includes non-cancelable contractual lease costs over the remaining term of the lease, partially offset by estimated future sublease rental income, which involves significant judgment. Our estimate of the amount and timing of sublease rental income considered current commercial real estate market data and conditions, comparable transaction data and qualitative factors specific to the facility. This estimate will be subject to adjustment as market conditions change or as new information becomes available, including the execution of sublease agreements. We also wrote-off $6.0 million of certain assets, including leasehold improvements, at the facility for which we do not expect a future economic benefit. The lease obligation and asset impairment charges are included in our University of Phoenix reportable segment.

We expect to abandon the remaining three facilities in fiscal year 2012 and incur additional charges associated with initially recognizing the net lease obligations and other costs. The majority of these charges will be recorded on the respective cease-use dates for each facility and will be included in our University of Phoenix reportable segment.

Reduction in Force

We implemented a strategic reduction in force primarily at University of Phoenix in November 2010 that eliminated approximately 700 full-time positions, principally among admissions personnel. In connection with this reduction in force, we incurred a $3.8 million charge consisting of severance and other fringe benefit costs. This charge is included in our University of Phoenix reportable segment and was paid in the second quarter of fiscal year 2011.

Note 5. Discontinued Operations

In fiscal year 2010, we initiated a formal plan to sell Insight Schools, engaged an investment bank and also began the process of actively marketing Insight Schools as we determined that the business was no longer consistent with our long-term strategic objectives. We completed the sale of Insight Schools during the second quarter of fiscal year 2011 and do not have significant continuing involvement after the sale. We began presenting Insight Schools' assets and liabilities as held for sale on our Consolidated Balance Sheets in fiscal year 2010, and Insight Schools' operating results are presented as discontinued operations on our Consolidated Statements of Income for all periods presented. We determined cash flows from discontinued operations are not material and are included with cash flows from continuing operations on our Consolidated Statements of Cash Flows from Continuing and Discontinued Operations. Insight Schools was previously presented as its own reportable segment.

We sold all of Insight Schools' issued and outstanding shares for $6.3 million, plus $3.0 million that will be held in escrow for one year following the sale, and $15.3 million of additional estimated working capital consideration. As of August 31, 2011, we have received $15.0 million of the working capital consideration and we expect to receive the remaining amount and the funds held in escrow during fiscal year 2012. The funds held in escrow are included in other current assets on our Consolidated Balance Sheets. We realized a $0.1 million loss on sale in fiscal year 2011, which is included in income (loss) from discontinued operations, net of tax on our Consolidated Statements of Income.

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The major components of Insight Schools' assets and liabilities presented separately as held for sale on our Consolidated Balance Sheets as of August 31, 2010 are as follows:

($ in thousands)	As of August 31, 2010
Accounts receivable, net	$ 3,851
Property and equipment, net	6,037
Goodwill	3,342
Other	2,715
Total Insight Schools' assets	$ 15,945
Total Insight Schools' liabilities	$ 4,474

The following table summarizes Insight Schools' operating results for fiscal years 2011, 2010 and 2009, which are presented in income (loss) from discontinued operations, net of tax in our Consolidated Statements of Income:

($ in thousands)	Year Ended August 31,		
	2011	2010	2009
Net revenue	$ 20,494	$ 32,240	$ 20,636
Goodwill impairment[(1)]	—	(9,400)	—
Costs and other[(2)]	(19,596)	(42,552)	(47,748)
Income (loss) from discontinued operations before income taxes	898	(19,712)	(27,112)
Benefit from income taxes[(1),(3)]	1,589	4,288	10,735
Income (loss) from discontinued operations, net of tax	$ 2,487	$ (15,424)	$ (16,377)

(1) We recognized the goodwill impairment charge in fiscal year 2010 in the quarter we began presenting Insight Schools' as held for sale. We did not record a tax benefit associated with the goodwill impairment charge because Insight Schools' goodwill was not deductible for tax purposes.
(2) Costs and other includes a $0.1 million loss on sale recorded in fiscal year 2011.
(3) Benefit from income taxes during fiscal year 2011 includes a $1.6 million tax benefit recorded in fiscal year 2011 as a result of the Insight Schools sale generating a capital loss for tax purposes.

We include only revenues and costs, including the goodwill impairment charge discussed above, directly attributable to the discontinued operations, and not those attributable to our continuing operations. Accordingly, no interest expense or general corporate overhead have been allocated to Insight Schools. Additionally, we ceased depreciation and amortization on property and equipment and finite-lived intangible assets at Insight Schools in the period we determined it was held for sale.

Note 6. Acquisitions

UNIACC

Apollo Global purchased 100% of UNIACC in fiscal year 2008 for $44.5 million composed of cash and assumed debt, plus a future payment based on a multiple of earnings. In fiscal year 2009, we recorded the estimated obligation associated with the future payment based on earnings as an additional purchase price adjustment increasing goodwill because the amount became determinable during that period. We paid the obligation in fiscal years 2009 and 2010, which consisted of $2.7 million and $5.5 million during the respective years.

BPP

On July 30, 2009, Apollo Global, through a wholly-owned United Kingdom subsidiary, acquired the entire issued and to be issued ordinary share capital of BPP, a company registered in England and Wales, for cash and assumed debt as detailed in the summary purchase price allocation below. BPP is a provider of education and training to professionals in the legal and finance industries and the BPP University College is the first proprietary institution to have been granted degree awarding powers in the United Kingdom.

We accounted for the BPP acquisition using the purchase method of accounting. BPP's operating results are included in the consolidated financial statements from the date of acquisition.

The following table presents a summary of the BPP acquisition:

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($ in thousands)		
Tangible assets (net of acquired liabilities)	$	(15,346)
Finite-lived intangible assets		51,304
Indefinite-lived intangible assets		139,990
Goodwill		425,638
Allocated purchase price	$	601,586
Less: Debt assumed		(84,306)
Less: Cash acquired		(7,214)
Acquisition, net of cash acquired	$	510,066

Unaudited Pro Forma Financial Results

The following unaudited pro forma financial results of operations for fiscal year 2009 are presented as if the acquisition of BPP had been completed as of September 1, 2008:

(in thousands, except per share data)		(Unaudited) **Year Ended August 31, 2009**
Pro forma net revenue	$	4,220,298
Pro forma net income attributable to Apollo	$	616,323
Pro forma earnings per share:		
Basic income per share attributable to Apollo	$	3.91
Diluted income per share attributable to Apollo	$	3.86
Basic weighted average shares outstanding		157,760
Diluted weighted average shares outstanding		159,514

The unaudited pro forma financial information is presented for informational purposes and includes certain adjustments that are factual and supportable, consisting of increased interest expense on debt used to fund the acquisition, adjustments to depreciation expense related to the fair value adjustment for property and equipment, and amortization related to acquired intangible assets, as well as the related tax effect of these adjustments. The unaudited pro forma information is not indicative of the results of operations that would have been achieved if the acquisition and related borrowings had taken place at the beginning of the applicable presented period, or of future results of the consolidated entities.

ULA

Apollo Global acquired a 65% ownership interest in ULA in fiscal year 2008 for $35.8 million, composed of cash and assumed debt. In fiscal year 2009, Apollo Global purchased the remaining 35% of ULA for $11.0 million. This transaction was accounted for as a step acquisition in accordance with the purchase method of accounting and resulted in recording $7.0 million of additional goodwill.

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Note 7. Accounts Receivable, Net

Accounts receivable, net consist of the following as of August 31:

($ in thousands)	2011	2010
Student accounts receivable	$ 324,324	$ 419,714
Less allowance for doubtful accounts	(128,897)	(192,857)
Net student accounts receivable	195,427	226,857
Other receivables	20,140	37,520
Total accounts receivable, net	$ 215,567	$ 264,377

Student accounts receivable is composed primarily of amounts due related to tuition and educational services. Our student receivables are not collateralized; however, credit risk is reduced as the amount owed by any individual student is small relative to the total student receivables and the customer base is geographically diverse.

For discussion of our accounting policy related to allowance for doubtful accounts, refer to Note 2, Significant Accounting Policies. The following table summarizes the activity in allowance for doubtful accounts for the fiscal years 2011, 2010 and 2009:

	Year Ended August 31,		
($ in thousands)	2011	2010	2009
Beginning allowance for doubtful accounts	$ 192,857	$ 110,420	$ 78,362
Provision for uncollectible accounts receivable	181,297	282,628	152,490
Write-offs, net of recoveries	(245,257)	(200,191)	(120,432)
Ending allowance for doubtful accounts	$ 128,897	$ 192,857	$ 110,420

Note 8. Restricted Cash Equivalents for Collateralization of Letter of Credit

During fiscal year 2010, we posted a letter of credit of approximately $126 million in favor of the U.S. Department of Education as required in connection with a program review of University of Phoenix by the Department. The long-term restricted cash at August 31, 2010 represents funds used to collateralize this letter of credit. During the third quarter of fiscal year 2011, the Department released the letter of credit and, accordingly, the associated funds used as collateral have been returned to us. Refer to Note 20, Commitments and Contingencies.

Note 9. Property and Equipment, Net

Property and equipment, net consist of the following as of August 31:

($ in thousands)	2011	2010
Land	$ 32,762	$ 46,641
Buildings	68,202	195,699
Furniture and equipment	459,881	368,162
Leasehold improvements (includes tenant improvement allowances)	349,921	295,058
Internally developed software	63,578	83,011
Software	100,562	68,666
Construction in progress	29,934	37,080
Gross property and equipment	1,104,840	1,094,317
Less accumulated depreciation and amortization	(551,813)	(474,780)
Property and equipment, net	$ 553,027	$ 619,537

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The decrease in land and buildings is primarily due to the sale-leaseback of our principal office buildings in Phoenix, Arizona. Refer to Note 20, Commitments and Contingencies.

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The following amounts, which are included in the above table, relate to property and equipment capital leases as of August 31:

($ in thousands)	2011	2010
Buildings and land	$ 5,838	$ 6,029
Furniture and equipment	36,910	5,157
Less accumulated depreciation and amortization	(6,341)	(3,340)
Capital lease assets, net	$ 36,407	$ 7,846

The increase in furniture and equipment was primarily due to purchases of information technology and network infrastructure assets during fiscal year 2011, a portion of which are recorded as capital leases.

Depreciation expense was $144.3 million, $122.2 million and $103.4 million for fiscal years 2011, 2010 and 2009, respectively. Included in these amounts is depreciation of capitalized internally developed software of $15.0 million, $16.1 million and $12.5 million for the fiscal years 2011, 2010 and 2009, respectively. Additionally, we wrote-off $6.0 million of certain assets, including leasehold improvements, during fiscal year 2011 in conjunction with our real estate rationalization plan. Refer to Note 4, Restructuring and Other Charges. We also recorded a loss of $9.4 million in fiscal year 2009 that is included in general and administrative expenses in our Consolidated Statements of Income for the write-off of information technology fixed assets resulting primarily from our rationalization of software.

Note 10. Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price over the fair value assigned to the assets acquired and liabilities assumed. Changes in the carrying amount of goodwill by reportable segment during fiscal years 2011 and 2010 are as follows:

		Apollo Global				
($ in thousands)	University of Phoenix	BPP	Other	Insight Schools	Other Schools	Total Goodwill
Goodwill as of August 31, 2009	$ 37,018	$ 421,836	$ 35,452	$ 12,742	$ 15,310	$ 522,358
Impairment on discontinued operations	—	—	—	(9,400)	—	(9,400)
Impairment	—	(156,321)	(8,712)	—	—	(165,033)
Included in assets held for sale	—	—	—	(3,342)	—	(3,342)
Currency translation adjustment	—	(24,311)	1,887	—	—	(22,424)
Goodwill as of August 31, 2010	37,018	241,204	28,627	—	15,310	322,159
Impairment	—	(197,674)	—	—	—	(197,674)
Currency translation adjustment	—	7,164	1,648	—	—	8,812
Goodwill as of August 31, 2011	$ 37,018	$ 50,694	$ 30,275	$ —	$ 15,310	$ 133,297

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APOLLO GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — *(Continued)*

The following table presents the components of the net carrying amount of goodwill by reportable segment as of August 31, 2011 and 2010:

		Apollo Global			
($ in thousands)	University of Phoenix	BPP	Other	Other Schools	Total Goodwill
August 31, 2010					
Gross carrying amount	$ 37,018	$ 425,638	$ 39,617	$ 35,515	$ 537,788
Accumulated impairments	—	(156,321)	(8,712)	(20,205)	(185,238)
Effect of foreign currency translation	—	(28,113)	(2,278)	—	(30,391)
Net carrying amount	$ 37,018	$ 241,204	$ 28,627	$ 15,310	$ 322,159

		Apollo Global			
($ in thousands)	University of Phoenix	BPP	Other	Other Schools	Total Goodwill
August 31, 2011					
Gross carrying amount	$ 37,018	$ 425,638	$ 39,617	$ 35,515	$ 537,788
Accumulated impairments	—	(353,995)	(8,712)	(20,205)	(382,912)
Effect of foreign currency translation	—	(20,949)	(630)	—	(21,579)
Net carrying amount	$ 37,018	$ 50,694	$ 30,275	$ 15,310	$ 133,297

Intangible assets consist of the following as of August 31:

	2011				2010			
($ in thousands)	Gross Carrying Amount	Accumulated Amortization	Effect of Foreign Currency Translation Loss	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Effect of Foreign Currency Translation Loss	Net Carrying Amount
Finite-lived intangible assets								
Student and customer relationships	$ 9,477	$ (6,538)	$ (1,284)	$ 1,655	$ 19,935	$ (12,891)	$ (1,624)	$ 5,420
Copyrights	20,891	(11,521)	(422)	8,948	20,891	(6,039)	(1,066)	13,786
Other	18,702	(12,499)	(1,166)	5,037	20,676	(9,342)	(1,591)	9,743
Total finite-lived intangible assets	49,070	(30,558)	(2,872)	15,640	61,502	(28,272)	(4,281)	28,949
Indefinite-lived intangible assets								
Trademarks[(1)]	98,849	—	(737)	98,112	121,879	—	(7,191)	114,688
Accreditations and designations	7,456	—	(91)	7,365	7,456	—	(500)	6,956
Total indefinite-lived intangible assets	106,305	—	(828)	105,477	129,335	—	(7,691)	121,644
Total intangible assets, net	$ 155,375	$ (30,558)	$ (3,700)	$ 121,117	$ 190,837	$ (28,272)	$ (11,972)	$ 150,593

(1) We recorded impairments charges of $22.2 million and $19.6 million of BPP's intangible assets during fiscal year 2011 and 2010, respectively. See below for further discussion.

Finite-lived intangible assets are amortized on either a straight-line basis or using an accelerated method to reflect the pattern in which the benefits of the asset are consumed. The weighted average useful life of our finite-lived intangible assets that are not fully amortized

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as of August 31, 2011 is 5.2 years. Amortization expense for intangible assets for fiscal years 2011, 2010 and 2009 was $14.7 million, $24.8 million and $9.3 million, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — *(Continued)*

Estimated future amortization expense of finite-lived intangible assets is as follows:

($ in thousands)	
2012	$ 8,577
2013	4,291
2014	1,546
2015	475
2016	92
Thereafter	659
Total estimated amortization expense	$ 15,640

Estimated future amortization expense may vary as acquisitions and dispositions occur in the future and as a result of foreign currency translation adjustments.

We completed goodwill and indefinite-lived intangible asset impairment tests, as applicable, for each of our reporting units on their respective annual impairment test dates during fiscal year 2011 as follows:

- University of Phoenix — May 31
- BPP — July 1
- UNIACC *(included in Apollo Global — Other)* — May 31
- ULA *(included in Apollo Global — Other)* — May 31
- Western International University *(included in Apollo Global — Other)* — May 31
- CFFP *(included in Other Schools)* — August 31

For our BPP reporting unit, we were required to perform an interim goodwill impairment test in the second quarter of fiscal year 2011, which resulted in recognizing goodwill and other intangibles impairment charges, as further discussed below. We did not record any impairment charges associated with our other reporting units as the estimated fair value of each of the reporting units exceeded the carrying value of their respective net assets as of their annual impairment test date. The excess as a percentage of fair value for University of Phoenix, UNIACC, Western International University and CFFP was at least 25%, and the excess for ULA was approximately 16% as of their respective annual impairment test dates.

We believe the assumptions used in our goodwill and indefinite lived intangible asset impairment tests are consistent with a reasonable market participant view while employing the concept of highest and best use of the asset. To determine the fair value for our University of Phoenix and Western International University reporting units, we used market multiple information and recent transaction data, if applicable, of comparable sized companies. For our CFFP reporting unit, we determined fair value using the discounted cash flow valuation method utilizing a 14.0% discount rate and 3% terminal growth rate. For our UNIACC and ULA reporting units, which had $13.1 million and $15.6 million of goodwill, respectively, as of August 31, 2011, we determined fair value by using a combination of the discounted cash flow valuation method and the market-based approach, to which we applied weighting factors of 80% and 20%, respectively. Specifically, for our UNIACC and ULA reporting units, the key assumptions used in our analysis include the following:

- Projected net revenue growth at UNIACC through its established online and working learner educational programs, and projected net revenue growth at ULA through its working learner educational programs offered through a blend of on-campus and online modalities. If the projected revenue growth from these programs does not materialize, we may be required in the future to record impairment charges for our goodwill and intangible assets.
- Discount rates for UNIACC and ULA of 15.5% and 16.5%, respectively, and a terminal growth rate of 5% for both reporting units. For sensitivity purposes, a 100 basis point change in either of these assumptions would not have resulted in the carrying value exceeding the fair value for either reporting unit as of their May 31, 2011 annual impairment test date.

Our UNIACC and ULA reporting units also have indefinite lived intangible assets consisting of trademarks and accreditations totaling $7.8 million as of August 31, 2011. We performed a fair value analysis of these indefinite lived intangible assets and determined there was no impairment.

BPP Reporting Unit

Fiscal Year 2011

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During the second quarter of fiscal year 2011, BPP experienced lower than expected rates of enrollment for its accounting and finance professional training programs. As a result, we revised our outlook for BPP and reduced forecasted revenues and operating cash flows for the remainder of fiscal year 2011.

The majority of students take multiple years to complete these programs and, as a result, the lower than expected rates of enrollment in these programs are expected to negatively impact revenue growth for the next couple of years. In addition, we also reduced our forecasts for future years from what we had previously anticipated, as we now believe that we will likely experience further near term declines. Currently, accounting and finance professional training programs account for approximately one-half of BPP's revenues and a significant portion of BPP's operating cash flows. For these reasons, we performed an interim goodwill impairment analysis for BPP in the second quarter of fiscal year 2011.

To determine the fair value of our BPP reporting unit in our interim step one analysis, we used a combination of the discounted cash flow valuation method and the market-based approach and applied weighting factors of 80% and 20%, respectively. We used assumptions in our interim step one analysis to reflect what we believe to be a reasonable market participant's view of the increased uncertainty in the broader market conditions impacting BPP. Specifically, the key assumptions used in our revised cash flow estimates include the following:

- the markets in which BPP's professional training programs operate in will experience further declines in the near term, and a recovery in the market for such programs will take longer than previously expected,
- decreased our pricing assumptions for degree programs at BPP's University college, given the emerging competitive landscape and the implementation of the U.K. government's review of funding for higher education,
- a significant increase in revenues over a long-term horizon at BPP's University College, and
- a 13.5% discount rate and 3.0% terminal growth rate.

Incorporating these assumptions into our interim step one goodwill impairment analysis resulted in a lower estimated fair value for the BPP reporting unit as compared to its carrying value. This was the second time that we had received new information that has caused us to revise our forecasts for BPP and record impairment charges, as we recorded goodwill and other intangibles impairment charges in fiscal year 2010, which is discussed below.

Accordingly, we performed an interim step two analysis which required us to fair value BPP's assets and liabilities, including identifiable intangible assets, using the fair value derived from the interim step one analysis as the purchase price in a hypothetical acquisition of the BPP reporting unit. The significant hypothetical purchase price adjustments included in the step two analysis consisted of:

- Adjusting the carrying value of land and buildings included in property and equipment to estimated fair value using the market approach and based on appraisals.
- Adjusting the carrying value of the trademark and accreditations and designation indefinite-lived intangible assets to estimated fair value using the valuation methods discussed at Note 2, Significant Accounting Policies. Our interim impairment tests for these indefinite-lived intangible assets utilized the same assumptions used in the BPP reporting unit goodwill impairment analysis which resulted in a lower fair value estimate for BPP's trademark.
- Adjusting all other finite-lived intangible assets to estimated fair value using a variety of methods under the income approach. As a result of this analysis, we determined that all significant finite-lived intangible assets were not impaired in the second quarter of fiscal year 2011.

Based on our analysis, we recorded impairment charges during the second quarter of fiscal year 2011 for BPP's goodwill and trademark of $197.7 million and $22.2 million, respectively. As BPP's goodwill is not deductible for tax purposes, we did not record a tax benefit associated with the goodwill impairment charge. In the second quarter of fiscal year 2011, BPP's goodwill and other intangibles impairment charges in the aggregate approximate $213.9 million (net of $6.0 million benefit for income taxes associated with the other intangibles impairment charge).

In the fourth quarter of fiscal year 2011, we performed our annual goodwill impairment for BPP. There have been no significant changes within BPP or the U.K. that we believe would have a meaningful impact on our cash flow estimates and other significant assumptions used in the interim impairment test performed in the second quarter of fiscal year 2011 discussed above. Accordingly, for the purpose of performing the annual goodwill impairment as of July 1, 2011, we utilized a similar valuation methodology and underlying assumptions. BPP's goodwill was determined to not be impaired and the excess as a percentage of fair value was approximately 23%. Additionally, we completed our annual impairment tests for the indefinite-lived assets at BPP and determined there was no impairment.

Although our projections used in both our interim and annual goodwill impairment tests assume that the markets in which BPP operates will ultimately stabilize, we may be required to record additional impairment charges for BPP's remaining goodwill and other intangibles balances of $50.7 million and $110.4 million, respectively, if there are further deteriorations in these markets, if economic conditions in the U.K. further decline, or we are unable to achieve the projected growth in future enrollment and related revenue at BPP's University College.

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Fiscal Year 2010

On July 1, 2010, we conducted our first annual goodwill impairment test for BPP. To determine the fair value of our BPP reporting unit in our step one analysis, we used a combination of the discounted cash flow valuation method and the market-based approach and applied weighting factors of 80% and 20%, respectively. In October 2010, BPP concluded its fall enrollment period which we believe was adversely impacted by the continued economic downturn in the U.K. Accordingly, we revised our forecast for BPP, which caused our step one annual goodwill impairment analysis to result in a lower estimated fair value for the BPP reporting unit as compared to its carrying value due to the effects of the economic downturn in the U.K. on BPP's operations and financial performance and increased uncertainty as to when these conditions would recover. Specifically, the assumptions used in our cash flow estimates assumed no near-term recovery in the markets in which BPP operates, modest overall long-term growth in BPP's core programs and a significant increase in revenues over a long-term horizon at BPP's University College. We also utilized a 13.0% discount rate and 3.0% terminal growth rate in the analysis.

Accordingly, we performed a step two analysis and the significant hypothetical purchase price adjustments included in the analysis consisted of:

- Adjusting the carrying value of land and buildings included in property and equipment to estimated fair value using the market approach and based on recent appraisals.
- Adjusting the carrying value of the trademark and accreditations and designation indefinite-lived intangible assets to estimated fair value using the valuation methods discussed at Note 2, Significant Accounting Policies. Our annual impairment tests for these indefinite-lived intangible assets utilized the same revenue, margin and discount rate assumptions used in the BPP reporting unit goodwill impairment step one analysis which resulted in a lower fair value estimate for BPP's trademark. Accordingly, we recorded a $17.6 million impairment charge for these indefinite-lived intangible assets in fiscal year 2010.
- Adjusting all other finite-lived intangible assets to estimated fair value using a variety of methods under the income approach specifically the costs savings method, with and without method and excess earnings method, or replacement cost approach. As a result of this analysis, we determined that one of our student relationship intangible assets was not recoverable resulting in recording an impairment charge of $2.0 million in fiscal year 2010.

Based on our analysis, we recorded a $156.3 million impairment charge for BPP's goodwill in fiscal year 2010. As BPP's goodwill is not deductible for tax purposes, we did not record a tax benefit associated with the goodwill impairment charge. In the fiscal year 2010, BPP's goodwill and intangible asset impairment charges in the aggregate approximate $170.4 million (net of $5.5 million benefit for income taxes associated with the intangible asset impairment charges).

ULA

During fiscal year 2010, we recorded an $8.7 million impairment charge for ULA's goodwill. As ULA's goodwill is not deductible for tax purposes, we did not record a tax benefit associated with the goodwill impairment charge.

Please refer to Note 2, Significant Accounting Policies, for our policy and methodology for evaluating potential impairment of goodwill and indefinite-lived intangible assets.

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APOLLO GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — *(Continued)*

Note 11. Fair Value Measurements

Assets and liabilities measured at fair value on a recurring basis consist of the following as of August 31, 2011:

		Fair Value Measurements at Reporting Date Using		
($ in thousands)	August 31, 2011	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents (including restricted cash equivalents):				
Money market funds	$ 1,854,927	$ 1,854,927	$ —	$ —
Marketable securities:				
Auction-rate securities	5,946	—	—	5,946
Total assets at fair value on a recurring basis:	$ 1,860,873	$ 1,854,927	$ —	$ 5,946
Liabilities:				
Other liabilities:				
Interest rate swap	$ 3,363	$ —	$ 3,363	$ —
Total liabilities at fair value on a recurring basis:	$ 3,363	$ —	$ 3,363	$ —

Assets and liabilities measured at fair value on a recurring basis consist of the following as of August 31, 2010:

		Fair Value Measurements at Reporting Date Using		
($ in thousands)	August 31, 2010	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents (including restricted cash equivalents):				
Money market funds	$ 1,468,992	$ 1,468,992	$ —	$ —
Marketable securities:				
Auction-rate securities	15,174	—	—	15,174
Total assets at fair value on a recurring basis:	$ 1,484,166	$ 1,468,992	$ —	$ 15,174
Liabilities:				
Other liabilities:				
Interest rate swap	$ 5,148	$ —	$ 5,148	$ —
Total liabilities at fair value on a recurring basis:	$ 5,148	$ —	$ 5,148	$ —

We measure the above items on a recurring basis at fair value as follows:

- ***Money market funds*** — Classified within Level 1 and were valued primarily using real-time quotes for transactions in active exchange markets involving identical assets. As of August 31, 2011 and 2010, our remaining cash and cash equivalents not disclosed in the above tables approximate fair value because of the short-term nature of the financial instruments.

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- ***Auction-rate securities*** — Classified within Level 3 due to the illiquidity of the market and were valued using a discounted cash flow model encompassing significant unobservable inputs such as estimated interest rates, credit spreads, timing and amount of cash flows, credit quality of the underlying securities and illiquidity considerations.
- ***Interest rate swap*** — We have an interest rate swap with a notional amount of $47.5 million as of August 31, 2011 used to minimize the interest rate exposure on a portion of BPP's variable rate debt. The interest rate swap is used to fix the variable interest rate on the associated debt. The swap is classified within Level 2 and is valued using readily available pricing sources which utilize market observable inputs including the current variable interest rate for similar types of instruments.

At August 31, 2011, the carrying value of our debt, excluding capital leases, was $562.5 million. Substantially all of our debt is variable interest rate debt and the carrying amount approximates fair value.

We did not change our valuation techniques associated with recurring fair value measurements from prior periods.

Changes in the assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the year ended August 31, 2011 are as follows:

($ in thousands)	
Balance at August 31, 2010	$ 15,174
Reversal of unrealized loss on redemption	772
Redemptions at par value	(10,000)
Transfers in (out) of Level 3	—
Balance at August 31, 2011	$ 5,946
Net unrealized gains (losses) included in earnings related to assets held as of August 31, 2011	$ —

Assets and liabilities measured at fair value on a non-recurring basis during fiscal year 2011 consist of the following:

		Fair Value Measurements at Measurement Date Using			
($ in thousands)	Fair Value at Measurement Date	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Losses for Year Ended August 31, 2011
Assets:					
Goodwill					
BPP	$ 48,889	$ —	$ —	$ 48,889	$ (197,674)
Intangible assets, net					
BPP trademark	90,658	—	—	90,658	(22,253)
Total assets at fair value on a nonrecurring basis	$ 139,547	$ —	$ —	$ 139,547	$ (219,927)
Liabilities:					
Other liabilities					
Restructuring obligation	$ 13,052	$ —	$ —	$ 13,052	$ (13,052)
Total liabilities at fair value on a nonrecurring basis	$ 13,052	$ —	$ —	$ 13,052	$ (13,052)

In the second quarter of fiscal year 2011, we recorded impairment charges for BPP's goodwill and trademark. Accordingly, BPP's goodwill balance was written down to the implied fair value and BPP's trademark was measured at fair value. We measured the implied fair value for BPP's goodwill and the fair value of BPP's trademark using Level 3 inputs included in the valuation methods used to determine fair value for the respective assets. Refer to Note 10, Goodwill and Intangible Assets.

During the fourth quarter of fiscal year 2011, we recorded a $13.1 million liability associated with our real estate rationalization plan. We measured the liability at fair value using Level 3 inputs included in the valuation method. Refer to Note 4, Restructuring and Other Charges.

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Note 12. Accrued Liabilities

Accrued liabilities consist of the following as of August 31:

($ in thousands)	2011	2010
Securities class action liability	$ 161,150	$ 177,982
Salaries, wages and benefits	93,763	80,773
Accrued advertising	50,172	52,472
Accrued professional fees	32,607	30,895
Student refunds, grants and scholarships	17,360	9,842
Other accrued liabilities	43,754	23,497
Total accrued liabilities	$ 398,806	$ 375,461

Refer to Note 20, Commitments and Contingencies, for discussion of the securities class action liability. Salaries, wages and benefits represent amounts due to employees, faculty and third parties for salaries, bonuses, vacation pay and health insurance. Accrued advertising represents amounts due for Internet marketing, direct mail campaigns, and print and broadcast advertising. Accrued professional fees represent amounts due to third parties for outsourced student financial aid processing and other accrued professional obligations. Student refunds, grants and scholarships represent amounts due to students for tuition refunds, federal and state grants payable, scholarships, and other related items. Other accrued liabilities primarily includes sales and business taxes, facilities costs such as rent and utilities, costs for curriculum materials and certain accrued purchases.

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Note 13. Debt

Debt and short-term borrowings consist of the following as of August 31:

($ in thousands)	2011	2010
Bank Facility, see terms below	$ 493,322	$ 497,968
BPP Credit Facility, see terms below	47,603	52,925
Capital lease obligations	36,512	7,827
Other, see terms below	21,572	25,680
Total debt	599,009	584,400
Less short-term borrowings and current portion of long-term debt	(419,318)	(416,361)
Long-term debt	$ 179,691	$ 168,039

Aggregate debt maturities for each of the years ended August 31 are as follows:

($ in thousands)	
2012	$ 419,318
2013	150,651
2014	8,273
2015	7,970
2016	6,295
Thereafter	6,502
	$ 599,009

- *Bank Facility* - In fiscal year 2008, we entered into a syndicated $500 million credit agreement (the "Bank Facility"). The Bank Facility is an unsecured revolving credit facility used for general corporate purposes including acquisitions and stock buybacks. The Bank Facility has an expansion feature for an aggregate principal amount of up to $250 million. The term is five years and will expire on January 4, 2013. The Bank Facility provides a multi-currency sub-limit facility for borrowings in certain specified foreign currencies.

  We borrowed substantially all of our credit line under the Bank Facility as of August 31, 2011 and 2010, which included £63.0 million denominated in British Pounds (equivalent to $103.2 million as of August 31, 2011). We repaid the U.S. dollar denominated debt on our Bank Facility of $390.1 million during the first quarter of fiscal year 2012 and $400.1 million during the first quarter of fiscal year 2011. We have classified the U.S. dollar denominated portion of our Bank Facility borrowings as short-term borrowings and the current portion of long-term debt on our Consolidated Balance Sheets because it was repaid subsequent to our respective fiscal year-ends.

  The Bank Facility fees are determined based on a pricing grid that varies according to our leverage ratio. The Bank Facility fee ranges from 12.5 to 17.5 basis points and the incremental fees for borrowings under the facility range from LIBOR + 50.0 to 82.5 basis points. The weighted average interest rate on outstanding borrowings under the Bank Facility at August 31, 2011 and 2010 was 2.8% and 2.9%, respectively.

  The Bank Facility contains affirmative and negative covenants, including the following financial covenants: maximum leverage ratio, minimum coverage interest and rent expense ratio, and a U.S. Department of Education financial responsibility composite score. In addition, there are covenants restricting indebtedness, liens, investments, asset transfers and distributions. We were in compliance with all covenants related to the Bank Facility at August 31, 2011.

- *BPP Credit Facility* - In fiscal year 2010, we refinanced BPP's debt by entering into a £52.0 million (equivalent to $85.2 million as of August 31, 2011) secured credit agreement (the "BPP Credit Facility"). The BPP Credit Facility contains term debt, which was used to refinance BPP's existing debt, and revolving credit facilities used for working capital and general corporate purposes. The term of the agreement is three years and will expire on August 31, 2013. The interest rate on

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borrowings varies according to a financial ratio and range from LIBOR + 250 to 325 basis points. The weighted average interest rate on BPP's outstanding borrowings at August 31, 2011 and 2010 was 4.0% and 4.0%, respectively.

The BPP Credit Facility contains financial covenants that include minimum cash flow coverage ratio, minimum fixed charge coverage ratio, maximum leverage ratio, and maximum capital expenditure ratio. We were in compliance with all covenants related to the BPP Credit Facility at August 31, 2011.

- *Other* - Other debt includes $9.1 million of variable rate debt and $12.5 million of fixed rate debt as of August 31, 2011, and $8.7 million of variable rate debt and $17.0 million of fixed rate debt as of August 31, 2010. The interest rates on these debt instruments range from 5.0% to 7.3% with various maturities from 2012 to 2019. The weighted average interest rate on our other debt at August 31, 2011 and 2010 was 6.1% and 6.7%, respectively.

Refer to Note 11, Fair Value Measurements, for discussion of the fair value of our debt.

Note 14. Other Liabilities

Other liabilities consist of the following as of August 31:

($ in thousands)	2011	2010
Deferred rent and other lease incentives	$ 90,761	$ 81,218
Deferred gains on sale-leasebacks	31,288	5,560
Uncertain tax positions	28,218	126,999
Restructuring obligation	13,052	—
Other	51,151	51,925
Total other liabilities	214,470	265,702
Less current portion	(50,131)	(53,416)
Total other long-term liabilities	$ 164,339	$ 212,286

Deferred rent represents the difference between the cash rental payments and the straight-line recognition of the expense over the term of the leases. Other lease incentives represent amounts included in lease agreements and are amortized on a straight-line basis over the term of the leases. The increase in deferred gains on sale-leasebacks is primarily due to the sale-leaseback of our principal office buildings in Phoenix, Arizona. Refer to Note 20, Commitments and Contingencies. The decrease in our liability for uncertain tax positions is primarily due to resolution regarding the apportionment of income for state income tax purposes. Refer to Note 15, Income Taxes. The restructuring and other activities liability is related to our real estate rationalization plan. Refer to Note 4, Restructuring and Other Charges.

Note 15. Income Taxes

Geographic sources of income (loss) from continuing operations before income taxes are as follows:

($ in thousands)	2011	2010	2009
United States	$ 1,213,353	$ 1,227,794	$ 1,085,704
Foreign	(259,406)	(226,726)	(18,777)
Total income from continuing operations before income taxes	$ 953,947	$ 1,001,068	$ 1,066,927

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APOLLO GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — *(Continued)*

Income tax expense (benefit) consists of the following for fiscal years 2011, 2010 and 2009:

($ in thousands)	2011	2010	2009
Current:			
Federal	$ 350,640	$ 458,375	$ 377,911
State	11,372	131,284	93,350
Foreign	1,129	(218)	(1,025)
Total current	363,141	589,441	470,236
Deferred:			
Federal	62,474	(106,834)	(8,667)
State	10,214	(7,574)	(4,872)
Foreign	(15,191)	(10,970)	23
Total deferred	57,497	(125,378)	(13,516)
Total provision for income taxes	$ 420,638	$ 464,063	$ 456,720

Deferred tax assets and liabilities result primarily from temporary differences in book versus tax basis accounting. Deferred tax assets and liabilities consist of the following as of August 31:

($ in thousands)	2011	2010
Deferred tax assets:		
Allowance for doubtful accounts	$ 44,364	$ 72,344
Deferred rent and tenant improvement allowances	25,198	28,921
Net operating loss carry-forward	10,718	17,629
Litigation charge	61,502	70,383
Share-based compensation	67,697	63,168
Other	59,001	73,821
Gross deferred tax assets	268,480	326,266
Valuation allowance	(10,446)	(14,645)
Deferred tax assets, net of valuation allowance	258,034	311,621
Deferred tax liabilities:		
Fixed assets	57,314	39,276
Intangible assets	30,738	40,069
Other	1,296	5,531
Gross deferred tax liabilities	89,348	84,876
Net deferred income taxes	$ 168,686	$ 226,745

The decrease in our valuation allowance during fiscal year 2011 was primarily the result of the write-off of net operating losses and associated valuation allowance due to the closure of Meritus. We have recorded a valuation allowance related to a portion of our net operating losses and to the deferred tax assets of certain of our foreign subsidiaries, as it is more likely than not that these deferred tax assets will not be utilized. In light of our history of profitable operations, we have concluded that it is more likely than not that we will ultimately realize the full benefit of our deferred tax assets other than assets mentioned above. Accordingly, we believe that a valuation allowance should not be recorded for our remaining net deferred tax assets.

The net operating loss carry-forward in the above table represents $17.5 million of U.S. net operating losses that will begin to expire August 31, 2021. We also have $20.7 million of net operating losses in various foreign jurisdictions that do not expire.

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We have not provided deferred taxes on unremitted earnings attributable to international companies that have been considered permanently reinvested. As of August 31, 2011, any earnings related to the operations of these foreign subsidiaries are not significant.

We exercise significant judgment in determining our income tax provision due to transactions, credits and calculations where the ultimate tax determination is uncertain. The following is a tabular reconciliation of the total amount of unrecognized tax benefits, excluding interest and penalties, at the beginning and the end of fiscal years 2011 and 2010:

($ in thousands)	
Balance at August 31, 2009	$ 84,861
Additions based on tax positions taken in the current year	99,590
Additions for tax positions taken in prior years	18,323
Settlement with tax authorities	(20,665)
Reductions for tax positions of prior years	(11,733)
Reductions due to lapse of applicable statute of limitations	(4,328)
Balance at August 31, 2010	166,048
Additions based on tax positions taken in the current year	4,503
Additions for tax positions taken in prior years	15,570
Settlement with tax authorities	(110,980)
Reductions for tax positions of prior years	(45,231)
Reductions due to lapse of applicable statute of limitations	(4,099)
Balance at August 31, 2011	$ 25,811

As of August 31, 2011 and 2010, we had $1.2 million and $44.4 million, respectively, of unrecognized receivables included in our unrecognized tax benefits, and the substantial majority of our remaining unrecognized tax benefits are included in other liabilities in our Consolidated Balance Sheets. The decrease in our unrecognized tax benefits during fiscal year 2011 was principally attributable to resolution with the Arizona Department of Revenue regarding the apportionment of income for Arizona corporate income tax purposes. See *Arizona Department of Revenue Audit* below for further discussion. The decrease was also due to a $9.6 million benefit from resolution with the Internal Revenue Service regarding the deductibility of payments made related to the settlement of a qui tam lawsuit in fiscal year 2010. This benefit is included in litigation charge on our effective income tax rate reconciliation below.

We classify interest and penalties related to uncertain tax positions as a component of provision for income taxes in our Consolidated Statements of Income. We recognized benefits of $1.7 million and $10.4 million in fiscal years 2011 and 2010, respectively, and an expense of $4.4 million in fiscal year 2009 related to interest and penalties. The $1.7 million benefit in fiscal year 2011 is primarily attributable to the reduction of accrued interest related to the resolution with the Arizona Department of Revenue noted above. The $10.4 million benefit in fiscal year 2010 is mainly due to the reduction of accrued interest related to the I.R.S. 162(m) settlement which occurred in November 2009. See *Internal Revenue Service Audits* below for further discussion. The total amount of interest and penalties included in our Consolidated Balance Sheets was $3.7 million and $5.4 million as of August 31, 2011 and 2010, respectively.

We believe that any change in our existing unrecognized tax benefits in the next 12 months will be immaterial.

As of August 31, 2011, $18.4 million of our total unrecognized tax benefits would favorably affect our effective tax rate if recognized. If amounts accrued are less than amounts ultimately assessed by the taxing authorities, we would record additional income tax expense in our Consolidated Statements of Income.

Our U.S. federal tax years and various state tax years from 2006 remain subject to income tax examinations by tax authorities. In addition, tax years from 2006 related to our foreign taxing jurisdictions also remain subject to examination.

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The provision for income taxes differs from the tax computed using the statutory U.S. federal income tax rate as a result of the following items for fiscal years 2011, 2010 and 2009:

	2011	2010	2009
Statutory U.S. federal income tax rate	35.0 %	35.0 %	35.0%
State income taxes, net of federal benefit[1]	1.8 %	6.3 %	5.1%
Non-deductible compensation, net[2]	0.3 %	(1.1)%	0.4%
Foreign taxes	0.8 %	1.1 %	0.6%
Litigation charge	(1.0)%	— %	0.9%
Goodwill impairments	7.4 %	5.8 %	—%
Meritus closure	(0.8)%	— %	—%
Other, net	0.6 %	(0.7)%	0.8%
Effective income tax rate	**44.1 %**	**46.4 %**	**42.8%**

[1] In fiscal year 2011, we realized a $43.3 million benefit associated with our resolution with the Arizona Department of Revenue. See further discussion below.

[2] In fiscal year 2010, we recorded benefits of $10.2 million and $1.2 million associated with our settlement of a dispute with the Internal Revenue Service. See further discussion below.

Internal Revenue Service Audits

In fiscal year 2007, the Internal Revenue Service commenced an examination of our U.S. federal income tax returns for fiscal years 2003 through 2005. In February 2009, the Internal Revenue Service issued an examination report and proposed to disallow certain deductions relating to stock option compensation and also proposed the additions of penalties and interest. In March 2009, we commenced administrative proceedings with the Office of Appeals of the Internal Revenue Service challenging the proposed adjustments, including penalties and interest. In November 2009, we executed a Closing Agreement with the Internal Revenue Service Office of Appeals to settle this matter. The settlement resolves only the disputed tax issues between the Internal Revenue Service and us and is not an admission by us of liability, wrongdoing, legal compliance or non-compliance for any other purpose.

Prior to the settlement, we had a total accrual of $50.5 million included in our reserve for uncertain tax positions relating to this issue. As a result of this settlement, we paid $27.3 million during fiscal year 2010 and the remaining accrual was reversed through a reduction in the provision for income taxes, a decrease in deferred tax assets, and an increase in additional paid-in capital in the amounts of $10.2 million, $1.5 million and $11.5 million, respectively.

Based on the agreed upon settlement, we believe that we are entitled to certain deductions related to stock option compensation that were not claimed on our tax returns for the years ended in 2006 through 2009. During fiscal year 2010, we recorded the benefit of these deductions through provision for income taxes, deferred taxes, and additional paid-in-capital in the amounts of $1.2 million, $0.9 million and $16.0 million, respectively. We submitted claims to the Internal Revenue Service for the deductions that were not taken on our tax returns for the years ended in 2006, 2007 and 2008. These claims have been accepted by the Internal Revenue Service. We have also claimed the deductions related to stock option compensation in subsequent year income tax returns.

Our U.S. federal income tax returns for our fiscal years 2006 through 2010 are currently under review by the Internal Revenue Service.

Arizona Department of Revenue Audit

The Arizona Department of Revenue commenced an audit during fiscal year 2010 relating to our Arizona income tax returns for fiscal years 2003 through 2009. During fiscal year 2010, we filed amended Arizona income tax returns for fiscal years 2003 through 2007 to change our method of sourcing service income to a destination basis, rather than on an origin basis, for sales factor apportionment purposes. In general for state sales factor apportionment purposes, ‘destination sourcing’ assigns revenue to the state of the customer or market, while ‘origin sourcing’ assigns revenue to the state of production. We also reported the final audit adjustments made by the Internal Revenue Service for fiscal years 2003 through 2005. The resulting impact from these adjustments was a net claim for refund of $51.5 million, excluding interest, for fiscal years 2003 through 2007. For fiscal years 2008 through 2010, we filed our original Arizona

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income tax returns sourcing our service revenues on a destination basis and we did not take a benefit related to our Arizona destination sourcing position in our financial statements.

In March 2011, the Arizona Department of Revenue issued a notice of proposed assessment for fiscal years 2003 through 2009 asserting our services revenues should be based on an origin sourcing method. The proposed assessment also denied our refund claims for this same reason. In May 2011, we filed our protest to the proposed assessment and refund denials, and began the administrative review process to assert our destination sourcing position. On August 4, 2011, we executed a Closing Agreement with the Arizona Department of Revenue to settle this matter. The settlement resolves the sales factor sourcing issue for the audit period and provides an agreed upon sales factor sourcing methodology for fiscal years 2010 through 2020.

Based on the agreed upon settlement, we have foregone our refund claims of $51.5 million, paid or will pay $59.8 million, and made applicable adjustments to our deferred taxes. These amounts were previously included in our unrecognized tax benefits, and the settlement resulted in a $43.3 million benefit. The benefit includes state tax accrued throughout fiscal year 2011 based on the uncertainty prior to settlement.

In addition to the audits discussed above, we are subject to numerous ongoing audits by federal, state, local and foreign tax authorities. Although we believe our tax accruals to be reasonable, the final determination of tax audits in the U.S. or abroad and any related litigation could be materially different from our historical income tax provisions and accruals.

Note 16. Shareholders' Equity

Share Reissuances

During fiscal years 2011, 2010 and 2009, we issued approximately 1.2 million, 1.1 million and 3.1 million shares, respectively, of our Apollo Group Class A common stock from our treasury stock as a result of stock option exercises, release of shares covered by vested restricted stock units, and purchases under our employee stock purchase plan.

Share Repurchases

Our Board of Directors has authorized us to repurchase outstanding shares of Apollo Group Class A common stock, from time to time, depending on market conditions and other considerations. During the second quarter of fiscal year 2011, our Board of Directors authorized an increase in the amount available under our share repurchase program up to an aggregate amount of $600 million of Apollo Group Class A common stock. There is no expiration date on the repurchase authorizations and repurchases occur at our discretion.

We repurchased approximately 18.3 million, 7.9 million and 7.2 million shares of our Apollo Group Class A common stock during fiscal years 2011, 2010 and 2009, respectively, at a total cost of $775.8 million, $439.3 million and $444.4 million during the respective fiscal years. This represented weighted average purchase prices of $42.30, $55.78 and $61.62 per share during the respective fiscal years.

As of August 31, 2011, approximately $0.7 million remained available under our share repurchase authorization. Subsequent to August 31, 2011, our Board of Directors authorized an increase in the amount available under our share repurchase program up to an aggregate amount of $500 million. The amount and timing of future share repurchase authorizations and repurchases, if any, will be made as market and business conditions warrant. Repurchases may be made on the open market through various methods including but not limited to accelerated share repurchase programs, or in privately negotiated transactions, pursuant to the applicable Securities and Exchange Commission rules, and may include repurchases pursuant to Securities and Exchange Commission Rule 10b5-1 nondiscretionary trading programs.

In connection with the release of vested shares of restricted stock, we repurchased approximately 163,000, 149,000 and 119,000 shares of Class A common stock for $7.4 million, $7.1 million and $8.1 million during fiscal years 2011, 2010 and 2009, respectively. These repurchases relate to tax withholding requirements on the restricted stock units and are not part of the repurchase program described above.

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Accumulated Other Comprehensive Loss

The following table summarizes the components of accumulated other comprehensive loss at August 31:

($ in thousands)	2011	2010
Foreign currency translation losses	$ (23,230)	$ (30,182)
Unrealized loss on marketable securities	(531)	(994)
Accumulated other comprehensive loss[1]	$ (23,761)	$ (31,176)

[1] Accumulated other comprehensive loss is net of $0.4 million and $1.2 million of taxes as of August 31, 2011 and 2010, respectively. The tax effect on each component of other comprehensive income during fiscal years 2011, 2010 and 2009 is not significant.

The decrease in foreign currency translation losses is primarily the result of a general weakening of the U.S. dollar relative to foreign currencies during fiscal year 2011.

Note 17. Earnings Per Share

Our outstanding shares consist of Apollo Group Class A and Class B common stock. Our Articles of Incorporation treat the declaration of dividends on the Apollo Group Class A and Class B common stock in an identical manner. As such, both the Apollo Group Class A and Class B common stock are included in the calculation of our earnings per share.

Diluted weighted average shares outstanding includes the incremental effect of shares that would be issued upon the assumed exercise of stock options and the vesting and release of restricted stock units and performance share awards. The components of basic and diluted earnings per share are as follows:

	Year Ended August 31,		
($ in thousands)	2011	2010	2009
Net income attributable to Apollo (basic and diluted)	$ 572,427	$ 553,002	$ 598,319
Basic weighted average shares outstanding	141,269	151,955	157,760
Dilutive effect of stock options	99	652	1,482
Dilutive effect of restricted stock units and performance share awards	382	299	272
Diluted weighted average shares outstanding	141,750	152,906	159,514
Earnings per share:			
Basic income per share attributable to Apollo	$ 4.05	$ 3.64	$ 3.79
Diluted income per share attributable to Apollo	$ 4.04	$ 3.62	$ 3.75

During fiscal years 2011, 2010 and 2009, approximately 9.3 million, 7.2 million and 3.6 million, respectively, of our stock options outstanding and approximately 390,000, 6,000 and 6,000, respectively, of our restricted stock units and performance share awards were excluded from the calculation of diluted earnings per share because their inclusion would have been anti-dilutive. These options, restricted stock units and performance share awards could be dilutive in the future.

Note 18. Stock and Savings Plans

401(k) Plan

We sponsor a 401(k) plan for eligible employees which provides them the opportunity to make pre-tax employee contributions. Such contributions are subject to certain restrictions as set forth in the Internal Revenue Code. Upon a participating employee's completion of one year of service and 1,000 hours worked, we will match, at our discretion, 30% of such employee's contributions up to the lesser of 15% of his or her gross compensation or the maximum participant contribution permitted under the Internal Revenue Code. Our matching contributions totaled $12.6 million, $11.3 million and $9.6 million for fiscal years 2011, 2010 and 2009, respectively.

Employee Stock Purchase Plan

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Our Third Amended and Restated 1994 Employee Stock Purchase Plan allows eligible employees to purchase shares of our Class A common stock at quarterly intervals through periodic payroll deductions at a price per share equal to 95% of the fair market value on the purchase date. This plan is deemed to be non-compensatory, and accordingly, we do not recognize any share-based compensation expense with respect to the shares of our Class A common stock purchased under the plan.

Share-Based Compensation Plans

We currently have outstanding awards under the following two share-based compensation plans: the Apollo Group, Inc. Second Amended and Restated Director Stock Plan and the Apollo Group, Inc. Amended and Restated 2000 Stock Incentive Plan.

Under the Second Amended and Restated Director Stock Plan, the non-employee members of our Board of Directors received on September 1 of each year through 2003 options to purchase shares of our Class A common stock. No additional shares are available for issuance under this plan, and no grants have been made under such plan since the 2003 calendar year grants.

Under the Amended and Restated 2000 Stock Incentive Plan, we may grant non-qualified stock options, incentive stock options, stock appreciation rights, restricted stock units, performance share awards, and other share-based awards covering shares of our Class A common stock to officers, key employees and faculty members, and the non-employee members of our Board of Directors. In general, the awards granted under the Amended and Restated 2000 Stock Incentive Plan vest over periods ranging from six months to four years. Stock options granted have contractual terms of 10 years or less. For certain outstanding stock options, vesting may be tied to the attainment of prescribed market conditions based on stock price appreciation in addition to service-vesting requirements. Restricted stock units issued under the Plan may have both performance-vesting and service-vesting components (for grants generally made to executive officers) or service-vesting only (for other recipients). Performance share awards have both performance-vesting and service-vesting components tied to a defined performance period. Approximately 25.1 million shares of our Class A common stock have been reserved for issuance over the term of this plan. The shares may be issued from treasury shares or from our authorized but unissued shares of our Class A common stock. As of August 31, 2011, approximately 14.3 million authorized and unissued shares of our Class A common stock were available for issuance under the Amended and Restated 2000 Stock Incentive Plan, including the shares subject to outstanding equity awards under such plan.

Under each of the two Apollo Group plans, the exercise price for stock options may not be less than 100% of the fair market value of our Class A common stock on the date of the grant. The requisite service period for all awards is generally equal to the vesting period.

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Stock Options and Stock Appreciation Rights

During fiscal years 2011, 2010 and 2009, we granted stock options with a service vesting condition to the members of our Board of Directors, officers, and certain faculty and management employees. During fiscal year 2009, we also granted stock options with both a service and a market vesting condition to certain members of our management team. We measure the fair value of stock options as of the date of grant. We amortize share-based compensation expense, net of forfeitures, over the requisite service period using the straight-line method for awards with only a service condition, and the graded vesting attribution method for awards with a service and a market vesting condition. The vesting period of the stock options granted generally ranges from six months to four years. A summary of the activity and changes related to stock options and stock appreciation rights granted under our plans is as follows:

(numbers in thousands, except per share and contractual term data)	Total Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value ($)[(1)]
Outstanding as of August 31, 2008	12,377	$ 52.41		
Granted	1,164	68.08		
Exercised	(2,707)	41.18		
Forfeited, canceled or expired	(572)	64.24		
Outstanding as of August 31, 2009	10,262	56.49		
Granted	850	43.28		
Exercised	(521)	27.33		
Forfeited, canceled or expired	(442)	62.87		
Outstanding as of August 31, 2010	10,149	56.62		
Granted	650	43.49		
Exercised	(608)	31.41		
Forfeited, canceled or expired	(915)	58.38		
Outstanding as of August 31, 2011	9,276	$ 57.18	3.00	$ 6,894
Vested and expected to vest as of August 31, 2011	9,213	$ 57.24	2.98	$ 6,702
Exercisable as of August 31, 2011	7,136	$ 58.38	2.60	$ 2,159
Available for future grant as of August 31, 2011	1,361			

(1) Aggregate intrinsic value represents the total amount obtained by multiplying the portion of our closing stock price of $46.83 on August 31, 2011 in excess of the applicable exercise prices by the number of options outstanding or exercisable with an exercise price less than that closing stock price.

As of August 31, 2011, there was approximately $34.4 million of total unrecognized share-based compensation cost, net of forfeitures, related to unvested stock options and stock appreciation rights. These costs are expected to be recognized over a weighted average period of 2.08 years. The fair value of stock options and stock appreciation rights that vested during fiscal years 2011, 2010 and 2009 was $37.8 million, $45.4 million, and $54.1 million, respectively.

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The following table summarizes information related to outstanding and exercisable options and stock appreciation rights as of August 31, 2011:

	Outstanding			Exercisable	
Range of Exercise Prices	Outstanding	Weighted Avg. Contractual Life Remaining	Weighted Avg. Exercise Price per Share	Exercisable	Weighted Avg. Exercise Price per Share
(options in thousands)					
$5.83 to $47.47	1,581	4.61	$ 42.59	444	$ 41.96
$48.30 to $51.33	1,581	2.75	$ 49.48	1,567	$ 49.49
$51.67 to $57.54	653	2.73	$ 55.47	485	$ 55.40
$58.03 to $58.03	1,740	1.83	$ 58.03	1,740	$ 58.03
$58.43 to $62.51	1,571	2.69	$ 61.54	1,297	$ 61.38
$62.78 to $69.51	1,367	3.57	$ 67.32	878	$ 66.56
$70.02 to $169.47	783	2.69	$ 75.25	725	$ 75.21
	9,276			7,136	

The following table summarizes information related to stock options and stock appreciation rights exercised during fiscal years 2011, 2010 and 2009:

	Year Ended August 31,		
($ in thousands)	2011	2010	2009
Amounts related to options and stock appreciation rights exercised:			
Intrinsic value realized	$ 9,207	$ 18,020	$ 94,638
Actual tax benefit realized by Apollo for tax deductions	$ 1,771	$ 7,175	$ 21,732

The shares issued upon the exercise of stock options and stock appreciation rights were drawn from treasury shares. Cash received from stock option and stock appreciation rights exercises during fiscal years 2011, 2010 and 2009 was approximately $19.2 million, $14.1 million and $111.6 million, respectively.

Stock Option Valuation Assumptions

Fair Value — We typically use the Black-Scholes-Merton option pricing model to estimate the fair value of our options as of the grant dates using the following weighted average assumptions:

	Year Ended August 31,		
	2011	2010	2009
Weighted average fair value	$ 16.71	$ 17.30	$ 27.32
Expected volatility	46.8%	48.6%	47.7%
Expected life (years)	4.2	4.2	4.2
Risk-free interest rate	1.4%	1.5%	2.2%
Dividend yield	0.0%	0.0%	0.0%

Expected Volatility — We use an average of our historical volatility and the implied volatility of long-lived call options to estimate expected volatility.

Expected Term (years) — Prior to fiscal year 2011, we generally used the simplified mid-point method to estimate the expected term of stock options based on our determination that the terms and exercise behavior of our stock options had changed significantly in recent

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periods, causing our historical exercise data to not be reflective of our expectations of future exercise behavior. The simplified method uses the mid-point between the vesting and contractual terms of the stock options. During fiscal year 2011, we estimated the expected term of our stock options granted based primarily on the vesting period of the awards and historical exercise behavior, which did not result in a significant change in our expected term assumption compared to prior years.

Risk-Free Interest Rate — We use the U.S. constant maturity treasury rates as the risk-free rate interpolated between the years commensurate with the expected life assumptions.

Dividend Yield — The dividend yield assumption is based on the fact that we have not historically paid dividends and we have no current plan to pay dividends in the near term.

Restricted Stock Units and Performance Share Awards ("PSAs")

During fiscal years 2011, 2010 and 2009, we granted restricted stock units covering shares of our Class A common stock with a service and a performance vesting condition to several of our officers. We also granted restricted stock units with only a service vesting condition to the members of our Board of Directors, officers, and certain faculty and management employees. We measure the fair value of restricted stock units as of the date of grant. We amortize share-based compensation expense for awards expected to vest over the requisite service period using the straight-line method for awards with only a service condition, and the graded vesting attribution method for awards with a service and a performance condition. Share-based compensation expense is not recognized for awards with performance conditions that do not meet the associated performance condition. The vesting period of the restricted stock units granted generally ranges from six months to four years. See summary of the activity and changes related to restricted stock units granted under our plans below.

During fiscal years 2011 and 2010, we granted performance share awards to certain members of our executive management that vest based on performance and service vesting conditions. The level at which the performance condition is attained will determine the actual number of shares of our Class A common stock into which the PSAs will be converted. The conversion percentage will range from 0% to 200%, and in limited cases may range to 600%, of the target level based on the performance condition attainment. The award holder will vest in one-third of the shares of our Class A common stock into which his or her PSAs are so converted for each fiscal year the award holder remains employed during the three year performance period. However, the PSAs will immediately convert into fully-vested shares of our Class A common stock at target level or above upon certain changes in control or ownership. The shares of our Class A common stock into which the PSAs are converted will be issued upon the completion of the applicable performance period.

We measure the fair value of PSAs as of the date of grant and amortize share-based compensation expense for our estimate of the number of shares of our Class A common stock expected to vest and become issuable under those awards over the requisite service period. Our estimate of the number of shares that will vest and become issuable under the PSA awards is based on our determination of the probable outcome of the performance condition and requires considerable judgment. Share-based compensation expense is not recognized for PSAs that do not meet the associated performance condition.

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The following schedule includes activity and changes related to the restricted stock units and PSAs (granted PSAs are assumed to convert into shares of our Class A common stock at the 100% target level):

(numbers in thousands, except per share data)	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested balance at August 31, 2008	715	$ 58.17
Granted	645	69.49
Vested and released	(324)	60.96
Forfeited	(38)	57.58
Nonvested balance at August 31, 2009	998	62.88
Granted	1,057	44.27
Vested and released	(435)	61.29
Forfeited	(70)	60.97
Nonvested balance at August 31, 2010[(1)]	1,550	50.72
Granted	2,263	44.38
Vested and released	(469)	54.01
Forfeited	(152)	49.94
Nonvested balance at August 31, 2011[(1)]	3,192	$ 45.78

(1) The nonvested balance at August 31, 2011 and August 31, 2010 includes approximately 260,000 and 69,000 PSAs, respectively, at the target level. The vesting of these awards are subject to the achievement of the specified performance goals and the actual number of common shares that will ultimately be issued is calculated by multiplying the number of performance shares by a payout percentage range varying from 0% to 200%, and in limited cases may range to 600%.

As of August 31, 2011, there was approximately $105.5 million and $10.9 million of total unrecognized share-based compensation cost, net of forfeitures, related to unvested restricted stock units and performance share awards at the target level, respectively. These costs are expected to be recognized over a weighted average period of 2.52 years. The fair value of restricted stock units that vested during fiscal years 2011, 2010 and 2009 was $25.5 million, $24.8 million and $23.2 million, respectively.

Share-based Compensation Expense

The table below details share-based compensation expense for fiscal years 2011, 2010 and 2009:

	Year Ended August 31,		
($ in thousands)	2011	2010	2009
Instructional and student advisory	$ 27,012	$ 23,603	$ 22,102
Marketing	5,306	5,116	2,062
Admissions advisory	2,109	1,528	2,113
General and administrative	35,613	34,058	41,761
Share-based compensation expense included in operating expenses	70,040	64,305	68,038
Tax effect of share-based compensation	(26,715)	(25,290)	(26,603)
Share-based compensation expense, net of tax	$ 43,325	$ 39,015	$ 41,435

Note 19. Related Person Transactions

Yo Pegasus, LLC

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Yo Pegasus, LLC, an entity controlled by Dr. John G. Sperling, the Executive Chairman of our Board of Directors, leases an aircraft to us as well as to other entities. Payments to Yo Pegasus for the business use of the airplane, including hourly flight charges, fuel, and direct operating expenses during fiscal years 2011, 2010 and 2009 were $0.1 million, $0.3 million and $0.2

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million, respectively.

Sperling Gallery

In January 2010, we purchased certain artwork from an art gallery owned by Virginia Sperling for $88,000. Virginia Sperling is the former wife of Dr. John G. Sperling, the Executive Chairman of our Board of Directors, and the mother of Mr. Peter V. Sperling, the Vice Chairman of our Board of Directors. Before purchasing this artwork, we leased it pursuant to a contract between Apollo Group and the art gallery. Lease payments under the contract during fiscal years 2010 and 2009 were $8,000 and $34,000, respectively.

Earth Day Network

We have provided grants directly or through University of Phoenix Foundation, a non-profit entity affiliated with University of Phoenix, to Earth Day Network totaling $30,000, $0.5 million and $0.1 million in fiscal years 2011, 2010 and 2009, respectively. Art Edelstein, the Director of Development of Earth Day Network, is the brother of Mr. Charles B. Edelstein, our Co-Chief Executive Officer.

Cisco Systems, Inc.

During fiscal years 2011, 2010 and 2009, we purchased goods and services from Cisco Systems, Inc., directly and through third party sellers, in the normal course of our business, and we expect to do so in the future. Mr. Manuel F. Rivelo, a member of our Board of Directors, is employed by Cisco Systems, Inc. as Senior Vice President of Enterprise Systems and Operations.

FuzeBox

During fiscal year 2011, we entered into an agreement with FuzeBox, Inc., an entity for which Mr. Peter V. Sperling, the Vice Chairman of our Board of Directors, is the Chairman of the Board and co-founder, whereby we paid FuzeBox $266,000 as part of a pilot program related to internet-based video conferencing provided by FuzeBox.

Deferred Compensation Agreement with Dr. John G. Sperling

The deferred compensation agreement relates to an agreement between Apollo and Dr. John G. Sperling. The related $3.3 million liability balance as of August 31, 2011 is included in other long-term liabilities in our Consolidated Balance Sheets.

John Sperling Voting Stock Trust

During fiscal year 2011, we paid a premium of $1.2 million for a three-year errors and omissions insurance policy for the benefit of the current and any future trustees of the John Sperling Voting Stock Trust. Dr. John G. Sperling, the Executive Chairman of our Board of Directors, is the trustor and sole trustee of the trust, which is the owner of a majority of our Class B voting common stock.

Note 20. Commitments and Contingencies

Guarantees

We have agreed to indemnify our officers and directors for certain events or occurrences. The maximum potential amount of future payments we could be required to make under these indemnification agreements is unlimited; however, we have director and officer liability insurance policies that mitigate our exposure and enable us to recover a portion of any future amounts paid. Based on the significant uncertainty associated with our pending as well as possible future litigation, settlements and other proceedings relative to our insurance policy coverage, the fair value of these indemnification agreements, if any, cannot be estimated.

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Lease Commitments

The following is a schedule of future minimum commitments for capital and operating leases as of August 31, 2011:

($ in thousands)	Capital Leases	Operating Leases[1]
2012	$ 9,395	$ 162,217
2013	8,922	158,200
2014	7,937	146,295
2015	7,248	134,242
2016	5,199	112,674
Thereafter	2,467	464,969
Total future minimum lease obligation[2], [3]	$ 41,168	$ 1,178,597
Less: imputed interest on capital leases	(4,656)	
Net present value of lease obligations	$ 36,512	

(1) The total future minimum lease obligation associated with operating leases includes lease payments for a lease agreement executed in fiscal year 2009 for a building for which we do not have the right to control the use of the property under the lease at August 31, 2011. The future minimum lease payments associated with this lease are approximately $87 million and we began using the property in the first quarter of fiscal year 2012.

(2) The total future minimum lease obligation excludes non-cancelable sublease rental income of $1.2 million.

(3) During the fourth quarter of fiscal year 2011, we initiated a plan to rationalize our real estate portfolio in Phoenix, Arizona through space consolidation and reorganization. The total future minimum operating lease obligation includes $43.8 million of future contractual lease payments associated with a facility for which we no longer expect to receive a future economic benefit as of August 31, 2011. The total future minimum operating lease obligation also includes $34.7 million of future contractual lease payments associated with three facilities that we expect to abandon in fiscal year 2012. See Note 4, Restructuring and Other Charges, for further discussion.

Rent expense was $219.3 million, $194.6 million and $162.5 million for fiscal years 2011, 2010 and 2009, respectively.

On March 24, 2011, we entered into an agreement to sell our principal office buildings in Phoenix, Arizona plus the related land and parking facilities comprising approximately 600,000 square feet of office space for $169 million net of transaction fees. Pursuant to the agreement, we have simultaneously leased back the facilities for an initial term of 20 years, with four five-year renewal options. We are required to pay rent of $12 million for the initial year, which is increased 2% per year until the end of the initial lease term. We generated a gain on sale of $27.5 million, which has been deferred and is being recognized on a straight-line basis over the initial lease term. Based on the terms of the agreement, we have classified and are accounting for the lease as an operating lease. The classification as an operating lease required judgment and estimates in developing key assumptions that include, but are not limited to, the lease term, the discount rate used in discounting future lease payments and the economic useful life of the asset.

We have also entered into other sale-leaseback agreements related to properties that we currently use to support our operations. From these agreements, we received $31.9 million in cash for the properties, which generated a combined gain of approximately $14.2 million that is being deferred over the respective lease terms. We recognized total gains associated with sale-leasebacks of $2.2 million, $1.7 million and $1.7 million in fiscal years 2011, 2010 and 2009, respectively, in the Consolidated Statements of Income. The total deferred gain included in other liabilities in our Consolidated Balance Sheets was $31.3 million and $5.6 million as of August 31, 2011 and 2010, respectively.

Naming Rights to Glendale, Arizona Sports Complex

In September 2006, we entered into a Naming and Sponsorship Rights Agreement with New Cardinals Stadium, L.L.C. and B&B Holdings, Inc. doing business as the Arizona Cardinals, third parties unrelated to Apollo, for naming and sponsorship rights on a stadium in Glendale, Arizona, which is home to the Arizona Cardinals team in the National Football League. The agreement includes naming, sponsorship, signage, advertising and other promotional rights and benefits. The initial agreement term is in effect until 2026 with options to extend. Pursuant to the agreement, we were required to pay a total of $5.8 million for the 2006 contract year, which is

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increased 3% per year until 2026. As of August 31, 2011, our remaining contractual obligation pursuant to this agreement is $122.3 million. Other payments apply if certain events occur, such as if the Cardinals play in the Super Bowl or if all of the Cardinals' regular season home games are sold-out.

Surety Bonds

As part of our normal operations, our insurers issue surety bonds for us that are required by various states where we operate. We are obligated to reimburse our insurers for any surety bonds that are paid by the insurers. As of August 31, 2011, the total face amount of these surety bonds was approximately $55.7 million.

Contingencies Related to Litigation and Other Proceedings

The following is a description of pending litigation, settlements, and other proceedings that fall outside the scope of ordinary and routine litigation incidental to our business.

Securities Class Action (Policeman's Annuity and Benefit Fund of Chicago)

In January 2008, a jury returned an adverse verdict against us and two remaining individual co-defendants in a securities class action lawsuit entitled, *In re Apollo Group, Inc. Securities Litigation*, Case No. CV04-2147-PHX-JAT, filed in the U.S. District Court for the District of Arizona, relating to alleged false and misleading statements in connection with our failure to publicly disclose the contents of a preliminary U.S. Department of Education program review report. After various post-trial challenges, the case was returned to the trial court in March 2011 to administer the shareholder claims process. In September 2011, we entered into an agreement in principle with the plaintiffs to settle the litigation for a payment of $145.0 million . The outcome of this legal proceeding remains uncertain including, but not limited to, the requirement that any settlement agreement must be approved by the court.

Prior to entering into an agreement in principle to settle, we had an accrual of $181.9 million related to this matter. We had estimated for financial reporting purposes, using statistically valid models and a 60% confidence interval, that the damages could range from $127.2 million to $228.0 million, which included our estimates of (a) damages payable to the plaintiff class; (b) the amount we may be required to reimburse our insurance carriers for amounts advanced for defense costs; and (c) future defense costs. We recorded charges in fiscal year 2010 that represented the mid-point of the estimated range of damages payable to the plaintiffs, plus the other estimated costs and expenses. We recorded an amount based on the mid-point of the range of damages payable to the plaintiff class because under statistically valid modeling techniques the mid-point of the range is in fact a more likely estimate than other points in the range, and the point at which there is an equal probability that the ultimate loss could be toward the lower end or the higher end of the range. We have also recorded charges in subsequent periods for estimated incremental post-judgment interest and additional estimated future legal costs. Based on the settlement agreement, we reversed $20.7 million of the charges during the fourth quarter of fiscal year 2011 through litigation (credit) charge, net on our Consolidated Statements of Income. As of August 31, 2011, our remaining accrual of $161.2 million represents the $145.0 million settlement, an estimate of the disputed amount we may be required to reimburse our insurance carriers for defense costs advanced to us, and estimated future legal costs.

Securities Class Action (Apollo Institutional Investors Group)

On August 13, 2010, a securities class action complaint was filed in the U.S. District Court for the District of Arizona by Douglas N. Gaer naming us, John G. Sperling, Gregory W. Cappelli, Charles B. Edelstein, Joseph L. D'Amico, Brian L. Swartz and Gregory J. Iverson as defendants for allegedly making false and misleading statements regarding our business practices and prospects for growth. That complaint asserted a putative class period stemming from December 7, 2009 to August 3, 2010. A substantially similar complaint was also filed in the same court by John T. Fitch on September 23, 2010 making similar allegations against the same defendants for the same purported class period. Finally, on October 4, 2010, another purported securities class action complaint was filed in the same court by Robert Roth against the same defendants as well as Brian Mueller, Terri C. Bishop and Peter V. Sperling based upon the same general set of allegations, but with a defined class period of February 12, 2007 to August 3, 2010. The complaints allege violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. On October 15, 2010, three additional parties filed motions to consolidate the related actions and be appointed the lead plaintiff.

On November 23, 2010, the Fitch and Roth actions were consolidated with Gaer and the Court appointed the "Apollo Institutional Investors Group" consisting of the Oregon Public Employees Retirement Fund, the Mineworkers' Pension Scheme, and Amalgamated Bank as lead plaintiffs. The case is now entitled, *In re Apollo Group, Inc. Securities Litigation*, Lead Case Number CV-10-1735-PHX-JAT. On February 18, 2011, the lead plaintiffs filed a consolidated complaint naming Apollo, John G. Sperling, Peter V. Sperling, Joseph L. D'Amico, Gregory W. Cappelli, Charles B. Edelstein, Brian L. Swartz, Brian E. Mueller, Gregory J. Iverson, and William J. Pepicello as defendants. The consolidated complaint asserts a putative class period of May 21, 2007 to October 13, 2010. On April 19, 2011, we filed a motion to dismiss and oral argument on the motion was held before the Court on October 17, 2011.

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Discovery in this case has not yet begun. We anticipate that the plaintiffs will seek substantial damages, including damages representing the aggregate investment losses attributable to the alleged false and misleading statements by all shareholders who purchased shares during the 29-month putative class period and still held those shares on October 13, 2010. Because of the many questions of fact and law that may arise, the outcome of this legal proceeding is uncertain at this point. Based on information available to us at present, we cannot reasonably estimate a range of loss for this action and accordingly have not accrued any liability associated with these actions.

Securities Class Action (Teamsters Local 617 Pensions and Welfare Funds)

On November 2, 2006, the Teamsters Local 617 Pension and Welfare Funds filed a class action complaint purporting to represent a class of shareholders who purchased our stock between November 28, 2001 and October 18, 2006. The complaint, filed in the U.S. District Court for the District of Arizona, is entitled *Teamsters Local 617 Pension & Welfare Funds v. Apollo Group, Inc. et al.*, Case Number 06-cv-02674-RCB, and alleges that we and certain of our current and former directors and officers violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder by purportedly making misrepresentations concerning our stock option granting policies and practices and related accounting. The defendants are Apollo Group, Inc., J. Jorge Klor de Alva, Daniel E. Bachus, John M. Blair, Dino J. DeConcini, Kenda B. Gonzales, Hedy F. Govenar, Brian E. Mueller, Todd S. Nelson, Laura Palmer Noone, John R. Norton III, John G. Sperling and Peter V. Sperling. On September 11, 2007, the Court appointed The Pension Trust Fund for Operating Engineers as lead plaintiff. Lead plaintiff filed an amended complaint on November 23, 2007, asserting the same legal claims as the original complaint and adding claims for violations of Section 20A of the Securities Exchange Act of 1934 and allegations of breach of fiduciary duties and civil conspiracy.

On January 22, 2008, all defendants filed motions to dismiss. On March 31, 2009, the Court dismissed the case with prejudice as to Daniel Bachus, Hedy Govenar, Brian E. Mueller, Dino J. DeConcini, and Laura Palmer Noone. The Court also dismissed the case as to John Sperling and Peter Sperling, but granted plaintiffs leave to file an amended complaint against them. Finally, the Court dismissed all of plaintiffs' claims concerning misconduct before November 2001 and all of the state law claims for conspiracy and breach of fiduciary duty. On April 30, 2009, plaintiffs filed their Second Amended Complaint, which alleges similar claims for alleged securities fraud against the same defendants. On June 15, 2009, all defendants filed another motion to dismiss the Second Amended Complaint. On February 22, 2010, the Court partially granted the plaintiffs' motion for reconsideration, but withheld a final determination on the individual defendants pending the Court's ruling on the motion to dismiss the Second Amended Complaint.

On March 31, 2011, the U.S. District Court for the District of Arizona dismissed the case with prejudice and entered judgment in our favor. Plaintiffs filed a motion for reconsideration of this ruling and, if that is not successful, plaintiffs have indicated they will appeal the ruling. The outcome of this legal proceeding is uncertain at this point. Based on the information available to us at present, we cannot reasonably estimate a range of loss for this action and, accordingly, we have not accrued any liability associated with this action.

Incentive Compensation False Claims Act Lawsuit

On May 25, 2011, we were notified that a *qui tam* complaint had been filed against us in the U.S. District Court, Eastern District of California, by private relators under the Federal False Claims Act and California False Claims Act, entitled *USA and State of California ex rel. Hoggett and Good v. University of Phoenix, et al*, Case Number 2:10-CV-02478-MCE-KJN. When the federal government declines to intervene in a qui tam action, as it has done in this case, the relators may elect to pursue the litigation on behalf of the federal government and, if successful, they are entitled to receive a portion of the federal government's recovery.

The complaint alleges, among other things, that University of Phoenix has violated the Federal False Claims Act since December 12, 2009 and the California False Claims Act for the preceding ten years by falsely certifying to the U.S. Department of Education and the State of California that University of Phoenix was in compliance with various regulations that require compliance with federal rules regarding the payment of incentive compensation to admissions personnel, in connection with University of Phoenix's participation in student financial aid programs. In addition to injunctive relief and fines, the relators seek significant damages on behalf of the Department of Education and the State of California, including all student financial aid disbursed by the Department to our students since December 2009 and by the State of California to our students during the preceding ten years. The complaint was served on June 22, 2011. On July 12, 2011, we filed a motion to dismiss and on August 30, 2011, relators filed a motion to file an amended complaint. No oral argument on either motion is currently scheduled.

Because of the many questions of fact and law that may arise, the outcome of this legal proceeding is uncertain at this point. Based on the information available to us at present, we cannot reasonably estimate a range of loss for this action and, accordingly, we have not accrued any liability associated with this action.

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APOLLO GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — *(Continued)*

Patent Infringement Litigation

On March 3, 2008, Digital-Vending Services International Inc. filed a complaint against University of Phoenix and Apollo Group Inc., as well as Capella Education Company, Laureate Education Inc., and Walden University Inc. in the U.S. District Court for the Eastern District of Texas, since transferred on plaintiff's motion to the Eastern District of Virginia. The case is entitled, *Digital Vending Services International, LLC vs. The University of Phoenix, et al*, Case Number 2:09cv555 (JBF-TEM). The complaint alleges that we and the other defendants have infringed and are infringing various patents relating to managing courseware in a shared use operating environment and seeks injunctive relief and monetary damages. We filed an answer to the complaint on May 27, 2008, in which we denied that Digital-Vending Services International's patents were duly and lawfully issued, and asserted defenses of non-infringement and patent invalidity, among others. We also asserted a counterclaim seeking a declaratory judgment that the patents are invalid, unenforceable, and not infringed by us.

On March 18, 2010, we filed our opening claim construction brief and on June 10, 2010, the Court issued its claim construction ruling. Discovery is now concluded and we filed a motion for summary judgment on August 13, 2010. A hearing on our motion for summary judgment was held on November 12, 2010, and on January 7, 2011, the Court granted our motion for summary judgment and dismissed the case with prejudice, citing plaintiff's failure to point to admissible evidence that could support a finding of infringement.

Plaintiff filed a Notice of Appeal on February 4, 2011 and their opening brief on April 18, 2011. We filed our response brief on May 27, 2011. Oral argument is currently scheduled for November 8, 2011. The outcome of this legal proceeding is uncertain at this point. During fiscal year 2011, we accrued an immaterial amount which reflects our settlement offer in connection with this action.

Sabol Wage and Hour Class Action

On July 31, 2009, several former employees filed an action in Federal District Court in Philadelphia alleging wage and hour claims under the Fair Labor Standards Act for failure to pay overtime and other violations, entitled, *Sabol, et al. v. Apollo Group, Inc., et al*, Case Number 2:09-cv-03439-JCJ. In January 2011, the parties agreed to settle the case for an immaterial amount, which was accrued in our financial statements during the second quarter of fiscal year 2011. The agreement, in which we do not admit liability, was approved by the Court on June 28, 2011 and the case was dismissed with prejudice on September 26, 2011.

Adoma Wage and Hour Class Action

On January 8, 2010, Diane Adoma filed an action in United States District Court, Eastern District of California alleging wage and hour claims under the Fair Labor Standards Act and California law for failure to pay overtime and other violations, entitled *Adoma et al. v. University of Phoenix, et al*, Case Number 2:10-cv-04134-JCJ. On March 5, 2010, we filed a motion to dismiss, or in the alternative to stay or transfer, the case based on the previously filed Sabol and Juric actions. On May 3, 2010, the Court denied the motion to dismiss and/or transfer. On April 12, 2010, plaintiff filed her motion for conditional collective action certification. The Court denied class certification under the Fair Labor Standards Act and transferred these claims to the District Court in Pennsylvania. On August 31, 2010, the Court granted plaintiff's motion for class action certification of the California claims. On September 14, 2010, we filed a petition for permission to appeal the class certification order with the Ninth Circuit, which was denied on November 3, 2010. There are approximately 1,500 current and former employees in the class.

In August 2011, the parties agreed to settle the case for an immaterial amount, which was accrued in our financial statements during the fourth quarter of fiscal year 2011. The agreement, in which we do not admit any liability, is subject to pending approval by the Court.

Shareholder Derivative Actions and Demand Letters

On November 12, 2010 and December 8, 2010, we received separate demands on behalf of two different shareholders to investigate, address and commence proceedings against each of our directors and certain of our officers for violation of any applicable laws, including in connection with the subject matter of the report of the Government Accountability Office prepared for the U.S. Senate in August 2010, our withdrawal of the outlook we previously provided for our fiscal year 2011, the investigation into possible unfair and deceptive trade practices associated with certain alleged practices of University of Phoenix by the State of Florida Office of the Attorney General in Fort Lauderdale, Florida, the participation by the State of Oregon Office of the Attorney General in the Securities Class Action (Apollo Institutional Investors Group), and the informal inquiry by the Enforcement Division of the Securities and Exchange Commission commenced in October 2009. On September 8, 2011, we received a third shareholder demand letter from Darlene Smith, who is already pursuing one of the two previously filed shareholder derivative actions against Apollo management. In this letter, Ms. Smith requests that the Company pursue a contribution action against Todd Nelson and Kenda Gonzales based on the jury verdict in the Policeman's Annuity and Benefit Fund of Chicago Securities Class Action described above. The demands are a

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condition precedent under applicable Arizona law to the filing of a derivative lawsuit on behalf of Apollo Group seeking damages from directors and officers for breach of fiduciary duty.

- *Himmel Derivative Action*. On March 24, 2011, a shareholder derivative complaint was filed in the Superior Court for the State of Arizona, Maricopa County by Daniel Himmel, one of the foregoing shareholders who previously made a demand for investigation. In the complaint, the plaintiff asserts a derivative claim on our behalf against certain of our current and former officers and directors for breach of fiduciary duty, waste of corporate assets, and unjust enrichment. The complaint alleges that the individual defendants made improper statements and engaged in improper business practices that caused our stock price to drop, led to securities class actions against us, and enhanced regulation and scrutiny by various government entities and regulators. The case is entitled, *Himmel v. Bishop, et al*, Case Number CV2011-005604. Pursuant to a stipulation between all parties, on August 31, 2011, the Court ordered this action stayed during the pendency of the underlying Apollo Institutional Investors Securities Class Action.

- *Smith Derivative Action*. On April 12, 2011, a shareholder derivative complaint was filed in the U.S. District Court for the District of Arizona by Darlene Smith, one of the foregoing shareholders who previously made a demand for investigation. In the complaint, the plaintiff asserts a derivative claim on our behalf against certain of our current and former officers and directors for violations of federal securities laws, state law claims for breaches of fiduciary duty, abuse of control, gross mismanagement, unjust enrichment, corporate waste, and insider trading. The case is entitled, *Smith v. Sperling, et al*, Case Number CV-11-0722-PHX-PGR. On July 28, 2011, we filed a motion to stay the case and oral argument on the motion is scheduled before the Court on October 31, 2011.

K.K. Modi Investment and Financial Services Pvt. Ltd.

On November 8, 2010, a suit was filed by K.K. Modi Investment and Financial Services Pvt. Ltd. (“Modi”) in the High Court of Delhi at New Delhi against defendants Apollo Group, Inc., Western International University, Inc., University of Phoenix, Inc., Apollo Global, Inc., Modi Apollo International Group Pvt. Ltd., Apollo International, Inc., John G. Sperling, Peter V. Sperling and Jorge Klor De Alva, seeking to permanently enjoin the defendants from making investments in the education industry in the Indian market in breach of an exclusivity and noncompete provision which plaintiff alleges is applicable to Apollo Group and its subsidiaries. The case is entitled, *K.K. Modi Investment and Financial Services Pvt. Ltd. v. Apollo International, et. al*. On December 14, 2010, the court declined to enter an injunction, but the matter is set for a further hearing on March 6, 2012. We believe that the relevant exclusivity and noncompete provision is inapplicable to us and our affiliates and we have moved to dismiss this action. We do not currently conduct significant business in India. If plaintiff ultimately obtains the requested injunctive relief, our ability to conduct business in India may be adversely affected. It is also possible that in the future K.K. Modi may seek to expand existing litigation in India or commence litigation in the U.S. in which it may assert a significant damage claim against us.

Other

We are subject to various claims and contingencies in the ordinary course of business, including those related to regulation, litigation, business transactions, employee-related matters and taxes, among others. We do not believe any of these are material for separate disclosure.

Other Matters

Attorney General Investigations

During fiscal 2011, we received notices from the Attorney General Offices in three states that they were investigating business practices at the University of Phoenix, as described below. We believe there may be an informal coalition of states considering investigatory or other inquires into recruiting practices and the financing of education at proprietary educational institutions, which may or may not include these three states.

- *State of Florida.* On October 22, 2010, University of Phoenix received notice that the State of Florida Office of the Attorney General in Fort Lauderdale, Florida had commenced an investigation into possible unfair and deceptive trade practices associated with certain alleged practices of University of Phoenix. The notice included a subpoena to produce documents and detailed information for the time period of January 1, 2006 to the present about a broad spectrum of University of Phoenix’s business. We are cooperating with the investigation, but have also filed a suit to quash or limit the subpoena and to protect information sought that constitutes propriety or trade secret information. We cannot predict the eventual scope, duration or outcome of the investigation at this time.

- *State of Massachusetts.* On May 13, 2011, University of Phoenix received a Civil Investigative Demand from the State of Massachusetts Office of the Attorney General. The Demand relates to an investigation of possible unfair or deceptive methods, acts, or practices by for-profit educational institutions in connection with the recruitment of students and the financing of education. The Demand requires us to produce documents and detailed information and to give testimony regarding a broad

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spectrum of University of Phoenix's business for the time period of January 1, 2002 to the present. We are cooperating with the investigation. We cannot predict the eventual scope, duration or outcome of the investigation at this time.

- *State of Delaware.* On August 3, 2011, University of Phoenix received a subpoena from the Attorney General of the State of Delaware to produce detailed information regarding University of Phoenix students residing in Delaware. The time period covered by the subpoena is January 1, 2006 to the present. We are cooperating with the investigation. We cannot predict the eventual scope, duration or outcome of the investigation at this time.

Securities and Exchange Commission Informal Inquiry

During October 2009, we received notification from the Enforcement Division of the Securities and Exchange Commission indicating that they had commenced an informal inquiry into our revenue recognition practices. The Securities and Exchange Commission has requested various information and documents from us and/or our auditors, including information regarding our revenue recognition practices, our policies and practices relating to student refunds, the return of Title IV funds to lenders and bad debt reserves, our insider trading policies and procedures, a chronology of the internal processing and availability of information about the U.S. Department of Education program review of University of Phoenix commenced in early 2009, certain information relating to non-Title IV revenue sources and other matters. Based on these requests, the eventual scope, duration and outcome of the inquiry cannot be predicted at this time. We are cooperating fully with the Securities and Exchange Commission in connection with the inquiry.

See Note 15, Income Taxes, for discussion of Internal Revenue Service audits.

Note 21. Regulatory Matters

Student Financial Aid

All U.S. federal financial aid programs are established by Title IV of the Higher Education Act and regulations promulgated thereunder. In August 2008, the Higher Education Act was reauthorized through September 30, 2013 by the Higher Education Opportunity Act. The U.S. Congress must periodically reauthorize the Higher Education Act and annually determine the funding level for each Title IV program. Changes to the Higher Education Act are likely to result from subsequent reauthorizations, and the scope and substance of any such changes cannot be predicted.

The Higher Education Opportunity Act specifies the manner in which the U.S. Department of Education reviews institutions for eligibility and certification to participate in Title IV programs. Every educational institution involved in Title IV programs must be certified to participate and is required to periodically renew this certification.

University of Phoenix was recertified in November 2009 and entered into a new Title IV Program Participation Agreement which expires December 31, 2012.

Western International University was recertified in May 2010 and entered into a new Title IV Program Participation Agreement which expires September 30, 2014.

Concentration of Revenue Source

We collected the substantial majority of our fiscal year 2011 total consolidated net revenue from receipt of Title IV financial aid program funds, principally from federal student loans and Pell Grants. University of Phoenix represented 91% of our total consolidated net revenue and more than 100% of our operating income in fiscal year 2011. University of Phoenix generated 86% of its cash basis revenue for eligible tuition and fees during fiscal year 2011 from the receipt of Title IV financial aid program funds, as calculated under the 90/10 Rule described below.

Rulemaking Initiative

In November 2009, the U.S. Department of Education convened two negotiated rulemaking teams related to Title IV program integrity issues and foreign school issues. The resulting program integrity rules promulgated in October 2010 and June 2011 address numerous topics. The most significant for our business are the following:

- Modification of the standards relating to the payment of incentive compensation to employees involved in student recruitment and enrollment;
- Implementation of standards for state authorization of institutions of higher education, which require us to seek and obtain specific regulatory approval by June 30, 2012, or to seek a further annual waiver from the Department through June 30, 2013 to operate in California, Colorado, Hawaii and New Mexico. If we are unable to operate in California in a manner that would preserve Title IV eligibility for our students, our business would be materially and adversely impacted;
- Adoption of a definition of "gainful employment" for purposes of the requirement of Title IV student financial aid that a program of study offered by a proprietary institution prepare students for gainful employment in a recognized occupation; and

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- Expansion of the definition of misrepresentation, relating to the Department's authority under the Higher Education Act, as reauthorized, to suspend or terminate an institution's participation in Title IV programs if the institution engages in substantial misrepresentation of the nature of its educational program, its financial charges, or the employability of graduates, and expansion of the sanctions that the Department may impose for engaging in a substantial misrepresentation.

Except for the gainful employment metrics discussed below, most of the rules were effective July 1, 2011.

On June 13, 2011, the Department published final regulations, effective July 1, 2012, on the metrics for determining whether an academic program prepares students for gainful employment. The regulations establish three annual, program-level metrics: debt repayment rate, debt-to-discretionary income ratio, and debt-to-total earnings ratio. If an academic program fails all three metrics in a year, the institution must disclose the amount by which the program missed the minimum acceptable performance and the institution's plan to improve the program. If an academic program fails all three metrics in two out of three years, the institution must inform students in the failing program that their debts may be unaffordable and the program may lose eligibility, and must describe for students their available transfer options. If an academic program fails all three metrics in three out of four years, the academic program would become ineligible to participate in federal student financial aid programs for at least three years. We believe substantially all of our academic programs currently prepare students for gainful employment measured in the manner set forth in the final gainful employment regulations for purposes of continued eligibility to participate in federal student financial aid programs.

U.S. Congressional Hearings

Beginning last year, there has been increased focus by members of the U.S. Congress on the role that proprietary educational institutions play in higher education. In June 2010, the U.S. Senate Committee on Health, Education, Labor and Pensions ("HELP Committee") held the first in a series of hearings to examine the proprietary education sector. At a subsequent hearing in August 2010, the Government Accountability Office ("GAO") presented a report of its review of various aspects of the proprietary sector, including recruitment practices and the degree to which proprietary institutions' revenue is composed of Title IV funding. Following the August hearing, Sen. Tom Harkin, the Chairman of the HELP Committee, requested a broad range of detailed information from 30 proprietary institutions, including University of Phoenix and other subsidiaries of Apollo Group. We have been and intend to continue being responsive to the requests of the HELP Committee. Sen. Harkin has held subsequent hearings and roundtable discussions, most recently on July 21, 2011, and we believe that future hearings may be held. On September 22, 2011, Sen. Tom Carper, the Chairman of the Senate Homeland Security and Government Affairs Subcommittee on Federal Financial Management, Government Information, Federal Services and International Security, held a hearing on "Improving Educational Outcomes for Our Military and Veterans," focusing on the quality of education for the military and veterans population and the treatment of such funding for purposes of the 90/10 Rule calculation that, if enacted, would adversely impact our 90/10 Rule percentage. Sen. Carper suggested a follow-up roundtable discussion. In addition, other Congressional hearings or roundtable discussions are expected to be held regarding various aspects of the education industry that may affect our business.

90/10 Rule

One requirement of the Higher Education Act, as reauthorized, commonly referred to as the "90/10 Rule," applies to proprietary institutions such as University of Phoenix and Western International University. Under this rule, a proprietary institution will be ineligible to participate in Title IV programs if for any two consecutive fiscal years it derives more than 90% of its cash basis revenue, as defined in the rule, from Title IV programs. An institution that exceeds this limit for any single fiscal year will be automatically placed on provisional certification for two fiscal years and will be subject to possible additional sanctions determined to be appropriate under the circumstances by the U.S. Department of Education. While the Department has broad discretion to impose additional sanctions on such an institution, there is only limited precedent available to predict what those sanctions might be, particularly in the current regulatory environment. The Department could specify a wide range of additional conditions as a part of the provisional certification and the institution's continued participation in Title IV programs. These conditions may include, among other things, restrictions on the total amount of Title IV program funds that may be distributed to students attending the institution; restrictions on programmatic and geographic expansion; requirements to obtain and post letters of credit; and additional reporting requirements to include additional interim financial reporting. Should an institution be subject to such provisional certification at the time that its program participation agreement expired, the effect on recertification of the institution or continued eligibility to participate in Title IV programs pending recertification is uncertain.

The University of Phoenix 90/10 Rule percentage for fiscal year 2011 was 86%, which represented a 200 basis point decrease compared to fiscal year 2010. We believe the decrease is primarily attributable to the reduction in the proportion of our students who are enrolled in our associate's degree programs, which historically have had a higher percentage of Title IV funds applied to eligible tuition and fees. We have also implemented in recent years various measures intended to reduce the percentage of University of Phoenix's cash basis revenue attributable to Title IV funds, including emphasizing employer-paid and other direct-pay education programs, encouraging students to carefully evaluate the amount of necessary Title IV borrowing, and continued focus on professional development and continuing education programs. Although we believe these measures will favorably impact the 90/10 Rule percentage, they have had

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only limited impact to date. We have substantially no control over the amount of Title IV student loans and grants sought by or awarded to our students.

The 90/10 Rule percentage for University of Phoenix remains near 90% and could exceed 90% in the future depending on the degree to which our various initiatives are effective, the impact of future changes in our enrollment mix, and regulatory and other factors outside our control, including any reduction in government tuition assistance for military personnel, including veterans, or changes in the treatment of such funding for purposes of the 90/10 Rule calculation.

Any necessary further efforts to reduce the 90/10 Rule percentage for University of Phoenix, especially if the percentage exceeds 90% for a fiscal year, may involve taking measures which reduce our revenue, increase our operating expenses, or both, in each case perhaps significantly. In addition, we may be required to make structural changes to our business in the future in order to remain in compliance, which changes may materially alter the manner in which we conduct our business and materially and adversely impact our business, financial condition, results of operations and cash flows. Furthermore, these required changes could make more difficult our ability to comply with other important regulatory requirements, such as the cohort default rate regulations, which is discussed below.

Student Loan Cohort Default Rates

To remain eligible to participate in Title IV programs, an educational institution's student loan cohort default rates must remain below certain specified levels. Each cohort is the group of students who first enter into student loan repayment during a federal fiscal year (ending September 30). The currently applicable cohort default rate for each cohort is the percentage of the students in the cohort who default on their student loans prior to the end of the following federal fiscal year, which represents a two-year measuring period. An educational institution will lose its eligibility to participate in some or all Title IV programs if its student loan cohort default rate equals or exceeds 25% for three consecutive cohorts or 40% for any given cohort. If our student loan default rates approach these limits, we may be required to increase efforts and resources dedicated to improving these default rates.

For University of Phoenix, the 2009 cohort default rate was 18.8%. We believe the University of Phoenix cohort default rate has been increasing over the past several years due to the challenging economic climate, the growth in our associate's degree student population and changes in the manner in which student loans are serviced. Although we expect that the challenging economic environment will continue to put pressure on our student borrowers, we believe that our ongoing efforts to shift our student mix to a higher proportion of bachelor and graduate level students, the full implementation of our University Orientation program in November 2010 and our investment in student protection initiatives and repayment management services will help to stabilize and over time favorably impact our rates.

Higher Learning Commission ("HLC")

In August 2010, University of Phoenix received a letter from HLC requiring University of Phoenix to provide certain information and evidence of compliance with HLC accreditation standards. The letter related to the August 2010 report published by the GAO of its undercover investigation into the enrollment and recruiting practices of a number of proprietary institutions of higher education, including University of Phoenix. We submitted the response to HLC in September 2010 and subsequently responded to further requests for information. In July 2011, HLC informed University of Phoenix that the Special Committee formed to review this matter had completed its work, concluding that based on its limited review, it found no apparent evidence of systematic misrepresentations to students or that University of Phoenix's procedures in the areas of recruiting, financial aid and admissions are significantly inadequate or inappropriate. These were the areas on which HLC's review was focused. HLC also stated that there remain significant questions as well as areas that University of Phoenix should work on improving. HLC indicated that these will be reviewed by the comprehensive evaluation team at its previously scheduled visit beginning in March 2012, which is its next comprehensive evaluation visit.

U.S. Department of Education Program Reviews

The U.S. Department of Education periodically reviews institutions participating in Title IV programs for compliance with applicable standards and regulations. In December 2010, the Department commenced a program review of policies, procedures and practices of University of Phoenix relevant to participation in Title IV programs, including specific procedures relating to distance education. The review covered federal financial aid years 2009 - 2010 and 2010 - 2011 through October 31, 2010. In February 2011, University of Phoenix received an Expedited Final Program Review Determination Letter from the Department. There were no significant adverse findings in the program review. The Department concluded that University of Phoenix has initiated or completed acceptable corrective actions in respect of each compliance item identified in the review and each finding has been closed. No economic or other sanctions were imposed.

During fiscal year 2011, the Department released our $126 million letter of credit previously posted in connection with our February 2009 program review.

Note 22. Segment Reporting

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We operate primarily in the education industry. We have organized our segments using a combination of factors primarily focusing on the type of educational services provided and products delivered. Our five operating segments are managed in the following four reportable segments:

1. University of Phoenix;
2. Apollo Global - BPP
3. Apollo Global - Other; and
4. Other Schools.

The University of Phoenix segment offers associate's, bachelor's, master's and doctoral degrees in a variety of program areas. University of Phoenix offers its educational programs worldwide through its online education delivery system and at its campus locations and learning centers.

The Apollo Global — BPP segment offers professional training and education through schools located in the United Kingdom, a European network of BPP offices, and the sale of books and other publications globally. We began reporting Apollo Global — BPP as a separate reportable segment during the fourth quarter of fiscal year 2009 following Apollo Global's acquisition of BPP on July 30, 2009.

The Apollo Global — Other segment includes Western International University, UNIACC, ULA and the Apollo Global corporate operations. Western International University offers associate's, bachelor's and master's degrees in a variety of program areas as well as certificate programs at its Arizona campus locations and online at Western International University Interactive Online. UNIACC offers bachelor's and master's programs on campuses in Chile and online. ULA offers degree programs at its four campuses throughout Mexico.

The Other Schools segment includes IPD and CFFP, as well as Meritus until its closure in fiscal year 2011, which is discussed further below. IPD provides program development, administration and management consulting services to private colleges and universities to establish or expand their programs for working learners. CFFP provides financial services education programs, including the Master of Science in three majors and certification programs in retirement, asset management, and other financial planning areas.

In the third quarter of fiscal year 2011, we ceased operations at Meritus and provided the opportunity for Meritus students to enroll in University of Phoenix. Based on our continuing involvement with Meritus' students, we have not presented Meritus as discontinued operations. In connection with our closure of Meritus, we recorded an insignificant charge in fiscal year 2011 and we do not expect significant charges in future periods resulting from the closure.

Our reportable segments have been determined based on the method by which management evaluates performance and allocates resources. Management evaluates performance based on reportable segment profit. This measure of profit includes allocating corporate support costs to each segment as part of transfer pricing arrangements and/or a general allocation, but excludes taxes, interest income and expense, and certain revenue and unallocated corporate charges. At the discretion of management, certain corporate costs are not allocated to the subsidiaries due to their designation as special charges because of their infrequency of occurrence, the non-cash nature of the expense and/or the determination that the allocation of these costs to the subsidiaries will not result in an appropriate measure of the subsidiaries' results. These costs include such items as unscheduled or significant management bonuses, unusual severance pay and share-based compensation expense attributed to corporate management and administrative employees. The Corporate caption includes adjustments to reconcile segment results to consolidated results which primarily consist of net revenue and corporate charges that are not allocated to our reportable segments.

During fiscal years 2011, 2010 and 2009, no individual customer accounted for more than 10% of our consolidated net revenue.

A summary of financial information by reportable segment is as follows:

	Year Ended August 31,		
($ in thousands)	**2011**	**2010**	**2009**
Net revenue			
University of Phoenix	$ 4,322,670	$ 4,498,325	$ 3,766,600
Apollo Global:			
BPP	244,181	251,743	13,062
Other	75,800	78,253	76,083
Total Apollo Global	319,981	329,996	89,145
Other Schools	88,517	95,706	95,045
Corporate	1,854	1,792	2,776

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	2011	2010	2009
Net revenue	$ 4,733,022	$ 4,925,819	$ 3,953,566
Operating income (loss):			
University of Phoenix[1]	$ 1,270,468	$ 1,447,636	$ 1,131,331
Apollo Global:			
BPP[2]	(224,335)	(186,552)	(6,607)
Other[3]	(37,750)	(31,147)	(11,431)
Total Apollo Global	(262,085)	(217,699)	(18,038)
Other Schools	6,870	9,201	6,931
Corporate[4]	(54,009)	(228,414)	(54,289)
Total operating income	961,244	1,010,724	1,065,935
Reconciling items:			
Interest income	3,222	2,920	12,591
Interest expense	(8,931)	(11,891)	(4,448)
Other, net	(1,588)	(685)	(7,151)
Income from continuing operations before income taxes	$ 953,947	$ 1,001,068	$ 1,066,927
Depreciation and amortization			
University of Phoenix	$ 53,681	$ 50,770	$ 59,337
Apollo Global:			
BPP	22,976	32,917	3,115
Other	7,570	7,998	6,801
Total Apollo Global	30,546	40,915	9,916
Other Schools	1,082	982	1,405
Corporate	73,697	54,368	42,692
Total depreciation and amortization	$ 159,006	$ 147,035	$ 113,350
Capital expenditures			
University of Phoenix	$ 53,801	$ 39,623	$ 49,031
Apollo Global:			
BPP	11,896	10,287	504
Other	8,943	5,994	6,490
Total Apollo Global	20,839	16,281	6,994
Other Schools	72	456	639
Corporate	87,861	111,817	70,692
Total capital expenditures	$ 162,573	$ 168,177	$ 127,356

(1) University of Phoenix's fiscal year 2011 operating income includes $22.9 million of restructuring and other charges associated with our real estate rationalization plan and a strategic reduction in force. Refer to Note 4, Restructuring and Other Charges. Operating income for fiscal year 2009 includes an $80.5 million charge resulting from our agreement in principle to settle a qui tam lawsuit pertaining to alleged violations of the False Claims Act. The settlement was finalized by all parties in fiscal year 2010.

(2) The operating loss for BPP in fiscal years 2011 and 2010 includes a $219.9 million and $175.9 million, respectively, of goodwill and other intangibles impairment charges. Refer to Note 10, Goodwill and Intangible Assets.

(3) Apollo Global - Other's operating loss in fiscal year 2010 includes an $8.7 million goodwill impairment charge for ULA.

(4) The operating loss for Corporate in fiscal years 2011 and 2010 includes a net credit of $16.2 million and charges of $178.0 million, respectively, associated with the *Securities Class Action (Policeman's Annuity and Benefit Fund of Chicago)*. See Note 20, Commitments and Contingencies.

A summary of our consolidated assets by reportable segment is as follows:

	As of August 31,		
($ in thousands)	**2011**	**2010**	**2009**
Assets			
University of Phoenix	$ 1,016,005	$ 1,263,024	$ 1,112,002

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Apollo Global:			
BPP[1]	303,107	511,124	778,416
Other	146,490	116,483	148,125
Total Apollo Global	449,597	627,607	926,541
Insight Schools[2]	—	—	26,590
Other Schools	24,073	33,114	37,590
Corporate	1,780,031	1,677,706	1,160,654
Total assets	$ 3,269,706	$ 3,601,451	$ 3,263,377

(1) We recorded a $219.9 million and a $175.9 million impairment charge for BPP's goodwill and other intangibles during fiscal years 2011 and 2010, respectively. Refer to Note 10, Goodwill and Intangible Assets.

(2) Insight Schools' assets were held for sale and included in our Corporate caption as of August 31, 2010. Refer to Note 5, Discontinued Operations.

A summary of financial information by geographical area based on country of domicile for our respective operating locations is as follows:

	Year Ended August 31,		
($ in thousands)	**2011**	**2010**	**2009**
Net revenue			
United States	$ 4,437,079	$ 4,617,533	$ 3,879,615
United Kingdom	222,732	228,177	13,062
Latin America	50,725	53,765	54,536
Other	22,486	26,344	6,353
Net revenue	$ 4,733,022	$ 4,925,819	$ 3,953,566

	As of August 31,		
($ in thousands)	**2011**	**2010**	**2009**
Long-lived assets[1]			
United States	$ 471,703	$ 547,715	$ 496,493
United Kingdom	214,073	430,475	698,273
Latin America	86,103	81,870	86,137
Other	35,562	32,229	2,633
Total long-lived assets	$ 807,441	$ 1,092,289	$ 1,283,536

(1) Long-lived assets include property and equipment, net, goodwill, and intangible assets, net.

Note 23. Quarterly Results of Operations (Unaudited)

Seasonality

Our operations are generally subject to seasonal trends. We experience, and expect to continue to experience, fluctuations in our results of operations as a result of seasonal variations in the level of our institutions' enrollments. Although University of Phoenix enrolls students throughout the year, its net revenue is generally lower in our second fiscal quarter (December through February) than the other quarters due to holiday breaks.

Quarterly Results of Operations

The following unaudited consolidated interim financial information presented should be read in conjunction with other information included on our consolidated financial statements. The following unaudited consolidated financial information reflects all adjustments necessary for the fair presentation of the results of interim periods, including the changes in presentation described in Note 3, Changes in Presentation. The following tables set forth selected unaudited quarterly financial information for each of our last eight quarters:

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(In thousands, except per share data)	(Unaudited) 2011 Q1 November 30	Q2 February 28[1]	Q3 May 31	Q4 August 31
Consolidated Quarterly Statements of Operations:				
Net revenue	$ 1,326,435	$ 1,048,629	$ 1,235,837	$ 1,122,121
Costs and expenses:				
Instructional and student advisory	455,812	421,644	458,145	438,486
Marketing	166,143	157,215	161,034	170,970
Admissions advisory	113,752	102,283	99,923	99,428
General and administrative	84,874	84,344	87,857	98,676
Provision for uncollectible accounts receivable	56,909	45,540	39,217	39,631
Depreciation and amortization	37,102	39,142	41,125	41,637
Goodwill and other intangibles impairment	—	219,927	—	—
Restructuring and other charges	3,846	—	—	19,067
Litigation charge (credit), net	881	1,574	2,048	(16,454)
Total costs and expenses	919,319	1,071,669	889,349	891,441
Operating income (loss)	407,116	(23,040)	346,488	230,680
Interest income	983	785	867	587
Interest expense	(2,170)	(1,654)	(2,383)	(2,724)
Other, net	(54)	313	(1,862)	15
Income (loss) from continuing operations before income taxes	405,875	(23,596)	343,110	228,558
Provision for income taxes	(169,579)	(76,052)	(130,385)	(44,622)
Income (loss) from continuing operations	236,296	(99,648)	212,725	183,936
(Loss) income from discontinued operations, net of tax	(628)	2,575	540	—
Net income (loss)	235,668	(97,073)	213,265	183,936
Net (income) loss attributable to noncontrolling interests	(255)	33,035	(825)	4,676
Net income (loss) attributable to Apollo	$ 235,413	$ (64,038)	$ 212,440	$ 188,612
Earnings (loss) per share — Basic:[2]				
Continuing operations attributable to Apollo	$ 1.61	$ (0.47)	$ 1.52	$ 1.38
Discontinued operations attributable to Apollo	—	0.02	—	—
Basic income (loss) per share attributable to Apollo	$ 1.61	$ (0.45)	$ 1.52	$ 1.38
Earnings (loss) per share — Diluted:[2]				
Continuing operations attributable to Apollo	$ 1.61	$ (0.47)	$ 1.51	$ 1.37
Discontinued operations attributable to Apollo	—	0.02	—	—
Diluted income (loss) per share attributable to Apollo	$ 1.61	$ (0.45)	$ 1.51	$ 1.37
Basic weighted average shares outstanding	146,352	142,354	139,856	136,594
Diluted weighted average shares outstanding	146,663	142,354	140,343	137,295

(1) The effective income tax rate and net loss attributable to noncontrolling interests was significantly affected in the second quarter of fiscal year 2011 by BPP goodwill and other intangibles impairment charges.

(2) The sum of quarterly income per share may not equal annual income per share due to rounding and the net loss in the second quarter of fiscal year 2011.

(In thousands, except per share data)	(Unaudited) 2010 Q1 November 30	Q2 February 28	Q3 May 31	Q4 August 31[1]

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Consolidated Quarterly Statements of Income:				
Net revenue	$ 1,258,659	$ 1,070,336	$ 1,337,404	$ 1,259,420
Costs and expenses:				
Instructional and student advisory	430,675	415,458	441,700	445,301
Marketing	151,617	141,308	151,668	179,150
Admissions advisory	115,271	118,152	116,344	116,591
General and administrative	70,659	68,800	75,362	86,295
Provision for uncollectible accounts receivable	62,698	73,884	72,011	74,035
Depreciation and amortization	34,680	35,244	36,701	38,939
Goodwill and other intangibles impairment	—	—	8,712	175,858
Litigation charge	—	44,500	132,600	882
Total costs and expenses	865,600	897,346	1,035,098	1,117,051
Operating income	393,059	172,990	302,306	142,369
Interest income	932	525	827	636
Interest expense	(2,908)	(3,220)	(1,979)	(3,784)
Other, net	(670)	(79)	(1,312)	1,376
Income from continuing operations before income taxes	390,413	170,216	299,842	140,597
Provision for income taxes	(149,981)	(69,064)	(122,390)	(122,628)
Income from continuing operations	240,432	101,152	177,452	17,969
(Loss) income from discontinued operations, net of tax	(300)	(10,638)	2,084	(6,570)
Net income	240,132	90,514	179,536	11,399
Net loss (income) attributable to noncontrolling interests	10	2,092	(253)	29,572
Net income attributable to Apollo	$ 240,142	$ 92,606	$ 179,283	$ 40,971
Earnings (loss) per share — Basic:[2]				
Continuing operations attributable to Apollo	$ 1.55	$ 0.67	$ 1.17	$ 0.32
Discontinued operations attributable to Apollo	—	(0.07)	0.02	(0.04)
Basic income per share attributable to Apollo	$ 1.55	$ 0.60	$ 1.19	$ 0.28
Earnings (loss) per share — Diluted:[2]				
Continuing operations attributable to Apollo	$ 1.54	$ 0.67	$ 1.16	$ 0.32
Discontinued operations attributable to Apollo	—	(0.07)	0.02	(0.04)
Diluted income per share attributable to Apollo	$ 1.54	$ 0.60	$ 1.18	$ 0.28
Basic weighted average shares outstanding	154,824	154,119	151,127	147,829
Diluted weighted average shares outstanding	156,045	155,168	152,291	148,334

(1) The effective income tax rate and net loss attributable to noncontrolling interests was significantly affected in the fourth quarter of fiscal year 2010 by BPP goodwill and other intangibles impairment charges.

(2) The sum of quarterly income per share may not equal annual income per share due to rounding.

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Item 9 — *Changes in and Disagreements With Accountants on Accounting and Financial Disclosure*

None.

Item 9A — *Controls and Procedures*

Disclosure Controls and Procedures

We intend to maintain disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the specified time periods and accumulated and communicated to our management, including our Co-Chief Executive Officers ("Principal Executive Officers") and our Senior Vice President and Chief Financial Officer ("Principal Financial Officer"), as appropriate, to allow timely decisions regarding required disclosure. We have established a Disclosure Committee, consisting of certain members of management, to assist in this evaluation. Our Disclosure Committee meets on a quarterly basis and more often if necessary.

Our management, under the supervision and with the participation of our Principal Executive Officers and Principal Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) promulgated under the Securities Exchange Act), as of the end of the period covered by this report. Based on that evaluation, management concluded that, as of that date, our disclosure controls and procedures were effective at the reasonable assurance level.

Attached as exhibits to this Annual Report on Form 10-K are certifications of our Principal Executive Officers and Principal Financial Officer, which are required in accordance with Rule 13a-14 of the Securities Exchange Act. This Disclosure Controls and Procedures section includes information concerning management's evaluation of disclosure controls and procedures referred to in those certifications and, as such, should be read in conjunction with the certifications of our Principal Executive Officers and Principal Financial Officer.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining effective internal control over financial reporting. Management's intent is to design a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP in the United States of America.

Our internal control over financial reporting includes those policies and procedures that:

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Management performed an assessment of the effectiveness of our internal control over financial reporting as of August 31, 2011, utilizing the criteria described in the "Internal Control — Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. The objective of this assessment was to determine whether our internal control over financial reporting was effective as of August 31, 2011. Based on our assessment, management believes that, as of August 31, 2011, the Company's internal control over financial reporting is effective.

Our independent registered public accounting firm, Deloitte & Touche LLP, independently assessed the effectiveness of the Company's internal control over financial reporting. Deloitte & Touche LLP has issued a report, which is included at the end of Part II, Item 9A of this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

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There have not been any changes in our internal control over financial reporting during the quarter ended August 31, 2011, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Apollo Group, Inc. and Subsidiaries
Phoenix, Arizona

We have audited the internal control over financial reporting of Apollo Group, Inc. and subsidiaries (the "Company") as of August 31, 2011, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of August 31, 2011, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended August 31, 2011 of the Company, and our report dated October 20, 2011 expressed an unqualified opinion on those financial statements.

/s/ DELOITTE & TOUCHE LLP

Phoenix, Arizona
October 20, 2011

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Item 9B — *Other Information*

None.

PART III

Item 10 — *Directors, Executive Officers and Corporate Governance*

Information relating to our Board of Directors, Executive Officers, and Corporate Governance required by this item appears in the Information Statement for Apollo Group, Inc., to be filed within 120 days of our fiscal year end (August 31, 2011) and such information is incorporated herein by reference.

Our employees must act ethically at all times and in accordance with the policies in our Code of Business Ethics. We require full compliance with this policy from all designated employees including our Co-Chief Executive Officers, Chief Financial Officer, and Chief Accounting Officer. We publish the policy, and any amendments or waivers to the policy, in the Corporate Governance section of our website located at www.apollogrp.edu/CorporateGovernance/CorporateGovernance.aspx.

Item 11 — *Executive Compensation*

Information relating to this item appears in the Information Statement for Apollo Group, Inc., to be filed within 120 days of our fiscal year end (August 31, 2011) and such information is incorporated herein by reference.

Item 12 — *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

Information relating to this item appears in the Information Statement for Apollo Group, Inc., to be filed within 120 days of our fiscal year end (August 31, 2011) and such information is incorporated herein by reference.

Item 13 — *Certain Relationships and Related Transactions, and Director Independence*

See Note 19, Related Person Transactions, in Item 8, *Financial Statements and Supplementary Data*, which is incorporated herein by reference.

Other information relating to this item appears in the Information Statement for Apollo Group, Inc., to be filed within 120 days of our fiscal year end (August 31, 2011) and such information is incorporated herein by reference.

Item 14 — *Principal Accounting Fees and Services*

Information relating to this item appears in the Information Statement for Apollo Group, Inc., to be filed within 120 days of our fiscal year end (August 31, 2011) and such information is incorporated herein by reference.

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PART IV

Item 15 — *Exhibits, Financial Statement Schedules*

(a) The following documents are filed as part of this Annual Report on Form 10-K:

1. *Financial Statements filed as part of this report*

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Report of Independent Registered Public Accounting Firm	92
Consolidated Balance Sheets	92
Consolidated Statements of Income	92
Consolidated Statements of Comprehensive Income	92
Consolidated Statements of Changes in Shareholders' Equity	92
Consolidated Statements of Cash Flows from Continuing and Discontinued Operations	92
Notes to Consolidated Financial Statements	93

2. *Financial Statement Schedules*

All financial statement schedules have been omitted since the required information is not applicable or is not present in amounts sufficient to require submission of the schedule, or because the information required is included on the Consolidated Financial Statements and Notes thereto.

3. *Exhibits*

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Index to Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit Number	Filing Date	
2.1	Agreement and Plan of Merger by and among Carnegie Learning, Inc., Apollo Group, Inc., BHCL Acquisition Co. and CLI Shareholder Representative, LLC, dated August 2, 2011(1)					X
2.2	First Amendment to Agreement and Plan of Merger by and among Carnegie Learning, Inc., Apollo Group, Inc., BHCL Acquisition Co. and CLI Shareholder Representative, LLC, dated August 31, 2011					X
2.3	Technology Assignment and License Agreement by and between Apollo Group, Inc., Carnegie Mellon University and Carnegie Learning, Inc., dated August 2, 2011(1)					X
3.1	Amended and Restated Articles of Incorporation of Apollo Group, Inc., as amended through June 20, 2007	10-Q	No. 000-25232	3.1	January 7, 2010	
3.2	Amended and Restated Bylaws of Apollo Group, Inc.	10-Q	No. 000-25232	3.2	April 10, 2006	
10.1	Apollo Group, Inc. Long-Term Incentive Plan*	S-1	No. 33-83804	10.3	September 9, 1994	
10.2	Apollo Group, Inc. Plan Amendment to Long-Term Incentive Plan*	10-Q	No. 000-25232	10.5	June 28, 2007	
10.3	Apollo Group, Inc. Plan Amendment to Long-Term Incentive Plan*	10-K	No. 000-25232	10.3	October 27, 2009	
10.4	Apollo Group, Inc. Amended and Restated Savings and Investment Plan*	10-Q	No. 000-25232	10.4	January 14, 2002	
10.5	Apollo Group, Inc. Third Amended and Restated 1994 Employee Stock Purchase Plan*	10-K	No. 000-25232	10.5	November 14, 2005	
10.6	Apollo Group, Inc. 2000 Stock Incentive Plan (as amended and restated June 25, 2009)*	10-Q	No. 000-25232	10.3	June 29, 2009	
10.7	Apollo Group, Inc. 2000 Stock Incentive Plan Amendment*	8-K	No. 000-25232	10.3	June 30, 2010	
10.8	Apollo Group, Inc. Amended and Restated 2000 Stock Incentive Plan Amendment*					X
10.9	Form of Apollo Group, Inc. Non-Employee Director Stock Option Agreement*	10-Q	No. 000-25232	10.6	June 28, 2007	
10.10	Form of Apollo Group, Inc. Non-Employee Director Stock Option Agreement With Limited Transferability*					X
10.11	Form of Apollo Group, Inc. Non-Employee Director Restricted Stock Unit Award Agreement*	10-Q	No. 000-25232	10.7	June 28, 2007	
10.12	Form of Apollo Group, Inc. Stock Option Agreement (for officers with an employment agreement)*	10-Q	No. 000-25232	10.3	January 8, 2009	

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10.13	Form of Non-Statutory Stock Option Agreement (for officers without an employment agreement)*	10-Q	No. 000-25232	10.4	January 8, 2009	
10.14	Form of Non-Statutory Stock Option Agreement With Limited Transferability (for officers without an employment agreement)*					X
10.15	Form of Apollo Group, Inc. Stock Option Agreement With Limited Transferability (for officers with an employment agreement)*					X

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Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit Number	Filing Date	
10.16	Form of Apollo Group, Inc. Restricted Stock Unit Award Agreement (for officers with an employment agreement)*	10-Q	No. 000-25232	10.1	January 8, 2009	
10.17	Form of Apollo Group, Inc. Restricted Stock Unit Award Agreement (for officers without an employment agreement)*	10-Q	No. 000-25232	10.2	January 8, 2009	
10.18	Form of Restricted Stock Unit Award Agreement (Special Retention Award - Form A)*	10-Q	No. 000-25232	10.1	March 29, 2011	
10.19	Form of Restricted Stock Unit Award Agreement (Special Retention Award - Form B)*	10-Q	No. 000-25232	10.2	March 29, 2011	
10.20	Form of Restricted Stock Unit Award Agreement With Performance Condition and Partial Service Vesting Acceleration*					X
10.21	Form of Performance Share Award Agreement (Apollo Global Metrics)*					X
10.22	Form of Performance Share Award Agreement (Apollo Group Metrics)*					X
10.23	Aptimus, Inc. 2001 Stock Plan*	S-8	No. 333-147151	99.1	November 5, 2007	
10.24	Apollo Group, Inc. Stock Option Assumption Agreement Aptimus, Inc. 2001 Stock Plan*	S-8	No. 333-147151	99.2	November 5, 2007	
10.25	Apollo Group, Inc. Stock Appreciation Right Assumption Agreement Aptimus, Inc. 2001 Stock Plan*	S-8	No. 333-147151	99.3	November 5, 2007	
10.26	Aptimus, Inc. 1997 Stock Option Plan, as amended*	S-8	No. 333-147151	99.4	November 5, 2007	
10.27	Apollo Group, Inc. Stock Option Assumption Agreement Aptimus, Inc. 1997 Stock Option Plan, as amended*	S-8	No. 333-147151	99.50	November 5, 2007	
10.28	Apollo Group, Inc. Executive Officer Performance Incentive Plan (as amended and restated effective as of October 6, 2011)*					X
10.29	Apollo Group, Inc. Deferral Election Program for Non-Employee Board Members*	10-K	No. 000-25232	10.20	October 27, 2009	
10.30	Apollo Group, Inc. Senior Executive Severance Pay Plan*	10-Q	No. 000-25232	10.1	June 30, 2010	
10.31	Form of Performance Share Award Agreement*	10-Q	No. 000-25232	10.2	June 30, 2010	
10.32	Form of Indemnification Agreement - Employee Director*	10-K	No. 000-25232	10.23	October 21, 2010	
10.33	Form of Indemnification Agreement - Outside Director*	10-K	No. 000-25232	10.23	October 21, 2010	
10.34	Amended and Restated Employment Agreement between Apollo Group, Inc. and John G. Sperling, dated December 31, 2008*	10-Q	No. 000-25232	10.10	January 8, 2009	
10.35	Amended and Restated Deferred Compensation Agreement between Apollo Group, Inc. and John G. Sperling, dated December 31, 2008*	10-Q	No. 000-25232	10.11	January 8, 2009	

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10.36	Shareholder Agreement among Apollo Group, Inc. and holders of Apollo Group Class B common stock, dated September 7, 1994	S-1	No. 33-83804	10.10	September 9, 1994

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Exhibit Number	Exhibit Description	Incorporated by Reference Form	File No.	Exhibit Number	Filing Date	Filed Herewith
10.36b	Amendment to Shareholder Agreement among Apollo Group, Inc. and holders of Apollo Group Class B common stock, dated May 25, 2001	10-K	No. 000-25232	10.10b	November 28, 2001	
10.36c	Amendment to Shareholder Agreement among Apollo Group, Inc. and holders of Apollo Group Class B common stock, dated June 23, 2006	10-K	No. 000-25232	10.23c	October 27, 2009	
10.36d	Amendment to Shareholder Agreement among Apollo Group, Inc. and holders of Apollo Group Class B common stock, dated May 19, 2009	10-K	No. 000-25232	10.23d	October 27, 2009	
10.37	Amended and Restated Employment Agreement between Apollo Group, Inc. and Gregory W. Cappelli, dated April 2, 2011*	10-Q	No. 000-25232	10.3	June 30, 2011	
10.38	Stock Option Agreement between Apollo Group, Inc. and Gregory W. Cappelli, dated June 28, 2007*	10-Q	No. 000-25232	10.1	June 28, 2007	
10.39	Amended and Restated Employment Agreement between Apollo Group, Inc. and Joseph L. D'Amico, dated May 18, 2010*	8-K	No. 000-25232	10.2	May 17, 2010	
10.40	Transition Agreement between Apollo Group, Inc. and P. Robert Moya, dated May 17, 2010*	8-K	No. 000-25232	10.1	May 17, 2010	
10.41	Employment Agreement between Apollo Group, Inc. and Charles B. Edelstein, dated July 7, 2008*	8-K	No. 000-25232	10.10	July 8, 2008	
10.42	Amendment to Employment Agreement between Apollo Group, Inc. and Charles B. Edelstein, dated December 12, 2008*	10-Q	No. 000-25232	10.8	January 8, 2009	
10.43	Amendment No. 2 to Employment Agreement between Apollo Group, Inc. and Charles B. Edelstein, dated February 23, 2009*	10-Q	No. 000-25232	10.2	March 31, 2009	
10.44	Amendment No. 3 to Employment Agreement between Apollo Group, Inc. and Charles B. Edelstein, dated April 24, 2009*	8-K	No. 000-25232	10.2	April 27, 2009	
10.45	Clarification letter between Apollo Group, Inc. and Charles B. Edelstein, dated September 29, 2010*	10-Q	No. 000-25232	10.30	January 10, 2011	
10.46	Employment Agreement between Apollo Group, Inc. and Rob Wrubel, dated August 7, 2007*	10-K	No. 000-25232	10.31	October 28, 2008	
10.47	Amendment to Employment Agreement between Apollo Group, Inc. and Rob Wrubel, dated October 31, 2008*	10-Q	No. 000-25232	10.50	January 8, 2009	
10.48	Offer letter between Apollo Group, Inc. and Sean Martin, dated August 23, 2010*	10-Q	No. 000-25232	10.10	January 10, 2011	
10.49	Clarification letter between Apollo Group, Inc. and Sean Martin, dated September 20, 2010*	10-Q	No. 000-25232	10.20	January 10, 2011	
10.50	Stock Option Repricing Agreement between Apollo Group, Inc. and John G. Sperling, dated August 25, 2008*	10-K	No. 000-25232	10.32	October 28, 2008	

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10.51	Stock Option Repricing Agreement between Apollo Group, Inc. and Peter V. Sperling, dated August 25, 2008*	10-K	No. 000-25232	10.33	October 28, 2008

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Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit Number	Filing Date	
10.52	Amended and Restated Capital Contribution Agreement among Apollo Group, Inc., Carlyle Ventures Partners III, L.P. and Apollo Global, Inc., dated July 28, 2009	10-K	No. 000-25232	10.46	October 27, 2009	
10.53	Amended and Restated Shareholders' Agreement among Apollo Group, Inc., CVP III Coinvestment, L.P., Carlyle Ventures Partners III, L.P. and Apollo Global, Inc., dated July 28, 2009	10-K	No. 000-25232	10.47	October 27, 2009	
10.54	Registration Rights Agreement among Apollo Group, Inc., Carlyle Ventures Partners III, L.P. and Apollo Global, Inc., dated October 22, 2007	10-K	No. 000-25232	10.29	October 29, 2007	
10.55	Amendment No. 1 to Registration Rights Agreement among Apollo Group, Inc., Carlyle Ventures Partners III, L.P. and Apollo Global, Inc., dated July 28, 2009	10-K	No. 000-25232	10.49	October 27, 2009	
10.56	Agreement and Plan of Exchange among Apollo Global, Inc., Apollo Group, Inc., Carlyle Ventures Partners III, L.P. and CVP III Coinvestment, L.P., dated July 28, 2009	10-K	No. 000-25232	10.50	October 27, 2009	
10.57	Credit Agreement among Apollo Group, Inc., the Lenders from time to time party thereto, Bank of America, N.A. and BNP Paribas, as Co-Documentation Agents, Wells Fargo Bank, N.A., as Syndication Agent and JPMorgan Chase Bank, N.A., as Administrative Agent, dated January 4, 2008	10-Q	No. 000-25232	10.2	January 8, 2008	
10.58	Rule 62(b) Bond and Supersedeas Bond, dated February 15, 2008	10-Q	No. 000-25232	10.1	March 27, 2008	
10.59	Registered Pledge and Master Security Agreement by and between Travelers Casualty and Surety Company of America and Apollo Group, Inc., entered into by Apollo Group, Inc. on February 14, 2008	10-Q	No. 000-25232	10.2	March 27, 2008	
10.60	General Contract of Indemnity by Apollo Group, Inc. for the benefit of Travelers Casualty and Surety Company of America, entered into by Apollo Group, Inc. on February 14, 2008	10-Q	No. 000-25232	10.3	March 27, 2008	
10.61	Control Agreement by and among Apollo Group, Inc., Travelers Casualty and Surety Company of America, and Smith Barney Inc., entered into by Apollo Group, Inc. on February 14, 2008	10-Q	No. 000-25232	10.4	March 27, 2008	
10.62	Implementation Agreement, dated June 7, 2009, by and among Apollo Global, Inc., Apollo UK Acquisition Company Limited and BPP Holdings plc.	8-K	No. 000-25232	2.1	June 8, 2009	
10.63	Rule 2.5 Announcement, dated June 8, 2009	8-K	No. 000-25232	2.2	June 8, 2009	
10.64	Irrevocable Letter of Credit, dated June 9, 2010	10-Q	No. 000-25232	10.3	June 30, 2010	

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10.65	Purchase Agreement among Riverpoint Lots 1/3/5 LLC, Riverpoint Lot 2, LLC and Cole of Phoenix AZ, LLC dated March 24, 2011	8-K	No. 000-25232	10.1	March 24, 2011
10.66	Commercial Lease between Cole of Phoenix AZ, LLC and Apollo Group, Inc., dated March 24, 2011	8-K	No. 000-25232	10.2	March 24, 2011

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Exhibit Number	Exhibit Description	Incorporated by Reference Form	File No.	Exhibit Number	Filing Date	Filed Herewith
21	List of Subsidiaries					X
23.1	Consent of Independent Registered Public Accounting Firm					X
31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.3	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
32.2	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
32.3	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101	The following financial information from our Annual Report on Form 10-K for the fiscal year ended August 31, 2011, filed with the SEC on October 20, 2011, formatted in Extensible Business Reporting Language (XBRL): (i) the Consolidated Balance Sheets as of August 31, 2011 and August 31, 2010, (ii) the Consolidated Statements of Income for the years ended August 31, 2011, August 31, 2010 and August 31, 2009, (iii) the Consolidated Statements of Comprehensive Income for the years ended August 31, 2011, August 31, 2010 and August 31, 2009, (iv) the Consolidated Statements of Changes in Shareholders' Equity for the years ended August 31, 2011, August 31, 2010 and August 31, 2009, (v) the Consolidated Statements of Cash Flows from Continuing and Discontinued Operations for the years ended August 31, 2011, August 31, 2010 and August 31, 2009, and (v) Notes to Consolidated Financial Statements.[2]					

* Indicates a management contract or compensation plan.
[1] Portions of this exhibit have been omitted pursuant to a request for confidential treatment from the Securities and Exchange Commission.

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[2] Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

APOLLO GROUP, INC.
An Arizona Corporation

By: /s/ Brian L. Swartz
Brian L. Swartz
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

By: /s/ Gregory J. Iverson
Gregory J. Iverson
Vice President, Chief Accounting Officer and Controller
(Principal Accounting Officer)

Date: October 20, 2011

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ John G. Sperling John G. Sperling	Founder, Executive Chairman of the Board and Director	October 20, 2011
/s/ Peter V. Sperling Peter V. Sperling	Vice Chairman of the Board and Director	October 20, 2011
/s/ Charles B. Edelstein Charles B. Edelstein	Co-Chief Executive Officer and Director (Principal Executive Officer)	October 20, 2011
/s/ Gregory W. Cappelli Gregory W. Cappelli	Co-Chief Executive Officer and Director (Principal Executive Officer)	October 20, 2011
/s/ Brian L. Swartz Brian L. Swartz	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	October 20, 2011

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/s/ Gregory J. Iverson	Vice President, Chief Accounting Officer and Controller (Principal Accounting Officer)	October 20, 2011
Gregory J. Iverson		

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Signature	Title	Date
/s/ Terri C. Bishop Terri C. Bishop	Senior Advisor to the Office of Chief Executive Officer and Director	October 20, 2011
/s/ Dino J. DeConcini Dino J. DeConcini	Director	October 20, 2011
/s/ K. Sue Redman K. Sue Redman	Director	October 20, 2011
/s/ George A. Zimmer George A. Zimmer	Director	October 20, 2011
/s/ Roy A. Herberger, Jr. Roy A. Herberger, Jr.	Director	October 20, 2011
/s/ Ann Kirschner Ann Kirschner	Director	October 20, 2011
/s/ Manuel F. Rivelo Manuel F. Rivelo	Director	October 20, 2011
/s/ Samuel A. DiPiazza, Jr. Samuel A. DiPiazza, Jr.	Director	October 20, 2011
/s/ Darby E. Shupp Darby E. Shupp	Director	October 20, 2011
/s/ Robert S. Murley Robert S. Murley	Director	October 20, 2011

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Exhibit 2.1

CONFIDENTIAL TREATMENT REQUESTED UNDER 17 C.F.R. §§ 200.80(b)(4) AND 240.24b-2. THE CONFIDENTIAL PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED AND ARE MARKED ACCORDINGLY AS [**]. THE CONFIDENTIAL PORTIONS HAVE BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A CONFIDENTIAL TREATMENT REQUEST.

EXECUTION COPY

AGREEMENT AND PLAN OF MERGER

BY AND AMONG

CARNEGIE LEARNING, INC.,

BHCL ACQUISITION CO.

APOLLO GROUP, INC.

AND

SOLELY IN ITS CAPACITY AS REPRESENTATIVE OF THE COMPANY'S STOCKHOLDERS AND OPTIONHOLDERS,

CLI SHAREHOLDER REPRESENTATIVE, LLC

DATED AS OF AUGUST 2, 2011

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AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (this "Agreement") is made as of August 2, 2011, by and among Carnegie Learning, Inc., a Pennsylvania corporation (the "Company"), Apollo Group, Inc., an Arizona corporation ("Buyer"), BHCL Acquisition Co., a Delaware corporation and wholly owned Subsidiary of Buyer ("Merger Sub"), and CLI Shareholder Representative, LLC, a Delaware limited liability company, solely with respect to ARTICLE II, ARTICLE VIII, Sections 9.1, 9.4 and 9.6 and ARTICLE X in its capacity as representative for the Company's Stockholders and Optionholders (the "Representative"). Capitalized terms used and not otherwise defined herein have the meanings set forth in ARTICLE I below

WHEREAS, Buyer desires to acquire 100% of the issued and outstanding capital stock of the Company in a reverse subsidiary merger transaction on the terms and subject to the conditions set forth herein.

WHEREAS, the respective boards of directors of Buyer, Merger Sub and the Company have approved this Agreement, the Merger and the related transactions contemplated hereby, upon the terms and subject to the conditions set forth herein.

WHEREAS, simultaneously with the execution of this Agreement, and as a condition of the willingness of Buyer to enter into this Agreement, Collier Investments, LLC (f/k/a Collier Investments, Ltd.) ("Collier"), who holds, and will hold immediately prior to the Effective Time of the Merger, 33.0% of the Company Common Stock on an as-converted basis, has delivered to Buyer a written consent, pursuant to which Collier has approved this Agreement and the transactions contemplated hereby, including the Merger, which consent shall also constitute approval of the transaction for purposes of Section 6.05(h) of that certain Stock Purchase Agreement between Collier and the Company dated as of October 7, 1999.

WHEREAS, simultaneously with the execution of this Agreement, and as a condition of the willingness of Buyer to enter into this Agreement, Stockholders of the Company representing not less than 92% of the outstanding shares of Company Common Stock (on an as-converted basis) have delivered to the Company and to Buyer a written consent, pursuant to which such Stockholders have irrevocably voted in favor of, approved and consented to, and otherwise waived any other consent required by them regarding the consummation of, this Agreement and the transactions contemplated hereby, including the Merger (the "Stockholder Approval").

WHEREAS, simultaneously with the execution of this Agreement, and as a condition of the willingness of Buyer to enter into this Agreement, certain Stockholders of the Company have executed and delivered to Buyer non-competition, non-solicitation and confidentiality agreements (the "Non-Compete Agreements").

WHEREAS, simultaneously with the execution of this Agreement, and as a condition of the willingness of Buyer to enter into this Agreement, each [**] that has received [**] has executed and delivered to the Company a [**] to the Company of all Intellectual Property rights arising under any and all agreements between such [**] and the Company (the "[**]").

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WHEREAS, simultaneously with the execution of this Agreement, and as a condition of the willingness of Buyer to enter into this Agreement, certain employees of the Company have executed and delivered to Buyer retention agreements (the "Retention Agreements").

WHEREAS, simultaneously with the execution of this Agreement, and as a condition of the willingness of Buyer to enter into this Agreement, certain employees of the Company have executed and delivered to Buyer agreements pursuant to which such employee has agreed to terminate his or her existing employment agreement with the Company upon and subject to the Closing (the "Employment Agreement Termination Agreements").

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

1.1 Definitions. For purposes of this Agreement, the following terms shall have the meanings set forth below:

"Affiliate" of any particular Person means any other Person controlling, controlled by or under common control with such particular Person, where "control" means the possession, directly or indirectly, of the power to direct the management and policies of a Person whether through the ownership of voting securities or otherwise.

"Affiliated Group" means an affiliated group as defined in Section 1504 of the Code (or any similar combined, consolidated or unitary group defined under state, local or foreign income Tax law).

"Aggregate Liquidation Preference" means an amount equal to the sum of (i) the product of the Series A Liquidation Preference multiplied by the number of shares of Series A Preferred Stock outstanding immediately prior to the Effective Time, plus (ii) the product of the Series B Liquidation Preference multiplied by the number of shares of Series B Preferred Stock outstanding immediately prior to the Effective Time, plus (iii) the product of the Series C Liquidation Preference multiplied by the number of shares of Series C Preferred Stock outstanding immediately prior to the Effective Time, plus (iv) the product of the Series D Liquidation Preference multiplied by the number of shares of Series D Preferred Stock outstanding immediately prior to the Effective Time, plus (v) the product of the Series E Liquidation Preference multiplied by the number of shares of Series E Preferred Stock outstanding immediately prior to the Effective Time.

"Closing Indebtedness" means (as finally determined under Section 2.11) the outstanding balance of Indebtedness of the Company as of immediately prior to the Effective Time (including the amount of Estimated Indebtedness paid pursuant to Section 2.13(b)(ii)(D));

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provided that, for purposes of such calculation, all interest, prepayment penalties, premiums, fees and expenses (if any) which would be payable if such Indebtedness was paid in full at the Closing shall be treated as Indebtedness.

"CMU Licenses" means, collectively: (i) the License Agreement between the Company (f/k/a Carnegie Learning Partners, Inc.) and Carnegie Mellon University, dated as of June 30, 1998 and as amended on October 1, 1999, October 24, 2000, November 6, 2001 and March 31, 2005; (ii) the License Agreement between the Company and Carnegie Mellon University, dated as of November 6, 2001 and as amended on March 31, 2005; and (iii) the License Agreement between the Company and Carnegie Mellon University, dated as of June 4, 2003 and as amended on March 31, 2005.

"CMU Patent" means U.S. Patent Number [**] and any reissue, continuation, continuation-in-part, division, revision, extension or reexamination thereof.

"CMU Technology Purchase Agreement" means that certain Technology Assignment and License Agreement by and among Buyer, the Company and Carnegie Mellon University, dated as of the date hereof.

"COBRA" means the requirements of Part 6 of Subtitle B of Title I of ERISA, Section 4980B of the Code and of any similar state law.

"Code" means the Internal Revenue Code of 1986, as amended.

"Common Percentage" means, with respect to each Stockholder and Optionholder, the amount expressed as a percentage equal to the number of shares of Common Stock (on an as-converted and as-exercised basis) held by such Stockholder or Optionholder entitled to receive Merger Consideration pursuant to Sections 2.2(a) and 2.4 of this Agreement divided by the aggregate amount of all shares of Common Stock (on an as-converted and as-exercised basis) entitled to receive Merger Consideration pursuant to Sections 2.2(a) and 2.4 of this Agreement.

"Confidentiality Agreement" means that certain Mutual Nondisclosure Agreement by and between Buyer and the Company, dated as of August 10, 2009.

"Current Products" means products that are sold, licensed, offered for license, offered for sale, or are under any maintenance obligations by the Company as of the date hereof.

"Employee Benefit Plan" means each "employee benefit plan" (as such term is defined in Section 3(3) of ERISA) and each other benefit or compensation plan, program, agreement or arrangement of any kind that is maintained, sponsored or contributed to by the Company or with respect to which the Company has any obligation or liability.

"Environmental and Safety Requirements" means all federal, state, local and foreign statutes, regulations, ordinances and other provisions having the force or effect of law, all judicial and administrative orders and determinations, all contractual obligations and all common law in

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each case concerning public health and safety, worker health and safety, and pollution or protection of the environment, as the foregoing are in effect as of the Closing Date.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"GAAP" means United States generally accepted accounting principles in effect from time to time.

"Indebtedness" means with respect to the Company, without duplication, (i) any indebtedness for borrowed money or issued in substitution for or exchange of indebtedness for borrowed money, (ii) any indebtedness evidenced by any note, bond, debenture or other debt security, other than the performance bonds entered into in connection with a customer contract, (iii) any indebtedness for the deferred purchase price of property or services with respect to which the Company is liable, contingently or otherwise, as obligor or otherwise (other than trade payables and other current liabilities incurred in the Ordinary Course of Business), (iv) any indebtedness guaranteed in any manner by the Company (including guarantees in the form of an agreement to repurchase or reimburse) other than obligations of the Company to repurchase products from customers if certain performance criteria are not met, (v) any indebtedness secured by a Lien on the Company's assets, (vi) any unsatisfied obligation for "withdrawal liability" to a "multiemployer plan" as such terms are defined under ERISA, (vii) the Company's share of employment Taxes attributable to payments made pursuant to Section 2.4 or clause (ii) of Transaction Expenses, and (viii) any accrued interest, prepayment penalties and premiums on any of the foregoing; provided, however, that "Indebtedness" shall not include any amount of deferred revenue for products or services of the Company.

"Inherit" means incorporates by reference, dynamically links to or makes function calls, at compile time or run-time.

"Intellectual Property" means all of the following in any jurisdiction throughout the world: (i) patents, patent applications, patent disclosures, invention disclosures and inventions (whether or not patentable and whether or not reduced to practice) and any reissue, continuation, continuation-in-part, division, revision, extension or reexamination thereof; (ii) trademarks, service marks, trade dress, trade names, corporate names, logos and slogans (and all translations, adaptations, derivations and combinations of the foregoing) and Internet domain names, together with all goodwill associated with each of the foregoing; (iii) copyrights, copyrightable works and mask works; (iv) registrations and applications for registration for any of the foregoing; (v) trade secrets and confidential information (including ideas, formulae, compositions, know-how, manufacturing and production processes and techniques, research and development information, drawings, specifications, designs, plans, proposals, technical data, financial, business and marketing plans, and customer and supplier lists and related information); (vi) Software; and (vii) all other proprietary rights.

"Knowledge" means, with respect to the Company, the actual knowledge after reasonable inquiry (including the reasonable inquiry of Ken Koedinger as to Intellectual Property matters) under the circumstances of Dennis Ciccone, David Hart, Steven Ritter, and Stephen Grieco.

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"Letter of Intent" means that certain letter agreement, dated March 4, 2011, by and among Buyer, the Company, Carnegie Mellon University, Collier, TLV Ventures, L.P. and Draper Triangle Ventures, L.P.

"Liens" means any mortgage, pledge, security interest, encumbrance, claim, Tax, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof), any sale of receivables with recourse against the Company or any of its Affiliates, or any filing or agreement to file a financing statement as debtor under the Uniform Commercial Code or any similar statute.

"Material Adverse Effect" means, with respect to the Company, any effect, development, event or change that is materially adverse to the business, assets, liabilities, results of operations, or financial condition, taken as a whole; provided, that none of the following shall be deemed to constitute, and none of the following shall be taken into account in determining whether there has been, a Material Adverse Effect: any adverse change, event, development or effect arising from or relating to: (i) general business, regulatory, political or economic conditions affecting the U.S. economy as a whole or the financial, banking, or capital markets in general, including the engagement of the United States in hostilities, terrorist attack upon the Unites States or any of its territories, possessions, military installations, equipment or personnel; (ii) the announcement of this Agreement and the transactions contemplated hereby; (iii) changes in GAAP; or (iv) changes in or issuance of any new laws, rules, regulations, orders, or other binding directives of a general nature and not directed at the Company specifically issued by any governmental entity after the date hereof.

"Net Series C Preferred Price" means the weighted average price per share of Series C Preferred Stock paid by a holder calculated based on (i) the discounted price of $0.65 paid per share of Series C Preferred Stock in connection with the conversion of any convertible promissory notes made by the Company to such holder and (ii) $1.00 for any other shares of Series C Preferred Stock by such holder.

"Open Source Software" means any Software that is subject to any open source license including the GNU General Public License (GPL), the Lesser GNU Public License (LGPL), any "copyleft" license or any other license that requires as a condition of use, modification or distribution of such Software that such Software or other Software combined or distributed with it be: (i) disclosed or distributed in source code form; (ii) licensed for the purpose of making derivative works; (iii) redistributable at no charge; or (iv) licensed subject to a patent non-assert or royalty-free patent license.

"Option Exercise Price" means the exercise price of the options as set forth in the applicable stock option agreement entered into between the Company and the Optionholder.

"Permitted Liens" means collectively, (i) statutory liens for current Taxes or other governmental charges not yet due and payable or the amount or validity of which is being contested in good faith by appropriate proceedings by the Company and for which appropriate reserves have

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been established in accordance with GAAP; (ii) mechanics', carriers', workers', repairers' and similar statutory liens arising or incurred in the Ordinary Course of Business for amounts which are not delinquent; (iii) zoning, entitlement, building and other land use regulations imposed by governmental agencies having jurisdiction over the Leased Property which are not violated by the current use and operation of the Leased Property; (iv) covenants, conditions, restrictions, easements and other similar matters of record affecting title to the Leased Property which do not materially impair the occupancy or use of the Leased Property for the purposes for which it is currently used in connection with the Company's businesses; (v) public roads and highways; (vi) liens arising under worker's compensation, unemployment insurance, social security, retirement and similar legislation; (vii) those Liens identified on Schedule 1.1B; and (viii) purchase money liens and liens securing rental payments under capital lease arrangements.

"Person" means an individual, a partnership, a limited liability company, a corporation, an association, a joint stock company, a trust, a joint venture, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof.

"[**]" means the [**] and does not include any [**] or any agent, employee or contractor of a [**].

"[**]" means a [**] who has entered into any agreement (including any [**] agreement or non-disclosure agreement) with the Company under the auspices of the [**] to conduct [**].

"Representative Administrative Amount" means the amount of cash held back from the Stockholders and Optionholders from the portion of the Merger Consideration to be paid to the Stockholders and Optionholders promptly following the Closing (as determined by the Representative in its discretion and subject to Section 2.10) pursuant to the authority granted pursuant to Section 10.14 hereof that will be available for use by the Representative following the Closing (i) for the payment of all costs and expenses incurred by the Representative in connection with the exercise by it of the authority granted to it herein (including reasonable attorneys' fees and expenses), including with respect to the indemnification obligations of the Stockholders and Optionholders under ARTICLE VIII of this Agreement, and/or (ii) the payment of any other obligations of the Stockholders and Optionholders, entered into by the Representative on their behalf as authorized pursuant to Section 10.14.

"Schedules" means the disclosure schedules attached to this Agreement.

"Series A Liquidation Preference" means $1.10 per share of Series A Preferred Stock.

"Series B Liquidation Preference" means $1.10 per share of Series B Preferred Stock.

"Series C Liquidation Preference" means the Net Series C Preferred Price per share of Series C Preferred Stock.

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"Series D Liquidation Preference" means $0.1743 per share of Series D Preferred Stock.

"Series E Liquidation Preference" means $0.0872 per share of Series E Preferred Stock.

"Software" means any and all: (i) computer programs, including any and all software implementations of algorithms, models and methodologies, whether in source code or object code; (ii) databases and compilations, including any and all data and collections of data, whether machine readable or otherwise; (iii) descriptions, schematics, flow-charts and other work product used to design, plan, organize and develop any of the foregoing; and (iv) all documentation, including user documentation, user manuals and training materials, relating to any of the foregoing.

"Source Code" means one or more statements in human readable form, including comments and definitions, which are generally formed and organized according to the syntax of a computer or programmable logic programming language (including such statements in batch or scripting languages), together with any and all text, diagrams, graphs, charts, presentations, manuals and other information that describe the foregoing.

"[**]" means the representations and warranties contained in [**], the second and fourth sentences of [**], the second sentence of [**] and the representations and warranties in the Company Closing Certificate with respect to each of the foregoing.

"Subsidiary" means, with respect to any Person, any corporation, partnership, association or other business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof, or (ii) if a partnership, limited liability company, association or other business entity, a majority of the partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by any Person or one or more Subsidiaries of that Person or a combination thereof. For purposes hereof, a Person or Persons shall be deemed to have a majority ownership interest in a partnership, limited liability company, association or other business entity if such Person or Persons shall be allocated a majority of partnership, association or other business entity gains or losses or shall be or control the managing director or general partner of such partnership, association or other business entity.

"Tax" or "Taxes" means any federal, state, local or foreign income, gross receipts, franchise, alternative or add-on minimum, estimated, sales, use, transfer, registration, value added, excise, natural resources, severance, stamp, occupation, premium, windfall profit, environmental, customs, duties, real property, personal property, capital stock, social security, unemployment, disability, payroll, license, employee or other withholding, or other tax, of any kind whatsoever, including any interest, penalties or additions to tax or additional amounts in respect of the foregoing.

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"Tax Returns" means returns, declarations, reports, claims for refund, information returns or other documents (including any related or supporting schedules, statements or information, and including any amendment thereof) filed or required to be filed in connection with the determination, assessment or collection of Taxes of any party or the administration of any laws, regulations or administrative requirements relating to any Taxes.

"Transaction Documents" means this Agreement, the Escrow Agreement and all other agreements, documents, instruments and certificates contemplated by this Agreement.

"Transaction Expenses" shall mean, whether paid at or subsequent to the Closing, all (i) fees and expenses of the Company, and, to the extent the Company is liable thereof, the Stockholders and Optionholders (including fees and expenses of legal counsel, accountants, investment bankers (including East Wind Securities LLC), brokers, finders or other representatives and consultants retained by any of them) with respect to this Agreement, each of the other Transaction Documents and the transactions contemplated hereby and thereby and (ii) change of control or retention payments or fees or transaction-related bonuses paid or payable to any Person as a result of the transactions contemplated by this Agreement (for the avoidance of doubt, excluding (a) the acceleration of Options or vesting of restricted stock as a result of the consummation of the transactions contemplated by this Agreement, (b) any payments made pursuant to the Retention Agreements, and (c) any payments made as a result of the termination of any existing employment agreements that are terminated at the request of Buyer in connection with this Agreement).

"[**]" means the Source Code for the Company's Software platform referred to generally by the Company as the "[**]" or "[**]".

1.2 Cross Reference of Other Definitions. Each capitalized term listed below is defined in the corresponding Section of this Agreement:

Term	**Section No.**
2011 Budget	4.2(m)
Agreement	Preface
Base Consideration	2.2(b)(i)
Buyer	Preface
Buyer Closing Certificate	3.2(e)(i)
Buyer Indemnified Parties	8.2(a)
Buyer's Transaction Expenses	9.6(b)
Certificates of Merger	2.1(b)
Closing	2.13(a)
Closing Consideration	2.2(b)(i)
Closing Date	2.13(a)
Closing Estimates	2.10
Closing Transactions	2.13(b)
Collier	Recitals

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Company	Preface

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Company Closing Certificate	3.1(n)(i)
Company Common Stock	2.2(a)(vi)
Company Intellectual Property	5.16(b)
Confidential Information	9.8(a)
Data Servers	5.16(m)
DGCL	2.1(a)
Director Indemnified Parties	9.9(c)
Dispute Resolution Auditor	2.11(a)
Dissenting Shares	2.9
DOJ	4.3(b)
Effective Time	2.1(b)
Electronic Delivery	10.13
Employment Agreement Termination Agreements	Recitals
Escrow Agent	2.5
Escrow Agreement	2.5
Escrow Amount	2.5
Estimated Indebtedness	2.10
Exclusivity Period	9.7
Final Consideration	2.2(b)(ii)
Financial Statements	5.6
FERPA	5.27
FTC	4.3(b)
Fully Indemnified Representations	8.2(c)(i)
General Cap	8.2(c)(iv)
General Deductible	8.2(c)(i)
Governmental Approvals	3.1(d)
HSR Act	3.1(d)
Indemnifying Equityholder	8.2(a)
Indemnitee	8.2(e)
Indemnitor	8.2(e)
Information Systems	5.16(i)
[**]	[**]
Latest Balance Sheet	5.6
Leased Property	5.9(b)
Letter of Transmittal	**2.3**
Licenses	5.19
Loss or Losses	8.2(a)

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Merger	2.1(a)
Merger Consideration	2.2(b)(v)
Merger Sub	Preface
[**]	8.2(c)(iii)
Non-Compete Agreements	Recitals
Non-Consenting Stockholder Notice	4.3(c)
Notice of Disagreement	2.11(a)
Option Cancellation Agreement	2.4
Optionholder	2.4

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Option Merger Consideration	2.4
Options	2.2(b)(vi)
Ordinary Course of Business	4.1(a)
Owned Company Intellectual Property	5.16(d)
Participation Agreement	5.16(p)
Payoff Letters	3.1(g)
PBCL	2.1(a)
Per Share Portion	2.2(b)(iii)
Pre-Closing Tax Period	8.3(a)
Preferred Stock	5.3
Preliminary Closing Statement	2.11(a)
[**]	5.16(p)
Released Claims	8.2(h)
Released Parties	8.2(h)
Representative	Preface
Representative Parties	10.14
Retention Agreements	Recitals
Sale Transaction	9.7
Seller Indemnified Parties	8.2(b)
Series A Preferred Stock	2.2(a)(i)
Series B Preferred Stock	2.2(a)(ii)
Series C Preferred Stock	2.2(a)(iii)
Series D Preferred Stock	2.2(a)(iv)
Series E Preferred Stock	2.2(a)(v)
[**]	8.2(c)(iv)
[**]	8.2(c)(ii)
Stock Merger Consideration	2.2(b)(iv)
Stockholder	2.3
Stockholder Approval	Recitals
Straddle Period	8.3(b)
Surviving Corporation	2.1(a)
Termination Date	7.1(d)
Third Party Approvals	3.1(c)
Update Period	9.2

ARTICLE II
THE MERGER; THE CLOSING

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2.1 <u>The Merger</u>.

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(a) Subject to the terms and conditions hereof, at the Effective Time, Merger Sub shall merge (the "Merger") with and into the Company in accordance with the Delaware General Corporation Law (the "DGCL") and the Pennsylvania Business Corporation Law (the "PBCL"), whereupon the separate existence of Merger Sub shall cease, and the Company shall be the surviving corporation (the "Surviving Corporation").

(b) At the Closing, the Company and Merger Sub shall cause a certificate of merger to be executed, acknowledged and filed with each of the Secretary of State of the State of Delaware and the Secretary of State of the Commonwealth of Pennsylvania (the "Certificates of Merger") and make all other filings or recordings required by the DGCL and the PBCL in connection with the Merger. The Merger shall become effective at such time as the Certificates of Merger are duly filed with the Secretary of State of the State of Delaware and the Secretary of State of the Commonwealth of Pennsylvania or at such other time as Buyer and the Company shall agree and specify in the Certificates of Merger (the "Effective Time").

(c) From and after the Effective Time, the Surviving Corporation shall succeed to all the assets, rights, privileges, powers and franchises and be subject to all of the liabilities, restrictions, disabilities and duties of the Company and Merger Sub, all as provided under the DGCL and the PBCL.

2.2 Conversion of Capital Stock. At the Effective Time, by virtue of the Merger and without any action on the part of the holders thereof:

(a) Except as otherwise provided in Sections 2.2(c) and 2.9:

(i) each share of the Company's Series A Convertible Preferred Stock, par value $0.001 per share ("Series A Preferred Stock"), issued and outstanding immediately prior to the Effective Time shall be cancelled and converted into the right to receive in the aggregate (A) payment of an amount of cash equal to the Series A Liquidation Preference plus (B) the Per Share Portion of the Closing Consideration and the Escrow Amount to be distributed to Stockholders and Optionholders pursuant to the terms of the Escrow Agreement as though such share of Series A Preferred Stock had been converted to Company Common Stock in accordance with the Company's Second Amended and Restated Articles of Incorporation;

(ii) each share of the Company's Series B Convertible Preferred Stock, par value $0.001 per share ("Series B Preferred Stock"), issued and outstanding immediately prior to the Effective Time shall be cancelled and converted into the right to receive in the aggregate (A) payment of an amount of cash equal to the Series B Liquidation Preference plus (B) the Per Share Portion of the Closing Consideration and the Escrow Amount to be distributed to Stockholders and Optionholders pursuant to the terms of the Escrow Agreement as though such share of Series B Preferred Stock had been converted to Company Common Stock in accordance with the Company's Second Amended and Restated Articles of Incorporation;

(iii) each share of the Company's Series C Convertible Preferred Stock, par value

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$0.001 per share ("Series C Preferred Stock"), issued and outstanding immediately prior tothe Effective Time shall be cancelled and converted into the right to receive in the aggregate (A) payment of an amount of cash equal to the Series C Liquidation Preference plus (B) the Per Share Portion of the Closing Consideration and the Escrow Amount to be distributed to Stockholders and Optionholders pursuant to the terms of the Escrow Agreement as though such share of Series C Preferred Stock had been converted to Company Common Stock in accordance with the Company's Second Amended and Restated Articles of Incorporation;

(iv) each share of the Company's Series D Convertible Preferred Stock, par value $0.001 per share ("Series D Preferred Stock"), issued and outstanding immediately prior to the Effective Time shall be cancelled and converted into the right to receive in the aggregate (A) payment of an amount of cash equal to the Series D Liquidation Preference plus (B) the Per Share Portion of the Closing Consideration and the Escrow Amount to be distributed to Stockholders and Optionholders pursuant to the terms of the Escrow Agreement as though such share of Series D Preferred Stock had been converted to Company Common Stock in accordance with the Company's Second Amended and Restated Articles of Incorporation;

(v) each share of the Company's Series E Convertible Preferred Stock, par value $0.001 per share ("Series E Preferred Stock"), issued and outstanding immediately prior to the Effective Time shall be cancelled and converted into the right to receive in the aggregate (A) payment of an amount of cash equal to the Series E Liquidation Preference plus (B) the Per Share Portion of the Closing Consideration and the Escrow Amount to be distributed to Stockholders and Optionholders pursuant to the terms of the Escrow Agreement as though such share of Series E Preferred Stock had been converted to Company Common Stock in accordance with the Company's Second Amended and Restated Articles of Incorporation; and

(vi) each share of Company's Common Stock, par value $0.001 per share ("Company Common Stock"), issued and outstanding immediately prior to the Effective Time shall be cancelled and converted into the right to receive payment of an aggregate amount of cash equal to the Per Share Portion of the Closing Consideration and the Escrow Amount to be distributed to Stockholders and Optionholders pursuant to the terms of the Escrow Agreement.

Each share of Preferred Stock and Company Common Stock, when so cancelled, shall no longer be outstanding and shall automatically cease to exist, and each holder of a certificate representing any such shares of Preferred Stock or Company Common Stock shall cease to have any rights with respect thereto, except the right to receive payment for each such share pursuant to Section 2.2(a), without interest.

(b) For purposes of this Agreement:

(i) the term "Closing Consideration" means (A) $75,000,000.00 (the "Base Consideration"), minus (B) the Aggregate Liquidation Preference, minus (C) the amount of Estimated Indebtedness, minus (D) the Escrow Amount, minus (E) the amount of any

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Transaction Expenses to be paid pursuant to Section 2.13(b)(ii)(E), plus (F) the aggregate exercise price of the Options (excluding Options cancelled for no consideration pursuant to Section 2.4);

(ii) the term "Final Consideration" means (A) the Base Consideration, minus (B) the Aggregate Liquidation Preference, minus (C) the amount of Closing Indebtedness, minus (D) the Escrow Amount, minus (E) the amount of any unpaid Transaction Expenses as of the Closing (including the amount of any Transaction Expenses paid pursuant to Section 2.13(b)(ii)(E)), plus (F) the aggregate exercise price of the Options (excluding Options cancelled for no consideration pursuant to Section 2.4);

(iii) the term "Per Share Portion" means a fraction, the numerator of which is one, and the denominator of which is the sum of (A) the number of shares of Company Common Stock issued and outstanding immediately prior to the Effective Time (including any shares of restricted Company Common Stock which vest by virtue of the Merger but not including any Company Common Stock held by the Company as treasury stock or held by Merger Sub), plus (B) the number of shares of Company Common Stock attributable to the deemed conversion of all of the issued and outstanding shares of the Preferred Stock, plus (C) the number of shares of Company Common Stock issuable upon exercise of all Options (not including Options which are cancelled for no consideration pursuant to Section 2.4);

(iv) the term "Stock Merger Consideration" means the aggregate consideration to which holders of Company Common Stock and Preferred Stock (not including the Aggregate Liquidation Preference) become entitled pursuant to Section 2.2(a);

(v) the term "Merger Consideration" means the sum of the Stock Merger Consideration plus the Option Merger Consideration (defined in Section 2.4); and

(vi) the term "Options" means all options to acquire shares of Company Common Stock which are exercisable (or will become exercisable as a result of the transactions contemplated hereby (whether pursuant to the terms of such options or at the election of the Company's board of directors)), as of immediately prior to the Effective Time.

(c) Each share of Company Common Stock held immediately prior to the Effective Time by the Company as treasury stock or by Merger Sub shall be cancelled and no payment shall be made with respect thereto.

(d) Each share of Merger Sub's Common Stock, par value $0.01 per share, issued and outstanding immediately prior to the Effective Time shall be converted into and become one validly issued, fully paid and non-assessable share of Common Stock, par value $.001 per share, of the Surviving Corporation.

2.3 Exchange of Certificates; Lost Certificates. The Representative shall act as paying agent in effecting the exchange of Closing Consideration for certificates which, immediately prior

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to the Effective Time, represented shares of Company Common Stock or Preferred Stock entitled to payment pursuant to Section 2.2. Promptly after the Closing Date, the Representative shall pay each holder of certificates representing Company Common Stock or Preferred Stock (each, a "Stockholder") who has surrendered his or its certificates, duly endorsed in blank or accompanied by duly executed stock powers and a duly executed and completed letter of transmittal substantially in the form of Exhibit A attached hereto (the "Letter of Transmittal"), representing the number of shares of Company Common Stock and/or Preferred Stock held by such holder, the amount of cash to which he, she or it is entitled under Section 2.2. Surrendered certificates shall forthwith be cancelled. Until so surrendered and exchanged, each such certificate shall represent solely the right to receive the Merger Consideration into which the shares it theretofore represented shall have been converted pursuant to Section 2.2. Notwithstanding the foregoing, if any such certificate shall have been lost, stolen or destroyed, then, upon the making of an affidavit of such fact in favor of the Company and in a form acceptable to Buyer by the Person claiming such certificate to be lost, stolen or destroyed, the Representative shall issue, in exchange for such lost, stolen or destroyed certificate, the Merger Consideration to be paid in respect of the shares of Company Common Stock and/or Preferred Stock represented by such certificate, as contemplated by this Section 2.3. After the Closing Date, there will be no transfers on the stock transfer books of the Surviving Corporation of shares that were outstanding immediately prior to the Closing Date. If, after the Closing Date, certificates representing such shares are presented to the Surviving Corporation, they will be cancelled and exchanged as provided in this Section 2.3. No interest shall accrue or be paid on the cash payable upon the delivery of the stock certificates or Letters of Transmittal contemplated by this Section 2.3. No party hereto shall be liable to any Stockholder in respect of any amount delivered to a public official as required by and pursuant to any applicable abandoned property, escheat or similar law. Subject to this Section 2.3, if any stock certificate representing Company Common Stock or Preferred Stock shall not have been surrendered prior to the date on which payment of the Merger Consideration into which the shares it theretofore represented would otherwise escheat to or become the property of any public official, any such portion of the Merger Consideration shall, to the extent permitted by applicable law, become the property of the Surviving Corporation, free and clear of all claims or interests of any Person previously entitled thereto.

2.4 Options. Immediately prior to the Effective Time, the Company shall cause all outstanding Options, whether or not fully vested or exercisable, to become fully vested and exercisable, and to be terminated and cancelled, at which time each holder of an Option (an "Optionholder") who has delivered to the Company a duly executed option cancellation agreement, substantially in the form of Exhibit B attached hereto (the "Option Cancellation Agreement"), shall be entitled to receive from the Surviving Corporation an amount in cash equal to the sum of (a) the Per Share Portion of the Closing Consideration less (i) the Option Exercise Price pertaining to such share, less (ii) the amount of any applicable Taxes withheld, and less (iii) the Per Share Portion of the Representative Administrative Amount, plus (b) the Per Share Portion of the Escrow Amount to be distributed to Stockholders and Optionholders pursuant to the terms of the Escrow Agreement (less the amount of any applicable Taxes withheld), with no payment of any amount being required when the difference is not a positive number, but such negative amount shall be reduced from such Optionholder's Per Share Portion in the Escrow Amount, less the amount of any applicable Tax withheld. Buyer shall cause the Surviving Corporation (x) to make timely payment to the appropriate taxing authority or authorities of any amounts withheld from payment to the Optionholders under

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this Section 2.4 and (y) to forward to the Representative the aggregate amount of the portion of the Representative Administrative Amount attributable to the Optionholders. For any Options for which the Option Exercise Price of such Option is greater than or equal to the Per Share Portion of the Closing Consideration and Escrow Amount to be distributed to Stockholders and Optionholders pursuant to the terms of the Escrow Agreement allocable to such Option, such Option shall be terminated for no consideration. The aggregate consideration to which Optionholders become entitled pursuant to this Section 2.4 is collectively referred to herein as the "Option Merger Consideration." Notwithstanding anything herein to the contrary, all payments to Optionholders hereunder (including any amounts to be paid to the Representative on behalf of Optionholders) shall be made by the Surviving Corporation through its payroll system in accordance with the Surviving Corporation's regular payroll practices then in effect. All payments to Optionholders hereunder shall be treated as compensation by the Company and shall be net of any applicable federal, state and local withholding Taxes.

2.5 Escrow. As of the Closing, Buyer shall deposit in escrow cash in the amount of $[**] (the "Escrow Amount"), to be held to fund in part the indemnification obligations of the Stockholders and Optionholders under ARTICLE VIII of this Agreement; provided that, in the event of any adjustment owed by the Stockholders and Optionholders pursuant to Section 2.11, Buyer shall be entitled to recover such amounts out of the Escrow Amount or from the Stockholders and Optionholders directly. Buyer and the Representative (on behalf of the Stockholders and Optionholders) shall enter into an escrow agreement in the form attached hereto as Exhibit C (the "Escrow Agreement") with Wells Fargo Bank, National Association (the "Escrow Agent") to govern the terms and conditions of the release of the Escrow Amount. As more fully set forth in the Escrow Agreement, [**] of the Escrow Amount, less (i) the amount of any claims made by Buyer in good faith against the Escrow Amount which are pending as of such date, and (ii) any amounts paid to Buyer from the Escrow Amount prior to such date, shall be released to the Representative (on behalf of the Stockholders and Optionholders) on the date which is [**] following the Closing Date and the remaining Escrow Amount, including any interest earned thereon from the Closing Date, less (x) the amount of any claims made by Buyer in good faith against the Escrow Amount that are pending as of such date, and (y) and amounts paid to Buyer from the Escrow Amount prior to such date, shall be released to the Representative (on behalf of the Stockholders and Optionholders) on the date which is [**] following the Closing Date.

2.6 Certificate of Incorporation. The certificate of incorporation of Merger Sub, as in effect immediately prior to the Effective Time, shall be amended at the Effective Time to change the corporate name set forth therein to "Carnegie Learning, Inc." and, as so amended, shall be the certificate of incorporation of the Surviving Corporation until amended in accordance with applicable law.

2.7 Bylaws. The Bylaws of Merger Sub in effect at the Effective Time shall be the Bylaws of the Surviving Corporation until amended in accordance with the provisions thereof and the provisions of the certificate of incorporation of the Surviving Corporation and in accordance with applicable law.

2.8 Directors and Officers. From and after the Effective Time, until successors are

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duly elected or appointed in accordance with applicable law, the directors and officers of Merger Sub at the Effective Time shall be the directors and officers, respectively, of the Surviving Corporation.

2.9 Dissenting Shares. Notwithstanding any other provision of this Agreement to the contrary, shares of Company Common Stock or Preferred Stock that are outstanding immediately prior to the Effective Time and that are held by Stockholders who shall not have voted in favor of the Merger or consented thereto in writing and who shall have properly demanded appraisal for such shares in accordance with Section 1574 of the PBCL (collectively, the "Dissenting Shares") shall not be converted into or represent the right to receive a portion of the Stock Merger Consideration. Such Stockholders instead shall be entitled to receive payment from the Company of the "fair value" of such shares of Company Common Stock and/or Preferred Stock held by them in accordance with the provisions of Subchapter D of Chapter 15 of the PBCL, except that all Dissenting Shares held by Stockholders who shall have failed to perfect or who effectively shall have withdrawn or otherwise lost their rights to appraisal of such shares of Company Common Stock and/or Preferred Stock under Section 1576(a) of the PBCL shall thereupon be deemed to have been converted into and to have become exchangeable, as of the Effective Time, for the right to receive, without any interest thereon, a portion of the Stock Merger Consideration determined in accordance with the provisions of the PBCL and this Agreement. The Company shall give Buyer prompt written notice of any demand for appraisal received pursuant to the PBCL.

2.10 Estimated Indebtedness and Transaction Expenses. Not less than three business days prior to the anticipated Closing Date, the Company shall deliver to Buyer a written statement setting forth (a) its good faith calculation of its estimate (the "Closing Estimates") of (i) the amount of Indebtedness of the Company which will be outstanding immediately prior to the Effective Time ("Estimated Indebtedness") and (ii) Transaction Expenses, and (b) the Representative Administrative Amount, which Closing Estimates and Representative Administrative Amount shall be reasonably acceptable to Buyer.

2.11 Post-Closing Adjustment.

(a) Within forty-five (45) days after the Closing Date, Buyer shall deliver to the Representative a statement setting forth its calculation of the Final Consideration, including the Closing Indebtedness and Transaction Expenses (the "Preliminary Closing Statement"). During the period following the Representative's receipt of the Preliminary Closing Statement and until the Final Consideration is finally determined pursuant to this Section 2.11, the Representative and its accountants shall be permitted to review Buyer's books and records and working papers related to Buyer's preparation of the Preliminary Closing Statement. The Preliminary Closing Statement shall become final and binding upon Buyer, the Stockholders and the Optionholders thirty (30) days after the Representative's receipt thereof, unless the Representative gives written notice of its disagreement (the "Notice of Disagreement") to Buyer prior to such date, specifying in reasonable detail the nature of any disagreement so asserted and shall only include disagreements based upon mathematical errors or based upon the Preliminary Closing Statement not being prepared in accordance with this Section 2.11 and the related definitions contained herein. If a timely Notice of Disagreement is received by Buyer, then all amounts that are not in dispute shall be paid by the

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party owing such amount by wire transfer of immediately available funds no later than five business days after the time period in which the Representative delivers such Notice of Disagreement pursuant to Section 2.12 hereof. The determination of Closing Indebtedness, Transaction Expenses and Final Consideration (as revised in accordance with clause (x) or (y) below) shall become final and binding upon the Stockholders and the Optionholders on the earliest of (x) the date Buyer and the Representative resolve in writing any differences they have with respect to the matters specified in the Notice of Disagreement or (y) the date all matters in dispute are finally resolved in writing by the Dispute Resolution Auditor specified below. The Representative and Buyer shall negotiate in good faith to resolve any objections specified in the Notice of Disagreement, but if they do not reach a final resolution within thirty (30) days after the delivery of the Notice of Disagreement, the Representative and Buyer shall submit such dispute to Grant Thornton LLP (the "Dispute Resolution Auditor"). The Dispute Resolution Auditor shall consider only those items and amounts which are identified in the Notice of Disagreement as being items which the Representative and Buyer are unable to resolve. The Representative and Buyer shall use their commercially reasonable efforts to cause the Dispute Resolution Auditor to resolve all disagreements as soon as practicable. Further, the Dispute Resolution Auditor's determination shall be based solely on the presentations by Buyer and the Representative which are in accordance with the terms and procedures set forth in this Agreement, the provisions of this Section 2.11 and the related definitions contained herein (i.e., not on the basis of an independent review). The resolution of the dispute by the Dispute Resolution Auditor shall be final, binding and non-appealable on Buyer, the Stockholders and the Optionholders for purposes of this Section 2.11. The fees and expenses of the Dispute Resolution Auditor shall be allocated between Buyer, on the one hand, and the Stockholders and the Optionholders, on the other hand, based upon the percentage which the portion of the contested amount not awarded to each party bears to the amount actually contested by such party (with each Stockholder and Optionholder responsible for its portion of such costs and expenses (determined on a pro rata basis according to each Person's Common Percentage)).

(b) If the Final Consideration as finally determined pursuant to Section 2.11(a) above is greater than the Closing Consideration, Buyer shall pay to the Representative (on behalf of the Stockholders and the Optionholders to the extent of each Person's Common Percentage) such excess. If the Final Consideration as finally determined pursuant to Section 2.11(a) above is less than the Closing Consideration, each Stockholder and Optionholder (to the extent of each Person's Common Percentage), shall pay to Buyer such shortfall; provided, that, at Buyer's sole option, the Representative (on behalf of the Stockholders and the Optionholders) shall provide instructions to the Escrow Agent to deliver to Buyer from the Escrow Amount such shortfall. Payments to be made pursuant to this Section 2.11 shall be made in accordance with Section 2.12.

2.12 Post-Closing Adjustment Payment. Buyer shall promptly (but in any event within five business days after the final determination of the Final Consideration pursuant to Section 2.11) deliver to the Representative (on behalf of the Stockholders and the Optionholders to the extent of each Person's Common Percentage) any amounts determined pursuant to Section 2.11 to be due from Buyer by wire transfer of immediately available funds to an account designated by the Representative. The Representative shall promptly deliver such amounts to the Stockholders and the Optionholders according to each Stockholder's and Optionholder's Common Percentage. In the event any amounts are due from the Stockholders and Optionholders pursuant to Section 2.11,

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within two business days after the final determination of the Final Consideration pursuant to Section 2.11, Buyer shall deliver to the Representative a written notice indicating Buyer's election either (i) to receive the amounts due to Buyer from the Stockholders and Optionholders directly or (ii) to have the Escrow Agent deliver to Buyer such amounts from the Escrow Amount. If Buyer elects to receive the amounts due to Buyer from the Stockholders and Optionholders directly, each Stockholder and Optionholder (to the extent of each Person's Common Percentage), shall promptly (but in any event within five business days after the final determination of the Final Consideration pursuant to Section 2.11) deliver to Buyer any amounts determined pursuant to Section 2.11 to be due from the Stockholders and the Optionholders by wire transfer of immediately available funds to an account designated by Buyer. If Buyer elects to receive the amounts due to Buyer from the Escrow Amount, the Representative (on behalf of the Stockholders and the Optionholders to the extent of each Person's Common Percentage) and Buyer shall promptly (but in any event within five business days after the final determination of the Final Consideration pursuant to Section 2.11) execute and deliver to the Escrow Agent a joint written instruction, instructing the Escrow Agent to disburse from the Escrow Amount any amounts determined pursuant to Section 2.11 to be due from the Stockholders and the Optionholders by wire transfer of immediately available funds to an account designated by Buyer.

2.13 Closing Transactions.

(a) The Closing. The closing of the transactions contemplated by this Agreement (the "Closing") shall take place at the offices of Kirkland & Ellis LLP, 300 N. LaSalle Street, Chicago, Illinois, commencing at 10:00 a.m. local time on September 1, 2011, subject to the satisfaction or waiver of the conditions to Closing set forth in ARTICLE III (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or waiver of those conditions by the party entitled to the benefit thereof), or, if such conditions are not satisfied or waived by such date, on the third business day following the satisfaction or waiver of the conditions to Closing set forth in ARTICLE III (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or waiver of those conditions by the party entitled to the benefit thereof) or at such other time and place as is mutually agreeable to the Company and Buyer; provided that any party may participate remotely in the Closing by electronic delivery of documents and/or funds. The date and time of the Closing are referred to herein as the "Closing Date."

(b) The Closing Transactions; Closing Payments. Subject to the terms and conditions set forth in this Agreement, Buyer, Merger Sub and the Company shall consummate the following transactions (the "Closing Transactions") on the Closing Date:

(i) the Company and Merger Sub shall cause the Certificates of Merger to be executed and filed with the Secretary of State of the State of Delaware and the Secretary of State of the Commonwealth of Pennsylvania;

(ii) the Buyer shall make the following payments at Closing:

(A) in accordance with Section 2.3, Buyer shall deliver to the

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Representative (on behalf of each Stockholder) the aggregate amount to be paid to all Stockholders at the Closing pursuant to Section 2.2(a), by wire transfer of immediately available funds to the account designated by the Representative in writing;

(B) in accordance with Section 2.4, Buyer shall deliver to the Company (on behalf of each Optionholder) the aggregate amount to be paid to all Optionholders at the Closing pursuant to Section 2.4), by wire transfer of immediately available funds to the account designated by the Company in writing, for payment by the Company promptly following the Closing Date to each Optionholder that has delivered to the Company a duly executed Option Cancellation Agreement;

(C) Buyer shall deliver the Escrow Amount to the Escrow Agent pursuant to the terms and conditions of the Escrow Agreement by and among Buyer, the Representative and the Escrow Agent;

(D) Buyer shall repay, or cause to be repaid, on behalf of the Company, the amount of Estimated Indebtedness set forth on Schedule 2.13(b)(ii)(D), by wire transfer of immediately available funds to the account(s) designated by the holders of such Indebtedness; and

(E) simultaneously with the Closing, Buyer shall pay, or cause to be paid, on behalf of the Stockholders, Optionholders and the Company (as applicable), the Transaction Expenses set forth in the Closing Estimates by wire transfer of immediately available funds as directed by the Representative; and

(iii) Buyer, the Company and the Representative (on behalf of the Stockholders and the Optionholders) shall make such other deliveries as are required by ARTICLE III hereof.

2.14 Tax Withholding. Notwithstanding anything in this Agreement to the contrary, Buyer, Merger Sub and/or the Company (or the Representative on their behalf) shall be entitled to deduct and withhold, or cause to be deducted or withheld, from the consideration otherwise payable pursuant to this Agreement to any Person such amounts as it is required to deduct and withhold with respect to the making of such payment under the Code and the rules and regulations promulgated thereunder, or any provision of state, local or non-U.S. Tax law. To the extent that amounts are so withheld, or caused to be withheld, by Buyer, Merger Sub, the Company and/or the Representative, as applicable, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to such Person in respect of which such deduction and withholding was made by Buyer, Merger Sub or the Company, as applicable.

ARTICLE III
CONDITIONS TO CLOSING

3.1 Conditions to Buyer's and Merger Sub's Obligations. The obligations of Buyer and Merger Sub to consummate the transactions contemplated by this Agreement is subject to the

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fulfillment of the following conditions as of the Closing:

(a) The representations and warranties set forth in ARTICLE V hereof which are not qualified as to materiality shall be true and correct in all material respects and the representations and warranties which are qualified as to materiality shall be true and correct in all respects, in each case as of the date hereof and at and as of the Closing Date as though then made and as though the Closing Date were substituted for the date of this Agreement throughout such representations and warranties;

(b) The Company shall have performed and complied in all material respects with all of the covenants and agreements required to be performed by it under this Agreement on or prior to the Closing;

(c) Those consents by third parties identified on Schedule 3.1(c) that are required for the consummation of the transactions contemplated hereby or that are required in order to prevent a breach of or a default under or a termination or modification of or any right of acceleration of any obligations under any contract or agreement (including the Leased Property) ("Third Party Approvals") shall have been obtained, in form and substance reasonably satisfactory to Buyer and originals or copies of executed counterparts thereof shall have been made available for inspection by Buyer prior to the Closing;

(d) All governmental filings, authorizations and approvals that are required for the consummation of the transactions contemplated hereby ("Governmental Approvals") shall have been duly made and obtained, and all applicable waiting periods (and any extensions thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), shall have expired or been terminated;

(e) No suit, action or other proceeding, or injunction or final judgment, order or decree relating thereto, shall be pending or threatened before any court or quasi-judicial or administrative agency of any federal, state, local, or foreign jurisdiction or before any arbitrator in which it is sought to restrain or prohibit or to obtain damages or other relief (including rescission) in connection with the transactions contemplated hereby, or that has had, or would reasonably be expected to have, a Material Adverse Effect, or that would adversely affect the right of Buyer to own, operate or control the Company; no investigation that would result in any such suit, action or proceeding shall be pending nor threatened and no such judgment, order or decree has been entered and not subsequently dismissed with prejudice;

(f) From the date of this Agreement, there shall have been no event, transaction, condition or change, either individually or in the aggregate, which has had or would reasonably be expected to have a Material Adverse Effect;

(g) The Company shall have delivered to Buyer payoff letters with respect to all Indebtedness covered by clauses (i) and (ii) of the definition of Indebtedness herein which is outstanding as of the Closing, and documentation evidencing the release of any and all Liens securing such Indebtedness shall have been delivered, all on terms reasonably satisfactory to Buyer (the "Payoff Letters");

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(h) The CMU Licenses shall have been terminated and the transactions contemplated by the CMU Technology Purchase Agreement among Buyer, the Company and Carnegie Mellon University shall have been consummated;

(i) Each of the Retention Agreements shall not have been amended, altered or repealed and shall be effective as of the Closing in accordance with the terms of such agreement existing as of the date hereof;

(j) The Representative and the Escrow Agent shall have executed and delivered to Buyer a counterpart of the Escrow Agreement;

(k) The Company shall have delivered to Buyer written evidence, in form and substance reasonably satisfactory to Buyer, that the agreements set forth on Schedule 3.1(k) have been terminated prior to the Closing;

(l) Each of the Non-Compete Agreements shall not have been amended, altered or repealed and shall be effective as of the Closing in accordance with the terms of such agreement existing as of the date hereof;

(m) Each of the Employment Agreement Termination Agreements shall not have been amended, altered or repealed and shall be effective as of the Closing in accordance with the terms of such agreement existing as of the date hereof;

(n) On or prior to the Closing Date, the Company shall have delivered to Buyer all of the following:

(i) a certificate from a duly authorized officer of the Company, in form and substance reasonably satisfactory to Buyer, dated the Closing Date, stating that the preconditions specified in Sections 3.1(a), (b), (e) and (f) have been satisfied (the "Company Closing Certificate");

(ii) copies of the Third Party Approvals, Governmental Approvals and Payoff Letters;

(iii) evidence of termination of the CMU Licenses;

(iv) certified copies of (A) the articles of incorporation and by-laws of the Company, (B) the resolutions of the Company's board of directors authorizing the execution, delivery and performance of this Agreement and the other agreements contemplated hereby, and the consummation of all transactions contemplated hereby and thereby and (C) the Stockholder Approval;

(v) certificates of the Secretary of State of the Commonwealth of Pennsylvania and each state where it is qualified to do business (including the states listed on Schedule 5.1) stating that the Company is in good standing, dated not more than ten days prior to Closing;

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(vi) a certificate in compliance with Treas. Reg. §§1.897-2(h) and 1.1445-2(c)(3) that the Company is not a "United States real property holding corporation" as defined under Section 897 of the Code;

(vii) copies of resignations from each director of the Company effective as of the Effective Time; and

(viii) such other documents or instruments as Buyer may reasonably request to effect the transactions contemplated hereby.

Any condition specified in this Section 3.1 may be waived by Buyer; provided that no such waiver shall be effective unless it is set forth in a writing executed by Buyer.

3.2 Conditions to Company's Obligations. The obligation of the Company to consummate the transactions contemplated by this Agreement is subject to the fulfillment of the following conditions as of the Closing:

(a) The representations and warranties set forth in ARTICLE VI hereof which are not qualified as to materiality shall be true and correct in all material respects and the representations and warranties which are qualified as to materiality shall be true and correct in all respects, in each case as of the date hereof and at and as of the Closing Date as though then made and as though the Closing Date were substituted for the date of this Agreement throughout such representations and warranties;

(b) Buyer shall have performed and complied in all material respects with all of the covenants and agreements required to be performed by it under this Agreement on or prior to the Closing;

(c) All Governmental Approvals shall have been duly made and obtained, and all applicable waiting periods (and any extensions thereof) under the HSR Act shall have expired or been terminated;

(d) Buyer shall have delivered the payments required by Section 2.13(b)(ii);

(e) On or prior to the Closing Date, Buyer shall have delivered to the Company all of the following:

(i) a certificate from a duly authorized officer of Buyer, in form and substance reasonably satisfactory to the Company, dated the Closing Date, stating that the preconditions specified in Sections 3.2(a) and 3.2(b) have been satisfied (the "Buyer Closing Certificate");

(ii) certified copies of (A) the certificate of incorporation and by-laws of Buyer and Merger Sub and (B) the resolutions of the respective boards of directors of Buyer and Merger Sub authorizing the execution, delivery and performance of this Agreement and the other agreements contemplated hereby, and the consummation of all transactions contemplated hereby and thereby;

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(iii) certificates of good standing from the Secretary of State of the State of Delaware with respect to Merger Sub, and from the Secretary of State of the State of Arizona with respect to Buyer, each dated not more than ten days prior to Closing; and

(iv) such other documents or instruments as the Company may reasonably request to effect the transactions contemplated hereby;

(f) Buyer and the Escrow Agent shall have executed and delivered to the Company a counterpart of the Escrow Agreement; and

(g) No suit, action or other proceeding, or injunction or final judgment, order or decree relating thereto, shall be pending or threatened before any court or quasi-judicial or administrative agency of any federal, state, local, or foreign jurisdiction or before any arbitrator in which it is sought to restrain or prohibit or to obtain damages or other relief (including rescission) in connection with the transactions contemplated hereby, or that has had, or would reasonably be expected to have, a Material Adverse Effect, or that would adversely affect the right of Buyer to own, operate or control the Company; no investigation that would result in any such suit, action or proceeding shall be pending nor threatened and no such judgment, order or decree has been entered and not subsequently dismissed with prejudice.

Any condition specified in this Section 3.2 may be waived by the Company; provided that no such waiver shall be effective against the Company unless it is set forth in a writing executed by the Company.

ARTICLE IV
COVENANTS PRIOR TO CLOSING

4.1 Affirmative Covenants of the Company. Prior to the Closing, the Company shall:

(a) conduct its business and its operations only in the ordinary course of business consistent with past custom and practice ("Ordinary Course of Business"), including with respect to maintenance of working capital balances, collection of accounts receivable, payment of employee compensation, payment of accounts payable and cash management practices generally;

(b) use its reasonable efforts to cause its current insurance (or reinsurance) policies not to be cancelled or terminated or any of the coverage thereunder to lapse, unless simultaneously with such termination, cancellation or lapse, replacement policies providing coverage equal to or greater than the coverage under the cancelled, terminated or lapsed policies for substantially similar premiums are in full force and effect;

(c) keep in full force and effect its corporate existence and all rights and franchises relating or pertaining to its business and use commercially reasonable efforts to maintain in full force and effect the existence of, and protect, all Company Intellectual Property;

(d) use its reasonable efforts to keep its organization and properties intact in all material respects, including its present business operations, physical facilities, working conditions and

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employees and its present relationships with lessors, licensors, suppliers and customers, and encourage employees to continue their employment with the Company, as applicable, after the Closing;

(e) maintain the books, accounts and records of the Company in accordance with past custom and practice as used in the preparation of the Financial Statements;

(f) promptly (once the Company obtains Knowledge thereof) inform Buyer in writing of any breach of the representations and warranties contained in ARTICLE V hereof or any breach of any covenant hereunder by the Company;

(g) comply with applicable legal requirements and material contractual obligations applicable to the operations and business of the Company in all material respects and pay all applicable Taxes when due and payable other than Taxes already being contested in good faith on the date of this Agreement, which contests are set forth on Schedule 4.2(s);

(h) cooperate with Buyer and use reasonable best efforts to cause the conditions to Buyer's obligation to close to be satisfied (including the execution and delivery of all agreements contemplated hereunder to be so executed and delivered and the making and obtaining of all third party and governmental notices, filings, authorizations, approvals, consents, releases and terminations);

(i) provide, and cause its Affiliates, officers, directors, employees, attorneys, accountants and other agents to provide, Buyer and its attorneys, accountants and other agents reasonable access during normal business hours to the Company's directors, officers, personnel, customers, suppliers, consultants, attorneys, accountants and facilities and to business, operational, financial, legal, regulatory, tax, compensation and other data and information concerning the Company and its business; provided that Buyer shall not contact customers or suppliers of the Company without the prior consent of the Company, which consent shall not be unreasonably withheld or delayed. Effective upon the Closing, the Confidentiality Agreement shall terminate without any further action on the part of the parties hereto; and

(j) use commercially reasonable efforts to have each [**] that did not execute [**] execute a [**] the Company [**] arising under any and all agreements between such [**] and the Company, in form and substance reasonably acceptable to the Company and Buyer.

4.2 Negative Covenants of the Company. Prior to the Closing, the Company shall not, without the prior written consent of Buyer or as otherwise expressly contemplated by this Agreement or as set forth in Schedule 4.2:

(a) issue, sell or deliver any shares of its capital stock (other than with respect to the exercise of options outstanding as of the date hereof) or issue or sell any securities convertible into, or options with respect to, or warrants to purchase or rights to subscribe for, any shares of its capital stock;

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(b) effect any recapitalization, reclassification, stock dividend, stock split or like change in its capitalization;

(c) amend its articles of incorporation or bylaws;

(d) make any redemption or purchase of any shares of its capital stock (other than with respect to the repurchase of shares of Company Common Stock from former employees of the Company pursuant to existing agreements) or declare or pay any dividends or distributions with respect thereto;

(e) enter into, amend or modify any employment or severance agreement or other agreement or arrangement with any of its employees, or grant any increase in salary or bonus or otherwise increase the compensation payable to any director, officer, employee, consultant, advisor or agent employed in connection with or rendering services to the Company, except wage or salary increases required by existing contracts or made in the Ordinary Course of Business;

(f) enter into, establish, amend, terminate or (except as required by the express terms thereof) make any contribution to any employment or labor agreement or any benefit compensation plan, program, agreement or arrangement which covers employees of the Company, other than as required by applicable law;

(g) sell, assign, transfer, lease, license or otherwise dispose of any interest in any of its assets (other than sales of inventory or services in the Ordinary Course of Business), or permit, allow or suffer any of its assets to be subjected to any Lien, other than any Lien which exists as of the date of this Agreement or arises under any contract to which the Company is a party as of the date of this Agreement (all of which shall be released, satisfied or otherwise discharged as of the Closing Date, other than Permitted Liens);

(h) abandon or fail to take commercially reasonable actions to maintain or protect, or take (or fail to take) any other action that impairs or is reasonably likely to impair the value of, any of the Company Intellectual Property;

(i) engage in any promotional sales or discount or other activity with customers that has or would reasonably be expected to have the effect of accelerating to pre-Closing periods sales that would otherwise be expected to occur in post-Closing periods other than in the Ordinary Course of Business;

(j) make any capital investment in, or any loan to, any other Person;

(k) terminate or modify any government license, permit or other authorization;

(l) enter into any new, or amend or terminate any existing, contract, agreement or commitment involving more than $[**] or that is otherwise material to the Company's business or outside the Ordinary Course of Business, provided that the Company shall not be restricted from entering into any contract, agreement or commitment for the sale of Company products to customers in the Ordinary Course of Business (subject to Section 4.2(m) below);

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(m) enter into any new contract, agreement or commitment containing an obligation of the Company to repurchase or reimburse a customer for any products or services;

(n) make any capital expenditure greater than $[**] individually or the aggregate or that is otherwise material to the Company's business, in either case, that is not contemplated in the Company's annual budget for the 2011 fiscal year as originally approved by the Company's board of directors (the "2011 Budget"), or fail to make any material capital expenditure contemplated in the 2011 Budget;

(o) amend, modify, extend, renew or terminate any real property lease, or enter into any new lease, sublease, license or other agreement for the use or occupancy of any real property;

(p) institute any material change in the conduct of its business other than the restriction on entering into new contracts as expressly contemplated by Section 4.2(m) of this Agreement;

(q) take or omit to take any action which would be reasonably anticipated to have a Material Adverse Effect;

(r) enter into any transaction with or distribute any assets or property to any of the Company's officers, directors, partners, stockholders or Affiliates;

(s) make or change any Tax election, change an annual accounting period, adopt or change any accounting method, file any amended Tax Return, enter into any closing agreement, settle any Tax claim or assessment relating to the Company, surrender any right to claim a refund of Taxes, consent to any extension or waiver of the limitation period applicable to any Tax claim or assessment relating to the Company, take any other similar action relating to the filing of any Tax return or the payment of any Tax, or fail to pay any Taxes as they become due and payable (other than Taxes already being contested in good faith on the date of this Agreement, which contests are set forth on Schedule 4.2(s));

(t) (i) from the date hereof through August 15, 2011, use the Company's cash to repay or otherwise discharge any Indebtedness existing as of the date hereof, and (ii) after August 15, 2011, use the Company's cash to repay or otherwise discharge any Indebtedness existing as of the date hereof to the extent that doing so would cause (A) the amount of the Company's cash balance, after giving effect to such repayment, to be less than $[**] (including $[**] of restricted cash with respect to the Next Generation Learning Challenges Grant Agreement, dated March 31, 2011, by and between the Company and EDUCAUSE) or (B) the aggregate amount of Closing Indebtedness and Transaction Expenses to be less than or equal to $[**]; or

(u) authorize or enter into an agreement to take any actions prohibited by this Section 4.2.

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4.3 Consents and Governmental Authorizations; HSR Filings; Notice to Non-Consenting Stockholders.

(a) Promptly after the date hereof, the Company shall (i) give, at its sole cost and expense, all notices required to be given to third parties in connection with the transactions contemplated hereby, and (ii) use reasonable best efforts to obtain prior to the Closing all consents and governmental authorizations identified or required to be identified on Schedule 5.5.

(b) If applicable, Buyer and the Company shall each as promptly as practicable file with the United States Federal Trade Commission (the "FTC") and the United States Department of Justice (the "DOJ") the Notification and Report Form if required for the transactions contemplated by this Agreement and any supplemental information requested in connection therewith pursuant to the HSR Act. Each of Buyer and the Company shall be responsible for paying one-half of the applicable filing fee pursuant to the HSR Act with respect to the transactions contemplated by this Agreement. Any such Notification and Report Form and supplemental information will be in compliance with the requirements of the HSR Act. The Company and Buyer shall furnish to the other such necessary information and reasonable assistance as the other may required in connection with its preparation of any filing or submission which is necessary under the HSR Act. The Company and Buyer shall keep each other apprised of the status of any communications with, and inquiries or requests for additional information from, the FTC and the DOJ and shall comply promptly with any such inquiry or request. The Company and Buyer will use all commercially reasonable efforts to obtain early termination of the waiting period under the HSR Act and any other clearance required under the HSR Act for the transactions contemplated by this Agreement. Notwithstanding anything herein to the contrary, nothing in this Section 4.3 shall require Buyer, the Surviving Corporation or any of their Affiliates to, or agree to, divest, sell, dispose of, hold separate or otherwise take actions that limit its freedom of action with respect to its businesses or assets or the Company's businesses or assets.

(c) Within one business day after the execution of this Agreement, the Company shall provide each Stockholder that has not executed the Stockholder Approval written notice of the Stockholder Approval and the actions taken thereby (the "Non-Consenting Stockholder Notice"), which shall indicate that the Stockholder Approval shall be effective ten days after the date of the Non-Consenting Stockholder Notice and comply with all applicable provisions of the PBCL.

4.4 Buyer Efforts to Close. Buyer shall, and shall cause Merger Sub to, cooperate with the Company and use reasonable best efforts to cause the conditions to Buyer's and Merger Subs' obligations to close to be satisfied (including the execution and delivery of all agreements contemplated hereunder to be so executed and delivered and the making and obtaining of all third party and governmental notices, filings, authorizations, approvals, consents, releases and terminations).

ARTICLE V
REPRESENTATIONS AND WARRANTIES OF THE COMPANY

As a material inducement to Buyer and Merger Sub to enter into this Agreement, the Company hereby represents and warrants to Buyer and Merger Sub that:

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5.1 Organization and Corporate Power. The Company is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania and is qualified to do business as a foreign corporation in every jurisdiction in which the character of the Company's properties or the nature of the Company's activities require it to be so qualified, except where the failure to so qualify has not had or would not reasonably be expected to have a Material Adverse Effect. All such jurisdictions in which the Company is qualified are set forth on Schedule 5.1. The Company has full corporate power and authority and all licenses, permits and authorizations necessary to own and operate its properties, to carry on its business as now conducted and as presently proposed to be conducted. The copies of the Company's articles of incorporation and by-laws which have been furnished to Buyer reflect all amendments made thereto at any time prior to the date of this Agreement and are correct and complete. The minute books containing the records of meetings of the stockholders and board of directors, the stock certificate books and the stock record books of the Company which have been furnished to Buyer are correct and complete in all material respects (excluding minutes of board of directors meetings regarding the consideration of the transactions contemplated by this Agreement). Except as set forth on Schedule 5.1, the Company is not in default under or in violation of any provision of its articles of incorporation or by-laws.

5.2 Authorization of Transactions. The Company has full corporate power and authority to execute and deliver this Agreement and the other Transaction Documents to which the Company is a party and to consummate the transactions contemplated hereby and thereby. The board of directors of the Company has duly approved this Agreement and all other Transaction Documents to which the Company is a party and has duly authorized the execution and delivery of this Agreement and all other Transaction Documents to which the Company is a party and the consummation of the transactions contemplated hereby and thereby. No other corporate proceedings on the part of the Company are necessary to approve and authorize the execution and delivery of this Agreement or the other Transaction Documents to which the Company is a party and the consummation of the transactions contemplated hereby and thereby. The Stockholder Approval has been duly obtained and is the only vote, approval or other corporate action of the holders of the Company's securities necessary to approve this Agreement, the other Transaction Documents to which the Company is a party and the transactions contemplated hereby and thereby. This Agreement and all other Transaction Documents to which the Company is a party have been duly executed and delivered by the Company and constitute the valid and binding agreements of the Company, enforceable against the Company in accordance with their terms, except as enforceability may be limited by bankruptcy laws, other similar laws affecting creditors' rights and general principles of equity affecting the availability of specific performance and other equitable remedies.

5.3 Capitalization. As of the date of this Agreement, the authorized, issued and outstanding capital stock of the Company consists of 113,500,000 shares of Company Common Stock and 91,919,597 shares of preferred stock, par value $0.001 per share (the "Preferred Stock"), of which 3,192,324 shares of Preferred Stock have been designated Series A Preferred Stock, 2,727,273 shares of Preferred Stock have been designated Series B Preferred Stock, 11,000,000 shares of Preferred Stock have been designated Series C Preferred Stock, 2,000,000 shares of Preferred Stock have been designated Series D Preferred Stock, and 35,000,000 shares of the

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Preferred Stock have been designated Series E Preferred Stock. As of the date of this Agreement, 13,164,906 shares of Company Common Stock (including 3,449,486 shares of restricted Company Common Stock), 3,192,324 shares of Series A Preferred Stock, 2,727,272 shares of Series B Preferred Stock, 10,842,763 shares of Series C Preferred Stock, 1,882,756 shares of Series D Preferred Stock and 34,403,670 shares of Series E Preferred Stock are issued and outstanding and are owned of record and beneficially by the Stockholders in the amounts set forth opposite such Stockholder's name on Schedule 5.3, and 10,421,500 shares of Company Common Stock are reserved for issuance upon exercise of the Options. Schedule 5.3 sets forth a complete and correct list of all outstanding Options, and with respect to each such Option, identifies (i) the name of the Optionholder that holds such Option, (ii) the date of grant of such Option and (iii) the portion of such Option that has vested. As of the Effective Time, after giving effect to the deemed conversion of all of the issued and outstanding shares of Preferred Stock, 101,986,045 shares of Company Common Stock (including 3,449,486 shares of restricted Company Common Stock) will be deemed issued and outstanding and owned of record and beneficially by the Stockholders in the amounts set forth opposite such Stockholder's name on Schedule 5.3. All of the issued and outstanding shares of Preferred Stock and Company Common Stock have been duly authorized, are validly issued, fully paid and nonassessable, are not subject to, nor were they issued in violation of, any preemptive rights or rights of first refusal, and are owned of record and beneficially by the Stockholders in the amounts set forth on Schedule 5.3, free and clear of all Liens. Except as set forth on Schedule 5.3, the Company does not have any other capital stock, equity securities or securities containing any equity features authorized or outstanding. Other than the Options, there are no outstanding or authorized options, warrants, rights, contracts, calls, puts, rights to subscribe, conversion rights or other agreements or commitments to which the Company is a party or which are binding upon the Company providing for the issuance, disposition or acquisition of any of its capital stock or other equity securities of the Company of any kind (other than this Agreement). There are no outstanding or authorized stock appreciation, phantom stock or similar rights with respect to the Company. Except as set forth on Schedule 5.3, there are no voting trusts, proxies or any other agreements or understandings with respect to the voting of the capital stock of the Company. Except as set forth in the Company's articles of incorporation, the Company is not subject to any obligation (contingent or otherwise) to repurchase or otherwise acquire or retire any shares of its capital stock. The Company has not violated any applicable federal or state securities laws in connection with the offer, sale or issuance of any of its capital stock. The Company has never declared or paid any dividends or distributions with respect to the Company Common Stock.

5.4 Subsidiaries; Investments. The Company does not own, hold or control any shares of stock or any other security or interest (including any partnership, joint venture, debt or equity interest) in any other Person or any rights to acquire any such stock or other security or interest, or have any obligation to make an investment (whether by loan, capital contribution or purchase of securities) in any Person.

5.5 Absence of Conflicts. Except as set forth in Schedule 5.5, the execution, delivery and performance of this Agreement and the other Transaction Documents to which the Company is a party and the consummation of the transactions contemplated hereby and thereby by the Company does not and shall not conflict with or result in any breach of, constitute a default under, result in a violation of, give any third party the right to modify, terminate or accelerate any obligation

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under, result in the creation of any Lien upon any capital stock or any assets of the Company under, or require any authorization, consent, approval, exemption or other action by or notice or declaration to, or filing with, any court or administrative or other governmental body or agency under, the provisions of the articles of incorporation or by-laws of the Company or any indenture, mortgage, lease, loan agreement or other agreement or instrument to which the Company is bound or affected, or any law, statute, rule or regulation or order, judgment or decree to which the Company is subject, except such filings and notices as may be required under the HSR Act.

5.6 Financial Statements. The Company has furnished Buyer with copies of (i) the Company's unaudited balance sheet as of May 31, 2011 (the "Latest Balance Sheet") and the related statement of income for the five-month period then ended and (ii) the Company's audited balance sheets and statements of income, stockholders' equity and cash flows for the fiscal years ended December 31, 2010 and 2009. Each of the foregoing financial statements (including in all cases the notes thereto, if any) (the "Financial Statements") is accurate and complete in all material respects, is consistent with the Company's books and records (which books and records are accurate and complete in all material respects), present fairly in all material respects the Company's financial condition and results of operations as of the times and for the periods referred to therein, and has been prepared in accordance with GAAP, consistently applied, subject in the case of the unaudited financial statements to changes resulting from normal year-end adjustments for recurring accruals (which shall not be material individually or in the aggregate) and to the absence of footnote disclosure.

5.7 Absence of Undisclosed Liabilities. The Company has no material obligations or liabilities (whether accrued, absolute, contingent, unliquidated or otherwise, whether or not known, whether due or to become due and regardless of when asserted) arising out of transactions entered into at or prior to the Closing, or any action or inaction at or prior to the Closing, or any state of facts existing at or prior to the Closing, except (i) obligations under contracts or commitments described in Schedule 5.13 or under contracts and commitments entered into in the Ordinary Course of Business which are not required to be disclosed thereon due to specified dollar thresholds or other limitations (but not liabilities for breaches thereof), (ii) liabilities reflected on the liabilities side of the Latest Balance Sheet, (iii) liabilities which have arisen after the date of the Latest Balance Sheet in the Ordinary Course of Business or otherwise in accordance with the terms and conditions of this Agreement (none of which is a liability for breach of contract, breach of warranty, tort or infringement or a claim or lawsuit or an environmental liability), and (iv) liabilities set forth on Schedule 5.7.

5.8 Absence of Certain Developments. Since December 31, 2010, there has been no Material Adverse Effect. Without limiting the generality of the foregoing, except as set forth on Schedule 5.8 or as taken after the date hereof in accordance with Section 4.1 and subject to the restrictions set forth in Section 4.2, since December 31, 2010, the Company has not:

(a) redeemed or purchased, directly or indirectly, any of its capital stock or other equity interests or declared or paid any dividends or distributions with respect thereto or permitted any other withdrawal or distribution of funds or other assets from the Company to any of its Affiliates other than normal and reasonable salaries of employees and the payments of the Company's normal expenses in the Ordinary Course of Business consistent with past practices;

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(b) issued, sold or transferred any of its capital stock or other equity securities, securities convertible into its capital stock or other equity securities or warrants, options or other rights to acquire its capital stock or other equity securities, or any bonds or debt securities, other than with respect to the exercise of options in the Ordinary Course of Business;

(c) sold, leased, transferred, or assigned any of its tangible assets, other than for fair consideration in the Ordinary Course of Business;

(d) entered into any agreement, contract, lease or license (or series of related agreements, contracts, leases or licenses) either involving a Company obligation of more than $[**] or outside the Ordinary Course of Business;

(e) accelerated, terminated, modified, or cancelled any agreement, contract, lease or license (or series of related agreements, contracts, leases or licenses) to which the Company is a party or by which it is bound involving more than $[**] or that is otherwise material to the Company's businesses or outside the Ordinary Course of Business;

(f) mortgaged, pledged or subjected to any Lien any of its assets or capital stock, except for Permitted Liens;

(g) made any capital investment in, any loan to, or any acquisition of the securities or assets of, any other Person (or series of related capital investments, loans or acquisitions), other than the acquisition of inventory in the Ordinary Course of Business;

(h) issued any note, bond or other debt security or created, incurred, assumed, or guaranteed any indebtedness for borrowed money or capitalized lease obligation;

(i) delayed or postponed the payment of accounts payable and other liabilities outside the Ordinary Course of Business;

(j) cancelled, compromised, waived, or released any right or claim (or series of related rights or claims) either (i) involving more than $[**], (ii) without having received fair consideration or (iii) outside the Ordinary Course of Business;

(k) sold, assigned, licensed, transferred or encumbered, or abandoned or failed to maintain or protect, or taken (or failed to take) any other action that impairs or is reasonably likely to impair the value of, any of the Company Intellectual Property or other intangible assets of the Company;

(l) experienced any material damage, destruction, or loss (whether or not covered by insurance) to its tangible assets;

(m) made any capital expenditures or commitments therefor greater than $[**] individually or in the aggregate or that is otherwise material to the Company's business that were

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not contemplated in the 2011 Budget, or failed to make any material capital expenditures contemplated in the 2011 Budget;

(n) made any loan to, or entered into any other transaction with, any of its directors, officers or employees outside the Ordinary Course of Business;

(o) entered into any employment contract or collective bargaining agreement, written or oral, or modified the terms of any such existing contract or agreement;

(p) granted any increase in the base salary compensation of, or made any other change in employment terms for, any of its directors, officers or employees outside the Ordinary Course of Business;

(q) adopted, amended, modified, or terminated any bonus, profit-sharing, incentive, severance, or other plan, contract or commitment for the benefit of any of its directors, officers, or employees (or taken any such action with respect to any other Employee Benefit Plan), other than as required by applicable law;

(r) made or changed any Tax election, changed an annual accounting period, adopted or changed any accounting method, filed any amended Tax Return, entered into any closing agreement, settled any Tax claim or assessment relating to the Company, surrendered any right to claim a refund of Taxes, consented to any extension or waiver of the limitation period applicable to any Tax claim or assessment relating to the Company, took any other similar action relating to the filing of any Tax return or the payment of any Tax, or failed to pay any Taxes as they became due and payable; or

(s) committed or agreed to do any of the foregoing.

5.9 Title to Properties.

(a) Owned Real Property. The Company does not own any real property.

(b) Leased Real Property. The real property lease described on Schedule 5.9(b) (the "Leased Property") is valid, binding, enforceable and in full force and effect in all material respects and has not been modified (except to the extent disclosed in the documents delivered to Buyer), and the Company holds a valid and existing leasehold interest under such lease for the term set forth in Schedule 5.9(b). The Leased Property constitutes all of the leases and subleases under which the Company holds leasehold or subleasehold interests in real property. The Company has delivered to Buyer complete and accurate copies of the lease described in Schedule 5.9(b). With respect to the Leased Property:

(i) the lease shall continue to be legal, valid, binding, enforceable and in full force and effect immediately following the Closing, except as enforceability may be limited by bankruptcy laws, other similar laws affecting creditors' rights and general principles of equity affecting the availability of specific performance and other equitable remedies;

(ii) neither the Company nor, to the Company's Knowledge, any other party to the lease is in breach or default in any material respect, and no event has occurred which,

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with notice or lapse of time or both, would constitute such a breach or default or permit termination, modification or acceleration under the lease;

(iii) no party to the lease has provided written notice of its repudiation or its intention to repudiate any provision thereof and there are no material disputes, oral agreements or forbearance programs in effect as to the lease; and

(iv) the Company has not assigned, transferred, conveyed, mortgaged, deeded in trust or encumbered any interest in the leasehold.

(c) Except with respect to Intellectual Property (which is covered under Section 5.16), the Company owns good and marketable title to, or a valid leasehold interest in, free and clear of all Liens (other than Permitted Liens or Liens that will be discharged as of the Closing), all of the personal property and assets which are shown on the Latest Balance Sheet or acquired thereafter or used by the Company.

5.10 Inventory. All inventory of the Company, including any inventory held in consignment by any third party, is of a quantity and quality usable (in the case of inventory held for use) and saleable (in the case of inventory held for sale) in the Ordinary Course of Business without discount (outside the Ordinary Course of Business) and is not damaged, defective, slow-moving or obsolete, subject only to the reserves identified for obsolescence accrued on the Latest Balance Sheet or which, consistent with GAAP, was to be booked following the date of the Latest Balance Sheet in the Ordinary Course of Business.

5.11 Accounts Receivable. All of the accounts receivable of the Company reflected on the Latest Balance Sheet are good and valid receivables (subject to no valid counterclaims or offset), net of allowances for doubtful accounts as reflected thereon. As of the date hereof, there are no individual accounts receivable which are over $[**] and ninety (90) days past due, except as set forth on Schedule 5.11(a). As of the Closing Date, no Person shall have any Lien (which, for the avoidance of doubt, shall not include any obligation of the Company to reimburse a customer pursuant to a product warranty provided to such customer by the Company) on such receivables or any part thereof, other than Liens expressly reflected on the Latest Balance Sheet or except as set forth on Schedule 5.11(b). No agreement for deduction, free goods, discount or other deferred price or quantity adjustment shall have been made with respect to any such receivables other than in the Ordinary Course of Business.

5.12 Taxes.

(a) The Company has filed all Tax Returns that it was required to file under applicable laws and regulations. All such Tax Returns were correct and complete in all material respects and were prepared in substantial compliance with all applicable laws and regulations. All Taxes due and owing by the Company (whether or not shown on any Tax Return) have been paid. The Company is not currently the beneficiary of any extension of time within which to file any Tax Return. No claim has ever been made by an authority in a jurisdiction where the Company does not file Tax Returns that the Company is or may be subject to taxation by that jurisdiction. There are no Liens for Taxes (other than Taxes not yet due and payable) upon any of the assets of the Company.

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(b) The Company has withheld and paid all Taxes required to have been withheld and paid in connection with any amounts paid or owing to any employee, independent contractor, creditor, stockholder, or other third party.

(c) Except as set forth on Schedule 5.12(c), no federal, state, local or non-U.S. Tax audits or administrative or judicial Tax proceedings are pending or being conducted with respect to the Company. Except as set forth on Schedule 5.12(c), the Company has not received from any federal, state, local or non-U.S. taxing authority (including jurisdictions where the Company has not filed Tax Returns) any written (i) notice indicating an intent to open an audit or other review, (ii) request for information related to Tax matters or (iii) notice of deficiency or proposed adjustment for any amount of Tax proposed, asserted or assessed by any taxing authority against the Company. Schedule 5.12(c) lists all federal, state, local and non-U.S. income Tax Returns filed with respect to the Company that have been audited, and indicates those Tax Returns that currently are the subject of audit. The Company has delivered to Buyer correct and complete copies of all federal income Tax Returns, examination reports and statements of deficiencies assessed against or agreed to by the Company filed or received since December 31, 2006.

(d) The Company has not waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency.

(e) The Company has not been a United States real property holding corporation within the meaning of Section 897(c)(2) of the Code during the applicable period specified in Section 897(c)(1)(A)(ii). The Company is not a party to or bound by any Tax allocation or sharing agreement. The Company (i) has not been a member of an Affiliated Group filing a consolidated federal income Tax Return (other than a group the common parent of which was the Company) and (ii) has no Liability for the Taxes of any Person (other than the Company) under Treasury Regulation Section 1.1502-6 (or any similar provision of state, local or non-U.S. law), as a transferee or successor, by contract, or otherwise.

(f) The Company will not be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date as a result of any: (i) change in method of accounting for a taxable period ending on or prior to the Closing Date; (ii) "closing agreement" as described in Section 7121 of the Code (or any corresponding or similar provision of state, local or non-U.S. income Tax law) executed on or prior to the Closing Date; (iii) intercompany transaction or excess loss account described in Treasury Regulations under Section 1502 of the Code (or any corresponding or similar provision of state, local or non-U.S. income Tax law); (iv) installment sale or open transaction disposition made on or prior to the Closing Date; (v) prepaid amount received on or prior to the Closing Date; or (vi) election under Section 108(i) of the Code.

(g) The Company has not distributed stock of another Person, or had its stock distributed by another Person, in a transaction that was purported or intended to be governed in whole or in part by Sections 355 or 361 of the Code. The Company is not and has not been a party to any "reportable transaction," as defined in Section 6707A(c)(1) and Treasury Regulation Section 1.6011-4(b).

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(h) The Company does not have a permanent establishment (within the meaning of an applicable Tax treaty) or otherwise have an office or fixed place of business in a country other than the country in which it is organized.

5.13 Contracts and Commitments.

(a) Schedule 5.13 lists the following written contracts or other material oral agreements to which the Company is a party or is otherwise bound (other than contracts or agreements that have expired by their terms and for which no party thereto has any rights or obligations after the date of this Agreement):

(i) all contracts with any labor union or any bonus, pension, profit sharing, retirement or any other form of deferred compensation plan or any stock purchase, stock option or similar plan, or any severance agreement or arrangement that would require payments to any Person after the date of this Agreement;

(ii) all written agreements for the employment of any individual by the Company on a full time, part-time, consulting, or other basis (not including offer letters for at-will employment);

(iii) all agreements or indentures relating to the borrowing of money or to mortgaging, pledging or otherwise placing a Lien on any of its assets or its capital stock or any letter of credit arrangements;

(iv) all agreements relating to the licensing of Company Intellectual Property by the Company to a third party or by a third party to the Company (other than licenses of unmodified, off-the-shelf software that is not used in the Company's products and has an aggregate purchase price of less than $[**] and licenses of Company Intellectual Property to customers and end users entered into in the Ordinary Course of Business for the Company's commercial Software products), or pertaining to any funding (including funding from any governmental authority) for any Company Intellectual Property;

(v) all nondisclosure or confidentiality agreements limiting the disclosure by the Company of material non-public information;

(vi) any guaranty of any obligation for borrowed money, contractual or otherwise, and any performance bonds;

(vii) all leases or agreements under which the Company is a lessee of or holds or operates any personal property owned by any other party for which the rental exceeds $[**] per annum;

(viii) all leases or agreements under which the Company is lessor of or permits any third party to hold or operate any property, real or personal, controlled by the Company;

(ix) all contracts or group of related contracts with the same party for the furnishing or receipt of services or the purchase or sale of products or other personal property

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under which the undelivered balance of such products and services has a selling price in excess of $[**] per annum (other than licenses of unmodified, off-the-shelf software that is not used in the Company's products and has an aggregate purchase price of less than $[**] and licenses of Company Intellectual Property to customers and end users entered into in the Ordinary Course of Business for the Company's commercial Software products);

(x) all contracts or group of related contracts with the same party (and, in the case of any customer contract, in excess of $[**] per annum): (A) continuing over a period of more than six months from the date or dates thereof; or (B) not terminable by the Company upon sixty (60) days' or less notice without penalty;

(xi) all contracts which prohibit the Company from freely engaging in business anywhere in the world;

(xii) all contracts with third parties for the distribution, marketing, sale, advertising or promotion of the Company's products or services (not including purchase orders for the sale of goods in an amount less than $[**] and entered into in the Ordinary Course of Business);

(xiii) all franchise agreements, agency agreements or powers of attorney;

(xiv) all agreements with respect to the lending or investing of funds by the Company in or to, or ownership by the Company of, other Persons (including investments in joint ventures and minority equity investments);

(xv) all agreements with the [**] or any [**]; and

(xvi) all other agreements material to the Company, whether or not entered into in the Ordinary Course of Business.

(b) With respect to each agreement required to be listed on Schedule 5.13, the Company has made available to Buyer a correct and complete copy of each written agreement listed thereon (as amended to date). With respect to each such agreement: (i) the agreement is legal, valid, binding, enforceable, and in full force and effect, except as enforceability may be limited by bankruptcy laws, other similar laws affecting creditors' rights and general principles of equity affecting the availability of specific performance and other equitable remedies; (ii) the Company is not in breach or default in any material respect, nor has the Company taken any action which with notice or lapse of time or both would constitute a breach or default in any material respect, or permit termination, modification, or acceleration, under the agreement; (iii) to the Company's Knowledge, (A) no other party is in breach or default in any material respect, and (B) no event has occurred which with notice or lapse of time or both would constitute a breach or default in any material respect, or permit termination, modification, or acceleration, under the agreement; and (iv) the Company has not received written notice of any other party's repudiation or intention to repudiate any provision of the agreement.

5.14 Customers.

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(a) Schedule 5.14(a) lists all of the customers of the Company that purchased more than $[**] of goods or services from the Company during the trailing twelve (12)-month period ended March 31, 2011. Except as set forth on Schedule 5.14(a), no customer required to be identified on Schedule 5.14(a) has terminated, or has provided the Company with written notice that it intends to terminate or not renew, its business relationship with the Company.

(b) Except as set forth on Schedule 5.14(b), during the past three years the Company has not received notice of an event of default or breach under any written agreement with any customer required to be identified on Schedule 5.14(a), and the Company has not been required to pay any penalty or issue any credit to, or satisfy any warranty claims in respect of, any such customer related to the failure of the Company to meet any specified performance standards or similar requirements under such agreement, except for such penalties, credits or warranty claims which did not, individually or in the aggregate, exceed $[**].

5.15 Suppliers. Except as set forth on Schedule 5.15, there are no suppliers of products or services to the Company that are material to its business with respect to which practical alternative sources of supply are not generally available on comparable terms and conditions in the marketplace. No supplier of products or services to the Company has provided the Company with written notice of its intention to terminate its business relationship with the Company and the Company does not have Knowledge of any dispute with any material supplier of products or services to the Company.

5.16 Intellectual Property.

(a) Schedule 5.16(a) contains a complete and accurate list of all of the following that are owned by the Company anywhere in the world: (i) patents, patent applications, patent disclosures, and invention disclosures and any reissue, continuation, continuation-in-part, division, revision, extension or reexamination thereof; (ii) registered or applications for registration of trademarks, service marks, trade dress, trade names, corporate names, logos and slogans; (iii) Internet domain names; (iv) registrations or applications for registration of copyrights, copyrightable works and mask works; and (v) Software and Software systems currently used in the Company's business as presently conducted or under development, including any such software in which Company has partial or shared ownership with another Person. With respect to each patent application set forth in Schedule 5.16(a), (A) the Company has diligently prosecuted such patent application in a timely manner, (B) the Company has not made any intentional misrepresentations or misstatements and has not intentionally failed to disclose information during the prosecution of such patent application, (C) neither the Company nor its employees or agents have made any public disclosure, sale or offer for sale, prior to such patent application being filed with a patent office, (D) the Company has not sought or received a written opinion of patent counsel specifically opining as to the likelihood of obtaining or not obtaining patent rights under such patent application, and (E) such patent application was filed in the name of the proper inventor(s), and each inventor shown on such patent application has assigned to the Company such inventor's right, title and interest in and to the invention covered by such patent application.

(b) Except as set forth on Schedule 5.16(b), the Company owns, free and clear of all Liens (and without restriction as to use or disclosure other than pursuant to a written license set forth on Schedule 5.13), the entire right, title and interest to, or has the right to use pursuant to a

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valid and enforceable written license set forth on Schedule 5.13, all Intellectual Property used in or necessary for the operation of its business as presently conducted, including all Intellectual Property identified on Schedule 5.16(a) but excluding (i) off-the-shelf software that is not incorporated in the Company's products and has an aggregate purchase price of less than $[**] or (ii) any [**] (which is separately addressed in Section 5.16(h)) (collectively, the "Company Intellectual Property").

(c) The Company owns and possesses the entire right, title and interest in (or has the right to use pursuant to a license) all Company Intellectual Property created or developed by, for or under the direction or supervision of the Company, and all Persons who have participated in the creation or development of any such Company Intellectual Property, including the Company Intellectual Property set forth on Schedule 5.16(a), have executed and delivered to the Company a valid and enforceable agreement (i) providing for the non-disclosure by such Person of any confidential information of the Company, and (ii) providing for the present assignment by such Person to the Company of any Intellectual Property arising out of such Person's employment by, engagement by or contract with the Company; provided, however, the Company makes no representation that employees or affiliates of Carnegie Mellon University have executed or delivered such a valid and enforceable agreement for Intellectual Property licensed to the Company pursuant to the CMU Licenses.

(d) No loss or expiration of any Company Intellectual Property is pending or threatened. The Company has taken reasonable actions to maintain and protect the Company Intellectual Property owned by the Company ("Owned Company Intellectual Property") since its creation or acquisition by Company, whichever is later. The parties hereby acknowledge that the CMU Licenses contain certain grant-back rights to Carnegie Mellon University. The [**] is not incorporated or used in the [**].

(e) The Owned Company Intellectual Property is valid and enforceable and to the Company's Knowledge, no claim by any third party contesting the validity, enforceability, use or ownership of any of the Company Intellectual Property has been made, is currently outstanding or is threatened, and there are no grounds for the same. Except as set forth on Schedule 5.16(e)(i), the Company has not [**], and the operation of its business as currently conducted or as currently proposed to be conducted in its current business plan will not [**], any Intellectual Property of any third party, the Company is not aware of any facts that indicate a likelihood of any of the foregoing and the Company has not received any written notices regarding any of the foregoing (including any demands or offers to license any Intellectual Property from any third party). To the Company's Knowledge, except with respect to potential infringements and potential misappropriations as set forth on Schedule 5.16(e)(ii), no third party has infringed, misappropriated or otherwise conflicted with any of the Owned Company Intellectual Property and the Company is not aware of any facts that indicate a likelihood of any of the foregoing. Immediately subsequent to the Closing, the Company Intellectual Property will be owned by or available for use by Company on terms and conditions identical to those under which Company owned or used the Company Intellectual Property immediately prior to the Closing, except to the extent that any right terminates or expires pursuant to its terms, or in accordance with the CMU Technology Purchase Agreement.

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(f) Except as expressly contemplated by this Agreement or as set forth on Schedule 5.16(f), the Company is not a party to or bound by any agreement pursuant to which the Company has granted, or is obligated to grant in the future, to any party a Source Code license or option or other right to use or acquire Source Code owned or possessed by the Company, including any agreements that provide for Source Code escrow arrangements for Source Code owned or possessed by the Company. Except for Source Code that has been approved for release by Dennis Ciccone and as set forth on Schedule 5.16(f), no Source Code owned or possessed by the Company has been released or provided by the Company to any Person in connection with the [**]. All Source Code set forth on Schedule 5.16(f) with respect to [**] has been tracked and is recorded in the Company's subversion revision control system. Except as provided in the preceding two sentences, the Company has not disclosed any Source Code owned or properly licensed by the Company to any third party, except through a properly executed license agreement set forth on Schedule 5.13.

(g) Except as expressly contemplated by this Agreement or as set forth on Schedule 5.16(g), the Company has not agreed to indemnify any third party for or against any interference, infringement, misappropriation or other conflict with respect to any Company Intellectual Property.

(h) Schedule 5.16(h) lists all [**] that is incorporated into, combined with, distributed with, or made available with, any Company product whether distributed or provided on a [**]. Except as disclosed on Schedule 5.16(h), the Company has not used [**] in a manner that would create obligations for the Company with respect to, or grant, or purport to (i) grant, to any third party, any rights or immunities under, any Company Intellectual Property; (ii) to disclose Source Code to any of the Company products (other than Source Code for components identified on Schedule 5.16(h)); (iii) grant rights to redistribute the Company products; (iv) grant patent non-asserts or patent licenses; or (v) otherwise grant any Intellectual Property rights not specifically granted in the Company's license agreement with such third party.

(i) The computer software, computer firmware, computer hardware (whether general purpose or special purpose), electronic data processing, information, record keeping, communications, telecommunications, third party software, networks, peripherals and computer systems, including any outsourced systems and processes, and other similar or related items of automated, computerized and/or software systems that are used or relied on by the Company (excluding Company products, collectively, "Information Systems") are adequate for the operation of its businesses as currently conducted, and the Company has purchased or licensed a sufficient number of license seats for all software currently used by the Company in such operations. With respect to the Information Systems; (i) the Company has taken reasonable steps and implemented reasonable procedures to ensure that information technology systems used in connection with the operation of businesses are free from contaminants in all material respects, including the use of commercially available antivirus software with the intention of protecting the Company's products from becoming infected by viruses and other harmful code;

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(ii) to the Company's Knowledge, there have been no successful unauthorized intrusions or breaches of the security of the information technology systems; (iii) there has not been any material malfunction that has not been remedied or replaced, or any material unplanned downtime or service interruption; (iv) the Company has implemented or is in the process of implementing (or in the exercise of reasonable business judgment has determined that implementation is not yet in the best interest of the Company) in a timely manner any and all security patches or security upgrades that are generally available for the Company's Information Systems; and (v) to the Company's Knowledge, no third party providing services to the Company has failed to meet any material service obligations.

(j) Except as set forth on Schedule 5.16(j): (i) no [**] was used in the development of the Owned Company Intellectual Property; (ii) no [**] has any claim or right in or to such Owned Company Intellectual Property; and (iii) no current or former employee, consultant or independent contractor of the Company who was involved in, or who contributed to, the creation of Owned Company Intellectual Property, has performed services for the [**], during a period of time during which such employee, consultant or independent contractor was also performing services for the Company.

(k) Except as set forth on Schedule 5.16(k) no Company product contains, incorporates, or Inherits any third party proprietary software that cannot be readily replaced with commercially available alternative software at a cost of no more than $[**] so that such product will retain its present functionality.

(l) The Company complies, in all material respects, with all relevant laws and its own policies with respect to the privacy of all users and customers and any of their personally identifiable information, and no claims have been asserted in writing to the Company or, to the Company's Knowledge, threatened against the Company by any Person alleging a violation of any of the foregoing.

(m) Except as set forth on Schedule 5.16(m), the Company has not disclosed any customer data to any third party other than such party's own data, whether for commercial, research or other purposes. The Company maintains one or more data servers on which certain customer data is stored (the "Data Servers"). No individual, other than the Company employees or contractors set forth on Schedule 5.16(m), has had access to the Data Servers since release of any of the Current Products.

(n) The Company has not donated, licensed, assigned, made available or otherwise transferred any Owned Company Intellectual Property (including any Source Code that is Owned Company Intellectual Property) [**]. Other than as set forth on Schedule 5.16(n), the Company has not agreed to, or is otherwise obligated to, donate, license, assign, make available, or otherwise transfer any Owned Company Intellectual Property (including any Source Code that is Owned Company Intellectual Property) [**]. None of the Owned Company Intellectual Property (including any Source Code that is Owned Company Intellectual Property) set forth on Schedule 5.16(n) has been, is, or will be used in any of the Company's commercial product or service offerings.

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(o) Except as set forth on Schedule 5.16(o), none of the Owned Company Intellectual Property (including any Source Code that is Owned Company Intellectual Property) used in any of the Company's commercial product or service offerings has been made available by the Company [**].

(p) Except as set forth on Schedule 5.16(p) [**] has been provided access to any Source Code that incorporates or is based on the [**]. No material Owned Company Intellectual Property (including any Source Code) has been donated, licensed, assigned, made available or otherwise transferred [**]. The Company has not developed, conceived or reduced to practice any Intellectual Property that qualifies as [**] as such term is defined in the [**] between [**]. To the Company's Knowledge, no [**] or any other party that entered into any agreement with [**] that is equivalent to the [**] as such term is defined in the [**] or such equivalent agreement (collectively, "[**]"). To the Company's Knowledge, [**] has not [**].

(q) None of the Company's products, services, software or the operation of the Company's business use or infringe, or have ever used or infringed, any of the systems, methods or techniques disclosed, described, claimed or otherwise contemplated in the [**].

5.17 Litigation; Proceedings. Except as set forth in Schedule 5.17, there are no, and during the past [**] there have not been any, actions, suits, proceedings, orders or investigations pending or, to the Company's Knowledge, threatened by or against the Company or affecting its business, at law or in equity, or before or by any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, and the Company is not subject to any outstanding injunction, order, judgment, decree, ruling or charge.

5.18 Brokerage. Except as set forth in Schedule 5.18, there are no claims for brokerage commissions, finders' fees or similar compensation in connection with the transactions contemplated by this Agreement based on any arrangement or agreement made by or on behalf of the Company, any Stockholder, any Optionholder or any of their respective Affiliates.

5.19 Governmental Licenses and Permits. Schedule 5.19 contains a complete listing and summary description of all material permits, licenses, franchises, certificates, approvals and other authorizations of foreign, federal, state and local governments or other similar rights (collectively, the "Licenses") owned or possessed by the Company, or used by the Company, in the conduct of its business. The Company owns or possesses all right, title and interest in and to all Licenses which are necessary to conduct its business as currently conducted. No loss or involuntary termination of any License is pending or, to the Company's Knowledge, threatened.

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5.20 Employees. To the Company's Knowledge, no executive officer, developer, cognitive scientist, researcher or information technology architect and no group of employees or independent contractors of the Company has any plans to terminate his, her or its employment or relationship as an independent contractor with the Company. The Company has complied and is in compliance in all material respects with all applicable laws relating to the employment of personnel and labor, including provisions thereof relating to wages, hours, equal opportunity, collective bargaining and the payment of social security and other Taxes, the Worker Adjustment and Retraining Notification Act, and the Immigration Reform and Control Act of 1986. The Company is not a party to or bound by any collective bargaining agreement, nor has it experienced any strikes, grievances, unfair labor practices claims or other material employee or labor disputes. The Company has not engaged in any unfair labor practice. To the Company's Knowledge, there is no organizational effort presently being made or threatened by or on behalf of any labor union with respect to employees of the Company.

5.21 Employee Benefit Plans.

(a) Schedule 5.21(a) contains a complete and correct list of all Employee Benefit Plans.

(b) Except as set forth on Schedule 5.21(b), each Employee Benefit Plan (and each related trust, insurance contract or fund) has been maintained, funded and administered in all material respects in accordance with its terms and complies in all material respects in form and in operation with the applicable requirements of ERISA, the Code and other applicable laws.

(c) All contributions (including all employer contributions and employee salary reduction contributions) and premium payments that are due with respect to each Employee Benefit Plan have been made, and all contributions and premium payments for any period ending on or before the Closing Date that are not yet due have been made or properly accrued.

(d) Each Employee Benefit Plan that is intended to meet the requirements of a "qualified plan" under Section 401(a) of the Code has received a determination or opinion letter from the Internal Revenue Service that such Employee Benefit Plan is so qualified, and there are no facts or circumstances that could reasonably be expected to adversely affect the qualification of any such Employee Benefit Plan.

(e) There has been no non-exempt prohibited transaction (as defined in Section 406 of ERISA or Section 4975 of the Code) or breach of fiduciary duty (as determined under ERISA) with respect to any Employee Benefit Plan for which the Company has or would reasonably be expected to have any material liability. With respect to each Employee Benefit Plan, no action, complaint, suit, proceeding, hearing, examination, litigation, claim audit or investigation is pending or, to Company's Knowledge, threatened (other than claims for benefits in the Ordinary Course of Business).

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(f) With respect to each Employee Benefit Plan, the Company has made available to Buyer, to the extent applicable, correct and complete copies of: the plan documents (with any amendments thereto) and summary plan descriptions; the most recent determination or opinion letter received from the Internal Revenue Service; the three (3) most recent annual reports (Form 5500, with all applicable attachments) as filed; all related trust agreements, insurance contracts and other funding arrangements; and all other material documents pursuant to which the Employee Benefit Plan is maintained, funded or administered.

(g) Except as set forth on Schedule 5.21(g), no Employee Benefit Plan provides, and the Company does not otherwise have any obligation to provide, health or life insurance or other welfare-type benefits for current or future retired or terminated employees (or any spouse or other dependent thereof) or other service providers other than during the periods required by COBRA. The Company has complied and is in compliance with the requirements of COBRA in all material respects.

(h) The Company does not have any current or potential liability or obligation under or with respect to: (i) any "employee benefit plan" (as defined in Section 3(3) of ERISA) that is or was subject to Title IV of ERISA, Section 302 of ERISA or Section 412 of the Code; (ii) any "multiemployer plan" (as defined in Section 3(37) of ERISA); (iii) any "multiple employer plan" (within the meaning of Section 413 of the Code); or (iv) any "multiple employer welfare arrangement" (within the meaning of Section 3(40) of ERISA). The Company does not have any current or potential liability or obligation solely by reason of at any time being treated as a single employer under Section 414 of the Code with any other Person.

(i) Except as otherwise provided in Schedule 5.21(i), the transactions contemplated by this Agreement will not result in (i) any payment of, or increase in, compensation or benefits to any Person, or (ii) the acceleration of the vesting, funding or time of payment of any compensation or benefit to any Person.

(j) Except as otherwise provided in Schedule 5.21(j), the Company is not a party to any agreement, contract, arrangement or plan that has resulted or would reasonably be expected to result, separately or in the aggregate, in the payment of any "excess parachute payment" within the meaning of Section 280G of the Code (or any corresponding provision of state, local or non-U.S. Tax law), as a result of the transactions contemplated by this Agreement.

(k) Each contract, arrangement or plan of the Company that is a "nonqualified deferred compensation plan" (as defined for purposes of Section 409A(d)(1) of the Code) has been maintained in good-faith compliance with Section 409A of the Code and the applicable guidance issued thereunder. The Company does not have any obligation to indemnify any Person for any Taxes imposed under Section 409A of the Code.

5.22 Insurance. Schedule 5.22 contains a description of each insurance policy maintained by the Company with respect to its properties, assets, businesses, employees, directors and officers, setting forth the type of coverage, the annual premiums, deductibles and coverage amounts therefor and an indication whether such policy is on a "claims made" or "incurrence" basis. Each such

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policy is in full force and effect and the Company is not in default with respect to its obligations under any insurance policy maintained by it, and has not been denied insurance coverage. All premiums with respect to the insurance policies of the Company which are due and payable have been paid, there are no retroactive premiums with respect to such policies and no written notice of cancellation or termination has been received by the Company with respect to such insurance policies. Except as set forth on Schedule 5.22, the Company does not have any self-insurance or co-insurance programs, and the reserves set forth on the Latest Balance Sheet are adequate to cover all currently anticipated liabilities with respect to any such self-insurance or co-insurance programs.

5.23 Affiliate Transactions. Except as disclosed on Schedule 5.23, no officer, director, employee, stockholder, or Affiliate of the Company or any individual in such Person's immediate family (including any such Persons related by marriage or adoption) in which any such Person owns any beneficial interest, is a party to any agreement, contract, commitment or transaction with the Company or has any interest in any property, real or personal or mixed, tangible or intangible, used in or pertaining to the Company's business. Schedule 5.23 hereto describes all intercompany or affiliated services provided to or on behalf of the Company by its Affiliates and to or on behalf of such Affiliates by the Company.

5.24 Compliance with Laws. The Company has complied and is in compliance in all material respects with all applicable laws, ordinances, rules, requirements and regulations of foreign, federal, state and local governments and all agencies thereof relating to the operation of its business, and the Company has no Knowledge of and no written notice has been received by, and no claims have been filed against (for which the Company has received written notice), the Company alleging a violation of any such laws, ordinances, rules, requirements or regulations.

5.25 Environmental Matters. The Company has complied and is in compliance in all material respects with all Environmental and Safety Requirements (including all permits and licenses required thereunder). The Company has not received any oral or written notice of any violation of, or any liability (contingent or otherwise), including any investigatory, corrective or remedial obligation under, any Environmental and Safety Requirements. To the Company's Knowledge, no facts or circumstances with respect to the past or current operations or facilities of the Company or any of its predecessors or Affiliates (including any on-site or off-site disposal or release of, or contamination by, hazardous materials, substances or wastes) would give rise to any liability or investigatory, corrective or remedial obligation under any Environmental and Safety Requirements. The Company has not assumed, become subject to or provided an indemnity with respect to any liability of any other Person relating to any Environmental and Safety Requirements. The Company has made available to Buyer all environmental site assessments and environmental audit reports relating to the Company or any of its facilities, to the extent such documents are in the possession or reasonable control of the Company.

5.26 Product Warranty. Each product sold or delivered and each service rendered by the Company has been in conformity in all material respects with all applicable contractual commitments and all express and implied warranties, and the Company has no liability or obligation for replacement or repair thereof or other damages in connection therewith, subject only to the reserve for product and service warranty claims accrued on the Latest Balance Sheet or which, consistent with GAAP, was to be booked following the date of the Latest Balance Sheet in the

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Ordinary Course of Business. No product sold or delivered or service rendered by the Company is subject to any guaranty, warranty or other indemnity beyond the applicable standard terms and conditions with respect thereto or otherwise contained in the applicable license agreement or written contract relating to such product or service. Prior to the date hereof, the Company has delivered to Buyer copies of the standard terms and conditions of sale for products delivered and services rendered by the Company (containing all applicable guaranty, warranty, and indemnity provisions).

5.27 **FERPA**. The Company has complied in all material respects and is in compliance with the applicable provisions of the Family Educational Rights and Privacy Act, 20 U.S.C. s. 1232g; 34 C.F.R. Part 99 ("FERPA"), including with respect to the handling, nondisclosure and use of any student information protected by FERPA that the Company has received.

5.28 **Title IV Compliance**. The Company has never participated as an institution or third-party servicer in any federal student aid program authorized under the Higher Education Act of 1965, as amended. Neither the Company, nor to its Knowledge, any of its employees, directors, officers or subcontractors, has been: (a) convicted of, or pled *nolo contendere* or guilty to, a crime involving the acquisition, use, or expenditure of federal, state, or local government funds; or (b) administratively or judicially determined to have committed fraud or any other material violation of law involving federal, state, or local government funds.

ARTICLE VI
REPRESENTATIONS AND WARRANTIES OF BUYER

As a material inducement to the Company to enter into this Agreement, Buyer hereby represents and warrants to the Company that:

6.1 **Organization and Corporate Power.** Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Arizona, with full corporate power and authority to enter into this Agreement and the other agreements contemplated hereby to which Buyer is a party and perform its obligations hereunder and thereunder. Merger Sub is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, with full corporate power and authority to enter into this Agreement and perform its obligations hereunder.

6.2 **Authorization of Transaction**. The execution, delivery and performance of this Agreement and the other agreements contemplated hereby to which Buyer or Merger Sub is a party have been duly and validly authorized by all requisite corporate action on the part of Buyer and Merger Sub, and no other corporate proceedings on its part are necessary to authorize the execution, delivery or performance of this Agreement. This Agreement constitutes, and each of the other agreements contemplated hereby to which Buyer or Merger Sub is a party shall when executed constitute, a valid and binding obligation of Buyer and Merger Sub, as applicable, enforceable in accordance with their terms, except as enforceability may be limited by bankruptcy laws, other similar laws affecting creditors' rights and general principles of equity affecting the availability of specific performance and other equitable remedies.

6.3 **No Violation.** Neither Buyer nor Merger Sub is subject to or obligated under its certificate or articles of incorporation, its by-laws (or similar organizational documents), any

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applicable law, or rule or regulation of any governmental authority, or any agreement or instrument, or any license, franchise or permit, or subject to any order, writ, injunction or decree, which would be breached or violated by its execution, delivery or performance of this Agreement and the other agreements contemplated hereby to which it is a party.

6.4 Governmental Authorities and Consents. Except for such filings and notices as may be required under the HSR Act, (i) neither Buyer nor Merger Sub is required to submit any notice, report or other filing with any governmental authority in connection with the execution or delivery by it of this Agreement or the consummation of the transactions contemplated hereby, and (ii) no consent, approval or authorization of any governmental or regulatory authority or any other Person is required to be obtained by Buyer or Merger Sub in connection with its execution, delivery and performance of this Agreement or the transactions contemplated hereby.

6.5 Litigation. There are no actions, suits, proceedings or orders pending or, to Buyer's knowledge, threatened against or affecting Buyer or Merger Sub at law or in equity, or before or by any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, which would adversely affect Buyer's or Merger Sub's performance under this Agreement or the consummation of the transactions contemplated hereby.

6.6 Brokerage. There are no claims for brokerage commissions, finders' fees or similar compensation in connection with the transactions contemplated by this Agreement based on any arrangement or agreement made by or on behalf of Buyer, Merger Sub or any of their respective Affiliates.

6.7 Purpose. Merger Sub is a newly organized corporation, formed solely for the purpose of engaging in the transactions contemplated by this Agreement. Prior to the date hereof, Merger Sub has not engaged in any business activities or conducted any operations other than in connection with the transactions contemplated by this Agreement. Merger Sub is a wholly owned Subsidiary of Buyer.

6.8 Financing. Buyer has sufficient cash on hand or available credit facilities to pay the aggregate Merger Consideration hereunder and to pay all of its related fees and expenses.

ARTICLE VII
TERMINATION

7.1 Termination. This Agreement may be terminated at any time prior to the Closing:

(a) by mutual written consent of Buyer and the Company;

(b) by Buyer if there has been a material misrepresentation or breach on the part of the Company of any representation, warranty or covenant set forth in this Agreement and such breach shall not have been cured within ten days after notice thereof has been delivered to the Company (or in any event prior to the date of Closing), or if events have occurred which have made it impossible to satisfy a condition precedent to Buyer's obligation to consummate the transactions contemplated

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hereby unless Buyer's or Merger Sub's breach of this Agreement has caused the condition to be unsatisfied;

(c) by the Company if there has been a material misrepresentation or breach on the part of Buyer or Merger Sub of any representation, warranty or covenant set forth in this Agreement and such breach shall not have been cured within ten days after notice thereof has been delivered to Buyer (or in any event prior to the date of Closing), or if events have occurred which have made it impossible to satisfy a condition precedent to the Company's obligation to consummate the transactions contemplated hereby unless the Company's breach of this Agreement has caused the condition to be unsatisfied; or

(d) by Buyer or the Company if the Closing has not occurred on or prior to September 15, 2011 (the "Termination Date"); provided, however, no Person shall be entitled to terminate this Agreement pursuant to this Section 7.1(d) if such Person's breach of this Agreement has prevented the consummation of the transactions contemplated hereby at or prior to such time.

7.2 Effect of Termination. In the event of termination of this Agreement by either Buyer or the Company as provided in Section 7.1, this Agreement shall forthwith become void and there shall be no liability on the part of any party hereto to any other party hereto or its stockholders, optionholders, directors or officers under this Agreement, except for the provisions of Sections 9.3, 9.5 and 9.6 and ARTICLE X which shall continue in full force and effect following any termination and except that nothing herein shall relieve any party hereto from liability for any breach of this Agreement prior to such termination.

ARTICLE VIII
INDEMNIFICATION AND RELATED MATTERS

8.1 Survival. The representations and warranties in this Agreement, the Schedules hereto, the Company Closing Certificate and the Buyer Closing Certificate shall survive the Closing as follows:

(a) the representations and warranties in [**], and in the Company Closing Certificate with respect to [**], shall terminate when the applicable statutes of limitations with respect to the liabilities in question expire (giving effect to any extensions or waivers thereof), plus thirty (30) days;

(b) the representations and warranties in [**], and in the Company Closing Certificate with respect to [**], and in the Buyer Closing Certificate with respect to [**], shall not terminate;

(c) the representations and warranties in [**], and in the Company Closing Certificate with respect to [**], shall terminate on the date which is [**] following the Closing Date; and

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(d) all other representations and warranties in this Agreement, the Schedules hereto, the Company Closing Certificate and the Buyer Closing Certificate shall terminate on the date which is [**] following the Closing Date.

The representations and warranties in this Agreement, the Schedules hereto, the Company Closing Certificate and the Buyer Closing Certificate, shall survive for the periods set forth in this Section 8.1 and shall in no event be affected by any investigation, inquiry or examination made for or on behalf of Buyer or the Company or the knowledge of any of Buyer's or the Company's officers, directors, shareholders, employees or agents or the acceptance by Buyer or the Company of any certificate hereunder. Notwithstanding the foregoing, any representation or warranty in respect of which indemnity may be sought under Section 8.2 below, and the indemnity with respect thereto, shall survive the time at which it would otherwise terminate pursuant to this Section 8.1 if written notice pursuant to Section 8.2(e) of the inaccuracy or breach or potential inaccuracy or breach thereof giving rise to such right or potential right of indemnity (made in good faith and with reasonable specificity under the circumstances) shall have been given to the party against whom such indemnity may be sought prior to such time (regardless of when the Losses in respect thereof may actually be incurred). The covenants and agreements contained herein shall remain in full force and effect pursuant to their terms [**]. The obligation of the Indemnifying Equityholders under Section 8.2(a)(vi) shall terminate on the date which is [**] following the Closing Date; provided, however, that obligation of the Indemnifying Equityholders under [**] shall survive the time at which it would otherwise terminate pursuant to this Section 8.1 if written notice pursuant to Section 8.2(e) of the matter giving rise to such right or potential right of indemnity (made in good faith and with reasonable specificity under the circumstances) shall have been given to the party against whom such indemnity may be sought prior to such time (regardless of when the Losses in respect thereof may actually be incurred).

8.2 Indemnification.

(a) Indemnification by Stockholders and Optionholders. Subject to Sections 8.2(c) and 8.2(f), from and after the Closing, each Stockholder and Optionholder (each, an "Indemnifying Equityholder") shall, severally and not jointly, based on their respective Common Percentages, indemnify Buyer and the Company and each of their respective officers, directors, employees, agents, representatives, affiliates, successors and permitted assigns (collectively, the "Buyer Indemnified Parties") and hold each of them harmless from and against and pay on behalf of or reimburse such Buyer Indemnified Parties in respect of any loss, liability, obligation, demand, claim, action, cause of action, cost, damage, deficiency, Tax, penalty, fine or expense, whether or not arising out of third party claims (including interest, penalties, reasonable attorneys' fees and expenses, court costs and all amounts paid in investigation, defense or settlement of any of the foregoing) (collectively, "Losses" and individually, a "Loss") which any such Buyer Indemnified Party may suffer, sustain or become subject to, as a result of, in connection with, or relating to:

(i) the breach of any representation or warranty made by the Company contained in this Agreement, any Schedule hereto or any certificate delivered by the Company to Buyer with respect hereto in connection with the Closing;

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(ii) the nonfullfillment or breach of any covenant or agreement made by the Company contained in this Agreement, any Schedule hereto or any certificate delivered by the Company to Buyer with respect hereto in connection with the Closing;

(iii) any Indebtedness of the Company existing on or prior to the Closing or the Transaction Expenses, in each case only to the extent such items were not taken into account in adjusting the Closing Consideration or the Final Consideration;

(iv) any amounts required to be paid with respect to any Dissenting Share in excess of the Per Share Portion of the Stock Merger Consideration;

(v) any of the matters set forth on Schedule 8.2 attached hereto; or

(vi) a [**] by any of the [**] of any agreement between such [**] and the Company.

Notwithstanding anything to the contrary contained herein, for purposes of determining whether there has been a breach of a representation or warranty and the amount of any Losses that are the subject matter of a claim for indemnification hereunder, each representation, warranty and other provision contained in this Agreement and each certificate delivered pursuant hereto shall be read without regard and without giving effect to any materiality, Material Adverse Effect standard or qualification contained in such representation or warranty (as if such standard or qualification were deleted from such representation and warranty).

(b) Buyer Indemnification. From and after the Closing, Buyer shall indemnify the Stockholders and Optionholders and each of their respective officers, directors, employees, agents, representatives, Affiliates, heirs, successors and permitted assigns (collectively, the "Seller Indemnified Parties") and hold each of them harmless from and against and pay on behalf of or reimburse such Seller Indemnified Parties in respect of any Loss which any such Seller Indemnified Party may suffer, sustain or become subject to, as the result of, in connection with, or relating to:

(i) the breach by Buyer of any representation, warranty or covenant made by Buyer contained in this Agreement, any Schedule hereto or any certificate delivered by Buyer to the Company with respect hereto in connection with the Closing; or

(ii) the nonfullfillment or breach of any covenant or agreement made by Buyer contained in this Agreement, any Schedule hereto or any certificate delivered by Buyer with respect hereto in connection with the Closing.

(c) Limitations on Indemnity. The indemnification provided for in [**] is subject to the following limitations:

(i) The Indemnifying Equityholders shall not be liable to the Buyer Indemnified Parties for any Loss arising under [**] (other than with respect to (A) the representations and warranties contained in [**], and in the Company Closing Certificate with respect to

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[**] and (B) [**], which are addressed in [**]) unless the aggregate of all Losses relating thereto for which the Indemnifying Equityholders would, but for this Section 8.2(c)(i), be liable exceeds an amount equal to $[**] (the "General Deductible"), in which case the Indemnifying Equityholders shall be liable only for the amount by which such Losses exceed the General Deductible;

(ii) The Indemnifying Equityholders shall not be liable to the Buyer Indemnified Parties for any Loss arising under [**] with respect to any [**] or arising under [**] unless the aggregate of all Losses relating thereto for which the Indemnifying Equityholders would, but for [**], be liable exceeds an amount equal to $[**], in which case the Indemnifying Equityholders shall be liable only for the amount by which such Losses exceed the [**];

(iii) The Indemnifying Equityholders shall not be liable to the Buyer Indemnified Parties for any Loss arising under [**] unless and until the aggregate amount of Losses that would be payable pursuant to such claim (or series of related claims) exceeds an amount equal to $[**]; provided, however, that all such individual claims (or series of related claims) for amounts less than the [**] shall be counted in determining whether the General Deductible has been exceeded, in the case of Losses arising under Section 8.2(a)(i) with respect to any representations and warranties other than the [**], or the [**] has been exceeded, in the case of Losses arising under Section 8.2(a)(i) with respect to any [**] or arising under [**];

(iv) the Indemnifying Equityholders' aggregate liability under [**] above (other than with respect to (A) the Fully Indemnified Representations, which are uncapped, [**] shall in no event exceed $[**] (the "General Cap"); and

(v) the Indemnifying Equityholders' aggregate liability under [**] above with respect to $[**] shall in no event exceed [**].

For the for the avoidance of doubt, and except with respect to the Fully Indemnified Representations (which are uncapped), the Indemnifying Equityholders' aggregate liability under [**] above shall in no event exceed $[**].

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(d) Additional Indemnification by Stockholders and Optionholders. From and after the Closing, each Indemnifying Equityholder shall, severally and not jointly, indemnify the Buyer Indemnified Parties and hold each of them harmless from and against and pay on behalf of or reimburse such Buyer Indemnified Parties in respect of any Loss which any such Buyer Indemnified Party may suffer, sustain or become subject to, as the result of, in connection with, relating to or incidental to or by virtue of (i) the nonfullfillment or breach of any covenant or agreement made by such Indemnifying Equityholder in this Agreement or (ii) any breach of any representation or warranty, or the nonfullfillment or breach of any covenant or agreement, made by such Indemnifying Equityholder in his or its Letter of Transmittal and/or Option Termination Agreement, as applicable.

(e) Defense of Third Party Claims. Any party making a claim for indemnification under this Section 8.2, or under Section 8.3 below (an "Indemnitee"), shall notify the indemnifying party (an "Indemnitor") of the claim in writing promptly after receiving written notice of any action, lawsuit, proceeding, investigation or other claim against it (if by a third party) or discovering the liability, obligation or facts giving rise to such claim for indemnification, describing the claim, the amount thereof (if known and quantifiable) and the basis thereof; provided that the failure to so notify an Indemnitor shall not relieve the Indemnitor of its obligations hereunder except to the extent that (and only to the extent that) such failure shall have caused the damages for which the Indemnitor is obligated to be greater than such damages would have been had the Indemnitee given the Indemnitor prompt notice hereunder. Any Indemnitor shall be entitled to participate in the defense of such action, lawsuit, proceeding, investigation or other claim giving rise to an Indemnitee's claim for indemnification at such Indemnitor's expense, and at its option (subject to the limitations set forth below) shall be entitled to appoint a recognized and reputable counsel reasonably acceptable to the Indemnitee to be the lead counsel in connection with such defense; provided further that, prior to the Indemnitor assuming control of such defense, it shall first verify to the Indemnitee in writing that such Indemnitor shall be fully responsible (with no reservation of any rights) for all liabilities and obligations relating to such claim for indemnification and that it shall provide full indemnification to the Indemnitee with respect to such action, lawsuit, proceeding, investigation or other claim giving rise to such claim for indemnification hereunder, and provided further that:

(i) the Indemnitee shall be entitled to participate in the defense of such claim and to employ counsel of its choice for such purpose; provided that the fees and expenses of such separate counsel shall be borne by the Indemnitee (other than any fees and expenses of such separate counsel that are incurred prior to the date the Indemnitor effectively assumes control of such defense which, notwithstanding the foregoing, shall be borne by the Indemnitor) unless (A) the employment thereof has been specifically authorized by the Indemnitor in writing, or (B) the Indemnitor has been advised by counsel that a reasonable likelihood exists of a conflict of interest between the Indemnitor and the Indemnitee;

(ii) the Indemnitor shall not be entitled to assume control of such defense and shall pay the fees and expenses of counsel retained by the Indemnitee if (A) the claim for indemnification relates to or arises in connection with any criminal proceeding, action, indictment, allegation or investigation; (B) the claim seeks an injunction or equitable relief against the Indemnitee as its principal remedy; (C) the claim is with respect to Taxes; or (D) upon petition by the Indemnitee, the appropriate court rules that the Indemnitor failed or is

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failing to vigorously prosecute or defend such claim; and

(iii) if the Indemnitor shall control the defense of any such claim, the Indemnitor shall obtain the prior written consent of the Indemnitee (which shall not be unreasonably withheld) before entering into any settlement of a claim or ceasing to defend such claim if, pursuant to or as a result of such settlement or cessation, injunctive or other equitable relief shall be imposed against the Indemnitee or if such settlement does not expressly and unconditionally release the Indemnitee from all liabilities and obligations with respect to such claim, without prejudice.

During the period that the Escrow Agreement is in effect, the Representative (on behalf of the Stockholders and the Optionholders) shall act on behalf of all Indemnitors in the case of all third party claims with respect to which Buyer is seeking indemnification from the Stockholders or the Optionholders under Section 8.2 or 8.3 (with each Stockholder and Optionholder responsible for its portion of Representative's costs and expenses in undertaking such representation (based on their respective Common Percentages)).

(f) Manner of Payment. Any amounts owing from the Indemnifying Equityholders to the Buyer Indemnified Parties pursuant to Section 8.2(a) shall first be made to the extent available from the Escrow Amount and thereafter shall be made directly by the Indemnifying Equityholders, severally and not jointly, based on their respective Common Percentages, by wire transfer of immediately available funds.

(g) Merger Consideration Adjustments. Amounts paid to or on behalf of Buyer or the Representative (on behalf of the Stockholders and Optionholders) as indemnification shall be treated as adjustments to the Merger Consideration.

(h) Waiver, Release and Discharge. Effective upon the Closing, each Indemnifying Equityholder, on behalf of himself or itself and such Person's successors and assigns, hereby forever fully and irrevocably waives, releases and discharges the Company, Buyer and their respective predecessors, successors, direct or indirect subsidiaries, affiliates and past and present stockholders, directors, officers, employees, agents, and representatives (collectively, the "Released Parties") from any and all liabilities and obligations to such Indemnifying Equityholder of any kind or nature whatsoever (including in respect of rights of contribution or indemnification), in each case whether absolute or contingent, liquidated or unliquidated, known or unknown, and whether arising hereunder or under any other agreement or understanding or otherwise at law or equity, which arise out of or relate to the Company or such Indemnifying Equityholder's ownership of the Company's equity securities (including Options) (collectively, the "Released Claims"), and each Indemnifying Equityholder shall not seek to recover any amounts in connection with any Released Claim from any of the Released Parties. Notwithstanding the preceding sentence of this Section 8.2(h), "Released Claims" does not include, and the provisions of this Section 8.2(h) shall not release or otherwise diminish the obligations of Buyer or the Company expressly set forth in (i) any provisions of this Agreement or the other agreements contemplated hereby, (ii) any employment, severance, change-in-control or similar agreement between the Company and any Indemnifying Equityholder or any Employee Benefit Plan; provided that a true, correct and complete copy of such agreement or Employee Benefit Plan has been made available to Buyer, or (iii) subject to Section 8.2(i), the

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provisions of the Company's articles of incorporation or by-laws as of the date hereof with respect to the indemnification of directors, officers and employees.

(i) Limitations on Claims by Stockholders and Optionholders. Each Stockholder and Optionholder hereby agrees that he, she or it will not make any claim for indemnification or reimbursement against the Surviving Company by reason of the fact that, on or prior to the Effective Time, he or she was a director, officer, employee, or agent of the Company or was serving at the request of the Company as a partner, trustee, director, officer, employee, or agent of another entity (whether such claim is for judgments, damages, penalties, fines, costs, amounts paid in settlement, losses, expenses, or otherwise and whether such claim is pursuant to any statute, charter document, bylaw, agreement, or otherwise) with respect to any action, suit, proceeding, complaint, claim, or demand brought by the Surviving Company against such Stockholder or Optionholder (whether such action, suit, proceeding, complaint, claim, or demand is pursuant to this Agreement, applicable law, or otherwise).

(j) No Waiver of Contractual Representations and Warranties. Each Stockholder and Optionholder has agreed that Buyer's rights to indemnification for the express representations and warranties set forth herein are part of the basis of the bargain contemplated by this Agreement; and Buyer's rights to indemnification shall not be affected or waived by virtue of (and Buyer shall be deemed to have relied upon the express representations and warranties set forth herein notwithstanding) any knowledge on the part of Buyer of any untruth of any such representation or warranty of the Company expressly set forth in this Agreement, regardless of whether such knowledge was obtained through Buyer's own investigation or through disclosure by the Company or another person, and regardless of whether such knowledge was obtained before or after the execution and delivery of this Agreement.

(k) Losses Net of Insurance Proceeds. Notwithstanding anything to the contrary contained herein, all Losses for which any Buyer Indemnified Party would otherwise be entitled to indemnification under this Article VIII shall be reduced by the amount of insurance proceeds which such Buyer Indemnified Party actually receives (less the amount of any direct collection expenses) in respect of such Losses incurred by such Buyer Indemnified Party; provided that this Section 8.2(k) shall not require any Buyer Indemnified Party to file or institute a claim against, or otherwise seek recovery from, any of its insurance carriers. In the event that any such insurance proceeds are received by a Buyer Indemnified Party subsequent to receipt by such Buyer Indemnified Party of any indemnification payment hereunder in respect of the claims to which such insurance proceeds relate, then a refund equal to the amount of such recovery (less the amount of any direct collection expenses) shall be made promptly to Representative (on behalf of the Indemnifying Equityholders in accordance with their respective Common Percentages).

(l) Exclusive Remedy. Following Closing, except (i) in the case of fraud or intentional misrepresentation (for which no limitations set forth herein shall be applicable), (ii) for injunctive or other equitable relief or (iii) as contemplated by Section 2.11: (A) the indemnification obligations of the parties contained in this ARTICLE VIII shall be the exclusive remedies of the parties hereto and their successors and assigns for monetary damages in respect of any claim for breach of any covenant, agreement, representation or warranty set forth in this Agreement, any Schedule hereto or any certificate delivered by a party with respect hereto, and (B) Buyer shall not be entitled to

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rely on, and Buyer hereby waives, any representation or warranty (express or implied) not set forth in this Agreement, any Schedule or Exhibit hereto or any certificate delivered by a party with respect hereto.

8.3 Tax Matters.

(a) The Indemnifying Equityholders shall remain liable and indemnify, severally and not jointly, based on their respective Common Percentages, the Buyer Indemnified Parties and hold each of them harmless from and against any loss, claim, liability, expense or other damage attributable to (i) all Taxes (or the non-payment thereof) of the Company for all taxable periods ending on or before the Closing Date and the portion through the end of the Closing Date for any taxable period that includes (but does not end on) the Closing Date ("Pre-Closing Tax Period"), (ii) all Taxes of any member of an affiliated, consolidated, combined or unitary group of which the Company (or any predecessor of any of the foregoing) is or was a member on or prior to the Closing Date, including pursuant to Treasury Regulation Section 1.1502-6 or any analogous or similar state, local or non-U.S. law or regulation, (iii) any and all Taxes of any Person (other than the Company) imposed on the Company as a transferee or successor, by contract or pursuant to any law, rule or regulation, which Taxes relate to an event or transaction occurring before the Closing, and (iv) all taxes attributable to an election under Section 108(i) of the Code.

(b) In the case of any taxable period that includes (but does not end on) the Closing Date (a "Straddle Period"), the amount of any Taxes based on or measured by income, receipts or payroll of the Company for the Pre-Closing Tax Period shall be determined based on an interim closing of the books as of the close of business on the Closing Date (and for such purpose, the taxable period of any partnership or other pass-through entity in which the Company holds a beneficial interest shall be deemed to terminate at such time) and the amount of other Taxes of the Company for a Straddle Period that relates to the Pre-Closing Tax Period shall be deemed to be the amount of such Tax for the entire taxable period multiplied by a fraction the numerator of which is the number of days in the taxable period ending on the Closing Date and the denominator of which is the number of days in such Straddle Period.

(c) Buyer shall prepare or cause to be prepared and file or cause to be filed all Tax Returns for the Company that are filed after the Closing Date.

(d) Buyer and the Representative shall cooperate fully, as and to the extent reasonably requested by the other party, in connection with the filing of Tax Returns pursuant to this Section 8.3(d) and any audit, litigation or other proceeding with respect to Taxes. Such cooperation shall include the retention and (upon the other party's request) the provision of records and information which are reasonably relevant to any such audit, litigation or other proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. Buyer and the Representative agree (i) to retain all books and records with respect to Tax matters pertinent to the Company relating to any taxable period beginning before the Closing Date until the expiration of the statute of limitations (and, to the extent notified by Buyer or the Representative, any extensions thereof) of the respective taxable periods, and to abide by all record retention agreements entered into with any taxing authority, and (ii) to give the other party reasonable written notice prior to transferring, destroying or discarding any such books and records,

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and, if the other party so requests, the Representative and Buyer, as the case may be, shall allow the other party to take possession of such books and records.

(e) Buyer and Representative further agree, upon request, to use their reasonable efforts to obtain any certificate or other document from any governmental authority or any other Person as may be necessary to mitigate, reduce or eliminate any Tax that could be imposed (including with respect to the transactions contemplated hereby).

(f) Buyer and Representative further agree, upon request, to provide the other party with all information that either party may be required to report pursuant to Sections 6043 or 6043A of the Code and all Treasury Regulations promulgated thereunder.

(g) All Tax sharing agreements or similar agreements with respect to or involving the Company shall be terminated as of the Closing Date and, after the Closing Date, the Company shall not be bound thereby or have any liability thereunder.

ARTICLE IX
ADDITIONAL AGREEMENTS

9.1 Transfer Taxes. All transfer, documentary, sales, use, stamp, registration and other such Taxes and fees (including any penalties and interest thereon) incurred in connection with this Agreement shall be shared equally by Buyer, on the one hand, and the Stockholders and Optionholders, on the other hand, and the Person required under applicable law to file any necessary Tax Returns and other documentation with respect to all such transfer, documentary, sales, use, stamp, registration and other Taxes and fees shall file any such Tax Returns and other documentation at its own expense, and if required by applicable law, Buyer, the Company and/or the Representative (on behalf of the Stockholders and Optionholders), as applicable, shall, and shall cause their respective Affiliates to, join in the execution of any such Tax Returns and other documentation.

9.2 Updating Schedules. The Company shall be entitled to update, amend or modify the Schedules to this Agreement after the date hereof until the Closing Date (the "Update Period") to reflect factors, circumstances or events first arising or, in the case of representations given to the Company's Knowledge, becoming known to the Company during the Update Period by providing Buyer with written notice setting forth the proposed update and specifying the Schedule or Schedules to be updated thereby; provided, however, such updates, amendments or modifications shall only modify the Schedules to this Agreement for purposes of post-Closing indemnification pursuant to Section 8.2 hereof and shall not modify the Schedules to this Agreement for purposes of determining whether Buyer's obligations to consummate the transactions contemplated hereby are satisfied pursuant to Section 3.1.

9.3 Press Releases and Announcements. At and prior to the Closing Date, no press releases or public announcement related to this Agreement or the transactions contemplated herein, or other announcements to the employees, customers or suppliers of the Company, shall be issued without the mutual approval of Buyer and the Company, except for any public disclosure which is required by law or regulation (in which case the Company and Buyer shall have the right to review and a reasonable opportunity to comment upon such press release, announcement or communication

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prior to issuance, distribution or publication). After the Closing Date, no press releases or public announcement related to this Agreement or the transactions contemplated herein, or other announcements to the employees, customers or suppliers of the Company, shall be issued without Buyer's prior written consent.

9.4 Further Assurances. From time to time, as and when requested by any party hereto and at such party's expense, any other party hereto shall execute and deliver, or cause to be executed and delivered, all such documents and instruments and shall take, or cause to be taken, all such further or other actions as such requesting party may reasonably deem necessary or desirable to evidence and effectuate the transactions contemplated by this Agreement.

9.5 Specific Performance. The Company acknowledges that its business is unique and recognizes and affirms that in the event of a breach of this Agreement by it, money damages may be inadequate and Buyer may have no adequate remedy at law. Accordingly, the Company agrees that Buyer shall have the right, in addition to any other rights and remedies existing in its favor, to enforce its rights and the Company's obligations hereunder not only by an action or actions for damages but also by an action or actions for specific performance, injunctive and/or other equitable relief, without posting any bond.

9.6 Expenses.

(a) Subject to Sections 4.3 and 9.6(b) and except as otherwise expressly provided herein, the Company, Stockholders and Optionholders, on the one hand, and Buyer and Merger Sub, on the other hand, shall pay all of their own fees, costs and expenses (including fees, costs and expenses of legal counsel, investment bankers, brokers or other representatives and consultants and appraisal fees, costs and expenses) incurred in connection with the negotiation of the Letter of Intent, this Agreement, the performance of its obligations hereunder, and the consummation of the transactions contemplated hereby.

(b) In the event that (i) the Closing does not occur for any reason other than as a result of the failure of any condition to the Company's obligation to consummate the transactions contemplated hereby to be satisfied prior to the Termination Date as a result of any breach by Buyer of a representation, warranty, covenant or agreement made by Buyer in this Agreement, and (ii) the Company or any Stockholder enters into a definitive agreement for a Sale Transaction resulting in the sale of the Company to a Stockholder or member of the Company's board of directors, or an Affiliate thereof, prior to December 4, 2011, then the Company shall reimburse Buyer for its reasonable out-of-pocket costs and expenses incurred with third party advisors in connection with the transactions contemplated by this Agreement, not to exceed $750,000 in the aggregate ("Buyer's Transaction Expenses"). For the avoidance of doubt, participation by any member of the Company's existing management team as of the date of this Agreement in either the ownership of the Company or a purchaser of the Company, by way of a rollover of existing capital stock or options or through other nominal ownership, shall not be considered a Sale Transaction for purposes of this Section 9.6(b). The Company shall make any payment required by this Section 9.6(b) by wire transfer to Buyer of immediately available funds within thirty (30) days following written notice from Buyer as to the amount due.

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9.7 Exclusivity. Commencing on the date of this Agreement and until the earlier of the Closing or the date on which this Agreement has been terminated by its terms (the "Exclusivity Period"), the Company agrees that it shall not, and shall not permit any of its officers, directors, Affiliates, Stockholders, Optionholders, employees, agents, or other Persons acting on its behalf to, directly or indirectly (i) solicit, initiate, encourage or discuss a Sale Transaction with any third party (other than Buyer and its agents), or (ii) respond to or accept any inquiry, proposal, or offer, relating to a Sale Transaction from any third party (other than Buyer and its agents). A "Sale Transaction" means: (A) an acquisition, lease, or license of all or substantially all of the assets or business of the Company; (B) an acquisition of, or tender offer or exchange offer for, any shares of capital stock, any share capital, or any equity of the Company; (C) a merger, consolidation, or other business combination involving the Company; (D) the liquidation, dissolution, or winding-up of the Company; or (E) any other transaction or series of transactions having an effect or purpose comparable to any of the foregoing. For the purposes of this Section 9.7, a third party shall include any Stockholder; provided that, for the avoidance of doubt, a third party shall not include a member of the Company's board of directors acting in their capacity as a board member even though such director is also affiliated with a Stockholder. The Company represents and warrants that it has terminated (and has caused its officers, directors, Affiliates, Stockholders, Optionholders, employees, agents, or other Persons acting on its behalf to terminate), all current discussions and negotiations with any third party (other than Buyer) with respect to any such inquiry, proposal, or offer. During the Exclusivity Period, the Company shall (1) notify Buyer in the event that the Company, or any of its officers, directors, Affiliates, Stockholders, Optionholders, employees, agents or other Persons acting on its behalf receives any such inquiry, proposal, or offer, including any amendments, revisions or changes to any proposal or offer received prior to the date of this Agreement; (2) disclose to Buyer the terms and conditions of such inquiry, proposal, or offer (including the identity of each third party); and (3) take all actions with respect to such inquiry, proposal, or offer as Buyer may request.

9.8 Confidentiality.

(a) Confidentiality. Following the Closing, each Stockholder and Optionholder shall treat and hold as confidential any information concerning the business and affairs of the Company that is not already generally available to the public (the "Confidential Information"), refrain from using any of the Confidential Information except in connection with this Agreement, and deliver promptly to Buyer, at the request and option of Buyer, all tangible embodiments (and all copies) of the Confidential Information which are in his or its possession or under his or its control; provided, however, that each Stockholder shall be entitled to retain one copy of the Confidential Information for legal and compliance purposes (if applicable) in a manner consistent with such Stockholder's customary document archiving procedures. In the event that any Stockholder or Optionholder is requested or required (by oral question or request for information or documents in any legal proceeding, interrogatory, subpoena, civil investigative demand, or similar process) to disclose any Confidential Information, such Person shall notify Buyer promptly of the request or requirement so that Buyer may seek an appropriate protective order or waive compliance with the provisions of this Section 9.8(a). If, in the absence of a protective order or the receipt of a waiver hereunder, any Stockholder or Optionholder is, on the advice of counsel, compelled to disclose any Confidential

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Information to any tribunal or else stand liable for contempt, such Person may disclose the Confidential Information to the tribunal; provided that such disclosing Stockholder or Optionholder shall use his or its best efforts to obtain, at the request of Buyer, an order or other assurance that confidential treatment shall be accorded to such portion of the Confidential Information required to be disclosed as Buyer shall designate.

(b) Remedy for Breach. Each Stockholder and Optionholder acknowledges and agrees that in the event of a breach by any Stockholder or Optionholder of any of the provisions of this Section 9.8, monetary damages shall not constitute a sufficient remedy. Consequently, in the event of any such breach or potential breach, the Company, Buyer and/or their respective successors or assigns may, in addition to other rights and remedies existing in their favor, apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce or prevent any violations of the provisions of this Section 9.8, in each case without the requirement of posting a bond or proving actual damages.

(c) Enforcement. If the final judgment of a court of competent jurisdiction declares that any term or provision of this Section 9.8 is invalid or unenforceable, the parties hereto agree that the court making the determination of invalidity or unenforceability shall have the power to reduce the scope, duration, or area of the term or provision, to delete specific words or phrases, or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement shall be enforceable as so modified.

(d) Non-Assert. Each of the Stockholders and Optionholders shall not at any time, either during the term of or after the expiration of this Agreement, make any claim challenging the scope, validity or enforceability of any of the Company Intellectual Property or the Company's rights therein. Each of the Stockholders and Optionholders shall not at any time make any claim that any of the products designed, developed, produced or sold by the Company after the Closing, or the operation of the Company's business after the Closing, infringes or misappropriates the intellectual property rights of such Person or any of its Affiliates to the extent that such products or such operation after the Closing are the same as the products and operation of the Company's business prior to the Closing.

9.9 Officers' and Directors' Indemnification.

(a) Subject to Section 8.2(i), from and after the Effective Time, the Surviving Corporation shall, and Buyer shall cause the Surviving Corporation to, indemnify and hold harmless the present and former officers and directors of the Company in respect of acts or omissions occurring prior to the Effective Time to the extent provided in, and in accordance with (including subject to any limitations contained therein), the articles of incorporation and the by-laws of the Company as in effect on the date hereof. The indemnification provided in this Section 9.9 shall apply only to each individual in his or her capacity as an officer or director of the Company, and not in any other capacity.

(b) As of the Effective Time, Buyer shall purchase or cause the Surviving Corporation to purchase directors' and officers' liability insurance coverage for the Company's directors and

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officers currently covered by the Company's existing director's and officer's liability insurance policy that shall provide such directors and officers with "tail" coverage for two years following the Effective Time of not less than the existing coverage on the date hereof and have other terms not materially less favorable to, the insured Persons than the directors' and officers' liability insurance coverage presently maintained by the Company to the extent such liability insurance can be maintained at a cost to Buyer not greater than $28,000; provided, however, that if such insurance cannot be maintained or obtained at such cost, Buyer shall cause the Surviving Corporation to maintain or obtain the maximum amount of insurance coverage that can be maintained or obtained at a cost equal to $28,000.

(c) The parties hereto agree that any Person that is now, or has been at any time prior to the date hereof, or that becomes prior to the Effective Time, a director or officer of the Company to whom this Section 9.9 applies, shall be a third party beneficiary of this Section 9.9 and shall be entitled to enforce the covenants contained herein.

ARTICLE X
MISCELLANEOUS

10.1 Amendment and Waiver. Any provision of this Agreement may be amended or waived only in a writing signed by Buyer, the Company and the Representative. No waiver of any provision hereunder or any breach or default thereof shall extend to or affect in any way any other provision or prior or subsequent breach or default. No course of dealing between or among any Persons having any interest in this Agreement shall be deemed effective to modify, amend or discharge any part of this Agreement or any rights or obligations of any party under or by reason of this Agreement.

10.2 Notices. All notices, demands and other communications to be given or delivered under or by reason of the provisions of this Agreement shall be in writing and shall be deemed to have been given (a) when personally delivered, (b) when transmitted via telecopy (or other facsimile device) to the number set out below if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), (c) the day following the day (except if not a business day then the next business day) on which the same has been delivered prepaid to a reputable national overnight air courier service or (d) the third business day following the day on which the same is sent by certified or registered mail, postage prepaid. Notices, demands and communications, in each case to the respective parties, shall be sent to the applicable address set forth below, unless another address has been previously specified in writing:

Notices to Buyer
and/or Merger Sub:

Apollo Group, Inc.
4025 S. Riverpoint Parkway
Phoenix, AZ 85040
Attn: Joseph L. D'Amico, President and Chief Operating Officer
Facsimile: (602) 383-5159

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Apollo Group, Inc.
4025 S. Riverpoint Parkway
Phoenix, AZ 85040
Attn: Laura Eichelsdorfer, Senior Corporate Counsel
Facsimile: (602) 366-2943

with a copy (which shall not constitute notice) to:

Kirkland & Ellis LLP
300 N. LaSalle Street
Chicago, IL 60654
Attn: Michael D. Paley, P.C.
E. Terry Platis
Facsimile: (312) 862-2200

Notices to the Representative:

CLI Shareholder Representative, LLC
c/o Draper Triangle Ventures, L.P.
2 Gateway Center, 20th Floor
Pittsburgh, PA 15222
Attn: J. A. Katarincic, Jr., Manager
Facsimile: (412) 288-9799

CLI Shareholder Representative, LLC
c/o Carnegie Mellon University
5000 Forbes Avenue
Pittsburgh, PA 15213
Attn: Mark Kamlet, Manager
Facsimile: (412) 268-2330

CLI Shareholder Representative, LLC
c/o Collier Investments, LLC
3495 Peachtree Pkwy. Ste. 114-218
Suwanee, GA 30024
Attn: John O'Connor, Manager
Facsimile: (831) 302-7720

with copies (which shall not constitute notice) to:

Carnegie Mellon University
5000 Forbes Avenue
Pittsburgh, PA 15213
Attn: Mary Jo Dively, Vice President and General Counsel
Facsimile: (412) 268-2330

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Collier Investments, LLC
2550 Goodlette Road North, Suite 100
Naples, FL 34103
Attn: Ronald M. Mahan, Vice President
Facsimile: (239) 263-2977

McGuireWoods LLP
EQT plaza
625 Liberty Avenue, 23rd Floor
Pittsburgh, PA 15222
Attn: Scott E. Westwood
Facsimile: (412) 667-6050

Notices to the Company (prior to the Effective Time):

Carnegie Learning, Inc.
Frick Building, 20th Floor
437 Grant Street
Pittsburgh, PA 15219
Attn: Chief Executive Officer
Facsimile: (412) 690-2444

with a copy (which shall not constitute notice) to:

McGuireWoods LLP
EQT plaza
625 Liberty Avenue, 23rd Floor
Pittsburgh, PA 15222
Attn: Scott E. Westwood
Facsimile: (412) 667-6050

10.3 Binding Agreement; Assignment. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns; provided that neither this Agreement nor any of the rights, interests or obligations hereunder may be assigned by any of the parties hereto without the prior written consent of the other parties hereto. Notwithstanding the foregoing, without the prior written consent of any other Person, Buyer may at any time, in its sole discretion, assign, in whole or in part, (a) its rights and obligations under this Agreement to one or more of its Affiliates (provided that any such assignment shall not relieve Buyer of any of its obligations hereunder); and (b) its rights and obligations under this Agreement to any subsequent purchaser of the Company or any of its divisions or any material portion of its assets (whether such sale is structured as a sale of stock, sale of assets, merger, recapitalization or otherwise).

10.4 Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision

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of this Agreement is held to be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Agreement.

10.5 Construction. The language used in this Agreement shall be deemed to be the language chosen by the parties to express their mutual intent, and no rule of strict construction shall be applied against any Person. The parties hereto intend that each representation, warranty, and covenant contained herein shall have independent significance. If any party has breached any representation, warranty, or covenant contained herein in any respect, the fact that there exists another representation, warranty, or covenant relating to the same subject matter (regardless of the relative levels of specificity) which the party has not breached shall not detract from or mitigate the fact that the party is in breach of the first representation, warranty, or covenant. Whenever the context requires, the singular number will include the plural, and vice versa, the masculine gender will include the feminine and neuter genders, the feminine gender will include the masculine and neuter genders, and the neuter gender will include masculine and feminine genders. The words "include" and "including," and variations thereof, will not be deemed to be terms of limitation, but rather will be deemed to be followed by the words "without limitation." Except as otherwise indicated, all references in this Agreement to "Schedules," "Sections" and "Exhibits" are intended to refer to Schedules, Sections and Exhibits to this Agreement. The terms "hereof," "hereunder," "herein" and words of similar import will refer to this Agreement as a whole and not to any particular provision of this Agreement. Documents shall be deemed to have been "made available" to Buyer if such documents (i) have been posted to the on-line data room hosted by the Company and located at https://carnegielearning.sharefile.com as of July 31, 2011 or (ii) with respect to the documents set forth on Schedule 10.5, have been sent to Buyer's counsel by email prior to the date hereof.

10.6 Captions. The captions used in this Agreement are for convenience of reference only and do not constitute a part of this Agreement and shall not be deemed to limit, characterize or in any way affect any provision of this Agreement, and all provisions of this Agreement shall be enforced and construed as if no caption had been used in this Agreement.

10.7 Entire Agreement. The Schedules identified in this Agreement are incorporated herein by reference. This Agreement and the documents referred to herein contain the entire agreement between the parties hereto and supersede any prior understandings, agreements or representations by or between the parties hereto, written or oral, which may have related to the subject matter hereof in any way, including the Letter of Intent.

10.8 Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original but all of which taken together shall constitute one and the same instrument.

10.9 Governing Law. All questions concerning the construction, validity and interpretation of this Agreement (including with respect to an obligation to mitigate damages, if any, and nothing contained in this Agreement shall constitute a waiver or limitation of any such obligation) shall be governed by and construed in accordance with the domestic laws of the State of Delaware, without giving effect to any choice of law or conflict of law provision (whether of the

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State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware.

10.10 No Third-Party Beneficiaries. Nothing in this Agreement, express or implied, is intended to confer on any person other than the parties hereto and their respective successors and permitted assigns any rights or remedies under or by virtue of this Agreement.

10.11 CONSENT TO JURISDICTION. THE PARTIES AGREE THAT JURISDICTION AND VENUE IN ANY ACTION BROUGHT BY ANY PARTY PURSUANT TO THIS AGREEMENT SHALL EXCLUSIVELY LIE IN ANY FEDERAL OR STATE COURT LOCATED IN THE STATE OF DELAWARE. BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH PARTY IRREVOCABLY SUBMITS TO THE JURISDICTION OF SUCH COURTS FOR ITSELF AND IN RESPECT OF ITS PROPERTY WITH RESPECT TO SUCH ACTION. THE PARTIES IRREVOCABLY AGREE THAT VENUE WOULD BE PROPER IN SUCH COURT, AND HEREBY WAIVE ANY OBJECTION THAT SUCH COURT IS AN IMPROPER OR INCONVENIENT FORUM FOR THE RESOLUTION OF SUCH ACTION. THE PARTIES FURTHER AGREE THAT THE MAILING BY CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED, OF ANY PROCESS REQUIRED BY ANY SUCH COURT SHALL CONSTITUTE VALID AND LAWFUL SERVICE OF PROCESS AGAINST THEM, WITHOUT NECESSITY FOR SERVICE BY ANY OTHER MEANS PROVIDED BY STATUTE OR RULE OF COURT.

10.12 WAIVER OF TRIAL BY JURY.

EACH OF THE PARTIES HERETO EXPRESSLY WAIVES ITS RIGHTS TO A TRIAL BY JURY IN ANY LAWSUIT OR PROCEEDING RELATING TO OR ARISING IN ANY WAY FROM THIS AGREEMENT OR THE MATTERS CONTEMPLATED HEREBY. EACH OF THE PARTIES ACKNOWLEDGES THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO THIS AGREEMENT, THAT EACH HAS ALREADY RELIED ON THIS WAIVER IN ENTERING INTO THIS AGREEMENT, AND THAT EACH WILL CONTINUE TO RELY ON THIS WAIVER IN FUTURE DEALINGS. EACH OF THE PARTIES FURTHER WARRANTS AND REPRESENTS THAT EACH HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL AND THAT EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL.

10.13 Electronic Delivery. This Agreement and any other Transaction Document, and any amendments hereto or thereto, to the extent signed and delivered by means of a facsimile machine or electronic mail (any such delivery, an "Electronic Delivery"), shall be treated in all manner and respects as an original contract and shall be considered to have the same binding legal effects as if it were the original signed version thereof delivered in person. At the request of any party hereto or to any such contract, each other party hereto or thereto shall re-execute original forms thereof and deliver them to all other parties hereto or thereto. No party hereto or to any such contract shall raise the use of Electronic Delivery to deliver a signature or the fact that any signature or contract was transmitted or communicated through the use of Electronic Delivery as a defense to the formation of a contract and each such party forever waives any such defense.

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10.14 Appointment of Stockholder Representative.

(a) In order to, among other things, administer efficiently the determination and payment of the Merger Consideration and the defense and/or settlement of any claims for Losses for which the Stockholders and the Optionholders may be required to indemnify Buyer and its Affiliates pursuant to Sections 8.2 and 8.3 hereof, the Stockholders and the Optionholders, by their adoption and approval of this Agreement, as well as, in certain cases, through separate instruments, irrevocably appoint the Representative as their agent, attorney in fact and representative (with full power of substitution in the premises), and, by its execution hereof, the Representative hereby accepts such appointment.

(b) The Representative is hereby authorized (i) to take all action necessary in connection with the acceptance, rejection, determination and payment of the Merger Consideration and the defense and/or settlement of any claims for Losses (including the power to compromise any indemnity claim on behalf of the Stockholders and the Optionholders and to transact matters of litigation) for which the Stockholders and the Optionholders may be required to indemnify Buyer and its Affiliates pursuant to Sections 8.2 and 8.3 hereof, (ii) to give and receive all notices required to be given under this Agreement, the Escrow Agreement and the other agreements contemplated hereby to which all of the Stockholders and Optionholders are subject, and (iii) to do or refrain from doing all such further acts and things, and to execute all such documents as the Representative shall deem necessary or appropriate in connection with the transactions contemplated by this Agreement, including the power:

(A) to execute and deliver the Escrow Agreement and any amendments thereto as the representative of the Stockholders and the Optionholders; to execute any instructions or directions to the Escrow Agent with respect to disbursements or other matters thereunder; and to take such further actions under the Escrow Agreement as the Representative deems to be necessary or appropriate;

(B) to execute and deliver all amendments, waivers, ancillary agreements, stock powers, certificates and documents that the Representative deems necessary or appropriate in connection with the consummation of the transactions contemplated by this Agreement, whether prior to, at or after the Closing;

(C) to execute and deliver all amendments and waivers to this Agreement that the Representative deems necessary or appropriate, whether prior to, at or after the Closing; provided that any such amendment, if material to the rights and obligations of such Stockholders or Optionholders in the reasonable judgment of the Representative, shall be taken in the same manner with respect to all such Stockholders and Optionholders, unless otherwise agreed by each such Stockholder or Optionholder who is subject to any disparate treatment of a potentially adverse nature;

(D) to receive funds, make payments of funds, and give receipts for funds;

(E) to receive funds for the payment of expenses of the

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Stockholders and the Optionholders, to deposit such funds in such accounts as the Representative deems appropriate and apply or reserve such funds in payment for such expenses, including holding the Representative Administrative Amount.

(F) to do or refrain from doing any further act or deed on behalf of the Stockholders and the Optionholders that the Representative deems necessary or appropriate in its sole discretion relating to the subject matter of this Agreement as fully and completely as the Stockholders and the Optionholders could do if personally present; and

(G) to receive service of process in connection with any claims under this Agreement.

(c) In the event that the Representative becomes unable to perform its responsibilities hereunder or resigns from such position, the Stockholders and the Optionholders (or, if applicable, their respective heirs, legal representatives, successors and assigns) who held a majority of the voting power represented by the shares of Company Common Stock issued and outstanding immediately prior to the Effective Time (on an as-converted, as exercised basis), shall select another representative to fill such vacancy and such substituted representative shall be deemed to be the Representative for all purposes of this Agreement.

(d) All decisions and actions by the Representative, including the defense or settlement of any claims for Losses for which the Stockholders and Optionholders may be required to indemnify Buyer and its Affiliates pursuant to Sections 8.2 and 8.3 hereof, shall be binding upon all of the Stockholders and Optionholders, and no Stockholder or Optionholder shall have the right to object, dissent, protest or otherwise contest the same.

(e) Buyer shall be able to rely conclusively on the instructions and decisions of the Representative as to the determination and payment of the Closing Consideration and the Final Consideration, amounts to be paid from the Escrow Amount and the settlement of any claims for Losses for which the Stockholders and Optionholders may be required to indemnify Buyer and its Affiliates pursuant to Sections 8.2 and 8.3 hereof and any other actions required to be taken by the Representative hereunder, and no party hereunder or Stockholder or Optionholder shall have any cause of action against Buyer or Merger Sub for any action taken by Buyer or Merger Sub in reliance upon the instructions or decisions of the Representative.

(f) All actions, decisions and instructions of the Representative shall be conclusive and binding upon all of the Stockholders and Optionholders, and no Stockholder or Optionholder shall have any cause of action against the Representative for any action taken or not taken, decision made or instruction given by the Representative under this Agreement, except for fraud, gross negligence or willful misconduct by the Representative.

(g) The provisions of this Section 10.14 are independent and severable, are irrevocable and coupled with an interest and shall be enforceable notwithstanding any rights or remedies that any Stockholder or Optionholder may have in connection with the transactions contemplated by this Agreement.

(h) The provisions of this Section 10.14 shall be binding upon the heirs, legal

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representatives, successors and assigns of each Stockholder and Optionholder, and any references in this Agreement to a Stockholder or an Optionholder or the Stockholders or Optionholders shall mean and include the successors to the rights of the Stockholders and Optionholders hereunder, whether pursuant to testamentary disposition, the laws of descent and distribution or otherwise.

(i) All reasonable fees and expenses incurred by the Representative in connection with this Agreement shall be paid by the Stockholders and Optionholders on a pro-rata basis based on their respective Common Percentages. Representative shall first pay any such fees and expenses from the Representative Administrative Amount. The amount of the Representative Administrative Amount or other amounts (if any) held by the Representative after the final resolution of all Claims asserted hereunder, shall be distributed by the Representative to the Stockholders and Optionholders in accordance with their respective Common Percentages; provided that the portion of any such distribution allocable to the Optionholders shall be remitted by the Representative to the Surviving Corporation and shall be made by the Surviving Corporation to each of the Optionholders through the Surviving Corporation's payroll system in accordance with the Surviving Corporation's regular payroll practices then in effect. For the avoidance of doubt, under no circumstances shall the Representative Administrative Amount be deemed to comprise part of the Escrow Amount.

(j) The Representative shall be indemnified by the Indemnifying Equityholders for, and shall be held harmless against, any loss, liability or expense incurred by the Representative or any of its Affiliates and any of their respective directors, officers, employees, agents, stockholders, members, consultants, attorneys, accountants, advisors, brokers, representatives or controlling persons, in each case relating to the Representative's conduct as Representative (collectively, the "Representative Parties"), other than losses, liabilities or expenses resulting from the Representative's gross negligence or willful misconduct in connection with its performance under this Agreement and the Escrow Agreement. This indemnification shall survive the termination of this Agreement and the Escrow Agreement. The Indemnifying Equityholders agree that the Representative may, in all questions arising under this Agreement and the other Transaction Documents, rely on the advice of counsel and for anything done, omitted or suffered in good faith by the Representative in accordance with such advice of counsel, the Representative shall not be liable to the Indemnifying Equityholders. The Indemnifying Equityholders, by approval of this Agreement, agree that in no event shall the Representative Parties be liable under this Agreement and the other Transaction Documents to the Indemnifying Equityholders for (i) any indirect, punitive, special or consequential damages or (ii) any amounts other than those that are satisfied out of the Escrow Fund. Nothing in this Section 10.14(j) shall in any way terminate, amend, modify, alter, limit or otherwise affect the obligations of the Indemnifying Equityholders under any provision of this Agreement or any of the other Transaction Documents to any Person other than the Indemnifying Equityholders' obligations to the Representative Parties relating to the Representative's conduct as Representative.

* * * *

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IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

COMPANY:

CARNEGIE LEARNING, INC.

By: /s/ Dennis Ciccone
Name: Dennis Ciccone
Its: Chief Executive Officer

BUYER:

APOLLO GROUP, INC.

By: /s/ Joseph L. D'Amico
Name: Joseph L. D'Amico
Its: President & Chief Operating Officer

MERGER SUB:

BHCL ACQUISITION CO.

By: /s/ Joseph L. D'Amico
Name: Joseph L. D'Amico
Its: Vice President & Asst. Secretary

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REPRESENTATIVE:

CLI SHAREHOLDER REPRESENTATIVE, LLC

By: /s/ J.A. Katarincic, Jr.
Name: J. A. Katarincic, Jr.
Its: Manager

[Signature Page to Agreement and Plan of Merger]

** Certain information in this exhibit has been omitted and filed separately with the Securities and Exchange Commission pursuant to a Confidential Treatment Request.

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Exhibit 2.2

FIRST AMENDMENT TO AGREEMENT AND PLAN OF MERGER

This FIRST AMENDMENT TO AGREEMENT AND PLAN OF MERGER (this "Amendment"), is made as of August 31, 2011, by and among Carnegie Learning, Inc. (the "Company"), Apollo Group, Inc. ("Buyer"), BHCL Acquisition Co. ("Merger Sub"), and CLI Shareholder Representative, LLC ("Representative"). Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Merger Agreement (defined below).

RECITALS

WHEREAS, the Company, Buyer, Merger Sub and Representative are parties to that certain Agreement and Plan of Merger, dated as of August 2, 2011 (the "Merger Agreement"), pursuant to which Merger Sub would be merged with and into the Company (the "Merger"), so that, as a result of the Merger, the Company will survive and become a wholly-owned subsidiary of Buyer; and

WHEREAS, the parties wish to amend the Merger Agreement in the manner set forth herein.

NOW THEREFORE, in consideration of the respective covenants and promises contained herein and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows, intending to be legally bound hereby:

1. Section 2.6 of the Merger Agreement is hereby deleted in its entirety and replaced with the following:

> **Articles of Incorporation**. The articles of incorporation of the Company shall be amended at the Effective Time, and, as so amended, shall be the articles of incorporation of the Surviving Corporation until amended in accordance with applicable law.

2. Section 2.7 of the Merger Agreement is hereby deleted in its entirety and replaced with the following:

> **Bylaws**. The Bylaws of the Company shall be amended at the Effective Time, and, as so amended in accordance with the provisions thereof, the provisions of the certificate of incorporation of the Surviving Corporation and in accordance with applicable law, shall be the Bylaws of the Surviving Corporation until amended.

3. Except as otherwise provided herein, the Merger Agreement shall remain in full force and effect.

4. This Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute one and the same Amendment.

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[Signatures appear on following page.]

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IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered as of the date first above written.

COMPANY:

CARNEGIE LEARNING, INC.

By: /s/ Dennis Ciccone
Name: Dennis Ciccone
Its: Chief Executive Officer

BUYER:

APOLLO GROUP, INC.

By: /s/ Joseph L. D'Amico
Name: Joseph L. D'Amico
Its: President & Chief Operating Officer

MERGER SUB:

BHCL ACQUISITION CO.

By: /s/ Joseph L. D'Amico
Name: Joseph L. D'Amico
Its: Vice President & Asst. Secretary

REPRESENTATIVE:

CLI SHAREHOLDER REPRESENTATIVE, LLC

By: /s/ J.A. Katarincic
Name: J. A. Katarincic
Its: Manager

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Exhibit 2.3

CONFIDENTIAL TREATMENT REQUESTED UNDER 17 C.F.R. §§ 200.80(b)(4) AND 240.24b-2. THE CONFIDENTIAL PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED AND ARE MARKED ACCORDINGLY AS [**]. THE CONFIDENTIAL PORTIONS HAVE BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A CONFIDENTIAL TREATMENT REQUEST.

TECHNOLOGY ASSIGNMENT AND LICENSE AGREEMENT

This Technology Assignment and License Agreement (the "Agreement") dated as of August 2, 2011 ("Effective Date"), is entered into by and between Apollo Group, Inc., an Arizona corporation with principal offices located at 4025 South Riverpoint Parkway, Phoenix, Arizona 85040 ("Apollo"), Carnegie Mellon University, a Pennsylvania not-for-profit corporation, with principal offices located at 5000 Forbes Avenue, Pittsburgh, Pennsylvania 15213 ("CMU"), and Carnegie Learning, Inc., a Pennsylvania corporation, with principal offices located at 1200 Penn Avenue, Suite 150, Pittsburgh, Pennsylvania 15222 ("CL") (each of Apollo, CMU and CL, a "Party" and, collectively, the "Parties").

RECITALS

WHEREAS, CMU owns certain technology related to the Adaptive Learning Field (as defined below) and wishes to sell such technology to Apollo, and Apollo wishes to purchase such technology from CMU; and

WHEREAS, CMU and CL are parties to the CMU-CL Agreements (as defined below), pursuant to which the Transferred Assets (as defined below) were licensed by CMU to CL, and CMU and CL desire to terminate the CMU-CL Agreements (as defined below).

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, the Parties agree as follows:

1. DEFINITIONS

1.1 "Adaptive Learning Field" means the field of adaptive and cognitive learning.

1.2 "Adverse Proceeding" has the meaning set forth in Section 2.5.

1.3 "Affiliate" means (i) with respect to Apollo, any Person in which Apollo has an equity interest; and (ii) with respect to CMU, any Person which is controlled by, controls, or is under common control with, CMU. For purposes of this definition, "control" when used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of at least fifty percent (50%) of voting securities, by contract or otherwise; the term "controlled" has a meaning correlative to the foregoing. A Person will cease to be an Affiliate of CMU if such control relationship no longer exists.

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1.4 "Agreement" has the meaning set forth in the preamble.

1.5 "Apollo" has the meaning set forth in the preamble.

1.6 "Apollo Group" has the meaning set forth in Section 11.2.

1.7 "CL" has the meaning set forth in the preamble.

1.8 "Claims" has the meaning set forth in Section 4.5.

1.9 "Claim Notice" means written notification pursuant to Section 11.4 of a Third Party Claim as to which indemnify is sought by an Indemnified Party, enclosing a copy of all papers served, if any, and specifying the nature of and the basis for such Third Party Claim and for the Indemnified Party's claim against the Indemnifying Party, together with the amount or, if not then reasonably ascertainable, the estimated amount, determined in good faith, of such Third Party Claim.

1.10 "CL Mark" means U.S. Registration No. 2,491,747 for Cognitive Tutor.

1.11 "Closing Event" means the closing of the transaction contemplated by the Merger Agreement.

1.12 "CL Technology" means (i) all Technology developed by CL pursuant to the CMU-CL Agreements and (ii) the Transferred Assets.

1.13 "CMU" has the meaning set forth in the preamble.

1.14 "CMU-CL Agreements" means, collectively, the CMU-CL First Agreement, CMU-CL Second Agreement, and CMU-CL Third Agreement, and all amendments, side letters, and other agreements modifying or amending any of the foregoing, if any.

1.15 "CMU-CL First Agreement" means that certain License Agreement between CMU and CL, dated June 30, 1999 (as amended on October 1, 1999, October 24, 2000, November 6, 2001, and March 31, 2005).

1.16 "CMU-CL Second Agreement" means that certain License Agreement between CMU and CL, dated November 6, 2001 (as amended on March 31, 2005).

1.17 "CMU-CL Third Agreement" means that certain License Agreement between CMU and CL, dated June 4, 2003 (as amended on March 31, 2005).

1.18 "CMU Trademark" means the CMU trademark set forth on Exhibit B.

1.19 "CMU Trademark License" has the meaning set forth in Section 3.4(a).

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1.20 "Confidential Information" has the meaning set forth in Section 8.1.

1.21 "Conveyed Intellectual Property Rights" means the following intellectual property rights throughout the world in and to the Transferred Assets, all: (i) rights associated with patentable inventions, patents, patent applications, provisional applications and other patent rights; (ii) rights associated with works of authorship, including, without limitation, source code, object code, executable code, registered and common law copyrights, copyright applications and copyright registrations; (iii) rights relating to the protection of trade secrets; (iv) divisions, substitutions, continuations, continuations-in-part, reexaminations, renewals, reissues, extensions and foreign counterparts of the foregoing (i), (ii) and (iii) as and to the extent applicable; and (v) all claims known and unknown, past and future, against any third party relating thereto.

1.22 "[**]" means the CMU software known as the "[**]", internally identified at CMU as "[**]" as the same may be modified or supplemented from time to time. By way of clarification, "[**]" does not include the [**].

1.23 "[**] Discussion Period" has the meaning set forth in Section 7.2.

1.24 "Derivatives" means Technology developed by or for Apollo or CMU, which includes, or is based in whole or in part on, the Transferred Assets, including, but not limited to, translations of the Transferred Assets to other foreign or computer languages, adaptation of the Transferred Assets to other hardware platforms, abridgments, condensations, revisions, and software incorporating all or any part of the Transferred Assets which may also include Apollo-created and/or CMU-created modifications, enhancements or other software.

1.25 "Disclosing Party" has the meaning set forth in Section 8.1.

1.26 "Dispute Notice" means a written notice provided by any Party against which indemnification is sought under this Agreement to the effect that such Party disputes its indemnification obligation under this Agreement.

1.27 "Dispute Period" means the period ending thirty (30) calendar days following receipt by an Indemnifying Party of either a Claim Notice or an Indemnity Notice.

1.28 "Documentation" means programmer's notes, materials and documentation for the Source Code of all software included in the Transferred Assets.

1.29 "Effective Date" has the meaning set forth in the preamble.

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1.30 "Encumbrance" means any charge, claim, limitation, condition, equitable interest, mortgage, lien, option, pledge, security interest, easement, encroachment, right of first refusal, adverse claim or restriction of any kind, including any restriction on or transfer or other assignment, as security or otherwise, of or relating to use, quiet enjoyment, voting, transfer, receipt of income or exercise of any other attribute of ownership. "Encumbrances" do not include licenses or third party rights of use.

1.31 "Escrow Agent" has the meaning set forth in Section 4.5(a).

1.32 "Escrowed Amounts" has the meaning set forth in Section 4.5(a).

1.33 "Event of Default" has the meaning set forth in Section 4.4(a).

1.34 "Exclusive Field" means the field of cognitive tutors employing systems for tutoring students in solving a problem in the form of a dialog with a student, computer-readable media containing instructions for tutoring students in solving a problem in the form of a dialog with a student, and computer assisted methods for tutoring students in solving a problem in the form of a dialog with a student, using, in each case, the explicitly represented tutorial dialog planning strategies and an adaptive agenda for capturing changes in tutorial strategies both implemented in a production rule system falling within the scope of the claims of the Funded Patent for converting story problems into mathematical symbols in the areas of math, test preparation, and math-based disciplines, such as statistics and economics but excluding biology, chemistry and genetics.

1.35 "[**]" has the meaning set forth in Section 7.1(a).

1.36 "[**]" has the meaning set forth in Section 7.1(a).

1.37 "[**]" has the meaning set forth in Section 7.1(a).

1.38 "[**]" has the meaning set forth in Section 7.1(a).

1.39 "[**]" has the meaning set forth in Section 7.1(a).

1.40 "Exploit" and "Exploitation" mean to use, manufacture, develop, sell or offer for sale, make, have made, distribute, reproduce, import, promote, commercialize, create derivative works based on, create improvements on, or otherwise exploit.

1.41 "Fees" has the meaning set forth in Section 4.1.

1.42 "Final Determination That CMU is Responsible" has the meaning set forth in Section 4.5(a).

1.43 "Final Resolution" has the meaning set forth in Section 4.5(a).

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1.44 "[**]" means [**], [**] and [**].

1.45 "[**]" has the meaning set forth in Section 7.1(c).

1.46 "[**]" has the meaning set forth in Section 7.3.

1.47 "[**]" has the meaning set forth in Section 7.1(c).

1.48 "[**]" has the meaning set forth in Section 7.1(c).

1.49 "[**]" has the meaning set forth in Section 7.1(c).

1.50 "[**] Technology" means any invention in the areas of math-based products, test preparation products and adaptive learning math products (excluding [**]): (i) of which one [**] is, or more than one [**] collectively are, the [**]; and (ii) for which CMU has the right to license to Apollo, including without limitation, taking into account CMU's Intellectual Property Policy (as the same is applied by CMU substantially in conformance with CMU's past practices).

1.51 "[**]" has the meaning set forth in Section 7.1(c).

1.52 "Funded Patent" means the patent set forth on Exhibit C, and all divisions, substitutions, continuations, continuations-in-part, reexaminations, renewals, reissues, extensions thereof throughout the world.

1.53 "[**]" means the [**] owned or controlled by CMU as of the Effective Date, as the same may be modified, including [**].

1.54 "Government Entity" means The National Science Foundation and The National Institutes of Health.

1.55 "Initial Founder" means each of the following: Vincent Aleven, Albert T. Corbett, Kenneth R. Koedinger, John R. Anderson, Jaclyn Snyder, Alecsandr I. Lisovich, William S. Hadley and Mary A. Mark.

1.56 "Indemnified Party" means any Person claiming indemnification under any provision of Section 11.

1.57 "Indemnifying Party" means any Person obligated to indemnify an Indemnified Party under any provision of Section 11.

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1.58 "Indemnity Notice" means written notification of a claim for indemnity under Section 11 by an Indemnified Party, specifying the nature of and basis for such claim, together with the amount or, if not then reasonably ascertainable, the estimated amount, determined in good faith, of such claim.

1.59 "Intellectual Property Rights" means all intellectual property rights throughout the world, including without limitation, all (i) rights associated with inventions (whether patentable or not), including, without limitation, patents, patent applications, provisional applications and other patent rights; (ii) rights associated with works of authorship, including, without limitation, source code, object code, executable code, registered and common law copyrights, copyright applications and copyright registrations; (iii) rights associated with trademarks, including, without limitation, intent to use registrations, trademark applications, trademark registrations, common law trademarks, trademark rights and all associated good will; (iv) rights relating to the protection of trade secrets, know-how and similar confidential and proprietary information; (v) derivative works, divisions, substitutions, continuations, continuations-in-part, reexaminations, renewals, reissues, extensions and foreign counterparts of all of the foregoing (i), (ii), (iii) and (iv), as and to the extent applicable; (vi) internet domain name registrations and associated rights; (vii) all claims known and unknown, past and future, against any third party relating thereto; and (viii) any right similar to those set forth above and any other proprietary rights relating to intangible property.

1.60 "Know-How" means all know-how, if any, that is (i) not expressed in the Transferred Assets; (ii) not covered by any Conveyed Intellectual Property Right; and (iii) in non-tangible form and retained in the unaided memories of CMU employees who have rightfully had access to the Transferred Assets. For purposes of this definition, a person's memory is unaided if the person has not intentionally memorized know how for the purpose of retaining and subsequently using or disclosing it.

1.61 "Merger Agreement" means the Agreement and Plan of Merger among CL, Apollo and certain other parties identified therein, dated as of the same date herewith.

1.62 "Moral Rights" has the meaning set forth in Section 2.2.

1.63 "[**]" has the meaning set forth in Section 7.1(b).

1.64 "[**]" has the meaning set forth in Section 7.1(b).

1.65 "[**]" has the meaning set forth in Section 7.1(b).

1.66 "[**]" has the meaning set forth in Section 7.1(b).

1.67 "[**]" has the meaning set forth in Section 7.1(b).

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1.68 "Object Code" means the fully compiled executable form of software.

1.69 "Parties" has the meaning set forth in the preamble.

1.70 "Party" has the meaning set forth in the preamble.

1.71 "Permitted Encumbrance" means (i) any rights of, or requirements imposed by, the Government Entity under U.S.C. Title 35 Sections 201-212 and all enabling regulations (the "Bayh-Dole Act"); and (ii) all rights, conveyances and/or other Encumbrances created and/or permitted by or on behalf of CL in favor of any third party.

1.72 "Person" means any individual, corporation, limited liability company, partnership, limited partnership, association, trust or other entity or organization.

1.73 "Principal Inventors" means, with respect to any invention, the inventors claiming fifty percent (50%) or more of the inventorship credit in the invention disclosure to the Center for Technology Transfer and Enterprise Creation of CMU (or any successor thereto).

1.74 "Receiving Party" has the meaning set forth in Section 8.1.

1.75 "ROFN Technology" has the meaning set forth in Section 7.1.

1.76 "Source Code" means the human readable source code form of software.

1.77 "TALA Closing" has the meaning set forth in Section 12.4.

1.78 "TALA Closing Date" has the meaning set forth in Section 12.4.

1.79 "[**]" has the meaning set forth in the definition of Transferred Assets.

1.80 "Technology" means inventions, technology, discoveries, software, improvements, content, programs, processes, designs, ideas, know-how, notes, memoranda and documentation.

1.81 "Term" has the meaning set forth in Section 12.1.

1.82 "Third Party Claim" has the meaning set forth in Section 11.4(a).

1.83 "Trademark Term" has the meaning set forth in Section 3.4(a).

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1.84 "Transferred Assets" means (i) the items set forth on Exhibits A-1, A-2 and A-3, and subject to Section 4.7 and Section 9.2, on an "as is" basis as of the date of the CMU-CL First Agreement, CMU-CL Second Agreement and the CMU-CL Third Agreement, respectively, and (ii) any Updates. "Transferred Assets" shall not include the Funded Patent unless and until the Funded Patent is transferred to Apollo in accordance with Section 3.1 below. To the extent Updates were developed by or on behalf of CL, for purposes of Sections 4.5(a), 4.7(d), 4.7(e) and 4.7(f), "Transferred Assets" shall not include Updates. For avoidance of doubt, "Transferred Assets" shall include the [**] delivered by CMU to CL prior to the Effective Date (the "[**]").

1.85 "Updates" means all updates, upgrades, bug-fixes, patches, versions, releases, enhancements and improvements to the Transferred Assets owned by CMU pursuant to Section 9.5 of each of the CMU-CL Agreements, on, subject to Section 4.7 and Section 9.2, an "as is" basis on the Effective Date.

2. ASSIGNMENT OF TRANSFERRED TECHNOLOGY

2.1 Assignment of Transferred Assets. As of the TALA Closing Date, CMU hereby assigns, transfers and conveys to Apollo free and clear of any Encumbrances (other than (a) with respect to the Funded Patent, the Permitted Encumbrances in Section 1.71(i); and (b) with respect to all other Transferred Assets, the Permitted Encumbrances in Section 1.71(ii)), subject to the rights reserved in Section 3.1(b), and Apollo, in reliance on the representations, warranties and covenants of CMU contained herein, accepts, all of CMU's right, title and interest throughout the world to the Transferred Assets (excluding the Funded Patent and Know-How) (including, without limitation, all of CMU's Conveyed Intellectual Property Rights in and to such Transferred Assets), including, without limitation, all rights of action against third parties CMU had, has or may have in the future based thereon.

2.2 Moral Rights. Any assignment of copyright hereunder includes all rights of paternity, integrity, disclosure and withdrawal and any other rights that may be known as or referred to as "moral rights" (collectively "Moral Rights"). To the extent that such Moral Rights cannot be assigned under applicable law and to the extent the following is allowed by the laws in the various countries where Moral Rights exist, CMU hereby waives and agrees not to assert such Moral Rights and consents to any action of Apollo that would violate such Moral Rights in the absence of such consent. CMU hereby agrees to confirm any such waivers or consents from time to time as requested by Apollo.

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2.3 Delivery. As soon as reasonably practicable, but in no event more than ten (10) days after to the Effective Date, CMU will deliver the Transferred Assets (other than the Funded Patent) (in Object Code form and Source Code form), including the Documentation, to Apollo and to the extent not delivered by CMU to Apollo, evidence satisfactory to Apollo that the remaining Transferred Assets are in the possession of CL. Such evidence shall include, but is not limited to, a detailed listing of such remaining Transferred Assets. Notwithstanding the foregoing, if Apollo discovers that not all of the Transferred Assets have been delivered to Apollo, CMU agrees to work with Apollo in good faith to identify such Transferred Assets and deliver such Transferred Assets to Apollo. CL consents to the deliveries provided for herein, and such information shall constitute Confidential Information of CMU prior to the assignment set forth in Section 2.1, and shall constitute Confidential Information of Apollo after such assignment.

2.4 Further Assurances. CMU agrees to perform, during and after the Term, all reasonable and lawful acts deemed necessary by Apollo to permit and assist Apollo in evidencing, perfecting, obtaining, maintaining, defending and enforcing Apollo's rights in the Transferred Assets (other than the Know-How). Such acts may include, but are not limited to, execution of documents and assistance or cooperation in legal proceedings. If Apollo is unable after reasonable attempts during normal business hours to secure CMU's signature to any such document in sufficient time to avoid loss of Apollo's rights in the Transferred Assets where CMU's signature is necessary to avoid such loss of rights, CMU hereby designates and appoints, for a period of ten (10) years from the Effective Date, Apollo and its duly authorized officers and agents, as CMU's agents and attorneys-in-fact to act for and on behalf and instead of CMU, to execute and file those documents necessary to record assignments of, and evidence, perfect, obtain and maintain title and interest in, the Transferred Assets, with the same legal force and effect as if executed by CMU (it being acknowledged that such appointment is a power coupled with an interest), provided, however, that prior to executing any such documents as CMU's agent or attorney-in-fact, and as a condition to the effectiveness thereto, Apollo shall provide CMU not less than twenty (20) days written notice with sufficient detail of the document to be executed and the reason therefor and Apollo may not execute any such document if CMU objects thereto because CMU reasonably believes Apollo does not have the right (pursuant to this Section 2.4) to execute such document. Apollo shall immediately notify CMU of the use of the power granted herein and provide CMU with copies of all documents executed and filed for and on behalf and instead of CMU.

2.5 Adverse Proceedings. CMU shall not initiate, participate or assist in (unless required pursuant to a subpoena), formally or informally, directly or indirectly, any challenge, litigation, reissue, reexamination, cancellation or other opposition in any country ("Adverse Proceeding") to the extent such Adverse Proceeding challenges the scope, enforceability, validity, ownership, or other right pertaining to the Transferred Assets.

3. LICENSE GRANTS AND ACKNOWLEDGEMENT

3.1 Funded Patent.

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(a) License Grant. As of the TALA Closing Date, CMU hereby grants Apollo a royalty-free, fully paid-up, non-exclusive, worldwide, irrevocable, assignable, unlimited, fully-transferable, sublicensable license under the Funded Patent to Exploit products and services thereunder (with no limitation on the number of tiers of sublicenses) for the life of the Funded Patent. Notwithstanding the foregoing, and subject to CMU's rights under Section 3.5(a), the license to the Funded Patent in this Section 3.1(a) shall be exclusive in the Exclusive Field.

(b) Reservations. Subject to the exclusive license to the Funded Patent in the Exclusive Field as set forth in Section 3.1(a), and subject to Section 3.1(c) and Section 3.1(d), CMU maintains all rights under the Funded Patent outside of the Exclusive Field, including without limitation, the right to Exploit products and services thereunder, and sublicense all or any such rights thereunder at any time and from time to time to one or more parties (with no limitation on the number of tiers of sublicenses).

(c) Covenant to Obtain Consent to Assign Funded Patents. CMU and Apollo, acknowledge that CMU is unable to assign the Funded Patent to Apollo without obtaining consent from the Government Entity. CMU hereby covenants that (i) such consent is required from the Government Entity for CMU to assign the Funded Patent to Apollo; and (ii) it will submit the required transfer application and documentation, and comply with applicable requirements, to obtain such consent from the Government Entity to assign the Funded Patent to Apollo, with no assurance that such consent will be granted. Each Party will comply with all legal requirements of the transfer of the Funded Patent, including agreeing to be subject to the terms and provision of 37 CFR 401 and will provide the other Party and the Government Entity with all information necessary or appropriate to support such transfer application, upon which CMU will rely in submitting such transfer application and documentation. Without limitation of the foregoing, Apollo shall be responsible for preparing the business justification for the transfer of the Funded Patent, upon which CMU will rely.

(d) Effect of Obtaining Consent to Assign Funded Patent. Upon receiving the consent described in Section 3.1(c), CMU will promptly execute the patent assignment attached hereto as Exhibit E and deliver such patent assignment to Apollo. After assignment of the Funded Patent to Apollo, the following modifications will be deemed to have been made to this Agreement as of the effective date of such assignment:

(i) Section 3.1(a) through 3.1(c) will be deemed to be deleted from this Agreement; and

(ii) Apollo shall and hereby does grant CMU a royalty-free, fully paid-up, non-exclusive, worldwide, irrevocable, unlimited, sublicensable license under the Funded Patent to Exploit products and services thereunder outside of the Exclusive Field (with no limitation on the number of tiers of sublicenses) for the life of the Funded Patent. Such license is assignable and fully-transferable only upon the prior written consent of Apollo (such consent not to be unreasonably withheld, conditioned or delayed). Apollo shall execute and deliver to CMU all documents and agreements requested from time to time evidencing the license granted hereby.

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(e) Each Party shall comply in all respects with the Bayh-Dole Act as it relates to the Funded Patent.

3.2 Know-How.

(a) License Grant. As of the TALA Closing Date, CMU hereby grants Apollo a royalty-free, fully paid-up, non-exclusive, worldwide, irrevocable, perpetual, assignable, unlimited, fully-transferable, sublicensable license under the Know-How for Exploitation of the Transferred Assets (with no limitation on the number of tiers of sublicenses).

(b) Reservations. CMU maintains all rights in and to the Know-How, without any restrictions or limitations whatsoever, including without limitation, the right to Exploit products and services thereunder, and to sublicense and assign all or any rights thereunder at any time and from time to time to one or more parties (with no limitation on the number of tiers of sublicenses).

(c) Sublicense/Assignment. As a condition of the sublicense or assignment of any rights of Apollo under this Section 3.2, Apollo shall require such sublicensee or assignee, as applicable, to agree in writing to the terms of this Section 3.2, to which agreement CMU shall be an express, intended third party beneficiary.

3.3 CMU CNTS For Transferred Assets. As of the TALA Closing Date, CMU covenants not to sue, or bring suit, prosecute, assist or participate in any judicial, administrative or other proceeding of any kind against Apollo or its licensees (including customers, distributors and end users) for infringement of CMU's Intellectual Property Rights on account of the Exploitation of the Transferred Assets. This Section shall not apply to any Derivative created by Apollo, CL or any Affiliate thereof.

3.4 CMU Trademark License.

(a) License Grant. As of the TALA Closing Date, CMU hereby grants Apollo a royalty-free, fully paid-up, non-exclusive, worldwide, license during the Trademark Term, to use the CMU Trademark solely in the manner set forth in Exhibit B solely for the purpose of giving CMU attribution in connection with Apollo's use and exploitation of the Transferred Assets (the rights licensed to Apollo in this Section 3.4(a) are referred to herein as the "CMU Trademark License"). The "Trademark Term" means the period commencing on the Effective Date and ending on the earliest of (i) twenty (20) years after the Effective Date, (ii) termination pursuant to Section 3.4(e) below or (iii) an Event of Default. Neither the CMU Trademark License, nor any rights therein, is assignable, transferable or sublicenseable, without the prior written consent of CMU, which consent may be granted or withheld in CMU's sole and absolute discretion.

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(b) Rights Retained by CMU. CMU retains all rights in the CMU Trademark, including but not limited to, the right to use, and to license others to use, the CMU Trademark, including without limitation, any modification or derivation thereof, alone or in conjunction with any other word, mark, symbol, logo or name. Apollo acknowledges that all use of the CMU Trademark by or on behalf of Apollo and all goodwill associated with such use inures to the benefit of CMU and creates no rights in Apollo.

(c) Use and Conduct. During the Trademark Term, Apollo shall comply with CMU's trademark guidelines (hppt://www.cmu.edu/policies/documents/Trademark.html), as amended from time to time. During the Trademark Term, all documents and advertising and other materials on which the CMU Trademark appears shall be consistent with the standards promulgated from time to time by CMU. During the Trademark Term, Apollo shall provide one or more persons identified by CMU from time to time with samples of labels, promotional and advertising materials on which the CMU Trademark is utilized and CMU shall have the right to inspect Apollo's goods and to monitor the use of CMU's Trademarks in order to ascertain whether Apollo is in compliance with the obligations of use and quality control set forth herein. CMU's expenses of such monitoring shall be borne by CMU. Apollo agrees that the CMU Trademark shall be used solely in such a manner so as to at all times constitute legal and authorized use of the same and Apollo will not do any act, or omit to do any act, except as expressly contemplated in this Agreement, that will in any way impair or affect CMU's interest therein or the terms and intent of this Section 3.4.

(d) No Challenge. Except as expressly provided herein, Apollo shall not use CMU Trademarks or apply for registration of the CMU Trademarks (or any mark confusingly similar thereto) anywhere in the world and Apollo shall not challenge CMU's ownership or use of the CMU Trademark.

(e) Right to Terminate. If Apollo breaches any of its obligations in this Section 3.4, either through commission or omission, CMU may provide notice of such breach to Apollo. If Apollo does not cure such breach within fifteen (15) days from the date of such notice, then CMU may, in addition to and not in lieu of all other remedies available to CMU, terminate the CMU Trademark License.

3.5 Retained Rights.

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(a) CMU and its Affiliates shall have, and Apollo hereby grants to CMU and its Affiliates, a royalty-free, fully paid up, non-exclusive, irrevocable, worldwide, perpetual, non-sublicensable, non-transferable, license to use the Transferred Assets and the Conveyed Intellectual Property Rights, and to create and/or use CMU-created Derivatives, solely for internal research, academic, or administrative purposes. For avoidance of doubt, neither CMU nor its Affiliates shall have any right to use the Transferred Assets or the Conveyed Intellectual Property Rights for any commercial venture or use without the prior written consent of Apollo (except as provided in Sections 3.1(b) and 3.1(d)(ii) relating to the Funded Patent above and Section 3.2(b) relating to Know-How above). Without limiting the generality of the foregoing, CMU shall not use the Transferred Assets or the Conveyed Intellectual Property Rights in any entity that is not CMU or an Affiliate thereof (except as provided in Sections 3.1(b) and 3.1(d)(ii) relating to the Funded Patent above and Section 3.2(b) relating to Know-How above). Notwithstanding the foregoing, CMU and its Affiliates shall have and Apollo hereby grants to CMU and its Affiliates, a royalty free, fully paid up, non-exclusive, irrevocable, worldwide, perpetual, unlimited, sublicensable license to use the Limited [**] Software (as defined in Schedule 4.7(b)) (and the Conveyed Intellectual Property Rights in the Limited [**] Software) solely as embedded in the [**] (as identified in Schedule 4.7(b)), provided that such Limited [**] Software is not provided to any third party on a standalone basis or in source code form (with no limitation on the number of tiers of sublicenses).

(b) No provision of this Agreement shall restrict CMU's ability to conduct further research and development in the general areas of the Transferred Assets or other areas, including government and/or privately sponsored activities, and/or to collaborate with other universities regarding the general areas of the Transferred Assets or other areas. For the avoidance of doubt, this Section 3.5(b) does not grant CMU any right or license under any Apollo or CL Technology or Intellectual Property Rights (including, without limitation, the Transferred Assets and/or Conveyed Intellectual Property Rights).

3.6 Acknowledgement and Consent. CMU acknowledges that CL owns all right, title and interest in and to the CARNEGIE LEARNING mark and name, worldwide. Notwithstanding the provisions of the Agreement and Consent, dated August 13, 1999, between CMU and CL, CMU hereby agrees that CL (and any successor of CL or of CL's assets) shall not be limited to any field of business or prohibited from engaging in any type of business, and may use and exploit the CARNEGIE LEARNING mark and name worldwide in connection with any business, products or services, without limitation.

4. CONSIDERATION AND COVENANTS

4.1 Fees. In consideration of the rights granted to Apollo under this Agreement, Apollo will pay to CMU the fees set forth on Exhibit D on the dates set forth on Exhibit D (collectively, the "Fees").

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4.2 Taxes. The Parties acknowledge and agree that no portion of the consideration payable pursuant to this Agreement to CMU shall be deducted or withheld from payment by Apollo. CMU shall defend, indemnify, and hold harmless Apollo from and against any liability, damage, loss or expense incurred by or imposed on Apollo by reason of any requirement of Apollo to withhold and pay to the appropriate taxing authorities pursuant to any applicable tax laws of the United States, any state, or any other country, any portion of the consideration payable pursuant to this Agreement to CMU.

4.3 Payment Terms. CMU shall send Apollo written invoices for all Fees at least sixty (60) days prior to the applicable payment dates referenced on Exhibit D, and Apollo shall make such payments on such payment dates. A failure by CMU to submit one or more invoices shall not be deemed to be a waiver of the right to receive all or any portion of the Fees. All payments to be made by Apollo hereunder shall be payable prior to 1:00 p.m. Eastern Time on the date when due, without presentment, demand, protest or, except for the foregoing written invoices, notice of any kind, all of which are hereby expressly waived by Apollo, and without set-off, counterclaim or other deduction of any nature (subject to Section 4.5), and an action therefor shall immediately accrue.

4.4 Obligation to Pay Fees.

(a) Event of Default. Subject to Section 4.5, an "Event of Default" shall be deemed to occur if Apollo fails to make any payment of the Fees on the date on which such payment becomes due and such default continues unremedied for a period of thirty (30) days after CMU provides Apollo written notice of such failure.

(b) Consequences of Event of Default. If Apollo has failed to make the payment that is the subject of an Event of Default within one hundred twenty (120) days of the occurrence of such Event of Default, CMU may declare the entire balance of all unpaid Fees immediately due and payable in full at which time all Fees shall become immediately due and payable. Interest shall accrue as of the date of an Event of Default and be payable on all Fees that are the subject of such Event of Default at an interest rate of five percent (5%), per, annum. The rights of CMU under this Section are in addition to any other rights and remedies that CMU may have under this Agreement, applicable law, at law and in equity. Apollo shall pay all reasonable costs and expenses, including without limitation, reasonable attorneys' fees and court costs, incurred by CMU in the enforcement of its rights under this Section and collection of the Fees. All remedies hereunder shall be cumulative and shall be available to CMU at all times until the Fees and interest, as applicable, have been paid in full. No delay or omission of CMU to exercise any right or power under this Agreement shall impair such right or power or be construed to be a waiver of any Event of Default and any single or partial exercise of any such right or power shall not preclude any other or further exercise thereof or the exercise of any other right or power, and no waiver whatsoever shall be valid unless it is in writing signed by CMU and then only to the extent specifically set forth in such writing.

(c) Subsidiary Guarantee. As security for Apollo's payment obligations hereunder, Apollo shall cause The University of Phoenix, Inc., to provide a guarantee in favor of CMU in the form attached as Exhibit F.

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4.5 Escrow and Offset of Fees.

(a) In the event that a suit is filed by any third party, not involved with the ownership or operation of Apollo or CL, alleging that the Transferred Assets violated such third party's Intellectual Property Rights, Fees then due but unpaid and those later coming due while such allegations are pending, to the extent necessary to cover the claims in such suit that Transferred Assets violated such third party's Intellectual Property Rights (hereinafter the "Claims") may be deposited by Apollo in escrow (the "Infringement Escrowed Amounts") with a mutually agreeable third party (the "Escrow Agent") pursuant to the terms of an escrow agreement which shall be mutually agreed upon by CMU and Apollo (it being understood that CMU and Apollo shall act reasonably and not arbitrarily whenever mutual agreement is required under the preceding sentence). CMU may participate in, but not control, such suit to protect its interests. The Infringement Escrowed Amounts shall be released within thirty (30) days after the earlier of the execution of an agreement, executed by CMU, Apollo and the third party, finally resolving the Claims or the issuance of a final non-appealable order of the court or arbitrator finally resolving the Claims (the "Final Resolution"). If the Final Resolution finally determines that the Transferred Assets violated such third party's Intellectual Property Rights ("Final Determination That CMU is Responsible"), the Infringement Escrowed Amounts shall be paid to the following persons or entities in the following priority: (i) to any third party which, in connection with the Final Resolution, is entitled to the payment of a royalty or license fee regarding the Claims but only for such amounts owed for the time period beginning with the date the Claims are made and ending on the date of the Final Resolution; (ii) to Apollo for any expenses and fees (including reasonable attorneys' fees) incurred by the Apollo in connection with the Claims; and (iii) the balance to CMU; amounts paid under the foregoing parts (i), (ii), and (iii) of this sentence shall be credited toward Apollo's obligations to pay any Fees to CMU under this Agreement. If the Final Resolution does not contain a Final Determination That CMU is Responsible, then the entire Infringement Escrowed Amounts shall be paid to CMU. Notwithstanding the foregoing, the aggregate Infringement Escrowed Amounts together with any amounts paid by CMU pursuant to Section 11.1, shall in no event exceed $[**] in the aggregate (it being understood that CMU's aggregate liability under this Section 4.5 and Section 11.1 shall in no event exceed $[**] in the aggregate). If at any time the aggregate amounts paid or payable by CMU pursuant to Section 11.1 and the aggregate amounts of the Infringement Escrowed Amounts (including amounts paid previously paid from the Infringement Escrowed Amounts) exceed $[**], CMU shall pay to Apollo the amounts due pursuant to Section 11.1, and upon receipt of such payment by Apollo, and an amount equal to such excess shall be immediately released by the Escrow Agent from the Infringement Escrowed Amounts and each Party shall take all actions necessary or appropriate to effect such release.

(b) In the event that Apollo obtains a final, non-appealable judgment against CMU arising from a breach of Section 3.1(b), Section 3.1(d)(ii) or Section 3.5, Apollo may offset the next succeeding payable Fees in an amount not to exceed the amount of such judgment.

4.6 Covenants. CMU hereby covenants that:

(a) CMU shall not use any CL Marks or apply for registration of any CL Marks (or any mark confusingly similar thereto) anywhere in the world; and

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(b) CMU shall not challenge Apollo's or CL's ownership or use of the CL Marks.

4.7 Representations. CMU hereby represents and warrants that:

(a) Except as set forth on Schedule 4.7(a), CMU has not disclosed, licensed or granted any third party rights of use of or to the Transferred Assets to any entity (other than to CL);

(b) Except as set forth on Schedule 4.7(b), CMU's products or services do not use any Transferred Assets;

(c) Except as set forth in Schedule 4.7(c), CMU's use of any CL Technology disclosed to CMU by CL pursuant to the CMU-CL Agreements has been strictly as permitted under the CMU-CL Agreements;

(d) the Transferred Assets do not contain or use any third party Technology;

(e) the Transferred Assets do not contain or use any open source software; and

(f) Except as set forth on Schedule 4.7(f) , to CMU's knowledge, CMU does not own any United States or foreign patents or patent applications (other than the Funded Patent) that contain claims expressly directed toward cognitive tutors.

The Parties acknowledge and agree that the representations and warranties set forth in this Section 4.7 shall survive for a period of thirty (30) months commencing on the Effective Date.

5. FUNDED PATENTS PROSECUTION AND ENFORCEMENT

5.1 Prosecution.

(a) Responsibility. Apollo shall have the sole right and responsibility for preparing, filing, prosecuting and maintaining the Funded Patent and for paying all associated costs. For purposes of this Agreement, patent prosecution includes, without limitation, ex parte prosecution, interference proceedings, reissues, reexaminations, oppositions, patent term extensions and supplemental protection certificates.

(b) Cooperation. CMU shall cooperate with Apollo in preparing, filing, prosecuting and maintaining the Funded Patent, including without limitation executing documents pertaining to the Funded Patent and seeking the cooperation of the inventor(s) of the Funded Patent. CMU shall provide Apollo with prompt written notice of any matter that comes to CMU's attention that may affect the patentability, validity or enforceability of the Funded Patent.

(c) Covenant Not To Prosecute. CMU hereby covenants and agrees not to prosecute any invention disclosed by the Funded Patent.

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5.2 Enforcement.

(a) Notice. If at any time during the term of this Agreement, CMU becomes aware of an apparent infringement in a particular country of the Funded Patent, it must promptly notify Apollo in writing.

(b) Action by Apollo. Apollo has the sole right, but not the obligation, to enforce the Funded Patent and prosecuting apparent infringers at its expense and in its own name when, in its judgment, such action may be reasonably necessary. Apollo has the right to join CMU as a party-plaintiff in connection with such rights, at Apollo's expense.

(c) Cooperation. If Apollo initiates legal proceedings to enforce the Funded Patent, CMU shall cooperate with and supply all assistance reasonably requested by Apollo, at Apollo's request and expense.

(d) No Distribution of Amounts Paid by Third Parties. In any legal proceeding brought by Apollo, Apollo shall recover any and all damages or other amounts recovered as a result of the proceeding, without any obligation to provide any amounts to CMU.

(e) Declaratory Judgment Actions. If any third party initiates a declaratory judgment action alleging the invalidity or unenforceability of the Funded Patent, then Apollo shall have the right to defend and settle such action under its own control and at its own expense, and CMU and Apollo shall cooperate in good faith to defend such action. Any recovery associated with this Section 5.2(e) shall belong solely to Apollo.

6. CMU-CL AGREEMENTS

6.1 Certain Acknowledgements and Agreements.

(a) Termination of CMU-CL Agreements. The Parties hereby acknowledge and agree that, as of the TALA Closing Date, the CMU-CL Agreements are terminated in their entirety and, no rights, obligations or claims under the CMU-CL Agreements will survive such termination.

(b) Satisfaction of Royalties. The Parties hereby acknowledge and agree that, (i) CL will pay to CMU $[**] on or before August 8, 2011 and (ii) immediately prior to the Closing Event, CL is paying to CMU $[**], all in full satisfaction of all royalties owed by CL to CMU under the CMU-CL Agreements.

(c) Dispute Moratorium. The Parties acknowledge that certain disputes have arisen between CL and CMU arising under the CMU-CL Agreements, including whether or not the CMU-CL Third Agreement remains in effect. CMU and CL shall not initiate or pursue any claims relating to any such disputes or any other dispute during the period commencing on the Effective Date and ending on the earlier to occur of the TALA Closing and the termination of this Agreement. For the avoidance of doubt, as of the TALA Closing Date, all such claims are released pursuant to Section 6.2 and Section 6.3.

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6.2 CMU Release of Apollo and CL. As of the TALA Closing Date, CMU hereby releases Apollo and CL from any and all claims, liability, obligations, fees, and any other claims or allegations of any kind or nature whatsoever, known or unknown, suspected or unsuspected, fixed or contingent, in equity or in law or otherwise, that CMU ever had or now has, for, upon, or by reason of any matter, cause or thing whatsoever against Apollo and CL, to the extent arising out of or related to the CMU-CL Agreements. CMU represents that it has read and understood California Civil Code 1542 and hereby waives the provisions of California Civil Code 1542, which states: "A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially effected his settlement with the debtor." In addition, each party hereby knowingly and voluntarily waives any protection that may exist under any comparable or similar statutes and principles of common law as it pertains to the enforcement of the releases provided by this section. By way of clarification, the release set forth in this Section 6.2 is not intended to release Apollo or CL from paying the amounts provided in Section 6.1(b).

6.3 Apollo and CL Release of CMU. As of the TALA Closing Date, except as provided in Section 4.7(c) and Section 6.4, Apollo and CL hereby release CMU from any and all claims, liability, obligations, fees, and any other claims or allegations of any kind or nature whatsoever, known or unknown, suspected or unsuspected, fixed or contingent, in equity or in law or otherwise, that Apollo and CL ever had or now has, for, upon, or by reason of any matter, cause or thing whatsoever against CMU, to the extent arising out of or related to the CMU-CL Agreements. Apollo and CL represent that they have read and understood California Civil Code 1542 and hereby waive the provisions of California Civil Code 1542, which states: "A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially effected his settlement with the debtor." In addition, Apollo and CL hereby knowingly and voluntarily waive any protection that may exist under any comparable or similar statutes and principles of common law as it pertains to the enforcement of the releases provided by this section. By way of clarification, the release set forth in this Section 6.3 is not intended to release CMU from liability arising under Section 11.1 from a breach of the representation set forth in Section 4.7(c) or under Section 6.4.

6.4 Initial Founders Release of Apollo and CL. CMU may, at its election, obtain from each Initial Founder a signed release for the benefit of Apollo and CL of substantially the same scope as the release set forth in Section 6.2, and send a copy of each such release to Apollo. In the absence of obtaining and delivering such a release by an Initial Founder, CMU agrees to defend, indemnify, and hold harmless Apollo and CL from and against any liability, damage, loss or expense (including attorneys' fees and expenses) incurred by or imposed on Apollo or CL by reason of any claim made by an Initial Founder against Apollo or CL under the CMU-CL Agreements.

6.5 No Further Payments. Without limiting the generality of the foregoing, and except as set forth in 6.1(b), the Parties hereby acknowledge and agree that effective as of the TALA Closing: (a) CL has no further payment obligations under the CMU-CL Agreements; and (b) neither Apollo, nor CL, has any obligation to make any payments to CMU for any Exploitation of any CL Technology.

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7. RIGHT OF FIRST NEGOTIATION

7.1 [**] Right of First Negotiation.

(a) [**] License. During the period commencing on the Effective Date and ending on the [**] thereof (the "[**]"), each time CMU decides to explore an arrangement pursuant to which CMU would [**] license in all fields of use all or a portion of CMU's right, title and interest in and to [**] ("ROFN Technology") for commercial purposes, CMU shall, at any time but prior to entering into a written agreement or license effecting such [**] license, notify Apollo in writing of such intention and provide to Apollo copies of CMU's information related to such ROFN Technology relevant to Apollo's evaluation (other than Source Code and other than information that is confidential to third parties). All such information disclosed by CMU shall be deemed to be CMU Confidential Information. If Apollo elects in writing within [**] (the "[**]") after receipt of such notice (the "[**]"), Apollo and CMU shall thereafter negotiate a [**] license (as applicable) of such ROFN Technology for [**] after Apollo's notice of such election (such [**] period is referred to as the "[**]"). If Apollo fails to make the [**], or if Apollo and CMU do not enter into a binding agreement within the [**], in each Party's sole and absolute discretion, then CMU shall thereafter have the right to enter into any agreement or arrangement regarding such ROFN Technology with one or more third parties during the [**] period commencing on the expiration of the [**] (if Apollo does not make the [**]) or the expiration of the [**] (if Apollo does make the [**]) (such [**] period is referred to as the "[**]") (without any further rights by, or notice to, Apollo during the [**]). Notwithstanding the foregoing, if Apollo made the [**] and CMU subsequently proposes to [**] license the ROFN Technology during the [**] to a for-profit educational institution or any Person who owns, controls, is under common control, or is controlled by a for-profit educational institution on terms that are materially more favorable to such entity than were offered by CMU to Apollo during the [**], then, before CMU enters into such agreement, CMU shall once again comply with this Section. For purposes of this Article 7, "controls," "control" and "controlled" shall have the corresponding meaning given to the term "control" within Section 1.3 of this Agreement. If CMU does not enter into a [**] license for such ROFN Technology during an [**], then any future [**] license of the ROFN Technology shall again be subject to this Section (provided that such subsequent [**] license is within the [**]). This Section shall terminate and be of no further force or effect at the expiration of the [**].

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(b) [**]. During the period commencing on the Effective Date and ending on the [**] thereof (the "[**]"), each time CMU decides to explore an arrangement pursuant to which CMU would [**] license ROFN Technology for commercial purposes, CMU shall, at any time but in any event prior to entering into a written agreement or license effecting such license, notify Apollo in writing of such intention and provide to Apollo copies of CMU's information related to such ROFN Technology relevant to Apollo's evaluation (other than Source Code and other than information that is confidential to third parties). All such information disclosed by CMU shall be deemed to be CMU Confidential Information. If Apollo elects in writing within [**] (the "[**]") after receipt of such notice (the "[**]"), Apollo and CMU shall thereafter negotiate a license of such ROFN Technology for [**] after Apollo's notice of such election (such [**] period is referred to as the "[**]"). If Apollo fails to make the [**], or if Apollo and CMU do not enter into a binding agreement which would prohibit CMU from granting [**] licenses within the [**], in each Party's sole and absolute discretion, then CMU shall thereafter have the right to enter into any [**] license regarding such ROFN Technology with one or more third parties during the [**] period commencing on the expiration of the [**] (if Apollo does not make the [**]) or the expiration of the [**] (if Apollo does make the [**]) (such [**] period is referred to as the "[**]") (without any further rights by, or notice to, Apollo during the [**]). Notwithstanding the foregoing, if Apollo made the [**] and CMU subsequently proposes to [**] license the ROFN Technology during the [**] to a for-profit educational institution or any Person who owns, controls, is under common control, or is controlled by a for-profit educational institution on terms that are materially more favorable to such entity than were offered by CMU to Apollo during the [**], then, before CMU enters into such agreement, CMU shall once again comply with this Section (except that such requirement shall not apply to a form object-code [**] license (including, without limitation, click-through licenses)). Any [**] license of the ROFN Technology after the expiration of a [**] shall again be subject to this Section (provided that such subsequent license is within the [**]). This Section shall terminate and be of no further force or effect at the expiration of the [**].

7.2 [**] Research Collaboration. CMU and Apollo will discuss a sponsored research project during the [**] period following the Effective Date (the "[**] Discussion Period") pursuant to which Apollo would sponsor a project to research and develop a material improvement to [**] as agreed-upon by CMU and Apollo. During the [**] Discussion Period, CMU will not enter into any commercial license of [**]. If Apollo and CMU do not enter into a sponsorship agreement during the [**] Discussion Period, then this Section 7.2 shall be of no further force or effect.

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7.3 [**] Technology Right of First Negotiation. During the period commencing on the Effective Date and ending on the [**] thereof (the "[**]"), each time CMU decides to explore an arrangement pursuant to which CMU would sell or license all or a portion of CMU's right, title and interest in and to [**] Technology for commercial purposes, CMU shall, at any time but in any event prior to entering into a written agreement or license effecting such sale or license, notify Apollo in writing of such intention and provide to Apollo copies of CMU's information related to such [**] Technology relevant to Apollo's evaluation (other than Source Code and other than information that is confidential to third parties). All such information disclosed by CMU shall be deemed to be CMU Confidential Information. If Apollo elects in writing within [**] (the "[**]") after receipt of such notice (the "[**]"), Apollo and CMU shall thereafter negotiate a purchase or license (as applicable) of such [**] Technology for [**] after Apollo's notice of such election (such [**] period is referred to as the "[**]"). If Apollo fails to make the [**], or if Apollo and CMU do not enter into a binding agreement within the [**] which would preclude licenses of the [**] Technology, in each Party's sole and absolute discretion, then CMU shall thereafter have the right to enter into any agreement or arrangement regarding such [**] Technology with one or more third parties during the [**] period commencing on the expiration of the [**] (if Apollo does not make the [**]) or the expiration of the [**] (if Apollo does make the [**]) (such [**] period is referred to as the "[**]") (without any further rights by, or notice to, Apollo during the [**]). Notwithstanding the foregoing, if Apollo made the [**] and CMU subsequently proposes to sell or license the [**] Technology during the [**] to a for-profit educational institution or any Person who owns, controls, is under common control, or is controlled by a for-profit educational institution on terms that are materially more favorable to such entity than were offered by CMU to Apollo during the [**], then, before CMU enters into such agreement, CMU shall once again comply with this Section. Any sale or license of the [**] Technology after the expiration of a [**] shall again be subject to this Section (provided that such subsequent [**] license is within the [**]). This Section shall terminate and be of no further force or effect at the expiration of the [**].

7.4 Apollo's rights under this Section 7 are not assignable, in whole or in part.

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8. CONFIDENTIALITY

8.1 "Confidential Information" means any and all technical and non-technical information disclosed by one Party ("Disclosing Party") to another ("Receiving Party") under this Agreement and related to the past, present or future Adaptive Learning Field or technology of the Disclosing Party, including without limitation information constituting or concerning research, development, processes and methodologies; product architecture, designs and specifications; software, whether human-readable or machine-readable; product, marketing, sales and Adaptive Learning Field development plans and strategies; competitive analyses; financial analyses and forecasts; cost and pricing data; procurement requirements and vendor information; customers and prospects; licensing and distribution arrangements; the identity, skills and compensation of employees, contractors and consultants; and third party information that the Disclosing Party is obligated to maintain in confidence. In order for information to be deemed to be Confidential Information, it must be clearly marked as confidential. Notwithstanding the forgoing, all of the Transferred Assets (other than the Know-How) will be considered Apollo Confidential Information. Further, each Party agrees to treat the terms and conditions of this Agreement as the Confidential Information of each of the other Parties.

8.2 Confidentiality Obligations. Each Party will hold in confidence and shall not use or disclose to any third party any Confidential Information of another Party. Each Party shall only use the other Party's Confidential Information as necessary to perform its obligations, or as otherwise permitted, under this Agreement and for no other purpose.

8.3 Exclusions. Notwithstanding the foregoing, neither the Disclosing Party nor the Receiving Party shall have any obligation under this Section 8 with respect to any information that it can prove is: (i) now or hereafter, through no unauthorized act or failure to act on the Receiving Party's part, generally known to the public; (ii) known to the Receiving Party without an obligation of confidentiality effective at the time the Receiving Party received the same from the Disclosing Party, as evidenced by written records; (iii) hereafter furnished to the Receiving Party by a third party as a matter of right and without restriction on disclosure to the Disclosing Party; or (iv) independently developed by the Receiving Party without use of or access to the Disclosing Party's Confidential Information. Nothing in this Agreement shall prevent the Receiving Party from disclosing information to the extent the Receiving Party is legally compelled to do so by any governmental investigative or judicial agency pursuant to proceedings over which such agency has jurisdiction; provided, however, that prior to any such disclosure, the Receiving Party will: (a) assert the confidential nature of the information to the agency; (b) immediately notify the Disclosing Party in writing of the agency's order or request to disclose; and (c) cooperate fully with the Disclosing Party in protecting against any such disclosure and/or obtaining a protective order narrowing the scope of the compelled disclosure and protecting its confidentiality.

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8.4 Injunctive Relief. Each Party agrees that it would be impossible or inadequate to measure and calculate the other Party's damages from any breach of this Section 8. Accordingly, each Party agrees that if such Party breaches such provisions, the other Party will have available, in addition to any other right or remedy available, the right to seek from any court of competent jurisdiction an injunction restraining such breach or threatened breach and to seek specific performance of any such provisions. Each Party further agrees that no bond or other security will be required in obtaining such equitable relief.

9. WARRANTIES

9.1 Mutual Warranties. Each Party represents and warrants to the other that: (i) it has the corporate power and authority and the legal right to enter into this Agreement and to perform its obligations hereunder; and (ii) the execution and delivery of this Agreement and the performance of its obligations hereunder do not conflict with or constitute a default under any of its contractual obligations.

9.2 CMU Warranties. CMU represents and warrants that: (i) it owns full and undiminished right, title and interest in and to all Transferred Assets, and has all rights necessary to make the assignment herein; and (ii) the Transferred Assets are free of any Encumbrances (other than (a) with respect to the Funded Patent, the Permitted Encumbrances in Section 1.71(i); and (b) with respect to all other Transferred Assets, the Permitted Encumbrances in Section 1.71(ii)).

9.3 WARRANTY DISCLAIMER. THE EXPRESS TERMS OF THIS AGREEMENT ARE IN LIEU OF ALL WARRANTIES, CONDITIONS, TERMS, UNDERTAKINGS AND OBLIGATIONS IMPLIED BY STATUTE, COMMON LAW, CUSTOM, TRADE USAGE, COURSE OF DEALING OR OTHERWISE, INCLUDING BUT NOT LIMITED TO THE WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, ALL OF WHICH ARE HEREBY EXPRESSLY EXCLUDED TO THE FULLEST EXTENT PERMITTED BY LAW.

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10. LIMITATION OF LIABILITY

EXCEPT FOR OBLIGATIONS UNDER BREACHES OF SECTION 8 (CONFIDENTIALITY) AND OBLIGATIONS UNDER SECTION 11 (INDEMNIFICATION) UNDER NO CIRCUMSTANCES WILL ANY PARTY BE LIABLE TO THE OTHER PARTIES, UNDER ANY CONTRACT, STRICT LIABILITY, NEGLIGENCE OR OTHER LEGAL OR EQUITABLE THEORY, FOR ANY SPECIAL, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES, LOST PROFITS OR COST OF PROCUREMENT OF SUBSTITUTE GOODS OR SERVICES IN CONNECTION WITH THE SUBJECT MATTER OF THIS AGREEMENT HOWEVER CAUSED AND UNDER ANY THEORY OF LIABILITY, INCLUDING BUT NOT LIMITED TO CONTRACT OR TORT AND WHETHER OR NOT SUCH PARTY WAS OR SHOULD HAVE BEEN AWARE OR ADVISED OF THE POSSIBILITY OF SUCH DAMAGE AND NOTWITHSTANDING THE FAILURE OF ESSENTIAL PURPOSE OF ANY LIMITED REMEDY STATED HEREIN. EXCEPT FOR OBLIGATIONS UNDER SECTION 6.4 (FOUNDERS RELEASE OF APOLLO AND CL), BREACHES OF SECTION 8 (CONFIDENTIALITY), BREACHES OF SECTION 9.1 (MUTUAL WARRANTIES), BREACHES OF SECTION 9.2 (CMU WARRANTIES), AND LOST PROFITS RESULTING FROM ANY BREACH OF SECTION 3.5 (RETAINED RIGHTS), IN NO EVENT SHALL EACH PARTY'S LIABILITY ARISING OUT OF THIS AGREEMENT EXCEED THE FEES PAID OR PAYABLE UNDER THIS AGREEMENT. THE PARTIES AGREE THAT THIS SECTION REPRESENTS A REASONABLE ALLOCATION OF RISK.

11. INDEMNIFICATION

11.1 Indemnification by CMU. CMU and its successors and assigns shall defend, indemnify, and hold harmless Apollo and its officers, employees and attorneys from and against any liability, damage, loss or expense (including reasonable attorneys' fees and expenses) incurred by or imposed upon Apollo and/or its officers, employees and attorneys in connection with any claim, suit, action or demand arising out of any misrepresentation by CMU under Sections (i) 4.7; (ii) 9.1; and (iii) 9.2 of this Agreement.

11.2 Indemnification by Apollo. Apollo and its successors and assigns (collectively, the "Apollo Group") shall defend, indemnify, and hold harmless CMU and its trustees, officers, employees and attorneys from and against any liability, damage, loss or expense (including reasonable attorneys' fees and expenses) incurred by or imposed upon any of CMU and/or its trustees, officers, employees and attorneys in connection with any claim, suit, action or demand arising out of or relating to any misrepresentation by Apollo under (i) Section 9.1 or (ii) Apollo Group's use of, disposition of, or conduct regarding the Transferred Assets and/or the Funded Patent and/or the CMU Trademark, including but not limited to, any claims of product liability, personal injury (including, but not limited to, death), damage to property or violation of any laws or regulations including, but not limited to, claims of active or passive negligence.

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11.3 Limit on Indemnification under Section 11. Notwithstanding Section 10, Section 11.1 and Section 11.2 above, (a) the aggregate liability of CMU and Apollo relating to all claims for indemnification under Section 11.1(i) or Section 11.2(i) (and in the case of CMU, the aggregate liability of CMU relating to claims under Section 11.1(i) together with amounts paid or payable pursuant to Section 4.5(a)), respectively, shall not exceed $[**] for each of CMU and Apollo; (b) CMU and Apollo shall not be required to indemnify, defend or hold harmless the other Party with respect to any claim for indemnification pursuant to Section 11.1 or Section 11.2, respectively, unless and until the aggregate losses with respect to all such claims exceed $[**] in which case the indemnifying Party shall be liable only for those losses that exceed such minimum threshold; and (c) in no event may any claims for indemnification under Section 11.1 be made more than thirty (30) months after the Effective Date. For purposes of Section 11.3(a) above, Infringement Escrow Amounts remaining in escrow shall not be included as amounts paid or payable pursuant to Section 4.5(a) unless and until payable from the Escrow, so long as the Escrow Agent and Apollo shall have complied in all respects with the last sentence of Section 4.5(a). Upon a direct or indirect assignment of the rights of indemnification under the Merger Agreement (including, without limitation, in connection with a merger or disposition of a subsidiary, division or assets of Apollo), the amounts payable under Section 11.1 shall be reduced by Losses for which indemnification is sought from the Indemnifying Equityholders by or on behalf of the successor or purchaser, as applicable (or its assigns or successors), arising under the facts giving rise to the applicable misrepresentation.

11.4 Method of Asserting Claims. Claims for indemnification by any Indemnified Party will be asserted and resolved as follows.

(a) In the event any claim or demand in respect of which an Indemnified Party might seek indemnity is asserted against or sought to be collected from such Indemnified Party by a Person other than the Parties (a "Third Party Claim"), the Indemnified Party shall deliver a Claim Notice with reasonable promptness to the Indemnifying Party. If the Indemnified Party fails to provide the Claim Notice with reasonable promptness after the Indemnified Party receives notice of such Third Party Claim, the Indemnifying Party will not be obligated to indemnify the Indemnified Party with respect to such Third Party Claim to the extent that the Indemnifying Party's ability to defend is prejudiced by such failure of the Indemnified Party. The Indemnifying Party will notify the Indemnified Party as soon as practicable within the Dispute Period whether the Indemnifying Party accepts or disputes its liability to the Indemnified Party and whether the Indemnifying Party desires, at its sole cost and expense, to defend the Indemnified Party against such Third Party Claim.

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(i) If the Indemnifying Party notifies the Indemnified Party within the Dispute Period that the Indemnifying Party desires to defend the Indemnified Party with respect to the Third Party Claim, then the Indemnifying Party will have the right to defend, with counsel reasonably satisfactory to the Indemnified Party, at the sole cost and expense of the Indemnifying Party, such Third Party Claim by all appropriate proceedings, which proceedings will be vigorously and diligently prosecuted or defended by the Indemnifying Party to a final conclusion or will be settled at the reasonable discretion of the Indemnifying Party (but only with the consent of the Indemnified Party in its sole discretion in the case of any settlement that provides for any relief other than the payment of monetary damages or that provides for the payment of monetary damages as to which the Indemnified Party will not be indemnified in full). Subject to the foregoing, the Indemnifying Party will have full control of such defense and proceedings, including any compromise or settlement thereof; provided, however, that the Indemnified Party may, at the cost and expense of the Indemnifying Party, at any time prior to the Indemnifying Party's delivery of the notice referred to in the first sentence of this Section (i), file any motion, answer or other pleadings or take any other action that the Indemnified Party reasonably believes to be necessary or appropriate to protect its interests; and provided, further, that if requested by the Indemnifying Party, the Indemnified Party will, at the sole cost and expense of the Indemnifying Party, provide reasonable cooperation to the Indemnifying Party in contesting any Third Party Claim that the Indemnifying Party elects to contest. The Indemnified Party may participate in, but not control, any defense or settlement of any Third Party Claim controlled by the Indemnifying Party pursuant to this Section and, except as provided in the preceding sentence, the Indemnified Party will bear its own costs and expenses with respect to such participation. Notwithstanding the foregoing, the Indemnified Party may take over the control of the defense or settlement of a Third Party Claim at any time if it irrevocably waives its right to indemnity under Section with respect to such Third Party Claim.

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(ii) If the Indemnifying Party fails to notify the Indemnified Party within the Dispute Period that the Indemnifying Party desires to defend the Third Party Claim, or if the Indemnifying Party gives such notice but any time thereafter fails to prosecute or defend vigorously and diligently or settle the Third Party Claim, or if the Indemnifying Party fails to give any notice whatsoever within the Dispute Period, then the Indemnified Party will have the right to defend, at the sole cost and expense of the Indemnifying Party, the Third Party Claim by all appropriate proceedings, which proceedings will be prosecuted by the Indemnified Party in good faith or will be settled at the reasonable discretion of the Indemnified Party (provided that the Indemnified Party shall give the Indemnifying Party prior notice of such settlement). The Indemnified Party will have full control of such defense and proceedings, including any compromise or settlement thereof subject to the foregoing sentence; provided, however, that if requested by the Indemnified Party, the Indemnifying Party will, at the sole cost and expense of the Indemnifying Party, provide reasonable cooperation to the Indemnified Party and its counsel in contesting any Third Party Claim which the Indemnified Party is contesting. Notwithstanding the foregoing provisions of this Section, if the Indemnifying Party has notified the Indemnified Party within the Dispute Period that the Indemnifying Party disputes its liability hereunder to the Indemnified Party with respect to such Third Party Claim and if such dispute is resolved in favor of the Indemnifying Party in the manner provided in Subsection (iii) below, the Indemnifying Party will not be required to bear the costs and expenses of the Indemnified Party's defense pursuant to this Section or of the Indemnifying Party's participation therein at the Indemnified Party's request, and the Indemnified Party will reimburse the Indemnifying Party in full for all reasonable costs and expenses incurred by the Indemnifying Party in connection with such litigation. The Indemnifying Party may participate in, but not control, any defense or settlement controlled by the Indemnified Party pursuant to this Section, and the Indemnifying Party will bear its own costs and expenses with respect to such participation.

(iii) If the Indemnifying Party notifies the Indemnified Party that it accepts its indemnification liability to the Indemnified Party with respect to the Third Party Claim or fails to notify the Indemnified Party within the Dispute Period whether the Indemnifying Party disputes its liability to the Indemnified Party with respect to such Third Party Claim, the loss identified in the Claim Notice, as finally determined, will be conclusively deemed a liability of the Indemnifying Party and the Indemnifying Party shall pay the amount of such loss to the Indemnified Party on demand. If the Indemnifying Party timely disputes its liability with respect to such Third Party Claim, the Indemnifying Party and the Indemnified Party will proceed in good faith to negotiate a resolution of such dispute, and if not resolved through negotiations within the Resolution Period, such dispute shall be resolved by litigation in a court of competent jurisdiction.

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(b) In the event any Indemnified Party should have a claim for indemnification against any Indemnifying Party that does not involve a Third Party Claim, the Indemnified Party shall deliver an Indemnity Notice with reasonable promptness to the Indemnifying Party. The failure or delay by any Indemnified Party to give the Indemnity Notice shall not impair such party's rights hereunder except to the extent that an Indemnifying Party is prejudiced by such failure or delay. If the Indemnifying Party notifies the Indemnified Party that it does not dispute the claim described in such Indemnity Notice or fails to notify the Indemnified Party within the Dispute Period whether the Indemnifying Party disputes the claim described in such Indemnity Notice, the loss indemnified in the Indemnity Notice will be conclusively deemed a liability of the Indemnifying Party and the Indemnifying Party shall pay the amount of such Loss to the Indemnified Party on demand. If the Indemnifying Party has timely disputed its liability with respect to such claim, the Indemnifying Party and the Indemnified Party will proceed in good faith to negotiate a resolution of such dispute and, if not resolved through negotiations within the Resolution Period, such dispute shall be resolved by litigation in a court of competent jurisdiction.

11.5 Exclusivity as to Representations and Warranties. The representations and warranties (and the related schedules) set forth herein are the sole and exclusive representations and warranties made by the Parties. No Party shall be deemed to have made any representation or warranty other than as expressly made herein.

12. TERM AND TERMINATION; CLOSING

12.1 Term. The term of this Agreement will commence on the Effective Date and continue indefinitely, and may not be terminated by any Party except as expressly provided in Section 12.2 below (the "Term"), except that certain rights and obligations may be terminated as expressly provided in this Agreement.

12.2 Termination For No Closing Event. This Agreement will automatically terminate if the Closing Event does not occur in accordance with the Merger Agreement.

12.3 Effect of Termination. Upon termination of this Agreement pursuant to Section 12.1 or Section 12.2, this Agreement will be of no force and effect, and no Sections of this Agreement will survive such termination. Notwithstanding the foregoing, the Parties will return all materials received under this Agreement to the Party providing such materials.

12.4 Closing.

(a) The obligations of Apollo to consummate the closing of the transactions contemplated by this Agreement (the "TALA Closing") is subject to the fulfillment of the following conditions of the TALA Closing:

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(i) The representations and warranties of set forth in Section 9.1 with respect to CL and CMU, and in Sections 4.7 and 9.2 with respect to CMU, shall be true and correct in all material respects, in each case as of the Effective Date and at and as of the TALA Closing Date as though then made and as though the TALA Closing Date were substituted for the Effective Date throughout such representations and warranties;

(ii) Each of CMU and CL shall have performed and complied in all material respects with all of the covenants and agreements required to be performed by it under this Agreement on or prior to the TALA Closing Date;

(iii) CMU shall have fulfilled (in Apollo's sole discretion) its delivery and evidence obligations under Section 2.3; and

(iv) the Closing Event shall have occurred.

(b) The obligations of CMU to consummate the TALA Closing is subject to the fulfillment of the following conditions of the TALA Closing:

(i) The representations and warranties of set forth in Section 9.1 with respect to Apollo and CL shall be true and correct in all material respects, in each case as of the Effective Date and at and as of the TALA Closing Date as though then made and as though the TALA Closing Date were substituted for the Effective Date throughout such representations and warranties;

(ii) Each of Apollo and CL shall have performed and complied in all material respects with all of the covenants and agreements required to be performed by it under this Agreement on or prior to the TALA Closing Date; and

(iii) the Closing Event shall have occurred.

(c) The obligations of CL to consummate the TALA Closing is subject to the fulfillment of the following conditions of the TALA Closing:

(i) The representations and warranties of set forth in Section 9.1 with respect to Apollo and CMU shall be true and correct in all material respects, in each case as of the Effective Date and at and as of the TALA Closing Date as though then made and as though the TALA Closing Date were substituted for the Effective Date throughout such representations and warranties;

(ii) Each of Apollo and CMU shall have performed and complied in all material respects with all of the covenants and agreements required to be performed by it under this Agreement on or prior to the TALA Closing Date; and

(iii) the Closing Event shall have occurred.

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(d) The TALA Closing shall take place at the offices of Morgan Lewis, One Oxford Centre, Thirty-Second Floor, Pittsburgh, PA 15219, simultaneously with the Closing Event; provided that any Party may participate remotely in the TALA Closing by electronic delivery of documents and/or funds. The date and time of the TALA Closing are referred to herein as the "TALA Closing Date".

13. GENERAL

13.1 Government Approvals. Each Party agrees to comply with all applicable laws and regulations, and to obtain any government approvals which are necessary to obtain for the Party to perform hereunder.

13.2 Relationship of The Parties. Each Party is an independent contractor of the other Party. Nothing in this Agreement will constitute a partnership between or joint venture by the Parties, or constitute any Party the agent of the other Parties.

13.3 Governing Law. This Agreement, and any and all disputes arising out of or relating to this Agreement, will be governed by and construed under the laws of Delaware, without reference to its conflicts of law principles. Without limitation of the foregoing, Delaware law relating to obligations to mitigate damages, if any, shall govern (and this Agreement shall not constitute a waiver thereof).

13.4 Resolution of Disputes. Any dispute, claim or controversy that may arise in connection with this Agreement shall be first negotiated in good faith by the Parties, and if such negotiations do not result in a mutually agreeable resolution, any Party may bring a claim against the other Parties, provided that such claim shall be exclusively brought in the state or federal courts located in Delaware. Each Party hereby irrevocably submits to the exclusive jurisdiction of such courts for any such claims, and waives any objections to such courts based on venue or the doctrine of forum non conveniens.

13.5 Publicity. CMU and Apollo will mutually agree to any public disclosure regarding the subject matter of this Agreement, including press releases and disclosure on each other's website, and CMU and Apollo must review and approve in writing proposed press releases and disclosures; provided neither CMU nor Apollo may unilaterally issue any press release, or make any public disclosure, without such other Party's prior written approval, except as necessary to comply with applicable law.

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13.6 Assignment. Except as otherwise provided herein, this Agreement may not be assigned, in whole or in part, by any Party without the other Parties' prior written consent, and any such assignment shall be void. Notwithstanding the foregoing, Apollo may assign this Agreement and any of its rights and/or obligations hereunder (other than its rights under Section 3.4) upon written notice to the other Parties, to any of its Affiliates or to an entity with or into which it is merged or consolidated or to which it sells all or substantially all its capital stock or assets associated with the operations related to this Agreement, without the consent of the other Parties subject to the condition precedent that such assignee expressly agrees in writing to assume Apollo's obligations under this Agreement and executes and delivers to CMU such agreement in writing to CMU.

13.7 Successors and Assigns; Third Party Beneficiaries. Subject to Section 13.6, this Agreement and all respective Intellectual Property Rights set forth herein, shall bind and inure to the benefit of each Party and their respective permitted successors or assigns. Nothing in this Agreement, express or implied, is intended to confer upon any other Person any rights or remedies of any nature whatsoever under or by reason of this Agreement.

13.8 Entire Agreement. This Agreement sets forth the entire agreement and understanding of the Parties relating to the subject matter hereof and merges all discussions, representations, covenants, promises, discussions, negotiations, and exchanges between them with respect thereto.

13.9 Modification and Waiver. No modification of or amendment to this Agreement will be effective unless in writing signed by authorized representatives of each Party. No waiver of any rights is to be charged against any Party unless such waiver is in writing signed by an authorized representative of the Party so charged.

13.10 Notices. All notices and other communications hereunder will be in writing and will be deemed effective when delivered by hand or by facsimile transmission, or upon receipt when mailed by registered or certified mail (return receipt requested), postage prepaid, or by bonded overnight courier, to the Parties at the addresses listed below (or at such other address for a Party as shall be specified by written notice):

If to Apollo:

4025 South Riverpoint Parkway
Phoenix, Arizona 85040
Attention: General Counsel

If to CMU:
Carnegie Mellon University
4615 Forbes Avenue, Suite 302
Pittsburgh, PA 15213
Attention: Director, Center for Technology Transfer and Enterprise Creation
Facsimile: 412-268-7395

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With a copy to:

Mary Jo Dively, Esq.
Vice President and General Counsel
Carnegie Mellon University
5000 Forbes Avenue
Pittsburgh, PA 15213
Facsimile: (412) 268-2330

If to CL:

Carnegie Learning, Inc.
Frick Building, 20th Floor
437 Grant Street
Pittsburgh, PA 15219
Attn: Chief Executive Officer
Facsimile: (412) 690-2444

With a copy to:

McGuireWoods LLP
EQT plaza
625 Liberty Avenue, 23rd Floor
Pittsburgh, PA 15222
Attn: Scott E. Westwood
Facsimile: (412) 667-6050

13.11 Unenforceable Provisions. If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement will remain in full force and effect, and, if legally permitted, such offending provision shall be replaced with an enforceable provision that as nearly as possible gives effect to the Parties' intent.

13.12 Counterparts. This Agreement may be executed in multiple counterparts (which may be exchanged by facsimile), each of which will be deemed an original and all of which together will constitute one instrument.

SIGNATURE PAGE NEXT PAGE

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INTENDING TO BE LEGALLY BOUND, the Parties through their duly authorized officers have executed this Agreement as of the Effective Date.

APOLLO GROUP, INC.	**CARNEGIE MELLON UNIVERSITY**
By: /s/ Joseph L. D'Amico	By: /s/ Mark Scott Kamlet
Name: Joseph L. D'Amico	Name: Mark Scott Kamlet
Title: President and COO	Title: Provost and Executive Vice President

CARNEGIE LEARNING, INC.

By: /s/ Dennis Ciccone

Name: Dennis Ciccone
Title: CEO

SIGNATURE PAGE TO TECHNOLOGY ASSIGNMENT AND LICENSE AGREEMENT

** Certain information in this exhibit has been omitted and filed separately with the Securities and Exchange Commission pursuant to a Confidential Treatment Request.

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Exhibit 10.8

APOLLO GROUP, INC.

AMENDED AND RESTATED
2000 STOCK INCENTIVE PLAN
PLAN AMENDMENT

The Apollo Group, Inc. 2000 Stock Incentive Plan, as amended and restated (the "***Plan***"), is hereby further amended, effective October 6, 2011, as follows:

1. Section 3.1(r) of the Plan is hereby amended in its entirety to read as follows:

"(r) "Performance Criteria" means the criteria that the Committee selects for purposes of establishing the Performance Goals for a Participant for a Performance Period. The Performance Criteria that will be used to establish Performance Goals are limited to the following: (i) pre-tax or after-tax net earnings or net income, (ii) sales or revenue growth, (iii) cash flow, operating cash flow or free cash flow objectives, (iv) return on assets or net assets, (v) return on stockholder equity, (vi) return on capital or invested capital, (vii) Stock price per share or growth in Stock price per share, (viii) total stockholder return, (ix) operating margin or gross or net profit margin, (x) earnings per share, (xi) market share, (xii) operating income or pre-tax or after-tax net operating income, (xiii) operating profit or pre-tax or after-tax net operating profit, (xiv) operating earnings or pre-tax or after-tax net operating earnings, (xv) earnings or operating income before interest, taxes, depreciation, amortization and/or charges for stock-based compensation, (xvi) economic value-added models, (xvii) cost reductions, (xviii) budget objectives, (xix) litigation and regulatory resolution goals, (xx) expense control goals, (xxi) measures of student academic success, (xxii) measures of student satisfaction at one or more of the Company's universities or throughout the Company's university system as a whole, as formulated by the Committee and validated in one or more instances through one or more independently-conducted surveys, (xxiii) measures of faculty performance at one or more of the Company's universities or throughout the Company's university system as a whole, (xxiv) measures of faculty satisfaction at one or more of the Company's universities or throughout the Company's university system as a whole, as formulated by the Committee and validated in one or more instances through one or more independently-conducted surveys, and (xxv) measures to enhance student protection or student service at one or more of the Company's universities or throughout the Company's university system as a whole. Any of the foregoing criteria may be measured either in absolute terms or as compared to any incremental increase or as compared to results of a peer group or as measured in terms of one or more business units or Subsidiaries of the Company. The Committee shall, within the time prescribed by Section 162(m) of the Code, define in an objective fashion the manner of calculating the Performance Criteria it selects to use for such Performance Period for such Participant."

2. Section 3.1(s) of the Plan is hereby amended in its entirety to read as follows:

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"(s) Performance Goals means, for a Performance Period, the goals established in writing by the Committee for the Performance Period based upon the Performance Criteria. The Committee, in its discretion, may, within the time prescribed by Section 162(m) of the Code for establishing the Performance Goal or Goals, specify one or more of the following adjustments or modifications to be made in the calculation of such Performance Goal or Goals: (i) asset impairments or write-downs, including impairment charges related to goodwill, intangible assets or other long-lived assets, (ii) litigation verdicts, judgments or claim settlements, (iii) the effect of changes in tax law, accounting principles or other laws, regulations or provisions affecting reported results, (iv) accruals for reorganization and restructuring programs, (v) extraordinary nonrecurring items, including those addressed in management's discussion and analysis of financial condition and results of operations appearing in the Company's annual report to stockholders for the applicable year, and any other item that is either unusual or infrequent in nature, as determined in accordance with Accounting Standards Codification Topic 225-20 "Extraordinary and Unusual Items", (vi) the operations of any business acquired by the Company (or any Subsidiary) or of any joint venture in which the Company (or any Subsidiary) participates, (vii) the divestiture of one or more business operations or the assets of the Company or (any Subsidiary) or of any joint venture in which the Company (or any Subsidiary) participates, (viii) the costs incurred in connection with such acquisitions or divestitures, (ix) the financial results of any businesses classified as discontinued operations for all or a portion of the applicable performance or measurement period, (x) items of income, gain, loss or expense attributable to the operations of any business acquired or divested by the Company or any Subsidiary, (xi) stock-based compensation and (xii) cash payments made in settlement of incentive awards under the Plan or any other plan or program implemented by the Company or any Subsidiary.

In addition to the foregoing adjustments, should the Performance Goal be tied to cash flow, operating cash flow or free cash flow objectives, then the Committee may, in establishing the applicable targets, authorize adjustments, deductions and/or exclusions with respect to one or more of the following items to the extent those items are to be utilized in the calculation of cash flow, operating cash flow or free cash flow for any or all of the fiscal years within the applicable Performance Period or any other fiscal year that serves as a base or comparative measurement year: (i) cash amounts expended in the acquisition of property, plant and equipment, (ii) cash amounts paid in connection with actual or proposed acquisitions of one or more businesses or the assets of one or more businesses, (iii) cash flows or adjusted cash flows attributable to any businesses or assets acquired or divested during the Performance Period (or other relevant measurement period), (iv) cash amounts paid as interest expense, (v) cash amounts received as interest income, (vi) cash amounts paid in connection with judgments, verdicts and settlements with respect to specified litigation matters, (vii) increases or decreases in restricted cash attributable to Title IV student funding, (viii) increases or decreases in working capital, (ix) cash flows or adjusted cash flows attributable to new businesses or entities begun by the Company or any Subsidiary, (x) cash flow impact of inter-party transactions between or among the Company and one or more Subsidiaries involving the acquisition, licensing or cost sharing of intangible assets.

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In further clarification of the various adjustments that may be made to one or more Performance Goals in accordance with this Section 3.1(s) and without limiting the scope or generality of those permissible adjustments, should the Performance Goal be tied to any net income, operating income or operating profit objectives, then the Committee may, in establishing the applicable net income, operating income or operating profit target, authorize one or more of the following adjustments to net income, operating income or operating profit for any fiscal year within the applicable Performance Period:

(i) the exclusion of all acquisition costs expensed for the applicable fiscal year, whether relating to acquisitions effected during that year or any prior fiscal year,

(ii) the exclusion of all income, gain or loss attributable to companies or other entities acquired during the applicable fiscal year,

(iii) the exclusion of impairment charges related to goodwill, intangible assets or other long-lived assets,

(iv) the exclusion of amounts expensed in connection with judgments, verdicts and settlements with respect to specified litigation matters,

(v) the exclusion of stock-based compensation expense or costs, as computed in accordance with applicable accounting principles, and

(vi) any other applicable adjustments authorized in accordance with the foregoing provisions of this Section 3.1(s).

3. Any Awards made under the Plan on the basis of the foregoing revisions to Sections 3.1(r) and 3.1(s) of the Plan effected by this Plan Amendment are hereby subject to the approval of this Plan Amendment by the holders of the Company's outstanding voting stock, and no Awards based on those revisions shall be settled unless and until such stockholder approval is obtained.

4. Except as modified by this Plan Amendment, all the terms and provisions of the Plan shall continue in full force and effect.

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IN WITNESS WHEREOF, APOLLO GROUP, INC. has caused this Plan Amendment to be executed on its behalf by its duly-authorized officer on this 6th day of October 2011.

APOLLO GROUP, INC.

By: /s/ Sean Martin_______________________________

Title: Senior Vice President, General Counsel and Secretary

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Exhibit 10.10

APOLLO GROUP, INC.

NON-EMPLOYEE DIRECTOR STOCK OPTION AGREEMENT

This Option Agreement is made and entered into by and between APOLLO GROUP, INC., an Arizona corporation (the "**Corporation**"), and _________________________________, a non-employee member of the Corporation of Board of Directors (the "**Director**"), as of __________, 20____ (the "**Date of Grant**").

RECITALS

A. The Corporation adopted the Apollo Group, Inc. 2000 Incentive Plan (the "**Plan**") as an equity incentive program to encourage key employees and officers of the Corporation and the non-employee members of its Board of Directors (the "**Board**") to remain in the employ or service of the Corporation by providing them with an opportunity to acquire a proprietary interest in the success of the Corporation.

B. The Compensation Committee of the Board (the "**Committee**") has the authority to grant options pursuant to the Plan to officers and other key employees of the Corporation and the non-employee members of the Board in order to provide such individuals with an incentive to continue in the Corporation's service.

C. The Committee did authorize the grant of the Option evidenced by this Agreement to Director on the Date of Grant in order to carry out the intent and purpose of the Plan in providing a substantial equity incentive to encourage the Director to continue in the Corporation's service.

NOW, THEREFORE, in consideration of the mutual covenants and conditions hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Corporation and Director agree as follows:

1. **Grant of Option**. The Corporation hereby grants to Director, on the Date of Grant, the right and option (the "**Option**") to purchase up to ____________ shares of the Corporation's Class A common stock (the "**Option Shares**") under the Plan upon the terms and conditions set forth in this Agreement.

2. **Exercise Price**. The price per share at which Director shall be entitled to purchase the Option Shares pursuant to this Option shall be $________ (the "**Exercise Price**"). Such Exercise Price is equal to the Fair Market Value per share of the Corporation's Class A common stock on the Date of Grant.

3. **Option Term**. The Option shall have a term of maximum ___ (__) years measured from the Date of Grant and shall accordingly expire at the close of business on _________________, 20_____ (the "**Expiration Date**"), unless sooner terminated in accordance with paragraph 5 or 6 of this Agreement.

4. **Vesting of Option**. The Option shall vest and become exercisable for all the Option Shares upon Director's continuation in Board service until ____________________, 20____. However, the Option may vest and become exercisable for the Option Shares on an accelerated basis in accordance with the special vesting acceleration provisions of paragraph 5. Once the Option vests and becomes exercisable for the Option Shares, the Option shall remain exercisable for such shares until the Expiration Date or sooner termination of the option term under paragraph 5 or 6 of this Agreement.

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5. **<u>Special Acceleration of Option.</u>**

(a) Should a Change in Control transaction occur during Director's period of Board service, then the Option, to the extent outstanding at that time but not otherwise exercisable for the Option Shares, shall automatically vest on an accelerated basis so that the Option shall, immediately prior to the effective date of such Change in Control, vest and become exercisable for all of the Option Shares and may be exercised for any or all of those Option Shares as fully vested shares of Class A Common Stock.

(b) Immediately following the Change in Control, the Option shall terminate and cease to be outstanding, except to the extent assumed by the successor corporation (or parent thereof) or otherwise continued in effect pursuant to the terms of the Change in Control transaction.

(c) If the Option is assumed in connection with a Change in Control or otherwise continued in effect, then the Option shall be appropriately adjusted, immediately after such Change in Control, to apply to the number and class of securities into which the shares of Class A Common Stock subject to the Option would have been converted in consummation of such Change in Control had those shares actually been outstanding at the time. Appropriate adjustments shall also be made to the Exercise Price, provided the aggregate Exercise Price shall remain the same. To the extent the actual holders of the Corporation's outstanding Class A Common Stock receive cash consideration for their Class A common stock in consummation of the Change in Control, the successor corporation may, in connection with the assumption or continuation of this Option, substitute one or more shares of its own common stock with a fair market value equivalent to the cash consideration paid per share of Class A Common Stock in such Change in Control, provided such common stock is readily tradable on an established U.S. securities exchange or market.

(d) The term "**Change in Control**" shall have the meaning assigned to such term in Section 3.1 (e) of the Plan.

(e) This Agreement shall not in any way affect the right of the Corporation to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

6. **<u>Cessation of Service</u>**. Should Director cease Board service while this Option remains outstanding, then the option term specified in paragraph 3 shall terminate (and this Option shall cease to be outstanding) prior to the Expiration Date in accordance with the following provisions:

(a) Should Director cease Board service for any reason other than death or Disability while this Option is outstanding, then the period during which this Option may be exercised shall be reduced to a three (3)-month period measured from the date of such cessation of Board service, but in no event shall this option be exercisable at any time after the Expiration Date. During such limited period of exercisability, Director (or any permitted transferee of this Option under paragraph 7) may not exercise this Option in the aggregate for more than the number of Option Shares (if any) for this Option is vested and exercisable on the date of Director's cessation of Board service. Upon the ***earlier*** of (i) the expiration of such three (3)-month period or (ii) the specified Expiration Date, the Option shall terminate and cease to be exercisable with respect to any vested Option Shares for which the Option has not been exercised.

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(b) In the event of the death of Director while this Option is outstanding and exercisable for one or more Option Shares, this Option shall remain exercisable for an additional period (the "**Post-Death Period**") ending upon the ***earlier*** of (A) the expiration of the twelve (12)-month period measured from the date of Director's death or (B) the Expiration Date. During the Post-Death Period, this Option may be exercised by (i) the personal representative of Director's estate, (ii) the Living Trust to which the Option is transferred pursuant to subparagraph 7(a) of this Agreement or (iii) the person or persons to whom the Option is transferred pursuant to Director's will or the laws of inheritance following Director's death, as the case may be. However, if Director dies while holding the Option and has an effective beneficiary designation in effect for the Option at the time of his or her death, then the designated beneficiary or beneficiaries shall have the exclusive right to exercise the Option following Director's death. However, this Option may only be exercised during the Post-Death Period for any Option Shares for which this Option is vested and exercisable, either in accordance with vesting provisions of paragraph 4 or the special vesting acceleration provisions of paragraph 5, at the time of Director's death. The Corporation shall have the right to require evidence satisfactory to it of the rights of any person or persons seeking to exercise the Option under this subparagraph 6(b).

(c) Should Director cease Board service by any reason of his or her Disability while this Option is outstanding, then this Option may, at any time within the twelve (12)-month period measured from the date of such cessation of Board service, be exercised for any or all of the Option Shares for which this Option is vested and exercisable, either in accordance with the vesting provisions of paragraph 4 or the special vesting acceleration provisions of paragraph 5, on the date of such cessation of Board service; ***provided, however,*** that in no event shall the Option, or any part thereof, be exercisable after the Expiration Date. For purposes of this Agreement, the term "**Disability**" shall have the meaning assigned to such term in Section 3.1(i) of the Plan.

(d) Upon Director's cessation of Board service for any reason, this Option shall immediately terminate and cease to be outstanding with respect to any and all Option Shares for which this Option is not otherwise at that time vested and exercisable in accordance with the vesting provisions of paragraph 4 or the special vesting acceleration provisions of paragraph 5.

(e) The applicable period of post-Board service exercisability in effect pursuant to the foregoing provisions of this Paragraph 6 shall automatically be extended by an additional period of time equal in duration to any interval within such post-Board service exercise period during which the exercise of this Option or the immediate sale of the Option Shares acquired under this Option cannot be effected in compliance with the applicable registration requirements of federal and state securities laws, but in no event shall such an extension result in the continuation of this option beyond the Expiration Date.

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7. **Limited Transferability**.

(a) Except for the limited transferability provided under this subparagraph 7(a), this Option shall be neither transferable nor assignable by Director other than by will or the laws of inheritance following Director's death and may, during Director's lifetime, be exercised only by Director. However, this Option may be assigned in whole or in part during Director's lifetime to his or her Living Trust, and the assigned portion may only be exercised by that Living Trust. The terms applicable to the assigned portion shall be the same as those in effect for this Option immediately prior to such assignment and shall be evidenced by an assignment agreement in form reasonably satisfactory to the Corporation. For purposes of this subparagraph 7(a), a **Living Trust** shall mean a revocable living trust established by Director or by Director and his or her spouse of which Director is the sole trustee (or sole co-trustee with his or her spouse) and sole beneficiary (or sole co-beneficiary with his or her spouse) during Director's lifetime.

(b) Director may also designate one or more persons as the beneficiary or beneficiaries of the Option, and the Option shall, in accordance with such designation, automatically be transferred to such beneficiary or beneficiaries upon the Director's death while holding the Option. Such beneficiary or beneficiaries shall take the transferred Option subject to all the terms and conditions of this Agreement, including (without limitation) the limited time period during which this option may, pursuant to paragraph 6, be exercised following Director's death.

8. **Adjustments in Number of Option Shares and Exercise Price.** In the event a stock dividend is declared upon the Corporation's outstanding Class A common stock after the Date of Grant, the number of Option Shares then subject to this Option shall be increased proportionately and the Exercise Price per share shall be equitably adjusted to reflect such stock dividend without any change in the aggregate Exercise Price therefor. Should any change be made to the Class A common stock by reason of any stock split, recapitalization, combination of shares, exchange of shares, spin-off transaction, extraordinary dividend or distribution or other change affecting the outstanding Class A common stock as a class without the Corporation's receipt of consideration, or should the value of the outstanding shares of Class A common stock be substantially reduced as a result of a spin-off transaction or an extraordinary dividend or distribution, or should there occur any merger, consolidation or other reorganization, then equitable adjustments shall be made by the Committee to (i) the total number and/or class of securities subject to this Option and (ii) the Exercise Price payable per share, but without any change in the aggregate Exercise Price therefor. The adjustments shall be made in such manner as the Committee deems appropriate in order to reflect such change, and those adjustments shall be final, binding and conclusive upon Director and any other person or persons having an interest in this Option. However; in the event of a Change of Control, the adjustments (if any) shall be made in accordance with the applicable provisions of Section 13.8 of the Plan governing Change of Control transactions. Notwithstanding the above, the conversion of any convertible securities of the Company shall not be deemed to have been effected without the Company's receipt of consideration.

9. **Delivery of Shares.** No shares shall be delivered upon exercise of the Option until (i) the Exercise Price for those shares shall have been paid in full in the manner herein provided; (ii) all applicable taxes required to be withheld shall have been paid or withheld in full; and (iii) the approval of any governmental authority required in connection with the Option, or the issuance of shares hereunder, shall have been obtained by the Corporation.

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10. **Stockholder Rights**. The holder of this Option shall not have any stockholder rights with respect to the Option Shares until such person shall have exercised the option, paid the Exercise Price and become a holder of record of the purchased shares.

11. **Method of Exercising Option.** Subject to the terms and conditions of this Agreement, the Option may be exercised by timely delivery to the Corporation (or its designated agent) of written or electronic notice of exercise which shall become effective on the date received by the Corporation (the "**Effective Date**"). The notice shall state Director's election to exercise the Option, the number of Option Shares for which the election to exercise has been made, the method of payment elected pursuant to paragraph 12 hereof, the exact name or names in which the stock certificates for the purchased Option Shares are to be registered. Such notice shall be signed by Director and shall be accompanied by payment of the Exercise Price for such shares, unless the sale and remittance procedure set forth in clause (ii) of paragraph 12 is to be utilized for payment of the Exercise Price. In the event the Option shall be exercised by a person or persons other than Director pursuant to subparagraph 6(b) or subparagraph 7(a) hereof, such notice shall be signed by such other person or persons and shall be accompanied by proof acceptable to the Corporation of the legal right of such person or persons to exercise the Option. All shares delivered by the Corporation upon exercise of the Option as provided herein shall be fully paid and non-assessable upon delivery.

12. **Method of Payment.** Payment of the Exercise Price for the Option Shares purchased upon the exercise of this Option shall be made (i) in cash, (ii) through a broker-assisted same day exercise and sale procedure pursuant to which the broker shall immediately sell, on behalf of Director or such other person exercising the Option, all or a portion of the Option Shares acquired upon exercise of the Option and remit to the Corporation, on the settlement date for such sale, a sufficient amount of the sale proceeds to cover the Exercise Price payable for all the Option Shares purchased through such exercise and any applicable withholding taxes, (iii) through such other method permitted by the Committee or (iv) through any combination of the above.

13. **Compliance with Laws and Regulations**.

(a) The exercise of this Option and the issuance of the Option Shares upon such exercise shall be subject to compliance by the Corporation and Director with all applicable requirements of law relating thereto and with all applicable regulations of any stock exchange on which the Class A common stock may be listed for trading at the time of such exercise and issuance.

(b) The inability of the Corporation to obtain approval from any regulatory body having authority deemed by the Corporation to be necessary to the lawful issuance and sale of any Class A common stock pursuant to this Option shall relieve the Corporation of any liability with respect to the non-issuance or sale of the Class A common stock as to which such approval shall not have been obtained. The Corporation, however, shall use its best efforts to obtain all such approvals.

(c) The Corporation shall not be required to deliver any shares of the Corporation's Class A common stock pursuant to the exercise of all or any part of the Option if, in the opinion of counsel for the Corporation, such issuance would violate the Securities Act of 1933 or any other applicable federal or state securities laws or regulations.

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14. **Definitions; Copy of Plan.** To the extent not specifically provided herein, a capitalized terms used in this Agreement shall have the same meanings ascribed to them in the Plan is granted. By the execution of this Agreement, Director acknowledges receipt of a copy of the Plan and the official prospectus for the Plan.

15. **Administration.** This Agreement shall at all times be subject to the terms and conditions of the Plan, and such Plan shall in all respects be administered by the Committee in accordance with the terms and provisions of the Plan. The Committee shall have the sole and complete discretion with respect to all matters reserved to it by the Plan, and decisions of the Committee with respect thereto and to this Agreement shall be final and binding upon Director (or any other person with an interest in this Option) and the Corporation. In the event of any conflict between the terms and conditions of this Agreement and the Plan, the provisions of the Plan shall control.

16. **Notices**. Any notice required to be given or delivered to the Corporation under the terms of this Agreement shall be in writing and addressed to the Corporation at its principal corporate offices or shall be effected through properly addressed electronic mail delivery. Any notice required to be given or delivered to Director shall be in writing and addressed to Director at his or her most recent address then on file with the Corporation. All notices shall be deemed effective upon personal or electronic delivery or upon deposit in the U.S. mail, postage prepaid and properly addressed to the party to be notified.

17. **Successors and Assigns**. Except to the extent otherwise provided in this Agreement,

the provisions of this Agreement shall inure to the benefit of, and be binding upon, the Corporation and its successors and assigns and Director and the legal representatives, heirs and legatees of Director's estate.

18. **Governing Law**. The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of Arizona without resort to that State's conflict-of-laws rules.

19. **Obligation to Exercise.** Director shall have no obligation to exercise this Option in whole or in part.

20. **Amendments**. This Agreement may be amended only by a written agreement executed by the Corporation and Director. The Corporation and Director acknowledge that changes in federal tax laws enacted subsequent to the Date of Grant, and applicable to stock options, may provide for tax benefits to the Corporation and Director In any such event, the Corporation and Director agree that this Agreement may be amended as necessary to secure for the Corporation and Director any benefits that may result from such legislation. Any such amendment shall be made only upon the mutual consent of the parties, which consent (of either party) may be withheld for any reason.

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IN WITNESS WHEREOF, the Corporation has caused this Agreement to be duly executed by its officers thereunto duly authorized and Director has executed this Agreement as of the date first written above.

APOLLO GROUP, INC.	**DIRECTOR**
By: ______________________	___________________________
	«Name»
Title: _____________________	

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Exhibit 10.14

FORM B –EXECUTIVE OFFICERS

WITHOUT EMPLOYMENT AGREEMENTS

NON-STATUTORY STOCK OPTION AGREEMENT

This Option Agreement is made and entered into by and between **APOLLO GROUP, INC.,** an Arizona corporation (hereinafter referred to as the **"Company"**), and ______________________ (hereinafter referred to as **"Employee"**), as of ____________ (which date is hereinafter referred to as the **"Date of Grant"**). If Employee is presently or subsequently becomes employed by a subsidiary of the Company, the term "Company" shall be deemed to refer collectively to Apollo Group, Inc. and the subsidiary or subsidiaries which employ the Employee.

RECITALS

A. The Company has implemented the Apollo Group, Inc. 2000 Incentive Plan, as amended and restated (the "**Plan**"), as an equity incentive program to encourage key employees and officers of the Company to remain in its employ and to enhance the ability of the Company to attract new employees whose services are considered valuable by providing them with an opportunity to acquire a proprietary interest in the success of the Company.

B. The Compensation Committee of the Company's Board of Directors (the "**Committee**") has the authority to grant options pursuant to the Plan to certain officers and key employees of the Company in order to provide such individuals with an incentive to continue in the Company's service.

C. The Committee did authorize the grant of the Option evidenced by this Agreement to Employee on the Date of Grant in order to carry out the intent and purpose of the Plan in providing a substantial equity incentive to encourage the Employee to continue in the Company's service and to contribute to its financial success.

NOW, THEREFORE, in consideration of the mutual covenants and conditions hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and Employee agree as follows:

1. **Grant of Option**. Employee is hereby granted the right and option (the "**Option**") to purchase an aggregate of _______ shares of the Company's Class A common stock (the "**Option Shares**") under the Plan upon the terms and conditions set forth in this Agreement. The Option is a non-statutory option under the federal income tax laws and is not intended to be an incentive stock option subject to Section 422 of the Internal Revenue Code.

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2. **Exercise Price**. The price per share at which Employee shall be entitled to purchase the Option Shares pursuant to this Option shall be **$__________** (the "**Exercise Price**"). Such Exercise Price is equal to the Fair Market Value per share of the Company's Class A common stock on the Date of Grant.

3. **Option Term**. The Option hereby granted shall have a maximum term of _____ (__) years measured from the Date of Grant and shall accordingly expire at the close of business on ________(the "**Expiration Date**"), unless sooner terminated in accordance with Paragraph 5(b), 8 or 9 of this Agreement.

4. **Vesting Schedule**.

(a) The Option shall vest and become exercisable for the Option Shares in a series of _____ (__) successive equal annual installments on each of the first ____ (__) one-year anniversaries of the Grant Date, provided Employee continues in the Company's employ through each such annual vesting date. The foregoing ____ (__)-year installment vesting provision shall constitute the Normal Vesting Schedule for the Option. However, the Option may vest and become exercisable for the Option Shares on an accelerated basis in accordance with the special vesting acceleration provisions of Paragraph 5 or on a limited pro-rata basis in accordance with Paragraph 8(b).

(b) As the Option vests and becomes exercisable for one or more installments of the Option Shares, those installments shall accumulate, and the Option shall remain exercisable for the accumulated installments until the Expiration Date or sooner termination of the option term under Paragraph 5(b), 8 or 9 of this Agreement.

5. **Change in Control**.

(a) Should a Change in Control occur during Employee's period of employment with the Company but at a time when the Option is not otherwise fully vested and exercisable, then the Option shall automatically vest on an accelerated basis so that the Option shall, immediately prior to the effective date of such Change in Control, vest and become exercisable for all of the Option Shares at the time subject to the Option and may be exercised for any or all of those Option Shares as fully vested shares of Class A common stock.

(b) Notwithstanding any provision to the contrary in this Agreement, the Option shall, immediately following a Change in Control, terminate and cease to be outstanding, except to the extent assumed by the successor corporation (or parent thereof) or otherwise continued in effect pursuant to the terms of the Change in Control transaction.

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(c) If the Option is assumed in connection with a Change in Control or otherwise continued in effect, then the Option shall be appropriately adjusted, immediately after such Change in Control, to apply to the number and class of securities into which the shares of Class A common stock subject to the Option would have been converted in consummation of such Change in Control had those shares actually been outstanding at the time. Appropriate adjustments shall also be made to the Exercise Price, provided the aggregate Exercise Price shall remain the same. To the extent the actual holders of the Company's outstanding Class A common stock receive cash consideration for their Class A common stock in consummation of the Change in Control, the successor corporation may, in connection with the assumption or continuation of this Option,

(d) substitute one or more shares of its own common stock with a fair market value equivalent to the cash consideration paid per share of Class A common stock in such Change in Control, provided such common stock is readily tradable on an established U.S. securities exchange or market.

(e) The term "**Change in Control**" shall have the meaning assigned to such term in Section 3.1 (e) of the Plan.

(f) This Agreement shall not in any way affect the right of the Corporation to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

6. **Method of Exercising Option.** Subject to the terms and conditions of this Agreement, the Option may be exercised by timely delivery to the Company of a written notice of exercise that shall become effective on the date received by the Company. The notice shall state Employee's election to exercise the Option, the number of Option Shares for which the election to exercise has been made, the method of payment elected pursuant to Paragraph 7 hereof, and the exact name or names in which the purchased Option Shares are to be registered. Such notice shall be signed by the Employee and shall be accompanied by payment of the Exercise Price for the purchased Option Shares, except to the extent payment is to be made pursuant to the same day exercise and sale procedure set forth in clause (ii) of Paragraph 7. In the event the Option shall be exercised by a person or persons other than Employee pursuant to Paragraph 9(a) hereof, such notice shall be signed by such other person or persons and shall be accompanied by proof acceptable to the Company of the legal right of such person or persons to exercise the Option. All shares delivered by the Company upon exercise of the Option as provided herein shall be fully paid and non-assessable upon delivery.

7. **Method of Payment.** Payment of the Exercise Price for the Option Shares purchased upon the exercise of this Option shall be made by Employee (i) in cash, (ii) through a broker-assisted same day exercise and sale procedure pursuant to which the broker shall immediately sell, on behalf of the Employee or such other person exercising the Option, all or a portion of the Option Shares acquired upon exercise of the Option and remit to the Company, on the settlement date for such sale, a sufficient amount of the sale proceeds to cover the Exercise Price payable for all the Option Shares purchased through such exercise and the applicable withholding taxes, (iii) through such other method permitted by the Committee or (iv) through any combination of the above.

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8. **Termination of Employment**.

(a) Should Employee's employment with the Company terminate for any reason other than for Cause or death or Disability, then Employee may, at any time within the three (3)-month period measured from the effective date of such termination of employment, exercise the Option for any or all of the Option Shares for which this Option is exercisable, in accordance with the Normal Vesting Schedule, the special vesting acceleration provisions of Paragraph 5 and/or the pro-rata vesting provisions of Paragraph 8(b), on the date of such termination of employment; ***provided, however,*** that in no event shall the Option, or any part thereof, be

(b) exercisable after the Expiration Date. Upon the expiration of such limited post-employment exercise period, this Option shall terminate and cease to be exercisable for any Option Shares.

(c) Should Employee's employment with the Company cease prior to the completion of the Normal Vesting Schedule by reason of an Involuntary Termination during one of the _______(__) applicable installment vesting periods comprising that schedule and Employee deliver an effective and enforceable general release to the Company in accordance with the requirements of the Senior Executive Severance Pay Plan, then Employee shall thereupon vest in a portion of the Option Shares for which this Option would have otherwise vested and become exercisable upon the completion of the particular installment vesting period under Paragraph 4(a) in which such Involuntary Termination occurs had Employee in fact continued in the Company's employ through the completion of that installment vesting period (the "**Option Share Installment**"). Such pro-ration shall be applied by multiplying the Option Share Installment by a fraction, the numerator of which is the number of months of employment with the Company actually completed by Employee during that installment vesting period (rounded up to the next whole month), and the denominator of which is twelve (12). For purposes of this Agreement, the term "**Involuntary Termination**" shall mean the Company's unilateral termination of Employee's employment for any reason other than a Termination for Cause; ***provided, however,*** in no event shall an Involuntary Termination be deemed to incur in the event Employee's employment with the Company terminates by reason of his or her death or Disability (as defined in Paragraph 9(b) below).

(d) Should Employee's employment with the Company cease by reason of a Termination for Cause or should Employee engage in any act or omission that would constitute grounds for a Termination for Cause, then the Option shall immediately terminate and cease to be exercisable for any of the Option Shares. For purposes of this Agreement, the term "**Termination for Cause**" shall mean the Company's termination of Employee's employment for one or more of the following reasons**:**

(i) repeated dereliction of the material duties and responsibilities of his or her position with the Company;

(ii) misconduct, insubordination or failure to comply with the policies of the Company governing employee conduct and procedures;

(iii) excessive lateness or absenteeism;

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(iv) conviction of or pleading guilty or *nolo contendere* to any felony involving theft, embezzlement, dishonesty or moral turpitude;

(v) commission of any act of fraud against, or the misappropriation of property belonging to, the Company;

(vi) commission of any act of dishonesty in connection with his or her responsibilities as an Employee that is intended to result in his or her personal enrichment or the personal enrichment of his or her family or others;

(vii) any other misconduct adversely affecting the business or affairs of the Company; or

(viii) a material breach of any agreement Employee may have at the time with the Company, including (without limitation) any proprietary information, non-disclosure or confidentiality agreement have the meaning assigned to such term in Section 3.1(d) of the Plan.

(e) If Employee is employed on the Date of Grant in a capacity other than a faculty member, then Employee shall be deemed for purposes of this Paragraph 8 to have terminated employment upon the earlier of (i) the date he or she ceases for any reason to be employed by the Company or any Subsidiary or (ii) the first date on which Employee is employed by the Company or any Subsidiary solely in the capacity of a faculty member.

9. **Employee's Death or Disability.**

(a) In the event of the Employee's death while this Option is outstanding, this Option shall remain exercisable until the ***earlier*** of (i) the expiration of the twelve (12)-month period measured from the date of Employee's death or (ii) the Expiration Date. During such limited exercise period, this Option may be exercised by (A) the representative or representatives of the Employee's estate or by the person or persons entitled to do so under Employee's last will and testament, (B) the Living Trust to which this Option is assigned in accordance with Paragraph 11 or, if Employee fails to make such a testamentary disposition or assignment of this Option and dies intestate, (C) the person or persons entitled to receive this Option under the applicable laws of descent and distribution, as the case may be. However, during such period this Option may not be exercised in the aggregate for more than the number of the Option Shares (if any) for which this Option is exercisable, in accordance with the Normal Vesting Schedule, the special vesting acceleration provisions of Paragraph 5 and/ or the pro-rata vesting provisions of Paragraph 8(b), at the time of Employee's termination of employment with the Company. Upon the expiration of such limited exercise period, this Option shall terminate and cease to be exercisable for any Option Shares. The Company shall have the right to require evidence satisfactory to it of the rights of any person or persons seeking to exercise the Option under this Paragraph 9(a).

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(b) In the event Employee's employment terminates by reason of his or her Disability, then this Option may, at any time within the twelve (12)-month period measured from the date of such termination of employment, be exercised for any or all of the Option Shares for which this Option is exercisable, in accordance with the Normal Vesting Schedule, the special vesting acceleration provisions of Paragraph 5 and/ or the pro-rata vesting provisions of Paragraph 8(b), on the date of such termination of employment; ***provided, however,*** that in no event shall the Option, or any part thereof, be exercisable after the Expiration Date. Upon the expiration of such limited exercise period, this Option shall terminate and cease to be exercisable for any Option Shares. For purposes of this Agreement, the term "**Disability**" shall have the meaning assigned to such term in Section 3.1(i) of the Plan.

10. **Cessation of Employment/Transfer of Employee.**

(a) Except to the extent (if any) specifically authorized by the Committee pursuant to an express written agreement with the Employee, this Option shall not vest or become exercisable for any additional Option Shares, whether pursuant to the Normal Vesting Schedule, the special vesting acceleration provisions of Paragraph 5 or the pro-rata vesting provisions of Paragraph 8(b), following the Employee's termination of employment.

(b) Except as otherwise provided in Paragraph 8(d) hereof, in the event Employee ceases to be an employee of the Company and becomes an employee of one of the Company's subsidiaries as the result of a transfer, promotion or otherwise, the terms and provisions of this Option shall remain unchanged.

11. **Nontransferability.** Except for the limited transferability provided under this Paragraph 11, this Option shall be neither transferable nor assignable by Employee other than by will or the laws of inheritance following Employee's death and may be exercised, during Employee's lifetime, only by Employee. However, this Option may be assigned in whole or in part during Employee's lifetime to a Living Trust, and the assigned portion may only be exercised by that Living Trust. The terms applicable to the assigned portion shall be the same as those in effect for this option immediately prior to such assignment and shall be evidenced by an assignment agreement in form reasonably satisfactory to the Company. For purposes of this Paragraph 11, a **Living Trust** shall mean a revocable living trust established by Employee or by Employee and his or her spouse of which Employee is the sole trustee (or sole co-trustee with his or her spouse) and sole beneficiary (or sole co-beneficiary with his or her spouse) during Employee's lifetime.

12. **Stockholder Rights**. The holder of this Option shall not have any stockholder rights with respect to the Option Shares until such person shall have exercised the Option, paid the Exercise Price and become a holder of record of the purchased shares.

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13. **Adjustments in Number of Option Shares and Exercise Price.** In the event a stock dividend is declared upon the outstanding Class A common stock after the Date of Grant, the number of Option Shares then subject to this Option shall be increased proportionately and the Exercise Price per share shall be equitably adjusted by the Committee to reflect such stock dividend without any change in the aggregate Exercise Price therefor. Should any change be made to the Class A common stock by reason of any stock split, recapitalization, combination of shares, exchange of shares, spin-off transaction, extraordinary dividend or distribution or other change affecting the outstanding Class A common stock as a class without the Company's receipt of consideration, or should the value of the outstanding shares of Class A common stock be substantially reduced as a result of a spin-off transaction or an extraordinary dividend or distribution, or should there occur any merger, consolidation or other reorganization, then equitable adjustments shall be made by the Committee to (i) the total number and/or class of securities subject to this Option and (ii) the Exercise Price payable per share, but without any change in the aggregate Exercise Price therefor. The adjustments shall be made in such manner as the Committee deems appropriate, and those adjustments shall be final, binding and conclusive upon Employee and any other person or persons having an interest in this Option. However, in the event of a Change of Control, the adjustments (if any) shall be made in accordance with the applicable provisions of Section 13.8 of the Plan governing Change of Control transactions and Paragraph 5 of this Agreement. Notwithstanding the above, the conversion of any convertible securities of the Company shall not be deemed to have been effected without the Company's receipt of consideration.

14. **Delivery of Shares.** No shares shall be delivered upon exercise of the Option until (i) the Exercise Price for those shares shall have been paid in full in the manner herein provided and (ii) all applicable taxes required to be withheld shall have been paid or withheld in full.

15. **Compliance with Laws and Regulations**.

(a) The exercise of this Option and the issuance of the Option Shares upon such exercise shall be subject to compliance by the Company and Employee with all applicable requirements of law relating thereto and with all applicable regulations of any stock exchange on which the Class A common stock may be listed for trading at the time of such exercise and issuance.

(b) The inability of the Company to obtain approval from any regulatory body having authority deemed by the Company to be necessary to the lawful issuance and sale of any Class A common stock pursuant to this Option shall relieve the Company of any liability with respect to the non-issuance or sale of the Class A common stock as to which such approval shall not have been obtained. The Company, however, shall use its best efforts to obtain all such approvals.

(c) The Company shall not be required to deliver any shares of the Company's Class A common stock pursuant to the exercise of all or any part of the Option if, in the opinion of counsel for the Company, such issuance would violate the Securities Act of 1933 or any other applicable federal or state securities laws or regulations.

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(d) The applicable period of post-employment exercisability in effect pursuant to the provisions of Paragraph 8 or 9 of this Agreement shall automatically be extended by an additional period of time equal in duration to any interval within such post-employment exercise period during which the exercise of this Option or the immediate sale of the Option Shares acquired under this Option cannot be effected in compliance with the applicable registration requirements of federal and state securities laws, but in no event shall such an extension result in the continuation of this Option beyond the Expiration Date.

16. **Federal and State Taxes.** Upon exercise of this Option, or any part thereof, Employee may incur certain liabilities for federal, state or local taxes, and the Company may be required by law to withhold such taxes for payment to the applicable taxing authorities. Employee may satisfy the payment of any federal, state, or local tax withholding amounts due as a result of the exercise of this Option by (i) delivering to the Company cash, a check or other form of payment permitted by the Committee in the aggregate amount required to satisfy such tax withholding amount or (ii) using a portion of the sale proceeds of the purchased Option Shares to satisfy such tax withholding amount, to the extent Employee exercises the Option pursuant to the sale and remittance procedure set forth in Paragraph 7 hereof.

17. **Definitions; Copy of Plan.** To the extent not specifically provided herein,

all capitalized terms used in this Agreement shall have the same meanings ascribed to them in the Plan is granted. By the execution of this Agreement, Employee acknowledges receipt of a copy of the Plan and the official prospectus for the Plan.

18. **Administration.** This Agreement shall at all times be subject to the terms and conditions of the Plan, and such Plan shall in all respects be administered by the Committee in accordance with the terms and provisions of the Plan. The Committee shall have the sole and complete discretion with respect to all matters reserved to it by the Plan, and decisions of the Committee with respect thereto and to this Agreement shall be final and binding upon Employee (or any other person with an interest in this Option) and the Company. In the event of any conflict between the terms and conditions of this Agreement and the Plan, the provisions of the Plan shall control.

19. **Notices**. Any notice required to be given or delivered to the Company under the terms of this Agreement shall be in writing and addressed to the Company at its principal corporate offices. Any notice required to be given or delivered to Employee shall be in writing and addressed to Employee at the most recent address then on file for Employee in the Company's Human Resources Department. All notices shall be deemed effective upon personal delivery or upon deposit in the U.S. mail, postage prepaid and properly addressed to the party to be notified.

20. **Successors and Assigns**. Except to the extent otherwise provided in this Agreement, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns and Employee and the legal representatives, heirs and legatees of Employee's estate.

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21. **Continuation of Employment.** This Agreement shall not be construed to confer upon Employee any right to continue in the employ of the Company (or any subsidiary) and shall not limit the right of the Company (or any employer subsidiary), in its sole discretion, to terminate the employment of Employee at any time.

22. **Obligation to Exercise.** Employee shall have no obligation to exercise this Option in whole or in part.

23. **Governing Law.** This Agreement shall be interpreted and administered under the laws of the State of Arizona without resort to that State's conflict-of-laws rules.

24. **Amendments.** This Agreement may be amended only by a written agreement executed by the Company and Employee. The Company and Employee acknowledge that changes in federal tax laws enacted subsequent to the Date of Grant, and applicable to stock options, may provide for tax benefits to the Company or Employee. In any such event, the Company and Employee agree that this Agreement may be amended as necessary to secure for the Company and Employee any benefits that may result from such legislation. Any such amendment shall be made only upon the mutual consent of the parties, which consent (of either party) may be withheld for any reason.

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IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by its officers thereunto duly authorized and Employee has executed this Agreement as of the date first written above.

APOLLO GROUP, INC.	**EMPLOYEE**
By:____________________	____________________
Title: _________________	

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Exhibit 10.15

FORM A - EXECUTIVE OFFICERS
WITH EMPLOYMENT AGREEMENTS

APOLLO GROUP, INC.
STOCK OPTION AGREEMENT

RECITALS

A. The Corporation has implemented the Incentive Plan for the purpose of providing eligible persons in the Corporation's service with the opportunity to receive one or more equity incentive awards designed to encourage them to continue their service relationship with the Corporation.

B. Optionee is to render valuable services to the Corporation, and this Agreement is executed pursuant to, and is intended to carry out the purposes of, the Incentive Plan in connection with the Corporation's grant of an option to Optionee as an additional inducement to perform those services.

C. All capitalized terms in this Agreement shall have the meaning assigned to them in the attached Appendix.

NOW, THEREFORE, it is hereby agreed as follows:

1. **Grant of Option**. Pursuant to the terms of Section 4 of Optionee's Extended Employment Agreement, the Corporation hereby grants to Optionee on _________ (the ***"Grant Date***") a Non-Statutory Option to purchase [ ] shares of the Corporation's Class A Common Stock (the "***Option Shares***") at an exercise price of $[ ] per share (the "***Exercise Price***"), the closing price per share of such Class A Common Stock on the Nasdaq Global Select Market on the Grant Date.

2. **Option Term**. The term of this option shall commence on the Grant Date and continue in effect until the close of business on _________ (the "***Expiration Date***"), unless sooner terminated in accordance with Paragraph 5 or 6.

3. **Limited Transferability**.

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(a) Except for the limited transferability provided under this Paragraph 3(a), this option shall be neither transferable nor assignable by Optionee other than by will or the laws of inheritance following Optionee's death and may be exercised, during Optionee's lifetime, only by Optionee. However, this option may be assigned in whole or in part during Optionee's lifetime to a Living Trust, and the assigned portion may only be exercised by that Living Trust. The terms applicable to the assigned portion shall be the same as those in effect for this option immediately prior to such assignment and shall be evidenced by an assignment agreement in form reasonably satisfactory to the Corporation. For purposes of this Paragraph 3(a), a Living Trust shall mean a revocable living trust established by Optionee or by Optionee and his spouse of which Optionee is the sole trustee (or sole co-trustee with his spouse) and sole beneficiary (or sole co-beneficiary with his spouse) during Optionee's lifetime.

(b) Optionee may also designate one or more persons as the beneficiary or beneficiaries of this option, and this option shall, in accordance with such designation, automatically be transferred to such beneficiary or beneficiaries upon the Optionee's death while holding this option. Such beneficiary or beneficiaries shall take the transferred option subject to all the terms and conditions of this Agreement, including (without limitation) the limited time period during which this option may, pursuant to Paragraph 5, be exercised following Optionee's death.

4. **Dates of Exercise**. This option shall become exercisable for the Option Shares in a series of _____ (__) successive equal annual installments upon Optionee's completion of each successive year of Service over the _______ (__)-year period measured from _______ (the "***Vesting Commencement Date***"). The foregoing _____ (__)-year installment vesting provision shall constitute the "***Vesting Schedule"*** for this option. However, this option may vest and become exercisable in whole or in part on an accelerated basis in accordance with the special vesting acceleration provisions of Paragraph 5(b), Paragraph 5(c) or Paragraph 6 of this Agreement. As the option becomes exercisable for one or more installments, those installments shall accumulate, and the option shall remain exercisable for the accumulated installments until the Expiration Date or sooner termination of the option term under Paragraph 5 or 6.

5. **Cessation of Service**. The option term specified in Paragraph 2 shall terminate (and this option shall cease to be outstanding) prior to the Expiration Date should any of the following provisions become applicable:

(a) Except as otherwise expressly provided in subparagraphs (c), (d) and (f) of this Paragraph 5 or Paragraph 6(b), should Optionee cease to remain in Service for any reason while this option is outstanding, then Optionee (or other permitted transferee of this option in accordance with Paragraph 3(a)) shall have a _______ (__)-month period measured from the date of such cessation of Service during which to exercise this option for any or all of the Option Shares for which this option is, pursuant to the Vesting Schedule specified in Paragraph 4 or the special vesting acceleration provisions of Paragraph 5(b), Paragraph 5(c) or Paragraph 6 below, vested and exercisable at the time of Optionee's cessation of Service, but in no event shall this option be exercisable at any time after the Expiration Date.

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(b) ADD SPECIAL SERVICE VESTING/EXTENDED EXERCISE PERIOD PROVISIONS REQUIRED BY EXISTING EMPLOYMENT AGREEMENT WITH OPTIONEE

(c) Should Optionee’s Service terminate by reason of his death, then this option, to the extent vested and outstanding at that time, may be exercised by (i) the personal representative of Optionee’s estate, (ii) the Living Trust to which this option is transferred pursuant to Paragraph 3(a) of this Agreement or (iii) the person or persons to whom the option is transferred pursuant to Optionee’s will or the laws of inheritance following Optionee’s death, as the case may be. However, if Optionee dies while holding this option and has an effective beneficiary designation in effect for this option at the time of his death, then the designated beneficiary or beneficiaries shall have the exclusive right to exercise this option following Optionee’s death. Any right to exercise this option pursuant to this Paragraph 5(c) shall lapse, and this option shall cease to be outstanding, upon the earlier of (i) the expiration of the _______ (___)-month period measured from the date of Optionee’s death or (ii) the Expiration Date.

(d) Should Optionee’s Service terminate by reason of his Disability, then this option, to the extent vested and outstanding at that time, may be exercised by the Optionee or, if applicable, the Living Trust to which this option is transferred pursuant to Paragraph 3(a) of this Agreement. Any right to exercise this option pursuant to this Paragraph 5(d) shall lapse, and this option shall cease to be outstanding, upon the earlier of (i) the expiration of the _______ (___)-month period measured from the date of Optionee’s death or (ii) the Expiration Date.

(e) The applicable period of post-Service exercisability in effect pursuant to the foregoing provisions of this Paragraph 5 shall automatically be extended by an additional period of time equal in duration to any interval within such post-Service exercise period during which the exercise of this option or the immediate sale of the Option Shares acquired under this option cannot be effected in compliance with the applicable registration requirements of federal and state securities laws, but in no event shall such an extension result in the continuation of this option beyond the Expiration Date.

(f) Should Optionee's Service be terminated for Cause, then this option, whether or not vested and exercisable, shall terminate immediately and cease to be outstanding.

(g) During the limited period of post-Service exercisability provided pursuant to the foregoing provisions of this Paragraph 5, this option may not be exercised in the aggregate for more than the number of Option Shares for which this option is at the time vested and exercisable pursuant to the Vesting Schedule specified in Paragraph 4 or the special vesting acceleration provisions of Paragraph 5(b) or Paragraph 5(c) above or Paragraph 6 below. Except as otherwise expressly provided in Paragraph 5(b) or Paragraph 5(c) above, this option shall not vest or become exercisable for any additional Option Shares following the Optionee’s cessation of Service. Upon the expiration of such limited exercise period or (if earlier) upon the Expiration Date, this option shall terminate and cease to be outstanding for any exercisable Option Shares for which the option has not otherwise been exercised.

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6. **Special Acceleration of Option**.

(a) Should a Change in Control occur during Optionee's period of Service but at a time when this option is not otherwise fully vested and exercisable, then this option shall automatically accelerate so that this option shall, immediately prior to the effective date of that Change in Control, become exercisable for all of the Option Shares at the time subject to this option and may be exercised for any or all of those Option Shares as fully vested shares of Class A Common Stock.

(b) Immediately following the Change in Control, this option shall terminate and cease to be outstanding, except to the extent assumed by the successor corporation (or parent thereof) or otherwise continued in effect pursuant to the terms of the Change in Control transaction.

(c) If this option is assumed in connection with a Change in Control or otherwise continued in effect, then this option shall be appropriately adjusted, immediately after such Change in Control, to apply to the number and class of securities into which the shares of Class A Common Stock subject to this option would have been converted in consummation of such Change in Control had those shares actually been outstanding at the time. Appropriate adjustments shall also be made to the Exercise Price, provided the aggregate Exercise Price shall remain the same. To the extent the actual holders of the Corporation's outstanding Class A Common Stock receive cash consideration for their Class A Common Stock in consummation of the Change in Control, the successor corporation may, in connection with the assumption or continuation of this option, substitute one or more shares of its own common stock with a fair market value equivalent to the cash consideration paid per share of Class A Common Stock in such Change in Control, provided such common stock is readily tradable on an established U.S. securities exchange or market.

(d) This Agreement shall not in any way affect the right of the Corporation to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

7. **Adjustment in Option Shares**. Should any change be made to the Class A Common Stock by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares, spin-off transaction, extraordinary dividend or distribution or other change affecting the outstanding Class A Common Stock as a class without the Corporation's receipt of consideration, or should the value of outstanding shares of Class A Common Stock be substantially reduced as a result of a spin-off transaction or an extraordinary dividend or distribution, or should there occur any merger, consolidation or other reorganization, then equitable adjustments shall be made by the Plan Administrator to (i) the total number and/or class of securities subject to this option and (ii) the Exercise Price. The adjustments shall be made in such manner as the Plan Administrator deems appropriate in order to reflect such change, and those adjustments shall be final, binding and conclusive upon Optionee and any other person or persons having an interest in the option. In the event of any Change in Control transaction, the adjustment provisions of Paragraph

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6(c) shall be controlling.

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8. **Stockholder Rights**. The holder of this option shall not have any stockholder rights with respect to the Option Shares until such person shall have exercised the option, paid the Exercise Price and become a holder of record of the purchased shares.

9. **Manner of Exercising Option**.

(a) In order to exercise this option with respect to all or any part of the Option Shares for which this option is at the time exercisable, Optionee (or any other person or persons exercising the option) must take the following actions:

(i) Execute and deliver to the Corporation a Notice of Exercise as to the Option Shares for which the option is exercised or comply with such other procedures as the Corporation may establish for notifying the Corporation of the exercise of this option for one or more Option Shares.

(ii) Pay the aggregate Exercise Price for the purchased shares in one or more of the following forms:

(A) cash or check made payable to the Corporation;

(B) shares of Class A Common Stock (whether delivered in the form of actual stock certificates or through attestation of ownership in a manner reasonably satisfactory to the Corporation) held for the requisite period (if any) necessary to avoid any incremental charge to the Corporation's earnings for financial reporting purposes and valued at Fair Market Value on the Exercise Date; or

(C) through a special sale and remittance procedure pursuant to which Optionee (or any other person or persons exercising the option) shall concurrently provide irrevocable instructions (i) to a brokerage firm (reasonably satisfactory to the Corporation for purposes of administering such procedure in accordance with the Corporation's pre-clearance/pre-notification policies) to effect the immediate sale of the purchased shares and remit to the Corporation, out of the sale proceeds available on the settlement date, sufficient funds to cover the aggregate Exercise Price payable for the purchased shares plus all applicable Withholding Taxes required to be withheld by the Corporation by reason of such exercise and (ii) to the Corporation to deliver the certificates for the purchased shares directly to such brokerage firm on such settlement date in order to complete the sale.

Except to the extent the sale and remittance procedure is utilized in connection with the option exercise, payment of the Exercise Price must accompany the Notice of Exercise (or other notification procedure).

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(iii) Furnish to the Corporation appropriate documentation that the person or persons exercising the option (if other than Optionee) have the right to exercise this option.

(iv) Make appropriate arrangements with the Corporation (or Parent or Subsidiary employing Optionee) for the satisfaction of all Withholding Taxes applicable to the option exercise.

(b) As soon as practical after the Exercise Date and the Corporation's collection of the applicable Withholding Taxes, the Corporation shall issue to or on behalf of Optionee (or any other person or persons exercising this option) a certificate for the purchased Option Shares.

(c) In no event may this option be exercised for any fractional shares.

10. **Withholding Taxes**. Optionee may satisfy the Withholding Taxes applicable to each exercise of this option by (i) delivering to the Corporation that number of shares of Class A Common Stock at the time owned by Optionee (exclusive of the shares purchased at that time under this option), duly endorsed for transfer to the Corporation and free and clear of any liens, claims, security interests or other encumbrances, with an aggregate Fair Market Value equal of the dollar amount of such Withholding Taxes, (ii) delivering to the Corporation cash, a check payable to the Corporation or such other form of payment permitted by the Plan Administrator in the aggregate dollar amount required to satisfy such Withholding Taxes or (iii) using a portion of the sale proceeds of the purchased Option Shares to satisfy such tax withholding amount, to the extent Optionee exercises the Option pursuant to the sale and remittance procedure set forth in paragraph 9(a)(ii)(C) hereof.

11. **Compliance with Laws and Regulations**. The exercise of this option and the issuance of the Option Shares upon such exercise shall be subject to compliance by the Corporation and Optionee with all applicable requirements of law relating thereto and with all applicable regulations of any Stock Exchange on which the Class A Common Stock may be listed for trading at the time of such exercise and issuance. All shares of Class A Common Stock issued pursuant to the exercise of this option shall be registered on a Form S-8 registration statement under the Securities Act of 1933, as amended.

12. **Successors and Assigns**. Except to the extent otherwise provided in Paragraphs 3 and 6, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the Corporation and its successors and assigns and Optionee, Optionee's assigns, the legal representatives, heirs and legatees of Optionee's estate and any beneficiaries of this option designated by Optionee.

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13. **Notices**. Any notice required to be given or delivered to the Corporation under the terms of this Agreement shall be in writing and addressed to the Corporation at its principal corporate offices or shall be effected by properly addressed electronic mail delivery. Any notice required to be given or delivered to Optionee shall be in writing and addressed to Optionee at the most recent address then on file for Optionee in the Corporation's Human Resources Department. All notices shall be deemed effective upon personal or electronic delivery or upon deposit in the U.S. mail, postage prepaid and properly addressed to the party to be notified.

14. **Construction**. This Agreement and the option evidenced hereby are made and granted pursuant to the Incentive Plan and are in all respects limited by and subject to the terms of the Incentive Plan. All decisions of the Plan Administrator with respect to any question or issue arising under the Incentive Plan or this Agreement shall be conclusive and binding on all persons having an interest in this option.

15. **Conflicting Provisions**. This option has been granted pursuant to the provisions of Section __ of the Employment Agreement, and this Agreement and the option evidenced by such Agreement are subject to the terms of the Employment Agreement. In the event of any conflict between the provisions of the Employment Agreement and this Agreement or the Incentive Plan, the provisions of the Employment Agreement shall be controlling.

16. **Benefit Limitation**. Notwithstanding any provision to the contrary in this Agreement, should any accelerated vesting of this option in connection with a Change in Control transaction constitute a parachute payment under Code Section 280G, then such vesting acceleration shall be subject to the benefit limitation provisions of Section __ of the Employment Agreement.

17. **Governing Law**. The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of Arizona without resort to that State's conflict-of-laws rules.

18. **Employment at Will.** Nothing in this Agreement or in the Incentive Plan shall confer upon Optionee any right to continue in Service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Corporation (or any Parent or Subsidiary employing Optionee) or of Optionee, which rights are hereby expressly reserved by each, to terminate Optionee's Service at any time for any reason, with or without cause.

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IN WITNESS WHEREOF, Apollo Group, Inc. has caused this Agreement to be executed on its behalf by its duly-authorized officer on the date indicated below its signature line, and Optionee has executed this Agreement on the date below his signature line.

APOLLO GROUP, INC.

BY: ________________________________

TITLE: ____________________________

OPTIONEE

____

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APPENDIX

The following definitions shall be in effect under the Agreement:

A. **Agreement** shall mean this Stock Option Agreement.

B. **Board** shall mean the Corporation's Board of Directors.

C. **Cause** shall have the meaning assigned to such term in the Employment Agreement, as in effect on the Grant Date.

D. **Change in Control** shall have the meaning assigned to such term in Section 3.1 of the Incentive Plan.

E. **Class A Common Stock** shall mean shares of the Corporation's Class A common stock.

F. **Code** shall mean the Internal Revenue Code of 1986, as amended.

G. **Corporation** shall mean Apollo Group, Inc., an Arizona corporation, and any successor corporation to all or substantially all of the assets or voting stock of Apollo Group, Inc. which shall by appropriate action adopt the Incentive Plan.

H. **Disability** shall have the meaning assigned to such term in the Employment Agreement, as in effect on the Grant Date.

I. **Employee** shall mean an individual who is in the employ of the Corporation (or any Parent or Subsidiary), subject to the control and direction of the employer entity as to both the work to be performed and the manner and method of performance.

J. **Exercise Date** shall mean the date on which the option shall have been exercised in accordance with Paragraph 9 of this Agreement.

K. **Exercise Price** shall mean the exercise price per Option Share as specified in Paragraph 1 of this Agreement.

L. **Expiration Date** shall mean the date on which the option expires as specified in Paragraph 2 of this Agreement.

M. **Employment Agreement** shall mean the Employment Agreement between the Corporation and Optionee dated as of ____________.

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N. **Fair Market Value** per share of Class A Common Stock on any relevant date shall be the closing price per share of Class A Common Stock on the date in question on the Stock Exchange serving as the primary market for the Common Stock, as such price is reported by the National Association of Securities Dealers (if primarily traded on the Nasdaq Global or Global Select Market) or as officially quoted in the composite tape of transactions on any other Stock Exchange on which the Common Stock is then primarily traded. If there is no closing price for the Common Stock on the date in question, then the Fair Market Value shall be the closing price on the last preceding date for which such quotation exists.

O. **Good Reason** shall have the meaning assigned to such term in the Employment Agreement, as in effect on the Grant Date.

P. **Grant Date** shall mean the grant date of the option as specified in Paragraph 1 of this Agreement.

Q. **Incentive Plan** shall mean the Corporation's 2000 Stock Incentive Plan, as amended and restated from time to time.

R. **Non-Statutory Option** shall mean an option not intended to satisfy the requirements of Code Section 422.

S. **Notice of Exercise** shall mean the notice of option exercise in the form prescribed by the Corporation.

T. **Option Shares** shall mean the number of shares of Class A Common Stock subject to the option as specified in Paragraph 1 of this Agreement.

U. **Optionee** shall mean the person to whom the option is granted.

V. **Parent** shall mean any corporation (other than the Corporation) in an unbroken chain of corporations ending with the Corporation, provided each corporation in the unbroken chain (other than the Corporation) owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

W. **Plan Administrator** shall mean either the Board or a committee of the Board acting in its capacity as administrator of the Plan.

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X. **Service** shall mean Optionee's performance of services for the Corporation (or any Parent or Subsidiary, whether now existing or subsequently established) in the capacity of an Employee. For purposes of this Agreement, Optionee shall be deemed to cease Service immediately upon the occurrence of the either of the following events: (i) Optionee no longer performs services in an Employee capacity for the Corporation (or any Parent or Subsidiary) or (ii) the entity for which Optionee renders services in an Employee capacity ceases to remain a Parent or Subsidiary of the Corporation, even though Optionee may subsequently continue to perform services for that entity. Service shall not be deemed to cease during a period of military leave, sick leave or other personal leave approved by the Corporation. However, except to the extent otherwise required by law or expressly authorized by the Plan Administrator or by the Corporation's written policy on leaves of absence, no Service credit shall be given for vesting purposes for any period the Optionee is on a leave of absence.

Y. **Stock Exchange** shall mean the American Stock Exchange, the Nasdaq Global Market or Global Select Market or the New York Stock Exchange.

Z. **Subsidiary** shall mean any corporation (other than the Corporation) in an unbroken chain of corporations beginning with the Corporation, provided each corporation (other than the last corporation) in the unbroken chain owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

AA. **Vesting Schedule** shall mean the schedule set forth in Paragraph 4 of this Agreement pursuant to which the option is to become exercisable for the Option Shares in installments over the Optionee's period of Service.

BB. **Withholding Taxes** shall mean the federal, state and local income taxes and the employee portion of the federal, state and local employment taxes required by applicable laws and regulations to be withheld by the Corporation in connection with the exercise of the option.

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Exhibit 10.20

RESTRICTED STOCK UNIT AWARD AGREEMENT

RECITALS

A. The Corporation has implemented the Plan as an equity incentive program to encourage key employees and officers of the Corporation and the non-employee members of the Board to remain in the employ or service of the Corporation by providing them with an opportunity to acquire a proprietary interest in the success of the Corporation.

B. Participant is to render valuable services to the Corporation (or any Parent or Subsidiary), and this Agreement is executed pursuant to, and is intended to carry out the purposes of, the Plan in connection with the Corporation's issuance of shares of Class A Common Stock to Participant under the Plan.

C. All capitalized terms in this Agreement shall have the meaning assigned to them in the attached Appendix A.

NOW, THEREFORE, it is hereby agreed as follows:

1. **Grant of Restricted Stock Units**. The Corporation hereby awards to Participant, as of the Award Date, restricted stock units under the Plan. The number of shares of Class A Common Stock underlying the awarded restricted stock units and the applicable performance vesting requirement for those units and the underlying shares are set forth in the Award Summary below. The remaining terms and conditions governing the Award, including the applicable service vesting requirements, are set forth in the remainder of this Agreement.

AWARD SUMMARY

Participant:

Award Date:

Number of Shares Subject to Award: _______________ shares of Class A Common Stock (the "Shares")

Vesting Provisions: **Performance Vesting**: None of the Shares subject to this Award shall vest, and this Award shall terminate in its entirety, should the Corporation fail to attain the Performance Goal specified in attached Schedule I for the applicable Performance Period.

Service Vesting: If such Performance Goal is attained, then the number of Shares in which Participant may vest hereunder shall be determined in accordance with the service vesting provisions of Paragraph 3.

Accelerated Vesting: The Shares subject to this Award shall be subject to accelerated vesting pursuant to the provisions of Paragraph 5.

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2. **Limited Transferability**. Prior to the actual issuance of the Shares which vest hereunder, Participant may not transfer any interest in the restricted stock units subject to the Award or the underlying Shares or pledge or otherwise hedge the sale of those units or Shares, including (without limitation) any short sale or any acquisition or disposition of any put or call option or other instrument tied to the value of those Shares. However, any Shares which vest hereunder but otherwise remain unissued at the time of Participant's death may be transferred pursuant to the provisions of Participant's will or the laws of inheritance or to Participant's designated beneficiary or beneficiaries of this Award. Participant may make such a beneficiary designation at any time by filing the appropriate form with the Plan Administrator or its designee.

3. **Vesting Requirements**. The Shares subject to the Award shall initially be unvested and shall vest only in accordance with the vesting provisions of this Paragraph 3 or the special vesting acceleration provisions of Paragraph 5. The actual number of Shares in which Participant shall vest under this Paragraph 3 shall be determined as follows:

(a) ***Performance Vesting***: Within seventy-five (75) days following the completion of the Performance Period, the Plan Administrator shall, on the basis of the Corporation's audited financial statements for the fiscal year coincident with such Performance Period, determine whether the Performance Goal for that period has been attained. If the Performance Goal has not been attained, then the restricted stock units hereby awarded shall be immediately cancelled, and Participant shall thereupon cease to have any right or entitlement to receive any of the Shares underlying those cancelled units. Should the Plan Administrator determine and certify, on the basis of such audited financial statements, that the Performance Goal for the Performance Period has been attained, then the Shares subject to this Award shall be re-designated as Performance Shares, and the number of those Performance Shares in which Participant may vest shall be dependent upon his or her completion of the Service vesting requirements set forth below.

(b) ***Service Vesting***: Participant shall vest the Performance Shares in ______ (__) separate installments as follows:

- Participant shall vest in ____________percent (__%) of the Performance Shares upon his or her continuation in Service through the completion of the Performance Period.

- Participant shall vest in the remaining Performance Shares in a series of ________ (__) successive equal annual installments on the _________________one-year anniversaries of the Award Date (i.e., in calendar years ______, ______ and _____), respectively, upon his or her continuation in Service through each such annual vesting date.

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(c) **ADD SPECIAL SERVICE VESTING PROVISIONS REQUIRED BY EXISTING EMPLOYMENT AGREEMENT WITH PARTICIPANT.** In no event, however, shall the Participant vest in any Performance Shares prior to the completion of the Performance Period and the Plan Administrator's certification of the attainment of the Performance Goal.

ALTERNATIVE

(c) ***Involuntary Termination.*** Should Participant cease Service prior to the completion of the Service-vesting schedule set forth in Paragraph 3(b) by reason of an Involuntary Termination during one of the _____ (__) applicable installment vesting periods comprising that schedule and Participant deliver an effective and enforceable general release to the Corporation in accordance with the requirements of the Senior Executive Severance Pay Plan, then Participant shall thereupon vest in a portion of the Performance Shares (if any) in which Participant would have vested upon the completion of the particular installment vesting period under Paragraph 3(b) in which such Involuntary Termination occurs had Participant in fact continued in Service through the completion of that installment vesting period (the "Performance Share Installment"). Such pro-ration shall be applied by multiplying the Performance Share Installment by a fraction, the numerator of which is the number of months of Service actually completed by the Participant during that installment vesting period (rounded up to the next whole month), and the denominator of which is the number of calendar months in that installment period. In no event, however, shall the Participant vest in any Performance Shares prior to the completion of the Performance Period and the Plan Administrator's certification of the attainment of the Performance Goal.

(d) ***Other Cessation of Service.*** Except as otherwise provided in Paragraph 3(c) above, Participant shall not vest in any additional Performance Shares following his or her cessation of Service. Accordingly, upon such cessation of Service, the Award will, except to the extent otherwise provided in Paragraph 3(c), be immediately cancelled with respect to any unvested Shares at the time subject to this Award, and the number of restricted stock units will be reduced accordingly. Participant shall thereupon cease to have any right or entitlement to receive any Shares under those cancelled units, and those Shares shall cease to be subject to this Award.

4. **Stockholder Rights and Dividend Equivalents**

(a) The holder of this Award shall not have any stockholder rights, including voting, dividend or liquidation rights, with respect to the Shares subject to the Award until Participant becomes the record holder of those Shares following their actual issuance upon the Corporation's collection of the applicable Withholding Taxes.

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(b) Notwithstanding the foregoing, should any dividend or other distribution, whether regular or extraordinary, payable other than in shares of Class A Common Stock, be declared and paid on the Corporation's outstanding Class A Common Stock in one or more calendar years during which Shares remain subject to this Award (i.e., those Shares are not otherwise issued and outstanding for purposes of entitlement to the dividend or distribution), then a special book account shall be established for Participant and credited with a phantom dividend equivalent to the actual dividend or distribution which would have been paid on the Shares had such Shares been issued and outstanding and entitled to that dividend or distribution. As the Shares subsequently vest in one or more installments hereunder, the phantom dividend equivalents credited to those Shares in the book account shall vest, and those vested phantom dividend equivalents shall be distributed to Participant (in cash or such other form as the Plan Administrator may deem appropriate in its sole discretion) concurrently with the issuance of the vested Shares to which they relate. However, each such distribution shall be subject to the Corporation's collection of the Withholding Taxes applicable to that distribution. In no event shall any phantom dividend equivalents vest or become distributable unless the Shares to which they relate vest in accordance with the terms of this Agreement.

5. **Change in Control**. Should a Change in Control be effected during the period of Participant's Service and at a time when one or more unvested Shares remain subject to this Award, then Participant shall, immediately prior to the closing of that Change in Control transaction, vest in all those unvested Shares. The Shares that so vest shall be converted into the right to receive for each such Share the same consideration per share of Class A Common Stock payable to the other holders of such Class A Common Stock in consummation of the Change in Control and distributed at the same time as such stockholder payments, but in no event shall such distribution to Participant be completed later than the ***later*** of (i) the end of the calendar year in which such Change in Control is effected or (ii) the fifteenth (15th) day of the third (3rd) calendar month following the effective date of that Change in Control. Each distribution made under this Paragraph 5 shall be subject to the Corporation's collection of the applicable Withholding Taxes. This Agreement shall not in any way affect the right of the Corporation to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

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6. **Adjustment in Shares**. Should any change be made to the Class A Common Stock by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares, spin-off transaction, extraordinary dividend or distribution or other change affecting the outstanding Class A Common Stock as a class without the Corporation's receipt of consideration, or should the value of outstanding shares of Class A Common Stock be substantially reduced as a result of a spin-off transaction or an extraordinary dividend or distribution, or should there occur any merger, consolidation or other reorganization, then equitable adjustments shall be made by the Plan Administrator to the total number and/or class of securities issuable pursuant to this Award in order to reflect such change and thereby prevent a dilution or enlargement of benefits hereunder. In making such equitable adjustments, the Plan Administrator shall take into account any amounts credited to Participant's book account under Paragraph 4(b) in connection with the transaction, and the determination of the Plan Administrator shall be final, binding and conclusive. However, in the event of a Change of Control, the adjustments (if any) shall be made in accordance with the applicable provisions of Section 13.8 of the Plan governing Change of Control transactions. Notwithstanding the above, the conversion of any convertible securities of the Corporation shall not be deemed to have been effected without the Corporation's receipt of consideration.

7. **Issuance of Shares of Common Stock**.

(a) The Performance Shares in which Participant vests pursuant to the provisions of Paragraph 3 shall be issued in accordance with the following provisions:

(i) Except as otherwise provided in subparagraph (iii) below, the first _________ percent (___%) of the Performance Shares shall be issued as soon as administratively practicable following the Plan Administrator's determination and certification, based on the Corporation's audited financial statements for the fiscal year coincident with the Performance Period, that the Performance Goal for that period has been attained, but such issuance shall in no event be effected later than the last day of the calendar year in which the Performance Period ends.

(ii) Except as otherwise provided in subparagraph (iv) below, the Performance Shares subject to each subsequent installment in which Participant vests on the basis of his or her continued Service shall be issued on the applicable vesting date for that installment or as soon thereafter as administratively practicable. In no event shall any Performance Shares which so vest be issued later than the last day of the calendar year in which the particular vesting date for those shares occurs.

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(iii) Should Participant's Service terminate prior to the completion date of the Performance Period under circumstances entitling Participant to a pro-rated Service-vesting credit under Paragraph 3(c) of this Agreement, then the pro-rated number of Performance Shares in which Participant subsequently vests upon the attainment of the Performance Goal for that period and such pro-rated Service-vesting credit shall be issued to Participant, subject to his or her timely satisfaction of the applicable general release requirements of the Senior Executive Severance Pay Plan, as soon as reasonably practicable after the completion date of the Performance Period, but in no event later than the last day of the calendar year in which the Performance Period ends.

(iv) Should Participant vest on a pro-rated basis with respect to any subsequent installment of the Performance Shares pursuant to the Involuntary Termination provisions of Paragraph 3(c), then those pro-rated Performance Shares shall be issued on the third business day, within the seventy-five (75)-day period measured from the date of Participant's Separation from Service due to his or her Involuntary Termination, on which the general release required of Participant in accordance with the provisions of the Senior Executive Severance Pay Plan is effective and enforceable following the expiration of the applicable maximum review/delivery/return and revocation periods to which Participant is entitled under such plan, or on such subsequent date thereafter as the Corporation may determine in its sole discretion, but in no event shall such issuance be made later than the last day of the seventy-five (75)-day period measured from the date of the Participant's Separation from Service.

(v) The phantom dividend equivalents credited to the Participant's book account under Paragraph 4(b) shall be distributed concurrently with the issuance of the vested Performance Shares to which they relate.

(vi) For purposes of Section 409A of the Code, Participant's right to one or more Share installments pursuant to the terms of this Award or on or more installment distributions of any other amounts to which Participant may become entitled hereunder shall in each instance be treated as a right to a series of separate payments.

(vii) Except as otherwise provided in Paragraph 5, no Shares shall be issued prior to the completion of the Performance Period.

(b) The Corporation shall collect the Withholding Taxes with respect to each distribution of phantom dividend equivalents by withholding a portion of that distribution equal to the amount of the applicable Withholding Taxes, with the cash portion of the distribution to be the first portion so withheld.

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(c) The Corporation shall collect the applicable Withholding Taxes with respect to all Shares which vest pursuant to the provisions of this Agreement through the following automatic share withholding method:

- On the applicable issuance date, the Corporation shall withhold, from the vested Shares otherwise issuable to Participant at that time, a portion of those Shares with a Fair Market Value (measured as of the issuance date) equal to the applicable Withholding Taxes; ***provided, however***, that the number of Shares which the Corporation shall be required to so withhold shall not exceed in Fair Market Value (other than by reason of the rounding up of any fractional share to the next whole share) the amount necessary to satisfy the Corporation's required tax withholding obligations using the minimum statutory withholding rates for federal and state tax purposes, including payroll taxes, that are applicable to supplemental taxable income. Participant hereby expressly authorizes the Corporation to withhold any such additional fractional share that is needed to round up the share withholding to the next whole Share, with the Fair Market Value of that additional fractional share to be added to the amount of taxes withheld by the Corporation from his or her wages for the calendar year in which the issuance date occurs, and to report that additional tax withholding as part of his or her W-2 tax withholdings for such year.

(d) Except as otherwise provided in Paragraph 5 or this Paragraph 7, the settlement of all restricted stock units which vest under the Award shall be made solely in shares of Class A Common Stock. No fractional share of Class A Common Stock shall be issued pursuant to this Award, and any fractional share resulting from any calculation made in accordance with the terms of this Agreement shall be rounded down to the next whole share of Class A Common Stock.

8. **Compliance with Laws and Regulations**. The issuance of shares of Class A Common Stock pursuant to the Award shall be subject to compliance by the Corporation and Participant with all applicable requirements of law relating thereto and with all applicable regulations of any Stock Exchange on which the Common Stock may be listed for trading at the time of such issuance.

9. **Notices**. Any notice required to be given or delivered to the Corporation under the terms of this Agreement shall be in writing and addressed to the Corporation at its principal corporate offices. Any notice required to be given or delivered to Participant shall be in writing and addressed to Participant at the most recent address then on file for Participant in the Corporation's Human Resources Department. All notices shall be deemed effective upon personal delivery or upon deposit in the U.S. mail, postage prepaid and properly addressed to the party to be notified.

10. **Successors and Assigns**. Except to the extent otherwise provided in this Agreement, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the Corporation and its successors and assigns and Participant and the legal representatives, heirs and legatees of Participant's estate and any beneficiaries of the Award designated by Participant.

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11. **Code Section 409A**

(a) It is the intention of the parties that the provisions of this Agreement shall comply, to the maximum extent possible, with the requirements of the short-term deferral exception to Section 409A of the Code and Treasury Regulations Section 1.409A-1(b)(4) and the requirements of the involuntary separation pay plan exception of Treasury Regulations Section 1.409A-1(b)(9). Accordingly, to the extent there is any ambiguity as to whether one or more provisions of this Agreement would otherwise contravene the requirements or limitations of Code Section 409A and the Treasury Regulations applicable to such exceptions, then those provisions shall be interpreted and applied in a manner that does not result in a violation of the requirements or limitations of Code Section 409A and the Treasury Regulations thereunder that apply to those exceptions.

(b) However, to the extent this Agreement should be deemed to create a deferred compensation arrangement subject to the requirements of Code Section 409A, then the following provisions shall apply, notwithstanding anything to the contrary set forth herein:

- No shares of Class A Common Stock or other amounts which become issuable or distributable under this Agreement by reason of Participant's cessation of Service shall actually be issued or distributed to Participant until the date of Participant's Separation from Service or as soon thereafter as administratively practicable, but in no event later the fifteenth day of the third calendar month following the date of such Separation from Service, unless a delayed commencement date is otherwise required pursuant to the following paragraph.

- No shares of Class A Common Stock or other amounts which become issuable or distributable under this Agreement by reason of Participant's Separation from Service shall actually be issued or distributed to Participant prior to the ***earlier*** of (i) the first day of the seventh (7th) month following the date of such Separation from Service or (ii) the date of Participant's death, if Participant is deemed at the time of such Separation from Service to be a specified employee under Section 1.409A-1(i) of the Treasury Regulations issued under Code Section 409A, as determined by the Plan Administrator in accordance with consistent and uniform standards applied to all other Code Section 409A arrangements of the Corporation, and such delayed commencement is otherwise required in order to avoid a prohibited distribution under Code Section 409A(a)(2). The deferred shares or other distributable amount shall be issued or distributed in a lump sum on the first day of the seventh (7th) month following the date of Participant's Separation from Service or, if earlier, the first day of the month immediately following the date the Corporation receives proof of Participant's death.

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- No amounts that vest and become payable under Paragraph 5 of this Agreement by reason of a Change in Control shall be distributed to the Participant at the time of such Change in Control, unless that transaction also qualifies as a Qualifying Change in Control. In the absence of such a Qualifying Change in Control, the distribution of those amounts shall not be made until the ***earlier*** of (i) the date of Participant's Separation from Service or (ii) the date on which each Share installment to which those amounts relate would have been issued in accordance with the applicable provisions of Paragraph 7(a) of this Agreement, or as soon as administratively practicable following the earlier of such dates, but in no event later than the fifteenth (15th) day of the third calendar month following that date, subject, however, to any delayed commencement date otherwise required pursuant to the preceding paragraph.

- In no event shall Participant have the right to determine the calendar year in which any such issuance or distribution is to occur.

- Participant's right to a series of Share installments pursuant to the terms of this Award or a series of installment distributions of any other amounts to which Participant may become entitled hereunder shall in each instance be treated as a right to a series of separate payments.

12. **Construction**. This Agreement and the Award evidenced hereby are made and granted pursuant to the Plan and are in all respects limited by and subject to the terms of the Plan. All decisions of the Plan Administrator with respect to any question or issue arising under the Plan or this Agreement shall be conclusive and binding on all persons having an interest in the Award.

13. **Governing Law**. The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of Arizona without resort to that State's conflict-of-laws rules.

14. **Employment at Will**. Nothing in this Agreement or in the Plan shall confer upon the Participant any right to remain in Service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Corporation or of then Participant, which rights are hereby expressly reserved by each, to terminate Participant's Service at any time for any reason, with or without cause.

15. **Participant Acceptance**. The Participant must accept the terms and conditions of this Agreement either electronically through the electronic acceptance procedure established by the Corporation or through a written acceptance delivered to the Corporation in a form satisfactory to the Corporation. In no event shall any shares of Class A Common Stock be issued under this Agreement in the absence of such acceptance.

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IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year first indicated above.

APOLLO GROUP, INC.

By: ______________________________

Title: ______________________________

PARTICIPANT

Signature: ______________________________

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APPENDIX A

DEFINITIONS

The following definitions shall be in effect under the Agreement:

A. **Agreement** shall mean this Restricted Stock Unit Issuance Agreement.

B. **Award** shall mean the award of restricted stock units made to Participant pursuant to the terms of this Agreement.

C. **Award Date** shall mean the date the restricted stock units are awarded to Participant pursuant to the Agreement and shall be the date indicated in Paragraph 1 of the Agreement.

D. **Board** shall mean the Corporation's Board of Directors.

E. **Cause (if applicable)** shall have the meaning assigned to such term in the Participant's Employment Agreement, as in effect on the Award Date.

F. **Change in Control** shall have the meaning assigned to such term in Section 3.1(e) of the Plan.

G. **Code** shall mean the Internal Revenue Code of 1986, as amended.

H. **Class A Common Stock** shall mean shares of the Corporation's Class A common stock.

I. **Corporation** shall mean Apollo Group, Inc., an Arizona corporation, and any successor corporation to Apollo Group, Inc. which shall by appropriate action adopt the Plan.

J. **Employee** shall mean an individual who is in the employ of the Corporation (or any Parent or Subsidiary), subject to the control and direction of the employer entity as to both the work to be performed and the manner and method of performance.

K. **Employment Agreement** (**if applicable**) shall mean the Employment Agreement between the Corporation and the Participant dated ____________________.

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L. **Fair Market Value** per share of Class A Common Stock on any relevant date shall be the closing price per share of such Class A Common Stock on the date in question on the Stock Exchange serving as the primary market for the Class A Common Stock, as such price is reported by the National Association of Securities Dealers (if primarily traded on the Nasdaq Global or Global Select Market) or as officially quoted in the composite tape of transactions on any other Stock Exchange on which the Class A Common Stock is then primarily traded. If there is no closing selling price for the Class A Common Stock on the date in question, then the Fair Market Value shall be the closing price on the last preceding date for which such quotation exists.

M. **Good Reason (if applicable)** shall have the meaning assigned to such term in the Employment Agreement, as in effect on the Award Date.

N. **Involuntary Termination (if applicable)** shall mean the unilateral termination of the Participant's Service by the Corporation (or any Parent or Subsidiary employing Participant) for any reason other than a Termination for Cause; ***provided, however,*** in no event shall an Involuntary Termination be deemed to incur in the event the Participant's Service terminates by reason of his or her death or disability.

O. **1934 Act** shall mean the Securities Exchange Act of 1934, as amended from time to time.

P. **Participant** shall mean the person to whom the Award is made pursuant to the Agreement.

Q. **Parent** shall mean any corporation (other than the Corporation) in an unbroken chain of corporations ending with the Corporation, provided each corporation in the unbroken chain (other than the Corporation) owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

R. **Performance Goal** shall mean the performance goal specified in Schedule I to this Agreement.

S. **Performance Period** shall mean the period specified on attached Schedule I to this Agreement over which the attainment of the Performance Goal is to be measured.

T. **Performance Shares** shall mean the Shares in which Participant can vest under this Agreement if the Performance Goal is attained.

U. **Plan** shall mean the Corporation's 2000 Stock Incentive Plan, as amended or restated from time to time.

V. **Plan Administrator** shall mean the Compensation Committee of the Board acting in its capacity as administrator of the Plan.

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W. **Service** shall mean Participant's performance of services for the Corporation (or any Parent or Subsidiary) in the capacity of an Employee. For purposes of this Agreement, Participant shall be deemed to cease Service immediately upon the occurrence of the either of the following events: (i) Participant no longer performs services in an Employee capacity for the Corporation (or any Parent or Subsidiary) or (ii) the entity for which Participant renders services in an Employee capacity ceases to remain a Parent or Subsidiary of the Corporation, even though Participant may subsequently continue to perform services for that entity. Service as an Employee shall not be deemed to cease during a period of military leave, sick leave or other personal leave approved by the Corporation; ***provided, however***, that except to the extent otherwise required by law or expressly authorized by the Plan Administrator or by the Corporation's written policy on leaves of absence, no Service credit shall be given for vesting purposes for any period Participant is on a leave of absence.

X. **Separation from Service** shall mean Participant's cessation of Employee status by reason of death, retirement or termination of employment. Participant shall be deemed to have terminated employment for such purpose at such time as the level of his or her bona fide services to be performed as an Employee (or as a consultant or independent contractor) permanently decreases to a level that is not more than twenty percent (20%) of the average level of services he or she rendered as an Employee during the immediately preceding thirty-six (36) months. Any such determination as to Separation from Service shall be made in accordance with the applicable standards of the Treasury Regulations issued under Section 409A of the Code.

Y. **Shares** shall mean the shares of Class A Common Stock which may vest and become issuable under the Award pursuant to the terms of this Agreement.

Z. **Stock Exchange** shall mean the American Stock Exchange, the Nasdaq Global or Global Select Market or the New York Stock Exchange.

AA. **Subsidiary** shall mean any corporation (other than the Corporation) in an unbroken chain of corporations beginning with the Corporation, provided each corporation (other than the last corporation) in the unbroken chain owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

BB. **Termination for Cause** **(if applicable)** shall mean the termination of the Participant's Service by the Corporation (or any Parent or Subsidiary employing Participant) for one or more of the following reasons**:**

(viii) repeated dereliction of the material duties and responsibilities of his or her position with the Corporation (or any Parent or Subsidiary);

(ix) misconduct, insubordination or failure to comply with the policies of the Corporation (or any Parent or Subsidiary employing the Participant) governing employee conduct and procedures;

(x) excessive lateness or absenteeism;

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(xi) conviction of or pleading guilty or *nolo contendere* to any felony involving theft, embezzlement, dishonesty or moral turpitude;

(xii) commission of any act of fraud against, or the misappropriation of property belonging to, the Corporation (or any Parent or Subsidiary);

(xiii) commission of any act of dishonesty in connection with his or her responsibilities as an Employee that is intended to result in his or her personal enrichment or the personal enrichment of his or her family or others;

(xiv) any other misconduct adversely affecting the business or affairs of the Corporation (or any Parent or Subsidiary); or

(xv) a material breach of any agreement the Participant may have at the time with the Corporation (or any Parent or Subsidiary employing the Participant), including (without limitation) any proprietary information, non-disclosure or confidentiality agreement.

CC. **Withholding Taxes** shall mean the federal, state and local income taxes and the employee portion of the federal, state and local employment taxes required to be withheld by the Corporation in connection with the vesting and issuance of the shares of Common Stock which vest under of the Award and any phantom dividend equivalents distributed with respect to those shares.

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SCHEDULE I

PERFORMANCE PERIOD AND PERFORMANCE GOAL

The Performance Period shall be coincident with the Corporation's ____ fiscal year and shall accordingly commence on September 1, ____and end on August 31, ____.

SPECIFY PERFORMANCE GOAL

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Exhibit 10.21

APOLLO GLOBAL METRICS

PERFORMANCE SHARE AWARD AGREEMENT

RECITALS

A. The Corporation has implemented the Plan as an equity incentive program to encourage key employees and officers of the Corporation and its subsidiaries and the non-employee members of the Board to remain in the employ or service of the Corporation or one or more of its subsidiaries by providing them with an opportunity to acquire a proprietary interest in the success of the Corporation.

B. Participant is to render valuable services to the Corporation or the Apollo Global Subsidiary, and this Agreement is executed pursuant to, and is intended to carry out the purposes of, the Plan in connection with the Corporation's issuance of shares of Class A Common Stock to Participant under the Plan.

C. All capitalized terms in this Agreement shall have the meaning assigned to them in the attached Appendix A.

NOW, THEREFORE, it is hereby agreed as follows:

1. **Grant of Performance Shares.** The Corporation hereby awards to Participant, as of the Award Date indicated below, an award (the "**Award**") of Performance Shares under the Plan. Each Performance Share which vests pursuant to the terms of this Agreement shall provide the Participant with the right to receive one or more shares of Class A Common Stock on the designated issuance date. The number of shares of Class A Common Stock subject to the awarded Performance Shares, the applicable performance-vesting requirement for the Performance Shares, the rate at which the vested Performance Shares are to convert into shares of Class A Common Stock, the date on which the converted shares of Class A Common Stock shall become issuable and the remaining terms and conditions governing the Award, including the applicable service-vesting requirement and cut-back provisions,, shall be as set forth in this Agreement.

AWARD SUMMARY

Participant:	
Award Date:	
Designated Number of Performance Shares:	The actual number of shares of Class A Common Stock that may become issuable pursuant to the Performance Shares awarded under this Agreement shall be determined in accordance with the Vesting Schedule below. For purposes of such schedule, the designated number of Performance Shares to be utilized is _____________ shares and shall constitute the "**Target Number of Performance Shares**" for purposes of this Agreement.

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Vesting Schedule:	The number of shares of Class A Common Stock which may actually vest and become issuable pursuant to the Award shall be determined pursuant to a two-step process: (i) first the maximum number of shares of Class A Common Stock in which the Participant can vest under the Performance Vesting section below shall be calculated on the basis of the level at which the Performance Goal specified on attached Schedule I is actually attained and (ii) then the number of shares calculated under clause (i) in which Participant may actually become entitled shall be determined on the basis of the number of Service Segments that the Participant completes during the Performance Period in accordance with the Service-vesting requirements set forth in Paragraph 3 below: ***provided, however***, that the number of shares of Class A Common Stock so determined shall be subject to the cut-back provisions of Paragraph 5 below. ***Performance Vesting*:** Attached Schedule I specifies the Performance Goal to be attained for the specified Performance Period. Within ninety (90) days after the completion of that Performance Period, the Plan Administrator shall determine and certify the actual level of attainment for the Performance Goal. On the basis of that certified level of attainment, the number of Performance Shares will be multiplied by the applicable percentage (which may range from 0% to ____%) determined in accordance with the schedule of percentages set forth in attached Schedule I. The number of shares resulting from such calculation shall constitute the maximum number of shares of Class A Common Stock in which the Participant may vest under this Award and shall be designated the "**Performance-Qualified Shares**." In no event may the number of such Performance-Qualified Shares exceed ____% of the Target Number of Performance Shares. Should the Performance Goal be attained at a level below the threshold level specified in attached Schedule I, all of the Performance Shares subject to this Award shall be immediately cancelled. The Participant shall thereupon cease to have any further right, title or interest in the shares of Class A Common Stock underlying those cancelled Performance Shares. ***Service Vesting.*** The number of Performance-Qualified Shares to which the Participant actually becomes entitled shall be determined in accordance with the Service-vesting provisions set forth in Paragraph 3 below, subject to the cut-back provisions of Paragraph 5 below. ***Change in Control Vesting.*** The shares of Class A Common Stock underlying the Performance Shares subject to this Award may also vest on an accelerated basis in accordance with Paragraph 4 should a Change in Control of the Corporation or a Change in Control of the Apollo Global Subsidiary occur prior to the completion of the Performance Period.
Issuance Date:	The shares of Class A Common Stock which actually vest and become issuable pursuant to the terms of this Agreement shall be issued in accordance with the provisions of this Agreement applicable to the particular circumstances under which such vesting occurs.

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2. **Limited Transferability**. Prior to the actual issuance of the shares of Class A Common Stock which vest hereunder, the Participant may not transfer any interest in the performance shares subject to the Award or the underlying shares of Class A Common Stock or pledge or otherwise hedge the sale of those performance shares or the underlying shares of Class A Common Stock, including (without limitation) any short sale or any acquisition or disposition of any put or call option or other instrument tied to the value of the Class A Common Stock. However, any shares of Class A Common Stock which vest hereunder but otherwise remain unissued at the time of the Participant's death may be transferred pursuant to the provisions of Participant's will or the laws of inheritance or to the Participant's designated beneficiary or beneficiaries of this Award. The Participant may make such a beneficiary designation at any time by filing the appropriate form with the Plan Administrator or its designate.

3. **Service Requirement.**

(a) The number of Performance-Qualified Shares calculated in accordance with the Performance-Vesting provisions of Paragraph 1 and attached Schedule I represent the maximum number of shares of Class A Common Stock in which the Participant can vest hereunder. Subject to the cut-back provisions of Paragraph 5 below, the actual number of shares of Class A Common Stock to which the Participant shall become entitled shall be determined by multiplying the number of Performance-Qualified Shares by a fraction, the numerator of which is the total number of full Service Segments completed by the Participant within the Performance Period and the denominator of which is the total number of Service Segments comprising the entire Performance Period.

(b) **ADD ANY SPECIAL SERVICE-VESTING PROVISIONS REQUIRED BY EXISTING EMPLOYMENT AGREEMENT WITH PARTICIPANT**. In no event, however, shall the Participant vest in any of the shares of Class A Common Stock subject to this Award if the Corporation fails to attain the Performance Goal at the minimum threshold level specified in the attached Schedule for that Performance Goal

ALTERNATIVE

(b) Should the Participant cease Service prior to the completion of a full Service Segment within the Performance Period by reason of death, Disability or an Involuntary Termination, then following the completion of the Performance Period and the required certification of the number of Performance-Qualified Shares subject to this Award, the Participant shall, with respect to that partial Service Segment, vest in that additional number of shares of Class A Common Stock (if any) determined by multiplying the certified number of Performance-Qualified Shares by a fraction, the numerator of which is the number of months of Service actually completed by the Participant during that particular Service Segment (rounded up to the next whole month), and the denominator of which is the total number of calendar months constituting the entire Performance Period.

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(c) Except as otherwise provided in Paragraph 3(b), should the Participant's Service cease for any reason prior to the completion of the Performance Period, then the Participant shall not vest in any additional Performance-Qualified Shares following such cessation of Service, and all of the Participant's right, title and interest to any unvested Performance-Qualified Shares subject to this Award shall immediately terminate.

4. **Change in Control.** The following provisions shall apply only to the extent a Change in Control of the Corporation or a Change in Control of the Apollo Global Subsidiary is consummated prior to the completion of the Performance Period and shall have no force or effect in the event the effective date of a Change in Control of the Corporation or a Change in Control of the Apollo Global Subsidiary (whichever is the first to occur) occurs after the completion of such Performance Period.

(a) Should (i) a Change in Control of the Corporation or a Change in Control of the Apollo Global Subsidiary (whichever is the first to occur) occur during the first __________ (___) months of the Performance Period and (ii) the Participant continues in Service through the effective date of that particular Change in Control event, then the Participant shall immediately vest in that number of shares of Class A Common Stock equal to the Target Number of Performance Shares set forth in Paragraph 1, without any measurement of Performance Goal attainment to date.

(b) Should (i) a Change in Control of the Corporation or a Change in Control of the Apollo Global Subsidiary (whichever is the first to occur) occur at any time on or after the completion of the first _________ (___) months of the Performance Period and (ii) the Participant continues in Service through the effective date of the applicable Change in Control event, then the Participant shall immediately vest in the number of shares of Class A Common Stock equal to the ***greater*** of:

(i) the Target Number of Performance Shares set forth in Paragraph 1, or

(ii) subject to the cut-back provisions of Paragraph 5 below, the number of Performance-Qualified Shares determined by multiplying (A) the Target Number of Performance Shares set forth in Paragraph 1 by (B) the applicable percentage (determined in accordance with attached Schedule I) for the level at which the Performance Goal is attained and certified by the Plan Administrator for an abbreviated Performance Period ending with the close of the Corporation's fiscal quarter coincident with or immediately preceding the effective date of the applicable Change in Control event.

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(c) The share calculation procedures set forth in subparagraphs (a) and (b) of this Paragraph 5 shall also apply for purposes of determining the number of shares to which the Service-vesting provisions of Paragraph 3(a) and (if applicable) Paragraph 3(b) are to be applied in the event the Participant ceases Service during the Performance Period and prior to the effective date of a Change in Control of the Corporation or a Change in Control of the Apollo Global Subsidiary (whichever is the first to occur), and the resulting number of shares shall be subject to the provisions of Paragraph 4(d) below. For purposes of such calculation, the Performance Period shall continue to be measured as a ________ (___) calendar-month period ending ______________, as if the applicable Change in Control event had not occurred.

(d) Subject to the cut-back provisions of Paragraph 5 below, the number of shares of Class A Common Stock to which the Participant becomes entitled on the basis of the Performance Shares or Performance-Qualified Shares determined in accordance with the foregoing provisions of this Paragraph 4 shall be issued to Participant on the effective date of the Change in Control of the Corporation or Change in Control of the Apollo Global Subsidiary, whichever is applicable, or as soon thereafter as administratively practicable, but in no event later than the ***later*** of (i) the last day of the calendar year in which the applicable Change in Control event is effected or (ii) the fifteenth (15th) day of the third (3rd) calendar month following the effective date of that Change in Control. The issuance shall be subject to the Corporation's collection of the applicable Withholding Taxes. Alternatively, in the event of a Change in Control of the Corporation, the number of shares of Class A Common Stock to which the Participant becomes entitled on the basis of the Performance Shares or Performance-Qualified Shares determined in accordance with the foregoing provisions of this Paragraph 4 and subject to the cut-back provisions of Paragraph 5 may be converted into the right to receive for each such share the same consideration per share of Class A Common Stock payable to the other holders of such Class A Common Stock in consummation of that Change in Control, and such consideration per share shall be distributed to the Participant at the same time as such stockholder payments, but in no event shall such distribution to the Participant be completed later than the ***later*** of (i) the last day of the calendar year in which such Change in Control is effected or (ii) the fifteenth (15th) day of the third (3rd) calendar month following the effective date of that Change in Control. The distribution shall be subject to the Corporation's collection of the applicable Withholding Taxes.

(e) Except for the actual number of shares of Class A Common Stock in which the Participant vests in accordance with this Paragraph 4, the Participant shall cease to have any further right or entitlement to any additional shares of Class A Common Stock under this Agreement following the effective date of the Change in Control of the Corporation or a Change in Control of the Apollo Global Subsidiary (whichever is the first to occur).

(f) This Agreement shall not in any way affect the right of the Corporation or the Apollo Global Subsidiary to adjust, reclassify, reorganize or otherwise change its respective capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its respective business or assets.

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5. **Discretionary Cut-Back**. Notwithstanding any provision to the contrary in this Agreement, the Plan Administrator shall retain full and complete discretion to reduce the number of Performance-Qualified Shares calculated for the Participant in accordance with the Performance-Vesting provisions of Paragraph 1 and the Service-vesting requirements of Paragraph 3 (or pursuant to the special vesting provisions of Paragraph 4) to a maximum of ____ (__) times the Target Number of Performance Shares. In exercising such discretion, the Plan Administrator shall take into account the Corporation's success as a consolidated entity as measured in terms of total shareholder return over the Performance Period, whether measured absolutely or in comparison to a defined peer group, as determined in the Plan Administrator's sole discretion.

6. **Adjustment in Shares.** Should any change be made to the Class A Common Stock by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares, spin-off transaction, extraordinary dividend or distribution or other change affecting the outstanding Class A Common Stock as a class without the Corporation's receipt of consideration, or should the value of the outstanding shares of Class A Common Stock be substantially reduced as a result of a spin-off transaction or an extraordinary dividend or distribution, or should there occur any merger, consolidation or other reorganization of the Corporation, then equitable adjustments shall be made by the Plan Administrator to the total number and/or class of securities issuable pursuant to this Award in order to reflect such change. The determination of the Plan Administrator shall be final, binding and conclusive. In the event of any Change in Control transaction, the provisions of Paragraph 4 shall be controlling.

7. **Issuance or Distribution of Vested Shares or Other Amounts.**

(a) Except as otherwise provided in Paragraph 4 or Paragraph 7(b) below and subject to the cut-back provisions of Paragraph 5 above, the shares of Class A Common Stock to which the Participant becomes entitled pursuant to the Performance and Service vesting provisions of Paragraphs 1 and 3 shall be issued as soon as reasonably practicable following the completion of the Performance Period, but no later than the ***later*** of (A) the last day of the calendar year in which such Performance Period ends or (B) the fifteenth (15th) day of the third (3rd) calendar month following the last day of such Performance Period.

(b) Should Participant's Service terminate prior to the completion of the Performance Period under circumstances entitling Participant to a Service-vesting credit under Paragraph 3(b) of this Agreement, then any shares of Class A Common Stock to which Participant subsequently become entitled upon the attainment of the Performance Goal and such Service-vesting credit shall be issued to Participant, subject to his timely satisfaction of the applicable general release requirements of Sections 4 and 8 of the Extended Employment Agreement and the cut provisions of Paragraph 5 above, as soon as administratively practicable following the completion of the Performance Period, but no later than the ***later*** of (A) the last day of the calendar year in which such Performance Period ends or (B) the fifteenth (15th) day of the third (3rd) calendar month following the last day of such Performance Period.

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(c) The Corporation shall, on the applicable issuance date, issue to or on behalf of the Participant a certificate (which may be in electronic form) for the shares of Class A Common Stock in which the Participant vests pursuant to the performance and Service vesting provisions of Paragraphs 1 and 3 or the special vesting provisions of Paragraph 4.

(d) Except as otherwise provided in Paragraph 4, no shares of Class A Common Stock shall be issued prior to the completion of the Performance Period. No fractional share of Class A Common Stock shall be issued pursuant to this Award, and any fractional share resulting from any calculation made in accordance with the terms of this Agreement shall be rounded down to the next whole share of Class A Common Stock.

(e) The Corporation shall collect the applicable Withholding Taxes with respect to all shares of Class A Common Stock which vest and become issuable pursuant to the provisions of this Agreement through the following automatic share withholding method:

- On the applicable issuance date, the Corporation shall withhold, from the vested shares of Class A Common Stock otherwise issuable to the Participant at that time, a portion of those shares with a Fair Market Value (measured as of the issuance date) equal to the applicable Withholding Taxes; ***provided, however***, that the number of shares of Class A Common Stock which the Corporation shall be required to so withhold shall not exceed in Fair Market Value (other than by reason of the rounding up of any fractional share to the next whole share) the amount necessary to satisfy the Corporation's required tax withholding obligations using the minimum statutory withholding rates for federal and state tax purposes, including payroll taxes, that are applicable to supplemental taxable income. The Participant hereby expressly authorizes the Corporation to withhold any such additional fractional share that is needed to round up the share withholding to the next whole share of Class A Common Stock, with the Fair Market Value of that additional fractional share to be added to the amount of taxes withheld by the Corporation from his or her wages for the calendar year in which the issuance date occurs, and to report that additional tax withholding as part of his or her W-2 tax withholdings for such year.

(f) Except as otherwise provided in Paragraph 4 or this Paragraph 7, the settlement of all Performance or Performance-Qualified Shares which vest under the Award shall be made solely in shares of Class A Common Stock.

8. **Stockholder Rights.** The holder of this Award shall not have any stockholder rights, including voting, dividend or liquidation rights, with respect to the shares of Class A Common Stock underlying the Award until Participant becomes the record holder of those shares upon their actual issuance following the Corporation's collection of the applicable Withholding Taxes.

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9. **Code Section 409A**

(a) It is the intention of the parties that the provisions of this Agreement shall comply with the requirements of the short-term deferral exception to Section 409A of the Code and Treasury Regulations Section 1.409A-1(b)(4). Accordingly, to the extent there is any ambiguity as to whether one or more provisions of this Agreement would otherwise contravene the requirements or limitations of Code Section 409A applicable to such short-term deferral exception, then those provisions shall be interpreted and applied in a manner that does not result in a violation of the requirements or limitations of Code Section 409A and the Treasury Regulations thereunder that apply to such exception.

(b) If and to the extent this Agreement may be deemed to create an arrangement subject to the requirements of Code Section 409A, then the following provisions shall apply:

- No shares of Class A Common Stock or other amounts which become issuable or distributable under this Agreement by reason of Participant's cessation of Service shall actually be issued or distributed to Participant until the date of Participant's Separation from Service or as soon thereafter as administratively practicable, but in no event later than the ***later*** of (i) the last day of the calendar year in which such Separation from Service occurs or (ii) the fifteenth day of the third calendar month following the date of such Separation from Service.

- No shares of Class A Common Stock or other amounts which become issuable or distributable under this Agreement by reason of Participant's Separation from Service shall actually be issued or distributed to Participant prior to the ***earlier*** of (i) the first day of the seventh (7th) month following the date of such Separation from Service or (ii) the date of Participant's death, if Participant is deemed at the time of such Separation from Service to be a specified employee under Section 1.409A-1(i) of the Treasury Regulations issued under Code Section 409A, as determined by the Plan Administrator in accordance with consistent and uniform standards applied to all other Code Section 409A arrangements of the Corporation, and such delayed commencement is otherwise required in order to avoid a prohibited distribution under Code Section 409A(a)(2). The deferred shares or other distributable amount shall be issued or distributed in a lump sum on the first day of the seventh (7th) month following the date of Participant's Separation from Service or, if earlier, the first day of the month immediately following the date the Corporation receives proof of Participant's death.

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- No shares of Class A Common stock or other amounts attributable to such shares that vest and become issuable or payable under Paragraph 4 of this Agreement by reason of a Change in Control of the Corporation or a Change in Control of the Apollo Global Subsidiary shall be issued or distributed to the Participant at the time of the applicable Change in Control event unless that transaction also as the Participant qualifies as a change in control event under Code Section 409A and the Treasury Regulations thereunder. In the absence of such a qualifying change in control, the issuance of the shares of Class A Common Stock or the distribution of any other amounts attributable to such shares shall not be made until the ***earlier*** of (i) the specified completion date of the entire _______ (___) calendar-month Performance Period or (ii) the effective date of a Change in Control that constitutes as to the Participant a qualifying a change in control event under Code Section 409A and the Treasury Regulations thereunder, or as soon as administratively practicable following the applicable event, but in no event later than the fifteenth (15th) day of the third (3rd) calendar month following the date of that event.

- In no event shall the Participant have the right to determine the calendar year in which such issuance or distribution is to occur. Accordingly, if the time period for delivery of the Participant's requisite release pursuant to Section 4 and 8 of the Extended Employment Agreement spans two taxable years, any issuance or distribution under this Agreement that would otherwise be triggered by that release will not be effected during that period but will instead be effected during the remainder of the applicable time period for effecting that issuance or distribution in accordance with the terms of this Agreement.

10. **Compliance with Laws and Regulations**. The issuance of shares of Class A Common Stock pursuant to the Award shall be subject to compliance by the Corporation and Participant with all applicable requirements of law relating thereto and with all applicable regulations of any Stock Exchange on which the Class A Common Stock may be listed for trading at the time of such issuance.

11. **Notices**. Any notice required to be given or delivered to the Corporation under the terms of this Agreement shall be in writing and addressed to the Corporation at its principal corporate offices or shall be effected by properly addressed electronic mail delivery. Any notice required to be given or delivered to Participant shall be in writing and addressed to the Participant at the most recent address then on file for the Participant in the Human Resources Department of the Corporation or the Apollo Global Subsidiary. All notices shall be deemed effective upon personal or electronic delivery or upon deposit in the U.S. mail, postage prepaid and properly addressed to the party to be notified.

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12. **Successors and Assigns**. Except to the extent otherwise provided in this Agreement, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the Corporation and its successors and assigns and Participant and the legal representatives, heirs and legatees of Participant's estate and any beneficiaries of the Award designated by Participant.

13. **Benefit Limitation**. Notwithstanding any provision to the contrary in this Agreement, should any accelerated vesting of the Shares subject to this Award in connection with a Change in Control transaction constitute a parachute payment under Code Section 280G, then such vesting acceleration shall be subject to the benefit limitation provisions of Section ___ of the Employment Agreement.

14. **Construction**. This Agreement and the Award evidenced hereby are made and granted pursuant to the Plan and are in all respects limited by and subject to the terms of the Plan. All decisions of the Plan Administrator with respect to any question or issue arising under the Plan or this Agreement shall be conclusive and binding on all persons having an interest in the Award.

15. **Conflicting Provisions**. This Award has been granted pursuant to the terms of the Extended Employment Agreement, and this Agreement and the Award evidenced by such Agreement are subject to the terms of the Employment Agreement. In the event of any conflict between the provisions of the Employment Agreement and this Agreement or the Incentive Plan, the provisions of the Extended Employment Agreement shall be controlling.

16. **Governing Law**. The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of Arizona without resort to that State's conflict-of-laws rules.

17. **Employment at Will**. Nothing in this Agreement or in the Plan shall confer upon the Participant any right to remain in Service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Corporation or Participant, which rights are hereby expressly reserved by each, to terminate Participant's Service at any time for any reason, with or without cause.

18. **Participant Acceptance**. The Participant must accept the terms and conditions of this Agreement either electronically through the electronic acceptance procedure established by the Corporation or through a written acceptance delivered to the Corporation in a form satisfactory to the Corporation. In no event shall any shares of Class A Common Stock be issued under this Agreement in the absence of such acceptance.

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IN WITNESS WHEREOF, Apollo Group, Inc. has caused this Agreement to be executed on its behalf by its duly-authorized officer on the day and year first indicated above.

APOLLO GROUP, INC.

By: ____

Title: ____

PARTICIPANT

____

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APPENDIX A

DEFINITIONS

The following definitions shall be in effect under the Agreement:

A. **Agreement** shall mean this Performance Share Award Agreement.

B. **Apollo Global Subsidiary** shall mean Apollo Global, Inc., a Delaware corporation that is a majority-owned subsidiary of the Corporation, and any successor corporation to Apollo Global, Inc.

C. **Award** shall mean the award of Performance Shares made to the Participant pursuant to the terms of this Agreement.

D. **Award Date** shall mean the date the award of Performance Shares is made to the Participant pursuant to the Agreement and shall be the date indicated in Paragraph 1 of the Agreement.

E. **Board** shall mean the Corporation's Board of Directors.

F. **Cause (if applicable**) shall have the meaning assigned to such term in the Participant's Employment Agreement, as in effect on the Award Date.

G. **Change in Control** shall, with respect to a Change in Control of the Corporation, have the meaning assigned to such term in Section 3.1(e) of the Plan. The term **Change in Control** shall, with respect to a Change in Control of the Apollo Global Subsidiary, mean a change in ownership or control of such entity effected through either of the following transactions:

(i) the acquisition by any person or group of persons comprising a "group" within the meaning of Rule 13d-5(b)(1) of the 1934 Act (other than the Corporation or a person that, prior to such transaction, directly or indirectly controls, is controlled by or is under common control with, the Corporation) of beneficial ownership (within the meaning of Rule 13d-3 of the 1934 Act) of securities (A) possessing more than fifty percent (50%) of the total combined voting power of the outstanding voting securities of the Apollo Global Subsidiary or (B) representing more than fifty percent (50%) of the total fair market value of the outstanding equity securities of the Apollo Global Subsidiary; or

(ii) the sale, transfer or other disposition of all or substantially all of the assets of the Apollo Global Subsidiary other than to the Corporation or a person that, prior to such transaction, directly or indirectly controls, is controlled by or is under common control with, the Corporation.

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H. **Code** shall mean the Internal Revenue Code of 1986, as amended.

I. **Class A Common Stock** shall mean shares of the Corporation's Class A common stock.

J. **Corporation** shall mean Apollo Group, Inc., an Arizona corporation, and any successor corporation to Apollo Group, Inc. which shall by appropriate action adopt the Plan.

K. **Disability** shall have the meaning assigned to such term in the Participant's Employment Agreement, as in effect on the Award Date

ALTERNATIVE

K. **Disability** shall mean any illness or other physical or mental condition of the Participant that is permanent and continuous in nature and renders the Participant incapable of performing his or her customary and usual duties for the Corporation (or any Subsidiary employing of the Participant). The Plan Administrator may require such medical or other evidence as it may deem necessary in order to judge the nature and permanency of Participant's condition.

L. **Employee** shall mean an individual who is in the employ of the Corporation (or any Subsidiary), subject to the control and direction of the employer entity as to both the work to be performed and the manner and method of performance.

M. **Employment Agreement** (if applicable) shall mean the Employment Agreement between the Corporation and Participant dated ________________.

N. **Fair Market Value** per share of Class A Common Stock on any relevant date shall be the closing price per share of such Class A Common Stock on date in question on the Stock Exchange serving as the primary market for the Class A Common Stock, as such price is reported by the National Association of Securities Dealers (if primarily traded on the Nasdaq Global or Global Select Market) or as officially quoted in the composite tape of transactions on any other Stock Exchange on which the Class A Common Stock is then primarily traded. If there is no closing selling price for the Class A Common Stock on the date in question, then the Fair Market Value shall be the closing price on the last preceding date for which such quotation exists.

O. **Good Reason (if applicable)** shall have the meaning assigned to such term in the Employment Agreement, as in effect on the Award Date.

P. **Involuntary Termination** (**if applicable**) shall mean the unilateral termination of the Participant's Service by the Corporation (or any Subsidiary employing the Participant) for any reason other than a Termination for Cause; ***provided, however,*** in no event shall an Involuntary Termination be deemed to occur in the event the Participant's Service terminates by reason of his or her death or disability.

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Q. **1934 Act** shall mean the Securities Exchange Act of 1934, as amended from time to time.

R. **Participant** shall mean the person to whom the Award is made pursuant to the Agreement.

S. **Performance Goal** shall mean the performance goal specified in Schedule I to this Agreement.

T. **Performance Period** shall mean the period specified on attached Schedule I to this Agreement over which the attainment of the Performance Goal is to be measured.

U. **Performance-Qualified Shares** shall mean the maximum number of shares of Class A Common Stock in which the Participant can vest based on the level at which the Performance Goal for the Performance Period is attained and shall be calculated in accordance with the provisions of this Agreement. In no event shall the number of such Performance-Qualified Shares exceed ______ percent (____%) of the Target Number of Performance Shares set forth in Paragraph 1 of this Agreement.

V. **Performance Share** shall mean the phantom shares of Class A Common Stock awarded under this Agreement which will entitle the Participant to receive one or more actual shares of Class A Common Stock pursuant to this Award upon the satisfaction of the performance and Service vesting requirements applicable to such Award.

W. **Plan** shall mean the Corporation's 2000 Stock Incentive Plan, as amended or restated from time to time.

X. **Plan Administrator** shall mean the Compensation Committee of the Board acting in its capacity as administrator of the Plan.

Y. **Service** shall mean the Participant's performance of services for the Corporation (or any Subsidiary) in the capacity of an Employee. For purposes of this Agreement, the Participant shall be deemed to cease Service immediately upon the occurrence of the either of the following events: (i) the Participant no longer performs services in an Employee capacity for the Corporation (or any Subsidiary) or (ii) the entity for which the Participant performs services in an Employee capacity ceases to remain a Subsidiary of the Corporation, even though the Participant may subsequently continue to perform services for that entity. Service as an Employee shall not be deemed to cease during a period of military leave, sick leave or other personal leave approved by the Corporation; ***provided, however***, that except to the extent otherwise required by law or expressly authorized by the Plan Administrator or by the Corporation's written policy on leaves of absence, no Service credit shall be given for vesting purposes for any period the Participant is on a leave of absence.

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Z. **Separation from Service** shall mean Participant's cessation of Employee status by reason of death, retirement or termination of employment. Participant shall be deemed to have terminated employment for such purpose at such time as the level of his or her bona fide services to be performed as an Employee (or as a consultant or independent contractor) permanently decreases to a level that is not more than twenty percent (20%) of the average level of services he or she rendered as an Employee during the immediately preceding thirty-six (36) months. Any such determination as to Separation from Service shall be made in accordance with the applicable standards of the Treasury Regulations issued under Section 409A of the Code.

AA. **Service Segment** shall mean each consecutive twelve (12) calendar-month period of continued Service completed by the Participant within the ___________ (__) calendar-month Performance Period beginning __________ and ending __________, with the first such segment to be measured from __________ to ___________ the second such segment to be measured from _______________ to ______________ and the final such segment to be measured from _____________ to __________.

BB. **Stock Exchange** shall mean the American Stock Exchange, the Nasdaq Global or Global Select Market or the New York Stock Exchange.

CC. **Subsidiary** shall, with respect to the Corporation, mean any corporation (other than the Corporation) in an unbroken chain of corporations beginning with the Corporation, provided each corporation (other than the last corporation) in the unbroken chain owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. **Subsidiary** shall, with respect to the Apollo Global Subsidiary, mean any corporation (other than the Apollo Global Subsidiary) in an unbroken chain of corporations beginning with the Apollo Global Subsidiary, provided each corporation (other than the last corporation) in the unbroken chain owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

DD. **Target Number of Performance Shares** shall mean the number of Performance Shares that will be converted into actual shares of Class A Common Stock on a one-for-one basis if the Performance Goal is attained at the Target (100%) Level specified in attached Schedule I.

EE. **Termination for Cause** (**if applicable**) shall mean the termination of the Participant's Service by the Corporation (or any Subsidiary employing the Participant) for one or more of the following reasons:

(i) repeated dereliction of the material duties and responsibilities of his or her position with the Corporation (or any Subsidiary);

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(ii) misconduct, insubordination or failure to comply with the policies of the Corporation (or any Subsidiary employing the Participant) governing employee conduct and procedures;

(iii) excessive lateness or absenteeism;

(iv) conviction of or pleading guilty or nolo contendere to any felony involving theft, embezzlement, dishonesty or moral turpitude;

(v) commission of any act of fraud against, or the misappropriation of property belonging to, the Corporation (or any Subsidiary);

(vi) commission of any act of dishonesty in connection with his or her responsibilities as an Employee that is intended to result in his or her personal enrichment or the personal enrichment of his or her family or others;

(vii) any other misconduct adversely affecting the business or affairs of the Corporation (or any Subsidiary); or

(viii) a material breach of any agreement Participant may have at the time with the Corporation (or any Parent or Subsidiary employing Participant), including (without limitation) any proprietary information, non-disclosure or confidentiality agreement.

FF. **Withholding Taxes** shall mean the federal, state and local income taxes and the employee portion of the federal, state and local employment taxes required to be withheld by the Corporation in connection with the vesting and issuance of the shares of Common Stock which vest under the Award and any phantom dividend equivalents distributed with respect to those shares.

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SCHEDULE I

PERFORMANCE GOAL AND PERFORMANCE PERIOD

PERFORMANCE PERIOD

The measurement period for the Performance Shares awarded to Participant shall be the _____________ (___) calendar-month period beginning ____________ and ending _________ (the "**Performance Period**").

PERFORMANCE GOAL FOR PERFORMANCE VESTING

Performance Goal –

SPECIFY ONE OR MORE FINANCIAL METRICS RELATING TO APOLLO GLOBAL, INC.

Performance-Qualified Shares: The actual number of Performance-Qualified Shares may range from 0% to ______% of the Target Number of Performance Shares designated in Paragraph 1 of this Agreement, with the actual percentage to be determined on the basis of the level at which the Performance Goal or Goals are attained.

The level at which the Performance Goal or Goals are attained shall be determined and certified by the Plan Administrator within ninety (90) days after the completion of the Performance Period, and on the basis of that certification, the Performance Shares subject to this Award shall convert into a number of Performance-Qualified Shares determined by multiplying the Target Number of Performance Shares set forth in Paragraph 1 of this Agreement by the percentage specified below that corresponds to the level of attainment certified by the Plan Administrator.

In no event, however, shall the maximum number of the shares of the Corporation's Class A Common Stock that may qualify as Performance-Qualified Shares exceed ____% of the Target Number of Performance Shares set forth in Paragraph 1 of this Agreement, and none of the Performance Shares shall convert into Performance-Qualified Shares if the threshold level of the Performance Goal or Goals is not attained.

Schedule for Determining Number of Performance-Qualified Shares Based on Performance Goal Attainment:

SPECIFY SCHEDULE OF CONVERSION PERCENTAGES

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Exhibit 10.22

APOLLO GROUP METRICS

PERFORMANCE SHARE AWARD AGREEMENT

RECITALS

A. The Corporation has implemented the Plan as an equity incentive program to encourage key employees and officers of the Corporation and the non-employee members of the Board to remain in the employ or service of the Corporation by providing them with an opportunity to acquire a proprietary interest in the success of the Corporation.

B. Participant is to render valuable services to the Corporation (or any Parent or Subsidiary), and this Agreement is executed pursuant to, and is intended to carry out the purposes of, the Plan in connection with the Corporation's issuance of shares of Class A Common Stock to Participant under the Plan.

C. All capitalized terms in this Agreement shall have the meaning assigned to them in the attached Appendix A.

NOW, THEREFORE, it is hereby agreed as follows:

1. **Grant of Performance Shares**. The Corporation hereby awards to Participant, as of the Award Date indicated below, an award (the "Award") of Performance Shares under the Plan. Each Performance Share which vests pursuant to the terms of this Agreement shall provide Participant with the right to receive one or more shares of Class A Common Stock on the designated issuance date. The number of shares of Class A Common Stock subject to the awarded Performance Shares, the applicable performance vesting requirements for the Performance Shares, the rate at which the vested Performance Shares are to convert into shares of Class A Common Stock, the date on which the converted shares of Class A Common Stock shall become issuable and the remaining terms and conditions governing the Award, including the applicable Service vesting requirements, shall be as set forth in this Agreement.

Participant	
Award Date:	
Designated Number of Performance Shares:	The actual number of shares of Class A Common Stock that may become issuable pursuant to the Performance Shares awarded under this Agreement shall be determined in accordance with the Vesting Schedule below. For purposes of such schedule, the designated number of Performance Shares to be utilized is _____________ shares and shall constitute the "Target Number of Performance Shares" for purposes of this Agreement.

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Vesting Schedule: The number of shares of Class A Common Stock which may actually vest and become issuable pursuant to the Award shall be determined pursuant to a two-step process: (i) first the maximum number of shares of Class A Common Stock in which Participant can vest under the Performance Vesting section below shall be calculated on an aggregate basis in accordance with the various levels at which the Performance Goals are actually attained and (ii) then the aggregate number of shares calculated under clause (i) in which Participant may actually vest shall be determined on the basis of the number of years of Service the Participant completes during the Service Period in accordance with the Service vesting requirements set forth in Paragraph 3 of this Agreement.

Performance Vesting: ______ percent (__%) of the Target Number of Performance Shares is hereby allocated to Performance Goal I set forth in attached Schedule I. ____ percent (__%) of the Target Number of Performance Shares is hereby allocated to Performance Goal II set forth in attached Schedule II. The remaining ___ percent (__%) of the Target Number of Performance Shares is hereby allocated to Performance Goal III set forth in attached Schedule III. Within seventy-five (75) days after the completion date of the Corporation's ____ fiscal year, the Plan Administrator shall determine and certify the actual level of attainment for each of the Performance Goals. On the basis of the certified level of attainment for each such Performance Goal, the number of Performance Shares representing the percentage of the Target Number of Performance Shares allocated to that Performance Goal will be multiplied by the applicable conversion rate (which may range from 0% to ___%) determined in accordance with the schedule of conversion rates set forth in the attached Schedule pertaining to that particular Performance Goal. The aggregate number of shares resulting from such calculations shall constitute the maximum number of shares of Class A Common Stock in which Participant may vest under this Award and shall be designated the "Performance-Qualified Shares." In no event may the aggregate number of such Performance-Qualified Shares exceed ___% of the Target Number of Performance Shares.

Should a particular Performance Goal be attained at a level below the threshold level specified for that Performance Goal in the attached Schedule pertaining to such goal, then the Target Number of Performance Shares allocated to that Performance Goal shall be immediately cancelled. Participant shall thereupon cease to have any further right, title or interest in the shares of Class A Common Stock underlying those cancelled Performance Shares.

Service Vesting. The number of Performance-Qualified Shares in which Participant actually vests shall be determined in accordance with the Service-vesting provisions set forth in Paragraph 3 of this Agreement.

Change in Control Vesting. The shares of Class A Common Stock underlying the Performance Shares subject to this Award may also vest on an accelerated basis in accordance with Paragraph 5 should a Change in Control occur prior to the scheduled completion date of the Corporation's ______ fiscal year.

Issuance Date: The shares of Class A Common Stock which actually vest and become issuable pursuant to the terms of this Agreement shall be issued in accordance with the provisions of this Agreement applicable to the particular circumstances under which such vesting occurs.

2. **Limited Transferability**. Prior to the actual issuance of the shares of Class A Common Stock which vest hereunder, Participant may not transfer any interest in the performance shares subject to the Award or the underlying shares of Class A Common Stock or pledge or otherwise hedge the sale of those performance shares or the underlying shares of Class A Common Stock, including (without limitation) any short sale or any acquisition or disposition of any put or call option or other instrument tied to the value of the Class A Common Stock. However, any shares of Class A Common Stock which vest hereunder but otherwise remain unissued at the time of Participant's death may be transferred pursuant to the provisions of Participant's will or the laws of inheritance or to Participant's designated beneficiary or beneficiaries of this Award. Participant may make such a beneficiary designation at any time by filing the appropriate form with the Plan Administrator or its designate.

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3. **Service Requirement.**

(a) The number of Performance-Qualified Shares calculated in accordance with the Performance-Vesting provisions of Paragraph 1 and attached Schedules __ through ___ represent the maximum number of shares of Class A Common Stock in which Participant can vest hereunder. The actual number of shares of Class A Common Stock in which Participant shall vest shall be determined by multiplying that number of Performance-Qualified Shares by a fraction, the numerator of which is the number of full fiscal years of Service completed by the Participant within the Service Period and the denominator of which is the total number of fiscal years within that Service Period.

(b) **ADD ANY SPECIAL SERVICE-VESTING PROVISIONS REQUIRED BY EXISTING EMPLOYMENT AGREEMENT WITH PARTICIPANT**

ALTERNATIVE

(b) Should the Participant cease Service prior to the completion of a particular fiscal year included within the Service Period by reason of an Involuntary Termination and deliver an effective and enforceable general release to the Corporation in accordance with the requirements of the Senior Executive Severance Pay Plan, then following the completion of the Service Period and the required certification of the number of Performance-Qualified Shares subject to this Award, Participant shall, with respect to such partial fiscal year of Service, vest in that additional number of shares of Class A Common Stock (if any) determined by multiplying the certified number of Performance-Qualified Shares by a fraction, the numerator of which is the number of months of Service actually completed by the Participant during that particular fiscal year (rounded up to the next whole month), and the denominator of which is the total number of months constituting the entire Service Period.

(c) Except as otherwise provided in Paragraph 3(b) above, should the Participant's Service cease for any reason prior to the completion of the Service Period, then the Participant shall not vest in any additional Performance-Qualified Shares following such cessation of Service, and all of Participant's right, title and interest to any unvested Performance-Qualified Shares subject to this Award shall immediately terminate.

4. **Stockholder Rights.** The holder of this Award shall not have any stockholder rights, including voting, dividend or liquidation rights, with respect to the shares of Class A Common Stock underlying the Award until Participant becomes the record holder of those shares upon their actual issuance following the Corporation's collection of the applicable Withholding Taxes.

5. **Change in Control**. The following provisions shall apply to the measurement of each Performance Goal in the event of a Change in Control.

Performance Goal I

(a) Should (i) the Change in Control occur during the first ________ (___) months of the Performance Period applicable to Performance Goal I and (ii) the Participant continue in Service through the effective date of that Change in Control, then the Participant shall immediately vest in that number of shares of Class A Common Stock equal to the Target Number of Performance Shares allocated to Performance Goal I in accordance with Paragraph 1, without any measurement of Performance Goal I attainment to date.

(b) Should (i) the Change in Control occur at any time on or after the completion of the first __________ (__) months of the Performance Period applicable to Performance Goal I but prior to __________ and (ii) the Participant continues in Service through the effective date of that Change in Control, then the Participant shall immediately vest in that number of shares of Class A Common Stock equal to the ***greater*** of:

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(i) the Target Number of Performance Shares allocated to Performance Goal I in accordance with Paragraph 1, or

(ii) the number of Performance-Qualified Shares determined by multiplying (A) the Target Number of Performance Shares allocated to Performance Goal I in accordance with Paragraph 1 by (B) the applicable percentage (determined in accordance with attached Schedule I) for the level at which Performance Goal I is attained and certified by the Plan Administrator for an abbreviated Performance Period ending with the close of the Corporation's fiscal quarter coincident with or immediately preceding the effective date of the Change in Control, with the applicable financial metric for the fiscal year in which the Change in Control is effected to be calculated and measured as of the close of the fiscal quarter coincident with or immediately preceding such effective date and compared to the applicable financial metric for the immediately preceding fiscal year calculated and measured over the same abbreviated time period within that fiscal year.

(c) Should a Change in Control occur on or after the scheduled completion date of the Corporation's ____ fiscal year, then the provisions of Paragraphs 1 and 3 and Schedule I shall continue to apply to determine the number of shares of Class A Common Stock (if any) to which Participant is entitled under this Award.

Performance Goal II

(d) Should (i) the Change in Control occur at any time prior to _________ and (ii) the Participant continue in Service through the effective date of that Change in Control, then the Participant shall immediately vest in that number of shares of Class A Common Stock equal to the Target Number of Performance Shares allocated to Performance Goal II in accordance with Paragraph 1, without any measurement of Performance Goal II attainment to date.

(e) Should the Change in Control occur at any time on or after _________, then the provisions of Paragraphs 1 and 3 and Schedule II shall continue to apply to determine the number of shares of Class A Common Stock (if any) to which Participant is entitled under this Award; ***provided, however,*** that should the Participant continue in Service through the effective date of that Change in Control, then the Participant shall be deemed to have satisfied the Service vesting requirement of Paragraph 3(a).

Performance Goal III

(f) Should (i) the Change in Control occur prior to ____________ and (ii) the Participant continue in Service through the effective date of that Change in Control, then the Participant shall immediately vest in that number of shares of Class A Common Stock equal to the Target Number of Performance Shares allocated to Performance Goal III in accordance with Paragraph 1, without any measurement of Performance Goal III attainment to date.

(g) Should the Change in Control occur at any time on or after __________, then the provisions of Paragraphs 1 and 3 and Schedule III shall continue to apply to determine the number of shares of Class A Common Stock (if any) to which Participant is entitled under this Award; ***provided, however,*** that should the Participant continue in Service through the effective date of that Change in Control, then the Participant shall be deemed to have satisfied the Service vesting requirement of Paragraph 3(a).

(h) The share calculation procedures set forth in subparagraphs (a) through (g) of this Paragraph 5 shall also apply for purposes of determining the number of shares to which the Service-vesting provisions of Paragraph 3(a) and (if applicable) Paragraph 3(b) are to be applied in the event the Participant ceases Service prior to the effective date of the Change in Control, and the resulting number of shares shall be subject to the provisions of

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Paragraph 5(i) below. For purposes of such calculation, the Service Period shall continue to be measured as a ____________ (__) calendar-month period ending ___________, as if the Change in Control event had not occurred.

(i) The number of shares of Class A Common Stock in which Participant vests on the basis of the Performance Shares or Performance-Qualified Shares determined in accordance with the foregoing provisions of this Paragraph 5 shall be converted into the right to receive for each such share the same consideration per share of Class A Common Stock payable to the other holders of such Class A Common Stock in consummation of that Change in Control, and such consideration per share shall be distributed to the Participant at the same time as such stockholder payments, but in no event shall such distribution to the Participant be completed later than the ***later*** of (i) the last day of the calendar year in which such Change in Control is effected or (ii) the fifteenth (15th) day of the third (3rd) calendar month following the effective date of that Change in Control. The distribution shall be subject to the Corporation's collection of the applicable Withholding Taxes.

(j) Except for the actual number of shares of Class A Common Stock in which the Participant vests in accordance with this Paragraph 5, the Participant shall cease to have any further right or entitlement to any additional shares of Class A Common Stock under this Agreement following the effective date of the Change in Control.

(k) This Agreement shall not in any way affect the right of the Corporation to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

6. **Adjustment in Shares**. Should any change be made to the Class A Common Stock by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares, spin-off transaction, extraordinary dividend or distribution or other change affecting the outstanding Common Stock as a class without the Corporation's receipt of consideration, or should the value of the outstanding shares of Common Stock be substantially reduced as a result of a spin-off transaction or an extraordinary dividend or distribution, or should there occur any merger, consolidation or other reorganization, then equitable adjustments shall be made by the Plan Administrator to the total number and/or class of securities issuable pursuant to this Award in order to reflect such change. The determination of the Plan Administrator shall be final, binding and conclusive. In the event of any Change in Control transaction, the provisions of Paragraph 5 shall be controlling.

7. **Issuance or Distribution of Vested Shares or Other Amounts**.

(a) Except as otherwise provided in Paragraph 5, the shares of Class A Common Stock in which Participant vests pursuant to the Performance and Service vesting provisions of Paragraphs 1 and 3 shall be issued as soon as administratively practicable following the completion date of the Corporation's _________ fiscal year, but in no later than the fifteenth (15th) day of third (3rd) calendar month following such completion date.

(b) The Corporation shall, on the applicable issuance date, issue to or on behalf of Participant a certificate (which may be in electronic form) for the shares of Class A Common Stock in which Participant vests pursuant to the Performance and Service vesting provisions of Paragraphs 1 and 3 or the special vesting provisions of Paragraph 5.

(c) Except as otherwise provided in Paragraph 5, no shares of Class A Common Stock shall be issued prior to the scheduled completion date of the Corporation's _______ fiscal year. No fractional share of Class A Common Stock shall be issued pursuant to this Award, and any fractional share resulting from any calculation made in accordance with the terms of this Agreement shall be rounded down to the next whole share of Class A Common Stock.

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(d) The Corporation shall collect the applicable Withholding Taxes with respect to all shares of Class A Common Stock which vest and become issuable pursuant to the provisions of this Agreement through the following automatic share withholding method:

- On the applicable issuance date, the Corporation shall withhold, from the vested shares of Class A Common Stock otherwise issuable to the Participant at that time, a portion of those shares with a Fair Market Value (measured as of the issuance date) equal to the applicable Withholding Taxes; ***provided, however***, that the number of shares of Class A Common Stock which the Corporation shall be required to so withhold shall not exceed in Fair Market Value (other than by reason of the rounding up of any fractional share to the next whole share) the amount necessary to satisfy the Corporation's required tax withholding obligations using the minimum statutory withholding rates for federal and state tax purposes, including payroll taxes, that are applicable to supplemental taxable income. The Participant hereby expressly authorizes the Corporation to withhold any such additional fractional share that is needed to round up the share withholding to the next whole share of Class A Common Stock, with the Fair Market Value of that additional fractional share to be added to the amount of taxes withheld by the Corporation from his or her wages for the calendar year in which the issuance date occurs, and to report that additional tax withholding as part of his or her W-2 tax withholdings for such year.

(e) Except as otherwise provided in Paragraph 5 or this Paragraph 7, the settlement of all Performance or Performance-Qualified Shares which vest under the Award shall be made solely in shares of Class A Common Stock.

8. **Code Section 409A**

(a) It is the intention of the parties that the provisions of this Agreement shall comply with the requirements of the short-term deferral exception to Section 409A of the Code and Treasury Regulations Section 1.409A-1(b)(4). Accordingly, to the extent there is any ambiguity as to whether one or more provisions of this Agreement would otherwise contravene the requirements or limitations of Code Section 409A applicable to such short-term deferral exception, then those provisions shall be interpreted and applied in a manner that does not result in a violation of the requirements or limitations of Code Section 409A and the Treasury Regulations thereunder that apply to such exception.

(b) If and to the extent this Agreement may be deemed to create an arrangement subject to the requirements of Code Section 409A, then the following provisions shall apply:

- No shares of Class A Common Stock or other amounts which become issuable or distributable under this Agreement by reason of Participant's cessation of Service shall actually be issued or distributed to Participant until the date of Participant's Separation from Service or as soon thereafter as administratively practicable, but in no event later than the ***later*** of (i) the last day of the calendar year in which such Separation from Service occurs or (ii) the fifteenth day of the third calendar month following the date of such Separation from Service.

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- No shares of Class A Common Stock or other amounts which become issuable or distributable under this Agreement by reason of Participant's Separation from Service shall actually be issued or distributed to Participant prior to the ***earlier*** of (i) the first day of the seventh (7th) month following the date of such Separation from Service or (ii) the date of Participant's death, if Participant is deemed at the time of such Separation from Service to be a specified employee under Section 1.409A-1(i) of the Treasury Regulations issued under Code Section 409A, as determined by the Plan Administrator in accordance with consistent and uniform standards applied to all other Code Section 409A arrangements of the Corporation, and such delayed commencement is otherwise required in order to avoid a prohibited distribution under Code Section 409A(a)(2). The deferred shares or other distributable amount shall be issued or distributed in a lump sum on the first

day of the seventh (7th) month following the date of Participant's Separation from Service or, if earlier, the first day of the month immediately following the date the Corporation receives proof of Participant's death.

- No amounts that vest and become payable under Paragraph 5 of this Agreement by reason of a Change in Control shall be distributed to the Participant at the time of such Change in Control, unless that transaction also qualifies as a change in control event under Code Section 409A and the Treasury Regulations thereunder. In the absence of such a qualifying change in control, the distribution shall not be made until the first business day following the scheduled completion date of the Corporation's _______fiscal year or as soon as administratively practicable following thereafter, but in no event later than the fifteenth (15th) day of the third (3rd) calendar month following such completion date.

- In no event shall the Participant have the right to determine the calendar year in which such issuance or distribution is to occur. Accordingly, if the time period for delivery of the Participant's requisite release pursuant to the terms of the Senior Executive Severance Pay Plan spans two taxable years, any issuance or distribution under this Agreement that would otherwise be triggered by that effective and enforceable release will not be effected during that period but will instead be effected during the remainder of the applicable time period for effecting that issuance or distribution in accordance with the terms of this Agreement.

9. **Compliance with Laws and Regulations**. The issuance of shares of Class A Common Stock pursuant to the Award shall be subject to compliance by the Corporation and Participant with all applicable requirements of law relating thereto and with all applicable regulations of any Stock Exchange on which the Class A Common Stock may be listed for trading at the time of such issuance.

10. **Notices**. Any notice required to be given or delivered to the Corporation under the terms of this Agreement shall be in writing and addressed to the Corporation at its principal corporate offices or shall be effected by properly addressed electronic mail delivery. Any notice required to be given or delivered to the Participant shall be in writing and addressed to the Participant at the most recent address then on file for the Participant in the Corporation's Human Resources Department. All notices shall be deemed effective upon personal delivery or upon deposit in the U.S. mail, postage prepaid and properly addressed to the party to be notified.

11. **Successors and Assigns**. Except to the extent otherwise provided in this Agreement, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the Corporation and its successors and assigns and the Participant and the legal representatives, heirs and legatees of the Participant's estate and any beneficiaries of the Award designated by the Participant.

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12. **Construction**. This Agreement and the Award evidenced hereby are made and granted pursuant to the Plan and are in all respects limited by and subject to the terms of the Plan. All decisions of the Plan Administrator with respect to any question or issue arising under the Plan or this Agreement shall be conclusive and binding on all persons having an interest in the Award.

13. **Governing Law**. The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of Arizona without resort to that State's conflict-of-laws rules.

14. **Employment at Will**. Nothing in this Agreement or in the Plan shall confer upon the Participant any right to remain in Service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Corporation or of the Participant, which rights are hereby expressly reserved by each, to terminate Participant's Service at any time for any reason, with or without cause.

15. **Participant Acceptance**. The Participant must accept the terms and conditions of this Agreement either electronically through the electronic acceptance procedure established by the Corporation or through a written acceptance delivered to the Corporation in a form satisfactory to the Corporation. In no event shall any shares of Class A Common Stock be issued under this Agreement in the absence of such acceptance.

IN WITNESS WHEREOF, Apollo Group, Inc. has caused this Agreement to be executed on its behalf by its duly-authorized officer on the day and year first indicated above.

APOLLO GROUP, INC.

By: ______________________________

Title: ______________________________

PARTICIPANT:

____

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APPENDIX A
DEFINITIONS

The following definitions shall be in effect under the Agreement:

A. **Agreement** shall mean this Performance Share Award Agreement.

B. **Award** shall mean the award of Performance Shares made to the Participant pursuant to the terms of this Agreement.

C. **Award Date** shall mean the date the award of Performance Shares is made to the Participant pursuant to the Agreement and shall be the date indicated in Paragraph 1 of the Agreement.

D. **Board** shall mean the Corporation's Board of Directors.

E. **Cause (if applicable**) shall have the meaning assigned to such term in the Participant's Employment Agreement, as in effect on the Award Date.

F. **Change in Control** shall have the meaning assigned to such term in Section 3.1(e) of the Plan.

G. **Code** shall mean the Internal Revenue Code of 1986, as amended.

H. **Class A Common Stock** shall mean shares of the Corporation's Class A common stock.

I. **Corporation** shall mean Apollo Group, Inc., an Arizona corporation, and any successor corporation to Apollo Group, Inc. which shall by appropriate action adopt the Plan.

J. **Employee** shall mean an individual who is in the employ of the Corporation (or any Parent or Subsidiary), subject to the control and direction of the employer entity as to both the work to be performed and the manner and method of performance.

K. **Employment Agreement** (**if applicable**) shall mean the Employment Agreement between the Corporation and the Participant dated ____________________.

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L. **Fair Market Value** per share of Class A Common Stock on any relevant date shall be the closing price per share of such Class A Common Stock on date in question on the Stock Exchange serving as the primary market for the Class A Common Stock, as such price is reported by the National Association of Securities Dealers (if primarily traded on the Nasdaq Global or Global Select Market) or as officially quoted in the composite tape of transactions on
any other Stock Exchange on which the Class A Common Stock is then primarily traded. If there is no closing selling price for the Class A Common Stock on the date in question, then the Fair Market Value shall be the closing price on the last preceding date for which such quotation exists.

M. **Good Reason (if applicable)** shall have the meaning assigned to such term in the Employment Agreement, as in effect on the Award Date.

N. **Involuntary Termination (if applicable)** shall mean the unilateral termination of the Participant's Service by the Corporation (or any Parent or Subsidiary employing Participant) for any reason other than a Termination for Cause; ***provided, however,*** in no event shall an Involuntary Termination be deemed to incur in the event the Participant's Service terminates by reason of his or her death or disability.

O. **1934 Act** shall mean the Securities Exchange Act of 1934, as amended from time to time.

P. **Participant** shall mean the person to whom the Award is made pursuant to the Agreement.

Q. **Parent** shall mean any corporation (other than the Corporation) in an unbroken chain of corporations ending with the Corporation, provided each corporation in the unbroken chain (other than the Corporation) owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

R. **Performance Goal** shall mean any of the performance goals specified in Schedules I through ________ to this Agreement.

S. **Performance Goal I** shall mean the Performance Goal specified in Schedule I to this Agreement.

T. **Performance Goal II** shall mean the Performance Goal specified in Schedule II to this Agreement.

U. **Performance Goal III** shall mean the Performance Goal specified in Schedule III to this Agreement.

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V. **Performance Period** shall mean, for each Performance Goal, the period specified on the attached Schedule to this Agreement pertaining to that Performance Goal over which the attainment of that particular Performance Goal is to be measured.

W. **Performance-Qualified Shares** shall mean the maximum number of shares of Class A Common Stock in which Participant can vest based on the level at which each of the Performance Goals is attained over the applicable Performance Period for that goal and shall be calculated in accordance with the provisions of this Agreement. In no event shall the aggregate number of such Performance-Qualified Shares exceed _________ percent (___%) of the Target Number of Performance Shares set forth in Paragraph 1 of this Agreement.

X. **Performance Share** shall mean the phantom shares of Class A Common Stock awarded under this Agreement which will entitle Participant to receive one or more actual shares of Class A Common Stock pursuant to this Award upon the satisfaction of the performance and Service vesting requirements applicable to such Award.

Y. **Plan** shall mean the Corporation's 2000 Stock Incentive Plan, as amended or restated from time to time.

Z. **Plan Administrator** shall mean the Compensation Committee of the Board acting in its capacity as administrator of the Plan.

AA. **Service** shall mean Participant's performance of services for the Corporation (or any Parent or Subsidiary) in the capacity of an Employee. For purposes of this Agreement, Participant shall be deemed to cease Service immediately upon the occurrence of the either of the following events: (i) Participant no longer performs services in an Employee capacity for the Corporation (or any Parent or Subsidiary) or (ii) the entity for which Participant performs services in an Employee capacity ceases to remain a Parent or Subsidiary of the Corporation, even though Participant may subsequently continue to perform services for that entity. Service as an Employee shall not be deemed to cease during a period of military leave, sick leave or other personal leave approved by the Corporation; provided, however, that except to the extent otherwise required by law or expressly authorized by the Plan Administrator or by the Corporation's written policy on leaves of absence, no Service credit shall be given for vesting purposes for any period Participant is on a leave of absence.

BB. **Service Period** shall mean the ______ (___)-month period coincident with the Corporation's __________________ fiscal years (the period from September 1, ____ to August 31, _____) over which the installment Service-vesting requirements of this Agreement are to be measured.

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CC. **Separation from Service** shall mean Participant's cessation of Employee status by reason of death, retirement or termination of employment. Participant shall be deemed to have terminated employment for such purpose at such time as the level of his or her bona fide services to be performed as an Employee (or as a consultant or independent contractor) permanently decreases to a level that is not more than twenty percent (20%) of the average level of services he or she rendered as an Employee during the immediately preceding thirty-six (36) months. Any such determination as to Separation from Service shall be made in accordance with the applicable standards of the Treasury Regulations issued under Section 409A of the Code.

DD. **Stock Exchange** shall mean the American Stock Exchange, the Nasdaq Global or Global Select Market or the New York Stock Exchange.

EE. **Subsidiary** shall mean any corporation (other than the Corporation) in an unbroken chain of corporations beginning with the Corporation, provided each corporation (other than the last corporation) in the unbroken chain owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

FF. **Target Number of Performance Shares** shall mean the number of Performance Shares that will be converted into actual shares of Class A Common Stock on a one-for-one basis to the extent each Performance Goal is attained at the Target Level specified for that Performance Goal in the attached Schedule pertaining to that Performance Goal.

GG. **Termination for Cause (if applicable)** shall mean the termination of the Participant's Service by the Corporation (or any Parent or Subsidiary employing Participant) for one or more of the following reasons**:**

(i) repeated dereliction of the material duties and responsibilities of his or her position with the Corporation (or any Parent or Subsidiary);

(ii) misconduct, insubordination or failure to comply with the policies of the Corporation (or any Parent or Subsidiary employing the Participant) governing employee conduct and procedures;

(iii) excessive lateness or absenteeism;

(iv) conviction of or pleading guilty or *nolo contendere* to any felony involving theft, embezzlement, dishonesty or moral turpitude;

(v) commission of any act of fraud against, or the misappropriation of property belonging to, the Corporation (or any Parent or Subsidiary);

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(vi) commission of any act of dishonesty in connection with his or her responsibilities as an Employee that is intended to result in his or her personal enrichment or the personal enrichment of his or her family or others;

(vii) any other misconduct adversely affecting the business or affairs of the Corporation (or any Parent or Subsidiary); or

(viii) a material breach of any agreement the Participant may have at the time with the Corporation (or any Parent or Subsidiary employing the Participant), including (without limitation) any proprietary information, non-disclosure or confidentiality agreement.

HH. **Withholding Taxes** shall mean the federal, state and local income taxes and the employee portion of the federal, state and local employment taxes required to be withheld by the Corporation in connection with the vesting and issuance of the shares of Common Stock which vest under of the Award and any phantom dividend equivalents distributed with respect to those shares.

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SCHEDULE I

PERFORMANCE GOAL I AND APPLICABLE PERFORMANCE PERIOD

PERFORMANCE PERIOD

The measurement period for Performance Goal I shall be the ______ (__) fiscal-year period beginning September 1, ______ and ending August 31, _____ (the "**Performance Period**")

PERFORMANCE GOAL FOR PERFORMANCE VESTING

Performance Goal I

SPECIFY PERFORMANCE GOAL

Performance-Qualified Shares: The actual number of Performance-Qualified Shares may range from 0% to ____% of the Target Number of Performance Shares allocated to Performance Goal I in accordance with Paragraph 1 of this Agreement, with the actual percentage to be determined on the basis of the attained level of Performance Goal I. In no event, however, shall the maximum number of the shares of the Corporation's Class A Common Stock that may qualify as Performance-Qualified Shares as a result of Performance Goal I attainment exceed ____% of the Target Number of Performance Shares allocated to Performance Goal I in accordance with Paragraph 1 of this Agreement.

Schedule for Determining Number of Performance-Qualified Shares Based on Performance Goal Attainment:

SPECIFY SCHEDULE OF CONVERSION PERCENTAGES

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Exhibit 10.28

APOLLO GROUP, INC.

AMENDED AND RESTATED EFFECTIVE AS OF OCTOBER 6, 2011

EXECUTIVE OFFICER PERFORMANCE INCENTIVE PLAN

I. PURPOSE OF THE PLAN

The Apollo Group, Inc. Executive Officer Performance Incentive Plan (the "***Plan***") is intended to promote the interests of Apollo Group, Inc. (the "***Company***") and its shareholders by establishing a compensation program to provide the Company's executive officers with the opportunity to earn incentive awards that are tied to the achievement of specific goals relating to the financial performance of the Company and that accordingly qualify as performance-based compensation for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended from time to time (the "***Code***").

II. PLAN STRUCTURE

A. Bonuses shall be earned under the Plan on the basis of the Company's performance measured in terms of one or more pre-established performance objectives to be attained over a designated performance period (the "***Performance Period***"). Each applicable Performance Period under the Plan shall be established by the Plan Administrator and may range in duration from a minimum period of three (3) months to a maximum period of thirty-six (36) months. The initial Performance Period shall be the twelve (12)-month period coincident with the Company's 2008 fiscal year beginning September 1, 2007 and ending August 31, 2008.

B. No Bonus shall be earned for a performance goal established for a designated Performance Period unless that performance goal is attained at the minimum threshold level. Bonus may be earned at a dollar amount in excess of the target bonus set for the Participant for a particular Performance Period if the applicable performance goals for that Performance Period are attained at an above-target level.

C. The Plan Administrator shall have the discretionary authority to reduce the actual bonus amount payable to any Participant below the amount that would otherwise be payable to that individual based solely on the attained level of the performance goals for the Performance Period to which that bonus relates. In no event, however, may the Plan Administrator increase the bonus amount payable to a Participant beyond the maximum bonus amount set for the attained level of performance.

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III. PLAN ADMINISTRATION

A. The Plan shall be administered by a committee of two or more non-employee members of the Company's Board of Directors, each of whom shall qualify as an "outside director" under Code Section 162(m) and Section 1.162-27(e) of the Treasury Regulations thereunder. Such committee in its capacity as administrator of the Plan (the "***Plan Administrator***") shall have full power and authority (subject to the express provisions of the Plan) to:

a. establish the duration of each Performance Period:

b. select the eligible individuals who are to participate in the Plan for such Performance Period;

c. establish the specific performance objectives for each Performance Period at one or more designated levels of attainment and set the bonus potential for each participant at each corresponding level of attainment;

d. certify the attained level of the applicable performance goals for the Performance Period and determine, on the basis of that certification, the actual bonus for each participant in an amount not to exceed his or her maximum bonus potential for the certified level of attainment; and

e. exercise discretionary authority, when appropriate, to reduce the actual bonus payable to any participant below his or her bonus potential for the attained level of financial performance for the Performance Period.

B. The Plan Administrator shall also have full power and authority to interpret and construe the provisions of the Plan and adopt rules and regulations for the administration of the Plan.

C. Decisions of the Plan Administrator shall be final and binding upon all parties who may have an interest in the Plan or any bonus amount payable under the Plan.

IV. ELIGIBILITY AND PARTICIPATION

A. The individuals eligible to participate in the Plan shall be limited to (i) the executive officers of the Company subject to the short-swing profit liability provisions of Section 16 of the Securities Exchange Act of 1934, as amended, and (ii) other key employees of the Company and its subsidiaries. The Plan Administrator shall have complete discretion in selecting the eligible individuals who are to participate in the Plan for one or more Performance Periods.

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B. An individual selected for participation in the Plan for a Performance Period shall cease to be a participant and shall not be entitled to any bonus payment for that Performance Period if such individual ceases Employee status for any reason prior to the date that Performance Period ends (the "***Completion Date***"); ***provided, however,*** that the following participants shall receive a portion of the actual bonus to which they would otherwise have been entitled pursuant to Articles V and VI on the basis of actual performance goal attainment had they continued in Employee status through the Completion Date:

(i) any participant who ceases Employee status prior to the Completion Date by reason of death or Disability;

(ii) any participant whose Employee status terminates under circumstances entitling that individual to a full or pro-rata bonus pursuant to the express terms of any agreement or arrangement to which that individual and the Company are parties; and

(iii) any participant whose Employee status terminates under special circumstances that warrant, in the Plan Administrator's sole discretion, a pro-rated bonus award for that Performance Period.

C. In no event shall the bonus paid to any participant pursuant to subparagraph (i) or (iii) of this Paragraph IV.B exceed the dollar amount determined by dividing (a) the actual bonus to which that participant would have become entitled pursuant to Articles V and VI on the basis of the attained level of performance had he or she continued in Employee status through the Completion Date by (b) a fraction the numerator of which is the number of days such individual remained in active Employee status during that Performance Period and the denominator of which is the total number of days in such Performance Period.

D. For purposes of this Article IV, the following definitions shall be in effect:

(i) A participant shall be deemed to continue in ***"Employee"*** status for so long as that individual remains in the employ of the Company or any subsidiary of the Company.

(ii) A participant shall be deemed to have ceased Employee status by reason of a ***"Disability"*** if such cessation of Employee status occurs by reason of any medically determinable physical or mental impairment expected to result in death or to be of continuous duration of twelve (12) months or more.

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(iii) Each corporation (other than the Company) in an unbroken chain of corporations beginning with the Company shall be considered to be a ***"subsidiary"*** of the Company, provided that each such corporation (other than the last corporation in the unbroken chain) owns, at the time of determination, stock possessing more than fifty percent (50%) of the total combined voting power of all classes of stock in one of the other corporations in such chain.

E. A participant who is absent from active Employee status for a portion of a Performance Period by reason of an authorized leave of absence shall not be deemed to have ceased Employee status during the period of that leave. However, any bonus to which such participant may otherwise become entitled under the Plan for that Performance Period shall be pro-rated based on the portion of the Performance Period during which that individual is in active working status and not on such leave of absence, unless the Plan Administrator otherwise deems it appropriate under the circumstances to provide that individual with the full bonus that he or she would have earned for that Performance Period had there been no leave of absence.

V. DETERMINATION OF PERFORMANCE GOALS AND POTENTIAL BONUS AMOUNTS

A. Participants shall be eligible to earn a cash bonus under the Plan for each Performance Period for which one or more performance objectives established by the Plan Administrator for that Performance Period are attained. The Plan Administrator shall, within the first ninety (90) days of each Performance Period of twelve (12) or more months duration, within the first forty-five (45) days of each Performance Period of less than twelve (12) months duration but six (6) months or more duration and within the first fifteen (15) days of each Performance Period of three (3) months duration, establish the specific performance objectives for that Performance Period. In no event may a performance objective be established at a time when there exists no substantial uncertainty as to its attainment.

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B. For each Performance Period, the performance objectives may be based on one or more of the following criteria: (i) pre-tax or after-tax net earnings or net income, (ii) sales or revenue growth, (iii) cash flow, operating cash flow or free cash flow objectives, (iv) return on assets or net assets, (v) return on stockholder equity, (vi) return on capital or invested capital, (vii) price per share of the Company's Class A common stock or growth in such stock price per share, (viii) total stockholder return, (ix) operating margin or gross or net profit margin, (x) earnings per share, (xi) market share, (xii) operating income or pre-tax or after-tax net operating income, (xiii) operating profit or pre-tax or after-tax net operating profit, (xiv) operating earnings or pre-tax or after-tax net operating earnings, (xv) earnings or operating income before interest, taxes, depreciation, amortization and/or charges for stock-based compensation, (xvi) economic value-added models, (xvii) cost reductions, (xviii) budget objectives, (xix) litigation and regulatory resolution goals, (xx) expense control goals, (xxi) measures of student academic success, (xxii) measures of student satisfaction at one or more of the Company's universities or throughout the Company's university system as a whole, as formulated by the Plan Administrator and validated in one or more instances through one or more independently-conducted surveys, (xxiii) measures of faculty performance at one or more of the Company's universities or throughout the Company's university system as a whole, (xxiv) measures of faculty satisfaction at one or more of the Company's universities or throughout the Company's university system as a whole, as formulated by the Plan Administrator and validated in one or more instances through one or more independently-conducted surveys, and (xxv) measures to enhance student protection or student service at one or more of the Company's universities or throughout the Company's university system as a whole. In addition, such performance criteria may be measured either in absolute terms or as compared to any incremental increase or as compared to results of a peer group or as measured in terms of one or more of the Company's business units or divisions or any subsidiary.

C. Each applicable performance objective may be structured at the time of establishment to provide for appropriate adjustment for one or more of the following items: (i) asset impairments or write-downs, including impairment charges related to goodwill, intangible assets or other long-lived assets, (ii) litigation verdicts, judgments or claim settlements, (iii) the effect of changes in tax law, accounting principles or other laws, regulations or provisions affecting reported results, (iv) accruals for reorganization and restructuring programs, (v) extraordinary nonrecurring items, including those addressed in management's discussion and analysis of financial condition and results of operations appearing in the Company's annual report to stockholders for the applicable year, and any other item that is either unusual or infrequent in nature, as determined under in accordance with Accounting Standards Codification Topic 225-20 "Extraordinary and Unusual Items", (vi) the operations of any business acquired by the Company (or any subsidiary) or of any joint venture in which the Company (or any subsidiary) participates, (vii) the divestiture of one or more business operations or the assets of the Company (or any subsidiary) or of any joint venture in which the Company (or any subsidiary) participates, (viii) the costs incurred in connection with such acquisitions or divestitures, (ix) the financial results of any businesses classified as discontinued operations for all or a portion of the applicable performance or measurement period, (x) items of income, gain, loss or expense attributable to the operations of any business acquired or divested by the Company or any subsidiary, (xi) charges for stock-based compensation and (xii) cash payments made under the Plan or in settlement of incentive awards under any other plan or program implemented by the Company or any subsidiary.

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D. In addition to the adjustments set forth in Paragraph V.C. above, should the performance objectives be tied to cash flow, operating cash flow or free cash flow objectives, then the Plan Administrator may, in establishing the applicable targets, authorize adjustments, deductions and/or exclusions with respect to one or more of the following items to the extent those items are to be utilized in the calculation of cash flow, operating cash flow or free cash flow for any or all of the fiscal years within the applicable Performance Period or any other fiscal year that serves as a base or comparative measurement year: (i) cash amounts expended in the acquisition of property, plant and equipment, (ii) cash amounts paid in connection with actual or proposed acquisitions of one or more businesses or the assets of one or more businesses, (iii) cash flows or adjusted cash flows attributable to any businesses or assets acquired or divested during the Performance Period (or other relevant measurement period), (iv) cash amounts paid as interest expense, (v) cash amounts received as interest income, (vi) cash amounts paid in connection with judgments, verdicts and settlements with respect to specified litigation matters, (vii) increases or decreases in restricted cash attributable to Title IV student funding, (viii) increases or decreases in working capital, (ix) cash flows or adjusted cash flows attributable to new businesses or entities begun by the Company or any subsidiary, (x) cash flow impact of inter-party transactions between or among the Company and one or more subsidiaries involving the acquisition, licensing or cost sharing of intangible assets.

E. In further clarification of the various adjustments that may be made to one or more performance objectives in accordance with Paragraph V.C. above and without limiting the scope or generality of those permissible adjustments, should the performance objectives be tied to any net income, operating income or operating profit objectives, such criteria may be structured at the time of establishment to provide for appropriate adjustments with respect to one or more of the following items to the extent those items are to be utilized in the calculation of net income, operating income or operating profit for any fiscal year within the applicable Performance Period: (i) the exclusion of all acquisition costs expensed for the applicable fiscal year, whether relating to acquisitions effected during that year or any prior fiscal year, (ii) the exclusion of all income, gain or loss attributable to companies or other entities acquired during the applicable fiscal year, (iii)the exclusion of impairment charges related to goodwill, intangible assets or other long-lived assets, (iv) the exclusion of amounts expensed in connection with judgments, verdicts and settlements with respect to specified litigation matters, (v) the exclusion of stock-based compensation expense or costs, as computed in accordance with applicable accounting principles, and (vi) any other applicable adjustments authorized in accordance with the foregoing provisions of this Paragraph V.E.

F. For each performance objective, the Plan Administrator may establish one or more designated levels of attainment, including (without limitation) threshold, target and/or above-target levels of attainment. At the time the performance objectives for a particular Performance Period are established, the Plan Administrator shall also set the bonus potential for each participant at each of the designated performance levels. Alternatively, the Plan Administrator may establish a linear formula for determining the bonus potential at various points of performance goal attainment. Under no circumstance, however, shall the aggregate bonus potential for any participant for any Performance Period exceed the applicable limitations of the Maximum Bonus Amount set forth in Paragraph VI.B.

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G. The actual bonuses to be paid for each Performance Period shall be determined by the Plan Administrator on the basis of the level at which each of the performance objectives applicable to that Performance Period is actually attained. Accordingly, each performance objective shall be measured separately in terms of actual level of attainment and shall be weighted, equally or in such other proportion as the Plan Administrator shall determine at the time such performance objectives are established, in determining the actual bonus payable to each participant for the Performance Period. By way of illustration only, if four (4) performance objectives are established for the Performance Period and weighted equally, then each of those objectives attained at target level will contribute an amount equal to twenty-five percent (25%) of the total bonus payable to the participant at target level performance, and each objective attained at above-target level will contribute an amount equal to twenty-five percent (25%) of the total bonus payable to the participant at above-target level performance. However, no bonus amount shall be payable with respect any performance objective, unless the specified threshold level for that objective is attained.

H. The Plan Administrator shall certify in writing the actual level of attainment of each performance objective for the Performance Period before any bonuses are paid for that Performance Period.

I. Except in the event of a Change in Control (as such term is defined in the Company's 2000 Stock Incentive Plan), the Plan Administrator shall not waive any performance objective applicable to a participant's bonus potential for a particular Performance Period.

VI. INDIVIDUAL BONUS AWARDS

A. The actual bonus to be paid to each participant for a particular Performance Period will be determined on the basis of the bonus potential established for that individual at the various levels of attainment designated for each of the performance goals applicable to that Performance Period. Should the actual level of attainment of any such performance goal be between two of the designated levels, then the participant's bonus potential with respect to that performance goal will be interpolated on a straight-line basis. In no event shall any participant be paid a bonus in excess of the amount determined on the basis of the bonus potential (as so interpolated) established for the particular levels at which the performance goals are attained. However, the Plan Administrator shall have the discretion to reduce or eliminate the bonus that would otherwise be payable with respect to one or more performance goals based upon the certified level of attained performance of those goals.

B. The maximum bonus payment under the Plan (the "***Maximum Bonus Amount***") that any one participant may receive for a given Performance Period shall be limited to the applicable dollar amount set forth below, subject to an overall maximum limit of Five Million Dollars ($5,000,000) per participant for any given Performance Period:

(i) six (6) times the participant's base salary, at the rate in effect at the start of the Performance Period, for any Performance Period with a duration of at least twenty-four (24) months;

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(ii) four (4) times the participant's base salary, at the rate in effect at the start of the Performance Period, for any Performance Period with a duration of at least twelve (12) months but less than twenty-four months; and

(iii) two-and-one-half times the participant's base salary, at the rate in effect at the start of the Performance Period, for any Performance Period with a duration of less than twelve (12) months.

C. Except as otherwise provided in Paragraphs IV.B and C, no participant shall accrue any right to receive a bonus award under the Plan unless that participant remains in Employee status through the Completion Date of the Performance Period. Accordingly, no bonus payment shall be made to any participant who ceases Employee status prior to the Completion Date; ***provided, however***, that the provisions of Paragraphs IV.B and C shall govern the bonus entitlement of participants whose Employee status terminates under the various circumstances set forth in those provisions.

D. The actual bonus which a participant earns for a particular Performance Period shall be paid pursuant to the following procedures:

(i) As soon as administratively practicable following the Company's release of the financial results for the fiscal period or periods coincident with the Performance Period, the Plan Administrator shall meet to certify the actual levels at which the performance goals for such period or periods have been attained and determine, on such certified levels, the actual bonus amount to be paid to each participant for that Performance Period.

(ii) Within fifteen (15) business days following the completion of such certification and determination process, the actual bonus amount determined for each participant shall be paid, subject to the Company's collection of all applicable federal, state and local income and employment withholding taxes.

(iii) In no event shall the bonus payment earned for any Performance Period be made later than the fifteenth day of March of the calendar year immediately following the calendar year in which the Completion Date for that Performance Period occurs.

E. All bonus payments shall be made in cash.

VII. GENERAL PROVISIONS

A. This October 2011 restatement of the Plan shall be subject to approval by the holders of the Company's Class B common stock. Should such shareholder approval not be obtained prior to the close of the 2011 calendar year, then no bonus payments shall be made with respect to any bonus awards based on the revisions to the Plan effected by such October 2011 restatement.

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B. The Plan and all rights hereunder shall be construed, administered and governed in all respects in accordance with the laws of the State of Arizona without resort to its conflict-of-laws provisions. If any provision of the Plan shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions of the Plan shall continue in full force and effect.

C. The Plan Administrator may at any time amend, suspend or terminate the Plan, provided such action does not adversely affect the rights and interests of participants accrued to date under the Plan or otherwise impair their ability to earn a bonus award based upon the performance objectives established by the Plan Administrator for the then-current Performance Period.

D. Any amendment or modification of the Plan shall be subject to (i) the approval of the holders of the Company's Class B common stock to the extent required under Code Section 162(m) or other applicable law or regulation and (ii) the approval of the holders of the Company's Class A common stock but only to the extent (if any) required under applicable law or regulation or pursuant to the listing requirements of any securities exchange on which the Company's Class A common stock is at the time listed for trading.

E. Neither the action of the Company in establishing or maintaining the Plan, nor any action taken under the Plan by the Plan Administrator, nor any provision of the Plan itself shall be construed so as to grant any person the right to remain in Employee status for any period of specific duration, and each participant shall at all times remain an Employee at-will and may accordingly be discharged at any time, with or without cause and with or without advance notice of such discharge.

F. Should a participant die before payment is made of the actual bonus to which he or she has become entitled under the Plan, then that bonus shall be paid to the executor or other legal representative of his or her estate.

G. No participant shall have the right to transfer, alienate, pledge or encumber his or her interest in the Plan, and such interest shall not (to the maximum permitted by law) be subject to the claims of the participant's creditors or to attachment, execution or other process of law.

H. The terms and conditions of the Plan, together with the obligations and liabilities of the Company that accrue hereunder, shall be binding upon any successor to the Company, whether by way of merger, consolidation, reorganization or other change in ownership or control of the Company.

I. No amounts accrued or earned under the Plan shall actually be funded, set aside or to otherwise segregated prior to actual payment. The obligation to pay the bonuses that actually become due and payable under the Plan shall at all times be an unfunded and unsecured obligation of the Company. Participants shall have the status of general creditors and shall look solely and exclusively to the general assets of the Company for payment.

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IN WITNESS WHEREOF, APOLLO GROUP, INC. has caused this Amended and Restated Executive Officer Performance Incentive Plan to be executed on its behalf by its duly-authorized officer on this 6th day of October 2011.

APOLLO GROUP, INC.

By: /s/ Sean Martin________________________________

Title: Senior Vice President, General Counsel and Secretary

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Exhibit 21

Subsidiaries of Apollo Group, Inc.

Entity	Jurisdiction of Incorporation or Formation
Apollo Development Corp.	Arizona
Apollo Global, Inc. [1]	Delaware
Apollo Group China, LLC	Arizona
Apollo Investments, Inc.	Arizona
Apollo NB Holding Company	Arizona
Aptimus, Inc.	Washington
Institute for Professional Development	California
The College for Financial Planning Institutes Corporation	Arizona
The University of Phoenix, Inc.	Arizona
Apollo Education Services, LLC	Delaware
Carnegie Learning, Inc.	Pennsylvania

Assumed Names

Corporate Name	Assumed Name	State(s) where used
Apollo Group, Inc.	Apollo Education	California
Institute for Professional Development	Institute for Professional Development of California, Inc.	Connecticut, New Jersey
Institute for Professional Development	Institute for Professional Development, Inc.	Arizona, Florida, Illinois, Indiana, Kentucky, North Carolina, Oregon, Pennsylvania, Tennessee, Virginia
Institute for Professional Development	Institute for Professional Development Corporation	Iowa

Subsidiaries of Apollo Global, Inc.

Entity	Jurisdiction of Incorporation or Formation
Cooperatieve Apollo Global Netherlands U.A.	Netherlands
Apollo UK Acquisition Company Limited	United Kingdom
Western International University, Inc.	Arizona, USA

Subsidiaries of Cooperatieve Apollo Global Netherlands U.A.

Entity	Jurisdiction of Incorporation or Formation
Apollo Global Chile, S.A.	Chile
Apollo Global Mexico, S. de R.L. de C.V.	Mexico

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[1] Apollo Group, Inc. owns 85.6% of Apollo Global, Inc.

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Subsidiaries of Apollo UK Acquisition Company Limited

Entity	Jurisdiction of Incorporation or Formation
BPP Holdings PLC	United Kingdom

Subsidiaries of Apollo Global Chile, S.A.

Entity	Jurisdiction of Incorporation or Formation
Apollo Chile Comunicaciones, Limitada	Chile
Universidad de Artes, Ciencias y Comunicación [2]	Chile
Instituto Superior de Artes y Ciencias de la Comunicación S.A. ("I.A.C.C")	Chile
Sociedad de Transportes Trans-Guil Limitada ("Trans-Guil")	Chile

Subsidiaries of Apollo Global Mexico, S. de R.L. de C.V.

Entity	Jurisdiction of Incorporation or Formation
Apollo Global Mexico Sub, S. de R.L. de C.V.	Mexico

Subsidiaries of Apollo Global Mexico Sub, S. de R.L. de C.V.

Entity	Jurisdiction of Incorporation or Formation
Universidad Latinoamericana, S.C. ("ULA")	Mexico

Subsidiaries of BPP Holdings PLC

Entity	Jurisdiction of Incorporation or Formation
BPP Services Ltd.	United Kingdom
BPP College of Professional Studies Ltd.	United Kingdom
Mander Portman Woodward Ltd.	United Kingdom

Subsidiaries of BPP Services Ltd.

Entity	Jurisdiction of Incorporation or Formation
BPP Learning Media Ltd.	United Kingdom
BPP Professional Education Ltd.	United Kingdom

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[2] UNIACC is a non-profit entity; its members are I.A.C.C. and Apollo Global Chile, S.A.

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EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-160301, 333-149933, 333-147151, 333-144129, 333-46834, 33-63429, 33-88984, 33-88982 and 33-87638 on Form S-8 of our reports dated October 20, 2011 relating to the consolidated financial statements of Apollo Group, Inc. and subsidiaries and on the effectiveness of internal control over financial reporting of Apollo Group, Inc. and subsidiaries, appearing in this Annual Report on Form 10-K of Apollo Group, Inc. and subsidiaries for the year ended August 31, 2011.

/s/ DELOITTE & TOUCHE LLP

Phoenix, Arizona
October 20, 2011

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EXHIBIT 31.1

**CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Charles B. Edelstein, certify that:

1. I have reviewed this Form 10-K of Apollo Group, Inc. (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: October 20, 2011

/s/ Charles B. Edelstein

Charles B. Edelstein

Co-Chief Executive Officer and Director
(Principal Executive Officer)

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EXHIBIT 31.2

**CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Gregory W. Cappelli, certify that:

1. I have reviewed this Form 10-K of Apollo Group, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 20, 2011

/s/ Gregory W. Cappelli

Gregory W. Cappelli

Co-Chief Executive Officer and Director
(Principal Executive Officer)

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EXHIBIT 31.3

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Brian L. Swartz, certify that:

1. I have reviewed this Form 10-K of Apollo Group, Inc. (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: October 20, 2011

/s/ Brian L. Swartz

Brian L. Swartz
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

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EXHIBIT 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Apollo Group, Inc. (the “Company”) on Form 10-K for the year ended August 31, 2011, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Charles B. Edelstein, Co-Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 20, 2011

/s/ Charles B. Edelstein

Charles B. Edelstein
Co-Chief Executive Officer and Director
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to Apollo Group, Inc. and will be retained by Apollo Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

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EXHIBIT 32.2

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Apollo Group, Inc. (the "Company") on Form 10-K for the year ended August 31, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gregory W. Cappelli, Co-Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 20, 2011

/s/ Gregory W. Cappelli

Gregory W. Cappelli

Co-Chief Executive Officer and Director
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to Apollo Group, Inc. and will be retained by Apollo Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

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EXHIBIT 32.3

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Apollo Group, Inc. (the "Company") on Form 10-K for the year ended August 31, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brian L. Swartz, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 20, 2011

/s/ Brian L. Swartz

Brian L. Swartz

Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

A signed original of this written statement required by Section 906 has been provided to Apollo Group, Inc. and will be retained by Apollo Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

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Nature of Operations (Details) (USD $)	Aug. 31, 2011	Sep. 12, 2011 Carnegie Learning Aquisition [Member] Subsequent Event [Member]	1 Months Ended Oct. 19, 2011 Carnegie Mellon Technology Aquisition [Member] Subsequent Event [Member]	Sep. 12, 2011 Carnegie Mellon Technology Aquisition [Member] Subsequent Event [Member]
Nature of Operations (Details) [Abstract]				
Apollo Group ownership in Apollo Global	85.60%			
Business Acquisition [Line Items]				
Purchase price		$ 75,000,000		
Acquired technology				$ 21,500,000
Maturity of note payable			10-year period	

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Consolidated Balance Sheets Parentheticals (USD $)	Aug. 31, 2011	Aug. 31, 2010
Shareholders' equity		
Preferred stock no par value		
Preferred stock shares authorized	1,000,000	1,000,000
Preferred stock shares issued	0	0
Apollo Group Class A treasury stock shares	58,003,000	40,714,000
Apollo Group Class A nonvoting common stock [Member]		
Shareholders' equity		
Common stock no par value		
Common stock authorized	400,000,000	400,000,000
Common stock issued	188,007,000	188,007,000
Common stock outstanding	130,004,000	147,293,000
Apollo Group Class B voting common stock [Member]		
Shareholders' equity		
Common stock no par value		
Common stock authorized	3,000,000	3,000,000
Common stock issued	475,000	475,000
Common stock outstanding	475,000	475,000

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Consolidated Statements of Income (USD $) In Thousands, except Per Share data	3 Months Ended								12 Months Ended		
	Aug. 31, 2011	May 31, 2011	Feb. 28, 2011	Nov. 30, 2010	Aug. 31, 2010	May 31, 2010	Feb. 28, 2010	Nov. 30, 2009	Aug. 31, 2011	Aug. 31, 2010	Aug. 31, 2009
Income Statement [Abstract]											
Net revenue	$ 1,122,121	$ 1,235,837	$ 1,048,629	$ 1,326,435	$ 1,259,420	$ 1,337,404	$ 1,070,336	$ 1,258,659	$ 4,733,022	$ 4,925,819	$ 3,953,566
Instructional and student advisory	438,486	458,145	421,644	455,812	445,301	441,700	415,458	430,675	1,774,087	1,733,134	1,333,919
Marketing	170,970	161,034	157,215	166,143	179,150	151,668	141,308	151,617	655,362	623,743	497,568
Admissions advisory	99,428	99,923	102,283	113,752	116,591	116,344	118,152	115,271	415,386	466,358	437,908
General and administrative	98,676	87,857	84,344	84,874	86,295	75,362	68,800	70,659	355,751	301,116	277,887
Provision for uncollectible accounts receivable	39,631	39,217	45,540	56,909	74,035	72,011	73,884	62,698	181,297	282,628	151,021
Depreciation and amortization	41,637	41,125	39,142	37,102	38,939	36,701	35,244	34,680	159,006	145,564	108,828
Goodwill and other intangibles impairment	0	0	219,927	0	175,858	8,712	0	0	219,927	184,570	0
Restructuring and other charges	19,067	0	0	3,846					22,913	0	0
Litigation (credit) charge, net	(16,454)	2,048	1,574	881	882	132,600	44,500	0	(11,951)	177,982	80,500
Total costs and expenses	891,441	889,349	1,071,669	919,319	1,117,051	1,035,098	897,346	865,600	3,771,778	3,915,095	2,887,631
Operating income	230,680	346,488	(23,040)	407,116	142,369	302,306	172,990	393,059	961,244	1,010,724	1,065,935
Interest income	587	867	785	983	636	827	525	932	3,222	2,920	12,591
Interest expense	(2,724)	(2,383)	(1,654)	(2,170)	(3,784)	(1,979)	(3,220)	(2,908)	(8,931)	(11,891)	(4,448)
Other, net	15	(1,862)	313	(54)	1,376	(1,312)	(79)	(670)	(1,588)	(685)	(7,151)
Income from continuing operations before income taxes	228,558	343,110	(23,596)	405,875	140,597	299,842	170,216	390,413	953,947	1,001,068	1,066,927
Provision for income taxes	(44,622)	(130,385)	(76,052)	(169,579)	(122,628)	(122,390)	(69,064)	(149,981)	(420,638)	(464,063)	(456,720)
Income from continuing operations	183,936	212,725	(99,648)	236,296	17,969	177,452	101,152	240,432	533,309	537,005	610,207
Income (loss) from discontinued operations, net of tax	0	540	2,575	(628)	(6,570)	2,084	(10,638)	(300)	2,487	(15,424)	(16,377)
Net income	183,936	213,265	(97,073)	235,668	11,399	179,536	90,514	240,132	535,796	521,581	593,830
Net loss attributable to noncontrolling interests	4,676	(825)	33,035	(255)	29,572	(253)	2,092	10	36,631	31,421	4,489
Net income attributable to Apollo	$ 188,612	$ 212,440	$ (64,038)	$ 235,413	$ 40,971	$ 179,283	$ 92,606	$ 240,142	$ 572,427	$ 553,002	$ 598,319
Earnings (loss) per share - Basic:											
Continuing operations attributable to Apollo	$ 1.38	$ 1.52	$ (0.47)	$ 1.61	$ 0.32	$ 1.17	$ 0.67	$ 1.55	$ 4.03	$ 3.74	$ 3.90
Discontinued operations attributable to Apollo	$ 0	$ 0	$ 0.02	$ 0	$ (0.04)	$ 0.02	$ (0.07)	$ 0	$ 0.02	$ (0.10)	$ (0.11)
Basic income per share attributable to Apollo	$ 1.38	$ 1.52	$ (0.45)	$ 1.61	$ 0.28	$ 1.19	$ 0.60	$ 1.55	$ 4.05	$ 3.64	$ 3.79
Earnings (loss) per share - Diluted:											
Continuing operations attributable to Apollo	$ 1.37	$ 1.51	$ (0.47)	$ 1.61	$ 0.32	$ 1.16	$ 0.67	$ 1.54	$ 4.02	$ 3.72	$ 3.85
Discontinued operations attributable to Apollo	$ 0	$ 0	$ 0.02	$ 0	$ (0.04)	$ 0.02	$ (0.07)	$ 0	$ 0.02	$ (0.10)	$ (0.10)
Diluted income per share attributable to Apollo	$ 1.37	$ 1.51	$ (0.45)	$ 1.61	$ 0.28	$ 1.18	$ 0.60	$ 1.54	$ 4.04	$ 3.62	$ 3.75
Basic weighted average shares outstanding	136,594	139,856	142,354	146,352	147,829	151,127	154,119	154,824	141,269	151,955	157,760
Diluted weighted average shares outstanding	137,295	140,343	142,354	146,663	148,334	152,291	155,168	156,045	141,750	152,906	159,514

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Stock and Savings Plans (Details 3) (USD $) In Millions, unless otherwise specified	12 Months Ended		
	Aug. 31, 2011 Years	Aug. 31, 2010	Aug. 31, 2009
Stock options [Member]			
Share-based Compensation Arrangement by Share-based Payment Award [Line Items]			
Unrecognized shared-based compensation cost	$ 34.4		
Weighted average period unrecognized share-based compensation expected to be recognized	2.08		
Fair value of share-based awards vested	37.8	45.4	54.1
Restricted stock units [Member]			
Share-based Compensation Arrangement by Share-based Payment Award [Line Items]			
Unrecognized shared-based compensation cost	105.5		
Fair value of share-based awards vested	25.5	24.8	23.2
Performance share awards [Member]			
Share-based Compensation Arrangement by Share-based Payment Award [Line Items]			
Unrecognized shared-based compensation cost	$ 10.9		
Restricted stock units and performance share awards [Member]			
Share-based Compensation Arrangement by Share-based Payment Award [Line Items]			
Weighted average period unrecognized share-based compensation expected to be recognized	2.52		

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Restructuring and Other Charges (Details) (USD $) In Thousands	3 Months Ended				12 Months Ended		
	Aug. 31, 2011	May 31, 2011	Feb. 28, 2011	Nov. 30, 2010	Aug. 31, 2011	Aug. 31, 2010	Aug. 31, 2009
Restructuring and Other Charges (Details) [Abstract]							
Real estate rationalization - Lease obligation costs, net					$ 13,052		
Real estate rationalization - Asset impairments					6,015		
Reduction in force - Severance and other benefits					3,846		
Restructuring and other charges	19,067	0	0	3,846	22,913	0	0
Restructuring obligation	$ 13,052				$ 13,052	$ 0	

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Shareholders' Equity	12 Months Ended Aug. 31, 2011

Notes to Consolidated Financial Statements [Abstract]

Shareholders' Equity

Shareholders’ Equity

Share Reissuances

During fiscal years 2011, 2010 and 2009, we issued approximately 1.2 million, 1.1 million and 3.1 million shares, respectively, of our Apollo Group Class A common stock from our treasury stock as a result of stock option exercises, release of shares covered by vested restricted stock units, and purchases under our employee stock purchase plan.

Share Repurchases

Our Board of Directors has authorized us to repurchase outstanding shares of Apollo Group Class A common stock, from time to time, depending on market conditions and other considerations. During the second quarter of fiscal year 2011, our Board of Directors authorized an increase in the amount available under our share repurchase program up to an aggregate amount of $600 million of Apollo Group Class A common stock. There is no expiration date on the repurchase authorizations and repurchases occur at our discretion.

We repurchased approximately 18.3 million, 7.9 million and 7.2 million shares of our Apollo Group Class A common stock during fiscal years 2011, 2010 and 2009, respectively, at a total cost of $775.8 million, $439.3 million and $444.4 million during the respective fiscal years. This represented weighted average purchase prices of $42.30, $55.78 and $61.62 per share during the respective fiscal years.

As of August 31, 2011, approximately $0.7 million remained available under our share repurchase authorization. Subsequent to August 31, 2011, our Board of Directors authorized an increase in the amount available under our share repurchase program up to an aggregate amount of $500 million. The amount and timing of future share repurchase authorizations and repurchases, if any, will be made as market and business conditions warrant. Repurchases may be made on the open market through various methods including but not limited to accelerated share repurchase programs, or in privately negotiated transactions, pursuant to the applicable Securities and Exchange Commission rules, and may include repurchases pursuant to Securities and Exchange Commission Rule 10b5-1 nondiscretionary trading programs.

In connection with the release of vested shares of restricted stock, we repurchased approximately 163,000, 149,000 and 119,000 shares of Class A common stock for $7.4 million, $7.1 million and $8.1 million during fiscal years 2011, 2010 and 2009, respectively. These repurchases relate to tax withholding requirements on the restricted stock units and are not part of the repurchase program described above.

Accumulated Other Comprehensive Loss

The following table summarizes the components of accumulated other comprehensive loss at August 31:

($ in thousands)	**2011**	**2010**
Foreign currency translation losses	$(23,230)	$(30,182)
Unrealized loss on marketable securities	(531)	(994)
Accumulated other comprehensive loss[(1)]	$(23,761)	$(31,176)

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[1] Accumulated other comprehensive loss is net of $0.4 million and $1.2 million of taxes as of August 31, 2011 and 2010, respectively. The tax effect on each component of other comprehensive income during fiscal years 2011, 2010 and 2009 is not significant.

The decrease in foreign currency translation losses is primarily the result of a general weakening of the U.S. dollar relative to foreign currencies during fiscal year 2011.

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Document and Entity Information (USD $) In Billions, except Share data in Thousands	12 Months Ended Aug. 31, 2011	Feb. 28, 2011	Oct. 12, 2011 Apollo Group Class A Nonvoting Common Stock [Member]	Oct. 12, 2011 Apollo Group Class B Voting Common Stock [Member]
Entity Information [Line Items]				
Document Type	10-K			
Document Period End Date	Aug. 31, 2011			
Document Fiscal Year Focus	2011			
Document Fiscal Period Focus	FY			
Amendment Flag	false			
Entity Registrant Name	Apollo Group Inc			
Entity Central Index Key	0000929887			
Current Fiscal Year End Date	--08-31			
Entity Well-known Seasoned Issuer	Yes			
Entity Voluntary Filers	No			
Entity Current Reporting Status	Yes			
Entity Filer Category	Large Accelerated Filer			
Entity Public Float		$ 5.5		
Entity Common Stock, Shares Outstanding			130,108	475

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Segment Reporting (Tables)

12 Months Ended
Aug. 31, 2011

Segment Reporting (Tables) [Abstract]

Segment reporting information

A summary of financial information by reportable segment is as follows:

($ in thousands)	Year Ended August 31, 2011	2010	2009
Net revenue			
University of Phoenix	$ 4,322,670	$ 4,498,325	$ 3,766,600
Apollo Global:			
BPP	244,181	251,743	13,062
Other	75,800	78,253	76,083
Total Apollo Global	319,981	329,996	89,145
Other Schools	88,517	95,706	95,045
Corporate	1,854	1,792	2,776
Net revenue	$ 4,733,022	$ 4,925,819	$ 3,953,566
Operating income (loss):			
University of Phoenix[(1)]	$ 1,270,468	$ 1,447,636	$ 1,131,331
Apollo Global:			
BPP[(2)]	(224,335)	(186,552)	(6,607)
Other[(3)]	(37,750)	(31,147)	(11,431)
Total Apollo Global	(262,085)	(217,699)	(18,038)
Other Schools	6,870	9,201	6,931
Corporate[(4)]	(54,009)	(228,414)	(54,289)
Total operating income	961,244	1,010,724	1,065,935
Reconciling items:			
Interest income	3,222	2,920	12,591
Interest expense	(8,931)	(11,891)	(4,448)
Other, net	(1,588)	(685)	(7,151)
Income from continuing operations before income taxes	$ 953,947	$ 1,001,068	$ 1,066,927
Depreciation and amortization			
University of Phoenix	$ 53,681	$ 50,770	$ 59,337
Apollo Global:			
BPP	22,976	32,917	3,115
Other	7,570	7,998	6,801
Total Apollo Global	30,546	40,915	9,916
Other Schools	1,082	982	1,405
Corporate	73,697	54,368	42,692
Total depreciation and amortization	$ 159,006	$ 147,035	$ 113,350
Capital expenditures			
University of Phoenix	$ 53,801	$ 39,623	$ 49,031
Apollo Global:			
BPP	11,896	10,287	504
Other	8,943	5,994	6,490

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Total Apollo Global	20,839	16,281	6,994
Other Schools	72	456	639
Corporate	87,861	111,817	70,692
Total capital expenditures	$ 162,573	$ 168,177	$ 127,356

(1) University of Phoenix's fiscal year 2011 operating income includes $22.9 million of restructuring and other charges associated with our real estate rationalization plan and a strategic reduction in force. Refer to Note 4, Restructuring and Other Charges. Operating income for fiscal year 2009 includes an $80.5 million charge resulting from our agreement in principle to settle a qui tam lawsuit pertaining to alleged violations of the False Claims Act. The settlement was finalized by all parties in fiscal year 2010.

(2) The operating loss for BPP in fiscal years 2011 and 2010 includes a $219.9 million and $175.9 million, respectively, of goodwill and other intangibles impairment charges. Refer to Note 10, Goodwill and Intangible Assets.

(3) Apollo Global - Other's operating loss in fiscal year 2010 includes an $8.7 million goodwill impairment charge for ULA.

(4) The operating loss for Corporate in fiscal years 2011 and 2010 includes a net credit of $16.2 million and charges of $178.0 million, respectively, associated with the *Securities Class Action (Policeman's Annuity and Benefit Fund of Chicago)*. See Note 20, Commitments and Contingencies.

A summary of our consolidated assets by reportable segment is as follows:

	As of August 31,		
($ in thousands)	**2011**	**2010**	**2009**
Assets			
University of Phoenix	$1,016,005	$1,263,024	$1,112,002
Apollo Global:			
BPP[1]	303,107	511,124	778,416
Other	146,490	116,483	148,125
Total Apollo Global	449,597	627,607	926,541
Insight Schools[2]	—	—	26,590
Other Schools	24,073	33,114	37,590
Corporate	1,780,031	1,677,706	1,160,654
Total assets	$3,269,706	$3,601,451	$3,263,377

(1) We recorded a $219.9 million and a $175.9 million impairment charge for BPP's goodwill and other intangibles during fiscal years 2011 and 2010, respectively. Refer to Note 10, Goodwill and Intangible Assets.

(2) Insight Schools' assets were held for sale and included in our Corporate caption as of August 31, 2010. Refer to Note 5, Discontinued Operations.

Revenue by geographical area

A summary of financial information by geographical area based on country of domicile for our respective operating locations is as follows:

	Year Ended August 31,		
($ in thousands)	**2011**	**2010**	**2009**
Net revenue			
United States	$4,437,079	$4,617,533	$3,879,615
United Kingdom	222,732	228,177	13,062
Latin America	50,725	53,765	54,536
Other	22,486	26,344	6,353
Net revenue	$4,733,022	$4,925,819	$3,953,566

Long-lived assets by geographical area

	As of August 31,		
($ in thousands)	**2011**	**2010**	**2009**

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Long-lived assets[1]			
United States	$471,703	$ 547,715	$ 496,493
United Kingdom	214,073	430,475	698,273
Latin America	86,103	81,870	86,137
Other	35,562	32,229	2,633
Total long-lived assets	$807,441	$1,092,289	$1,283,536

(1) Long-lived assets include property and equipment, net, goodwill, and intangible assets, net.

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Related Person Transactions	12 Months Ended Aug. 31, 2011

Notes to Consolidated Financial Statements [Abstract]

Related Person Transactions

Related Person Transactions

Yo Pegasus, LLC

Yo Pegasus, LLC, an entity controlled by Dr. John G. Sperling, the Executive Chairman of our Board of Directors, leases an aircraft to us as well as to other entities. Payments to Yo Pegasus for the business use of the airplane, including hourly flight charges, fuel, and direct operating expenses during fiscal years 2011, 2010 and 2009 were $0.1 million, $0.3 million and $0.2 million, respectively.

Sperling Gallery

In January 2010, we purchased certain artwork from an art gallery owned by Virginia Sperling for $88,000. Virginia Sperling is the former wife of Dr. John G. Sperling, the Executive Chairman of our Board of Directors, and the mother of Mr. Peter V. Sperling, the Vice Chairman of our Board of Directors. Before purchasing this artwork, we leased it pursuant to a contract between Apollo Group and the art gallery. Lease payments under the contract during fiscal years 2010 and 2009 were $8,000 and $34,000, respectively.

Earth Day Network

We have provided grants directly or through University of Phoenix Foundation, a non-profit entity affiliated with University of Phoenix, to Earth Day Network totaling $30,000, $0.5 million and $0.1 million in fiscal years 2011, 2010 and 2009, respectively. Art Edelstein, the Director of Development of Earth Day Network, is the brother of Mr. Charles B. Edelstein, our Co-Chief Executive Officer.

Cisco Systems, Inc.

During fiscal years 2011, 2010 and 2009, we purchased goods and services from Cisco Systems, Inc., directly and through third party sellers, in the normal course of our business, and we expect to do so in the future. Mr. Manuel F. Rivelo, a member of our Board of Directors, is employed by Cisco Systems, Inc. as Senior Vice President of Enterprise Systems and Operations.

FuzeBox

During fiscal year 2011, we entered into an agreement with FuzeBox, Inc., an entity for which Mr. Peter V. Sperling, the Vice Chairman of our Board of Directors, is the Chairman of the Board and co-founder, whereby we paid FuzeBox $266,000 as part of a pilot program related to internet-based video conferencing provided by FuzeBox.

Deferred Compensation Agreement with Dr. John G. Sperling

The deferred compensation agreement relates to an agreement between Apollo and Dr. John G. Sperling. The related $3.3 million liability balance as of August 31, 2011 is included in other long-term liabilities in our Consolidated Balance Sheets.

John Sperling Voting Stock Trust

During fiscal year 2011, we paid a premium of $1.2 million for a three-year errors and omissions insurance policy for the benefit of the current and any future trustees of the John Sperling Voting Stock Trust. Dr. John G. Sperling, the Executive Chairman of our Board of Directors, is the trustor and sole trustee of the trust, which is the owner of a majority of our Class B voting common stock.

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Commitments and Contingencies (Tables)

12 Months Ended Aug. 31, 2011

Commitments And Contingencies (Tables) [Abstract]

Operating lease commitments

The following is a schedule of future minimum commitments for capital and operating leases as of August 31, 2011:

($ in thousands)	Capital Leases	Operating Leases[1]
2012	$ 9,395	$ 162,217
2013	8,922	158,200
2014	7,937	146,295
2015	7,248	134,242
2016	5,199	112,674
Thereafter	2,467	464,969
Total future minimum lease obligation[2], [3]	$ 41,168	$1,178,597
Less: imputed interest on capital leases	(4,656)	
Net present value of lease obligations	$ 36,512	

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(1) The total future minimum lease obligation associated with operating leases includes lease payments for a lease agreement executed in fiscal year 2009 for a building for which we do not have the right to control the use of the property under the lease at August 31, 2011. The future minimum lease payments associated with this lease are approximately $87 million and we began using the property in the first quarter of fiscal year 2012.

(2) The total future minimum lease obligation excludes non-cancelable sublease rental income of $1.2 million.

(3) During the fourth quarter of fiscal year 2011, we initiated a plan to rationalize our real estate portfolio in Phoenix, Arizona through space consolidation and reorganization. The total future minimum operating lease obligation includes $43.8 million of future contractual lease payments associated with a facility for which we no longer expect to receive a future economic benefit as of August 31, 2011. The total future minimum operating lease obligation also includes $34.7 million of future contractual lease payments associated with three facilities that we expect to abandon in fiscal year 2012. See Note 4, Restructuring and Other Charges, for further discussion.

Capital lease commitments

The following is a schedule of future minimum commitments for capital and operating leases as of August 31, 2011:

($ in thousands)	Capital Leases	Operating Leases[1]
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Segment Reporting (Details) (USD $) In Thousands	3 Months Ended								12 Months Ended		
	Aug. 31, 2011	May 31, 2011	Feb. 28, 2011	Nov. 30, 2010	Aug. 31, 2010	May 31, 2010	Feb. 28, 2010	Nov. 30, 2009	Aug. 31, 2011	Aug. 31, 2010	Aug. 31, 2009
Segment reporting [Line Items]											
Net revenue	$ 1,122,121	$ 1,235,837	$ 1,048,629	$ 1,326,435	$ 1,259,420	$ 1,337,404	$ 1,070,336	$ 1,258,659	$ 4,733,022	$ 4,925,819	$ 3,953,566
Operating income	230,680	346,488	(23,040)	407,116	142,369	302,306	172,990	393,059	961,244	1,010,724	1,065,935
Interest income	587	867	785	983	636	827	525	932	3,222	2,920	12,591
Interest expense	(2,724)	(2,383)	(1,654)	(2,170)	(3,784)	(1,979)	(3,220)	(2,908)	(8,931)	(11,891)	(4,448)
Other, net	15	(1,862)	313	(54)	1,376	(1,312)	(79)	(670)	(1,588)	(685)	(7,151)
Income from continuing operations before income taxes	228,558	343,110	(23,596)	405,875	140,597	299,842	170,216	390,413	953,947	1,001,068	1,066,927
Depreciation and amortization									159,006	147,035	113,350
Capital expenditures									162,573	168,177	127,356
Restructuring and other charges	19,067	0	0	3,846					22,913	0	0
Litigation (credit) charge, net	(16,454)	2,048	1,574	881	882	132,600	44,500	0	(11,951)	177,982	80,500
Goodwill and other intangibles impairment	0	0	219,927	0	175,858	8,712	0	0	219,927	184,570	0
Assets	3,269,706				3,601,451				3,269,706	3,601,451	3,263,377
University Of Phoenix [Member]											
Segment reporting [Line Items]											
Net revenue									4,322,670	4,498,325	3,766,600
Operating income									1,270,468	1,447,636	1,131,331
Depreciation and amortization									53,681	50,770	59,337
Capital expenditures									53,801	39,623	49,031
Restructuring and other charges									22,900		
Litigation (credit) charge, net											80,500
Assets	1,016,005				1,263,024				1,016,005	1,263,024	1,112,002
Bpp Apollo Global [Member]											
Segment reporting [Line Items]											
Net revenue									244,181	251,743	13,062
Operating income									(224,335)	(186,552)	(6,607)
Depreciation and amortization									22,976	32,917	3,115
Capital expenditures									11,896	10,287	504
Goodwill and other intangibles impairment									219,900	175,900	
Assets	303,107				511,124				303,107	511,124	778,416
Apollo Global Other [Member]											
Segment reporting [Line Items]											
Net revenue									75,800	78,253	76,083
Operating income									(37,750)	(31,147)	(11,431)
Depreciation and amortization									7,570	7,998	6,801
Capital expenditures									8,943	5,994	6,490
Assets	146,490				116,483				146,490	116,483	148,125
Total Apollo Global [Member]											
Segment reporting [Line Items]											
Net revenue									319,981	329,996	89,145
Operating income									(262,085)	(217,699)	(18,038)

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Depreciation and amortization			30,546	40,915	9,916
Capital expenditures			20,839	16,281	6,994
Assets	449,597	627,607	449,597	627,607	926,541
Insight Schools [Member]					
Segment reporting [Line Items]					
Assets	0	0	0	0	26,590
Other Schools [Member]					
Segment reporting [Line Items]					
Net revenue			88,517	95,706	95,045
Operating income			6,870	9,201	6,931
Depreciation and amortization			1,082	982	1,405
Capital expenditures			72	456	639
Assets	24,073	33,114	24,073	33,114	37,590
Corporate [Member]					
Segment reporting [Line Items]					
Net revenue			1,854	1,792	2,776
Operating income			(54,009)	(228,414)	(54,289)
Depreciation and amortization			73,697	54,368	42,692
Capital expenditures			87,861	111,817	70,692
Litigation (credit) charge, net			(16,200)	178,000	
Assets	1,780,031	1,677,706	1,780,031	1,677,706	1,160,654
Ula Apollo Global [Member]					
Segment reporting [Line Items]					
Goodwill and other intangibles impairment				$ 8,700	

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Discontinued Operations	12 Months Ended Aug. 31, 2011
Notes to Consolidated Financial Statements [Abstract]	
Discontinued Operations	

Discontinued Operations

In fiscal year 2010, we initiated a formal plan to sell Insight Schools, engaged an investment bank and also began the process of actively marketing Insight Schools as we determined that the business was no longer consistent with our long-term strategic objectives. We completed the sale of Insight Schools during the second quarter of fiscal year 2011 and do not have significant continuing involvement after the sale. We began presenting Insight Schools' assets and liabilities as held for sale on our Consolidated Balance Sheets in fiscal year 2010, and Insight Schools' operating results are presented as discontinued operations on our Consolidated Statements of Income for all periods presented. We determined cash flows from discontinued operations are not material and are included with cash flows from continuing operations on our Consolidated Statements of Cash Flows from Continuing and Discontinued Operations. Insight Schools was previously presented as its own reportable segment.

We sold all of Insight Schools' issued and outstanding shares for $6.3 million, plus $3.0 million that will be held in escrow for one year following the sale, and $15.3 million of additional estimated working capital consideration. As of August 31, 2011, we have received $15.0 million of the working capital consideration and we expect to receive the remaining amount and the funds held in escrow during fiscal year 2012. The funds held in escrow are included in other current assets on our Consolidated Balance Sheets. We realized a $0.1 million loss on sale in fiscal year 2011, which is included in income (loss) from discontinued operations, net of tax on our Consolidated Statements of Income.

The major components of Insight Schools' assets and liabilities presented separately as held for sale on our Consolidated Balance Sheets as of August 31, 2010 are as follows:

($ in thousands)	As of August 31, 2010
Accounts receivable, net	$ 3,851
Property and equipment, net	6,037
Goodwill	3,342
Other	2,715
Total Insight Schools' assets	$ 15,945
Total Insight Schools' liabilities	$ 4,474

The following table summarizes Insight Schools' operating results for fiscal years 2011, 2010 and 2009, which are presented in income (loss) from discontinued operations, net of tax in our Consolidated Statements of Income:

	Year Ended August 31,		
($ in thousands)	2011	2010	2009
Net revenue	$ 20,494	$ 32,240	$ 20,636
Goodwill impairment[(1)]	—	(9,400)	—
Costs and other[(2)]	(19,596)	(42,552)	(47,748)
Income (loss) from discontinued operations before income taxes	898	(19,712)	(27,112)
Benefit from income taxes[(1),(3)]	1,589	4,288	10,735

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Income (loss) from discontinued operations, net of tax	$ 2,487	$ (15,424)	$ (16,377)

(1) We recognized the goodwill impairment charge in fiscal year 2010 in the quarter we began presenting Insight Schools' as held for sale. We did not record a tax benefit associated with the goodwill impairment charge because Insight Schools' goodwill was not deductible for tax purposes.
(2) Costs and other includes a $0.1 million loss on sale recorded in fiscal year 2011.
(3) Benefit from income taxes during fiscal year 2011 includes a $1.6 million tax benefit recorded in fiscal year 2011 as a result of the Insight Schools sale generating a capital loss for tax purposes.

We include only revenues and costs, including the goodwill impairment charge discussed above, directly attributable to the discontinued operations, and not those attributable to our continuing operations. Accordingly, no interest expense or general corporate overhead have been allocated to Insight Schools. Additionally, we ceased depreciation and amortization on property and equipment and finite-lived intangible assets at Insight Schools in the period we determined it was held for sale.

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Commitments and Contingencies	12 Months Ended
	Aug. 31, 2011

Notes to Consolidated Financial Statements [Abstract]

Commitments and Contingencies

Commitments and Contingencies

Guarantees

We have agreed to indemnify our officers and directors for certain events or occurrences. The maximum potential amount of future payments we could be required to make under these indemnification agreements is unlimited; however, we have director and officer liability insurance policies that mitigate our exposure and enable us to recover a portion of any future amounts paid. Based on the significant uncertainty associated with our pending as well as possible future litigation, settlements and other proceedings relative to our insurance policy coverage, the fair value of these indemnification agreements, if any, cannot be estimated.

Lease Commitments

The following is a schedule of future minimum commitments for capital and operating leases as of August 31, 2011:

($ in thousands)	Capital Leases	Operating Leases[1]
2012	$ 9,395	$ 162,217
2013	8,922	158,200
2014	7,937	146,295
2015	7,248	134,242
2016	5,199	112,674
Thereafter	2,467	464,969
Total future minimum lease obligation[2], [3]	$ 41,168	$1,178,597
Less: imputed interest on capital leases	(4,656)	
Net present value of lease obligations	$ 36,512	

(1) The total future minimum lease obligation associated with operating leases includes lease payments for a lease agreement executed in fiscal year 2009 for a building for which we do not have the right to control the use of the property under the lease at August 31, 2011. The future minimum lease payments associated with this lease are approximately $87 million and we began using the property in the first quarter of fiscal year 2012.

(2) The total future minimum lease obligation excludes non-cancelable sublease rental income of $1.2 million.

(3) During the fourth quarter of fiscal year 2011, we initiated a plan to rationalize our real estate portfolio in Phoenix, Arizona through space consolidation and reorganization. The total future minimum operating lease obligation includes $43.8 million of future contractual lease payments associated with a facility for which we no longer expect to receive a future economic benefit as of August 31, 2011. The total future minimum operating lease obligation also includes $34.7 million of future contractual lease payments associated with three facilities that we expect to abandon in fiscal year 2012. See Note 4, Restructuring and Other Charges, for further discussion.

Rent expense was $219.3 million, $194.6 million and $162.5 million for fiscal years 2011, 2010 and 2009, respectively.

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On March 24, 2011, we entered into an agreement to sell our principal office buildings in Phoenix, Arizona plus the related land and parking facilities comprising approximately 600,000 square feet of office space for $169 million net of transaction fees. Pursuant to the agreement, we have simultaneously leased back the facilities for an initial term of 20 years, with four five-year renewal options. We are required to pay rent of $12 million for the initial year, which is increased 2% per year until the end of the initial lease term. We generated a gain on sale of $27.5 million, which has been deferred and is being recognized on a straight-line basis over the initial lease term. Based on the terms of the agreement, we have classified and are accounting for the lease as an operating lease. The classification as an operating lease required judgment and estimates in developing key assumptions that include, but are not limited to, the lease term, the discount rate used in discounting future lease payments and the economic useful life of the asset.

We have also entered into other sale-leaseback agreements related to properties that we currently use to support our operations. From these agreements, we received $31.9 million in cash for the properties, which generated a combined gain of approximately $14.2 million that is being deferred over the respective lease terms. We recognized total gains associated with sale-leasebacks of $2.2 million, $1.7 million and $1.7 million in fiscal years 2011, 2010 and 2009, respectively, in the Consolidated Statements of Income. The total deferred gain included in other liabilities in our Consolidated Balance Sheets was $31.3 million and $5.6 million as of August 31, 2011 and 2010, respectively.

Naming Rights to Glendale, Arizona Sports Complex

In September 2006, we entered into a Naming and Sponsorship Rights Agreement with New Cardinals Stadium, L.L.C. and B&B Holdings, Inc. doing business as the Arizona Cardinals, third parties unrelated to Apollo, for naming and sponsorship rights on a stadium in Glendale, Arizona, which is home to the Arizona Cardinals team in the National Football League. The agreement includes naming, sponsorship, signage, advertising and other promotional rights and benefits. The initial agreement term is in effect until 2026 with options to extend. Pursuant to the agreement, we were required to pay a total of $5.8 million for the 2006 contract year, which is increased 3% per year until 2026. As of August 31, 2011, our remaining contractual obligation pursuant to this agreement is $122.3 million. Other payments apply if certain events occur, such as if the Cardinals play in the Super Bowl or if all of the Cardinals' regular season home games are sold-out.

Surety Bonds

As part of our normal operations, our insurers issue surety bonds for us that are required by various states where we operate. We are obligated to reimburse our insurers for any surety bonds that are paid by the insurers. As of August 31, 2011, the total face amount of these surety bonds was approximately $55.7 million.

Contingencies Related to Litigation and Other Proceedings

The following is a description of pending litigation, settlements, and other proceedings that fall outside the scope of ordinary and routine litigation incidental to our business.

Securities Class Action (Policeman's Annuity and Benefit Fund of Chicago)

In January 2008, a jury returned an adverse verdict against us and two remaining individual co-defendants in a securities class action lawsuit entitled, *In re Apollo Group, Inc. Securities Litigation*, Case No. CV04-2147-PHX-JAT, filed in the U.S. District Court for the District of Arizona, relating to alleged false and misleading statements in connection with our failure to publicly disclose the contents of a preliminary U.S. Department of Education program review report. After various post-trial challenges, the case was returned to the trial court in March 2011 to administer the shareholder claims process. In September 2011, we entered into an agreement in principle with the plaintiffs to settle the litigation for a payment of $145.0 million . The outcome of this legal proceeding remains uncertain including, but not limited to, the requirement that any settlement agreement must be approved by the court.

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Prior to entering into an agreement in principle to settle, we had an accrual of $181.9 million related to this matter. We had estimated for financial reporting purposes, using statistically valid models and a 60% confidence interval, that the damages could range from $127.2 million to $228.0 million, which included our estimates of (a) damages payable to the plaintiff class; (b) the amount we may be required to reimburse our insurance carriers for amounts advanced for defense costs; and (c) future defense costs. We recorded charges in fiscal year 2010 that represented the mid-point of the estimated range of damages payable to the plaintiffs, plus the other estimated costs and expenses. We recorded an amount based on the mid-point of the range of damages payable to the plaintiff class because under statistically valid modeling techniques the mid-point of the range is in fact a more likely estimate than other points in the range, and the point at which there is an equal probability that the ultimate loss could be toward the lower end or the higher end of the range. We have also recorded charges in subsequent periods for estimated incremental post-judgment interest and additional estimated future legal costs. Based on the settlement agreement, we reversed $20.7 million of the charges during the fourth quarter of fiscal year 2011 through litigation (credit) charge, net on our Consolidated Statements of Income. As of August 31, 2011, our remaining accrual of $161.2 million represents the $145.0 million settlement, an estimate of the disputed amount we may be required to reimburse our insurance carriers for defense costs advanced to us, and estimated future legal costs.

Securities Class Action (Apollo Institutional Investors Group)

On August 13, 2010, a securities class action complaint was filed in the U.S. District Court for the District of Arizona by Douglas N. Gaer naming us, John G. Sperling, Gregory W. Cappelli, Charles B. Edelstein, Joseph L. D'Amico, Brian L. Swartz and Gregory J. Iverson as defendants for allegedly making false and misleading statements regarding our business practices and prospects for growth. That complaint asserted a putative class period stemming from December 7, 2009 to August 3, 2010. A substantially similar complaint was also filed in the same court by John T. Fitch on September 23, 2010 making similar allegations against the same defendants for the same purported class period. Finally, on October 4, 2010, another purported securities class action complaint was filed in the same court by Robert Roth against the same defendants as well as Brian Mueller, Terri C. Bishop and Peter V. Sperling based upon the same general set of allegations, but with a defined class period of February 12, 2007 to August 3, 2010. The complaints allege violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. On October 15, 2010, three additional parties filed motions to consolidate the related actions and be appointed the lead plaintiff.

On November 23, 2010, the Fitch and Roth actions were consolidated with Gaer and the Court appointed the "Apollo Institutional Investors Group" consisting of the Oregon Public Employees Retirement Fund, the Mineworkers' Pension Scheme, and Amalgamated Bank as lead plaintiffs. The case is now entitled, *In re Apollo Group, Inc. Securities Litigation*, Lead Case Number CV-10-1735-PHX-JAT. On February 18, 2011, the lead plaintiffs filed a consolidated complaint naming Apollo, John G. Sperling, Peter V. Sperling, Joseph L. D'Amico, Gregory W. Cappelli, Charles B. Edelstein, Brian L. Swartz, Brian E. Mueller, Gregory J. Iverson, and William J. Pepicello as defendants. The consolidated complaint asserts a putative class period of May 21, 2007 to October 13, 2010. On April 19, 2011, we filed a motion to dismiss and oral argument on the motion was held before the Court on October 17, 2011.

Discovery in this case has not yet begun. We anticipate that the plaintiffs will seek substantial damages, including damages representing the aggregate investment losses attributable to the alleged false and misleading statements by all shareholders who purchased shares during the 29-month putative class period and still held those shares on October 13, 2010. Because of the many questions of fact and law that may arise, the outcome of this legal proceeding is uncertain at this point. Based on information available to us at present, we cannot reasonably estimate a range of loss for this action and accordingly have not accrued any liability associated with these actions.

Securities Class Action (Teamsters Local 617 Pensions and Welfare Funds)

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On November 2, 2006, the Teamsters Local 617 Pension and Welfare Funds filed a class action complaint purporting to represent a class of shareholders who purchased our stock between November 28, 2001 and October 18, 2006. The complaint, filed in the U.S. District Court for the District of Arizona, is entitled *Teamsters Local 617 Pension & Welfare Funds v. Apollo Group, Inc. et al.*, Case Number 06-cv-02674-RCB, and alleges that we and certain of our current and former directors and officers violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder by purportedly making misrepresentations concerning our stock option granting policies and practices and related accounting. The defendants are Apollo Group, Inc., J. Jorge Klor de Alva, Daniel E. Bachus, John M. Blair, Dino J. DeConcini, Kenda B. Gonzales, Hedy F. Govenar, Brian E. Mueller, Todd S. Nelson, Laura Palmer Noone, John R. Norton III, John G. Sperling and Peter V. Sperling. On September 11, 2007, the Court appointed The Pension Trust Fund for Operating Engineers as lead plaintiff. Lead plaintiff filed an amended complaint on November 23, 2007, asserting the same legal claims as the original complaint and adding claims for violations of Section 20A of the Securities Exchange Act of 1934 and allegations of breach of fiduciary duties and civil conspiracy.

On January 22, 2008, all defendants filed motions to dismiss. On March 31, 2009, the Court dismissed the case with prejudice as to Daniel Bachus, Hedy Govenar, Brian E. Mueller, Dino J. DeConcini, and Laura Palmer Noone. The Court also dismissed the case as to John Sperling and Peter Sperling, but granted plaintiffs leave to file an amended complaint against them. Finally, the Court dismissed all of plaintiffs' claims concerning misconduct before November 2001 and all of the state law claims for conspiracy and breach of fiduciary duty. On April 30, 2009, plaintiffs filed their Second Amended Complaint, which alleges similar claims for alleged securities fraud against the same defendants. On June 15, 2009, all defendants filed another motion to dismiss the Second Amended Complaint. On February 22, 2010, the Court partially granted the plaintiffs' motion for reconsideration, but withheld a final determination on the individual defendants pending the Court's ruling on the motion to dismiss the Second Amended Complaint.

On March 31, 2011, the U.S. District Court for the District of Arizona dismissed the case with prejudice and entered judgment in our favor. Plaintiffs filed a motion for reconsideration of this ruling and, if that is not successful, plaintiffs have indicated they will appeal the ruling. The outcome of this legal proceeding is uncertain at this point. Based on the information available to us at present, we cannot reasonably estimate a range of loss for this action and, accordingly, we have not accrued any liability associated with this action.

Incentive Compensation False Claims Act Lawsuit

On May 25, 2011, we were notified that a *qui tam* complaint had been filed against us in the U.S. District Court, Eastern District of California, by private relators under the Federal False Claims Act and California False Claims Act, entitled *USA and State of California ex rel. Hoggett and Good v. University of Phoenix, et al*, Case Number 2:10-CV-02478-MCE-KJN. When the federal government declines to intervene in a qui tam action, as it has done in this case, the relators may elect to pursue the litigation on behalf of the federal government and, if successful, they are entitled to receive a portion of the federal government's recovery.

The complaint alleges, among other things, that University of Phoenix has violated the Federal False Claims Act since December 12, 2009 and the California False Claims Act for the preceding ten years by falsely certifying to the U.S. Department of Education and the State of California that University of Phoenix was in compliance with various regulations that require compliance with federal rules regarding the payment of incentive compensation to admissions personnel, in connection with University of Phoenix's participation in student financial aid programs. In addition to injunctive relief and fines, the relators seek significant damages on behalf of the Department of Education and the State of California, including all student financial aid disbursed by the Department to our students since December 2009 and by the State of California to our students during the preceding ten years. The complaint was served on June 22, 2011. On July 12, 2011, we filed a motion to dismiss and on August 30, 2011, relators filed a motion to file an amended complaint. No oral argument on either motion is currently scheduled.

Because of the many questions of fact and law that may arise, the outcome of this legal proceeding is uncertain at this point. Based on the information available to us at present, we

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cannot reasonably estimate a range of loss for this action and, accordingly, we have not accrued any liability associated with this action.

Patent Infringement Litigation

On March 3, 2008, Digital-Vending Services International Inc. filed a complaint against University of Phoenix and Apollo Group Inc., as well as Capella Education Company, Laureate Education Inc., and Walden University Inc. in the U.S. District Court for the Eastern District of Texas, since transferred on plaintiff's motion to the Eastern District of Virginia. The case is entitled, *Digital Vending Services International, LLC vs. The University of Phoenix, et al*, Case Number 2:09cv555 (JBF-TEM). The complaint alleges that we and the other defendants have infringed and are infringing various patents relating to managing courseware in a shared use operating environment and seeks injunctive relief and monetary damages. We filed an answer to the complaint on May 27, 2008, in which we denied that Digital-Vending Services International's patents were duly and lawfully issued, and asserted defenses of non-infringement and patent invalidity, among others. We also asserted a counterclaim seeking a declaratory judgment that the patents are invalid, unenforceable, and not infringed by us.

On March 18, 2010, we filed our opening claim construction brief and on June 10, 2010, the Court issued its claim construction ruling. Discovery is now concluded and we filed a motion for summary judgment on August 13, 2010. A hearing on our motion for summary judgment was held on November 12, 2010, and on January 7, 2011, the Court granted our motion for summary judgment and dismissed the case with prejudice, citing plaintiff's failure to point to admissible evidence that could support a finding of infringement.

Plaintiff filed a Notice of Appeal on February 4, 2011 and their opening brief on April 18, 2011. We filed our response brief on May 27, 2011. Oral argument is currently scheduled for November 8, 2011. The outcome of this legal proceeding is uncertain at this point. During fiscal year 2011, we accrued an immaterial amount which reflects our settlement offer in connection with this action.

Sabol Wage and Hour Class Action

On July 31, 2009, several former employees filed an action in Federal District Court in Philadelphia alleging wage and hour claims under the Fair Labor Standards Act for failure to pay overtime and other violations, entitled, *Sabol, et al. v. Apollo Group, Inc., et al*, Case Number 2:09-cv-03439-JCJ. In January 2011, the parties agreed to settle the case for an immaterial amount, which was accrued in our financial statements during the second quarter of fiscal year 2011. The agreement, in which we do not admit liability, was approved by the Court on June 28, 2011 and the case was dismissed with prejudice on September 26, 2011.

Adoma Wage and Hour Class Action

On January 8, 2010, Diane Adoma filed an action in United States District Court, Eastern District of California alleging wage and hour claims under the Fair Labor Standards Act and California law for failure to pay overtime and other violations, entitled *Adoma et al. v. University of Phoenix, et al*, Case Number 2:10-cv-04134-JCJ. On March 5, 2010, we filed a motion to dismiss, or in the alternative to stay or transfer, the case based on the previously filed Sabol and Juric actions. On May 3, 2010, the Court denied the motion to dismiss and/or transfer. On April 12, 2010, plaintiff filed her motion for conditional collective action certification. The Court denied class certification under the Fair Labor Standards Act and transferred these claims to the District Court in Pennsylvania. On August 31, 2010, the Court granted plaintiff's motion for class action certification of the California claims. On September 14, 2010, we filed a petition for permission to appeal the class certification order with the Ninth Circuit, which was denied on November 3, 2010. There are approximately 1,500 current and former employees in the class.

In August 2011, the parties agreed to settle the case for an immaterial amount, which was accrued in our financial statements during the fourth quarter of fiscal year 2011. The agreement, in which we do not admit any liability, is subject to pending approval by the Court.

Shareholder Derivative Actions and Demand Letters

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On November 12, 2010 and December 8, 2010, we received separate demands on behalf of two different shareholders to investigate, address and commence proceedings against each of our directors and certain of our officers for violation of any applicable laws, including in connection with the subject matter of the report of the Government Accountability Office prepared for the U.S. Senate in August 2010, our withdrawal of the outlook we previously provided for our fiscal year 2011, the investigation into possible unfair and deceptive trade practices associated with certain alleged practices of University of Phoenix by the State of Florida Office of the Attorney General in Fort Lauderdale, Florida, the participation by the State of Oregon Office of the Attorney General in the Securities Class Action (Apollo Institutional Investors Group), and the informal inquiry by the Enforcement Division of the Securities and Exchange Commission commenced in October 2009. On September 8, 2011, we received a third shareholder demand letter from Darlene Smith, who is already pursuing one of the two previously filed shareholder derivative actions against Apollo management. In this letter, Ms. Smith requests that the Company pursue a contribution action against Todd Nelson and Kenda Gonzales based on the jury verdict in the Policeman's Annuity and Benefit Fund of Chicago Securities Class Action described above. The demands are a condition precedent under applicable Arizona law to the filing of a derivative lawsuit on behalf of Apollo Group seeking damages from directors and officers for breach of fiduciary duty.

- *Himmel Derivative Action*. On March 24, 2011, a shareholder derivative complaint was filed in the Superior Court for the State of Arizona, Maricopa County by Daniel Himmel, one of the foregoing shareholders who previously made a demand for investigation. In the complaint, the plaintiff asserts a derivative claim on our behalf against certain of our current and former officers and directors for breach of fiduciary duty, waste of corporate assets, and unjust enrichment. The complaint alleges that the individual defendants made improper statements and engaged in improper business practices that caused our stock price to drop, led to securities class actions against us, and enhanced regulation and scrutiny by various government entities and regulators. The case is entitled, *Himmel v. Bishop, et al*, Case Number CV2011-005604. Pursuant to a stipulation between all parties, on August 31, 2011, the Court ordered this action stayed during the pendency of the underlying Apollo Institutional Investors Securities Class Action.

- *Smith Derivative Action*. On April 12, 2011, a shareholder derivative complaint was filed in the U.S. District Court for the District of Arizona by Darlene Smith, one of the foregoing shareholders who previously made a demand for investigation. In the complaint, the plaintiff asserts a derivative claim on our behalf against certain of our current and former officers and directors for violations of federal securities laws, state law claims for breaches of fiduciary duty, abuse of control, gross mismanagement, unjust enrichment, corporate waste, and insider trading. The case is entitled, *Smith v. Sperling, et al*, Case Number CV-11-0722-PHX-PGR. On July 28, 2011, we filed a motion to stay the case and oral argument on the motion is scheduled before the Court on October 31, 2011.

K.K. Modi Investment and Financial Services Pvt. Ltd.

On November 8, 2010, a suit was filed by K.K. Modi Investment and Financial Services Pvt. Ltd. ("Modi") in the High Court of Delhi at New Delhi against defendants Apollo Group, Inc., Western International University, Inc., University of Phoenix, Inc., Apollo Global, Inc., Modi Apollo International Group Pvt. Ltd., Apollo International, Inc., John G. Sperling, Peter V. Sperling and Jorge Klor De Alva, seeking to permanently enjoin the defendants from making investments in the education industry in the Indian market in breach of an exclusivity and noncompete provision which plaintiff alleges is applicable to Apollo Group and its subsidiaries. The case is entitled, *K.K. Modi Investment and Financial Services Pvt. Ltd. v. Apollo International, et. al*. On December 14, 2010, the court declined to enter an injunction, but the matter is set for a further hearing on March 6, 2012. We believe that the relevant exclusivity and noncompete provision is inapplicable to us and our affiliates and we have moved to dismiss this action. We do not currently conduct significant business in India. If plaintiff ultimately obtains the requested injunctive relief, our ability to conduct business in India may be adversely affected.

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It is also possible that in the future K.K. Modi may seek to expand existing litigation in India or commence litigation in the U.S. in which it may assert a significant damage claim against us.

Other

We are subject to various claims and contingencies in the ordinary course of business, including those related to regulation, litigation, business transactions, employee-related matters and taxes, among others. We do not believe any of these are material for separate disclosure.

Other Matters

Attorney General Investigations

During fiscal 2011, we received notices from the Attorney General Offices in three states that they were investigating business practices at the University of Phoenix, as described below. We believe there may be an informal coalition of states considering investigatory or other inquires into recruiting practices and the financing of education at proprietary educational institutions, which may or may not include these three states.

- *State of Florida.* On October 22, 2010, University of Phoenix received notice that the State of Florida Office of the Attorney General in Fort Lauderdale, Florida had commenced an investigation into possible unfair and deceptive trade practices associated with certain alleged practices of University of Phoenix. The notice included a subpoena to produce documents and detailed information for the time period of January 1, 2006 to the present about a broad spectrum of University of Phoenix's business. We are cooperating with the investigation, but have also filed a suit to quash or limit the subpoena and to protect information sought that constitutes propriety or trade secret information. We cannot predict the eventual scope, duration or outcome of the investigation at this time.

- *State of Massachusetts.* On May 13, 2011, University of Phoenix received a Civil Investigative Demand from the State of Massachusetts Office of the Attorney General. The Demand relates to an investigation of possible unfair or deceptive methods, acts, or practices by for-profit educational institutions in connection with the recruitment of students and the financing of education. The Demand requires us to produce documents and detailed information and to give testimony regarding a broad spectrum of University of Phoenix's business for the time period of January 1, 2002 to the present. We are cooperating with the investigation. We cannot predict the eventual scope, duration or outcome of the investigation at this time.

- *State of Delaware.* On August 3, 2011, University of Phoenix received a subpoena from the Attorney General of the State of Delaware to produce detailed information regarding University of Phoenix students residing in Delaware. The time period covered by the subpoena is January 1, 2006 to the present. We are cooperating with the investigation. We cannot predict the eventual scope, duration or outcome of the investigation at this time.

Securities and Exchange Commission Informal Inquiry

During October 2009, we received notification from the Enforcement Division of the Securities and Exchange Commission indicating that they had commenced an informal inquiry into our revenue recognition practices. The Securities and Exchange Commission has requested various information and documents from us and/or our auditors, including information regarding our revenue recognition practices, our policies and practices relating to student refunds, the return of Title IV funds to lenders and bad debt reserves, our insider trading policies and procedures, a chronology of the internal processing and availability of information about the U.S. Department of Education program review of University of Phoenix commenced in early 2009, certain information relating to non-Title IV revenue sources and other matters. Based on these requests, the eventual scope, duration and outcome of the inquiry cannot be predicted at this time. We are cooperating fully with the Securities and Exchange Commission in connection with the inquiry.

See Note 15, Income Taxes, for discussion of Internal Revenue Service audits.

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Income Taxes (Tables)	12 Months Ended Aug. 31, 2011

Income Taxes (Tables) [Abstract]

Pretax income by geographical source

Geographic sources of income (loss) from continuing operations before income taxes are as follows:

($ in thousands)	2011	2010	2009
United States	$1,213,353	$1,227,794	$1,085,704
Foreign	(259,406)	(226,726)	(18,777)
Total income from continuing operations before income taxes	$ 953,947	$1,001,068	$1,066,927

Income tax expense (benefit)

Income tax expense (benefit) consists of the following for fiscal years 2011, 2010 and 2009:

($ in thousands)	2011	2010	2009
Current:			
Federal	$ 350,640	$ 458,375	$ 377,911
State	11,372	131,284	93,350
Foreign	1,129	(218)	(1,025)
Total current	363,141	589,441	470,236
Deferred:			
Federal	62,474	(106,834)	(8,667)
State	10,214	(7,574)	(4,872)
Foreign	(15,191)	(10,970)	23
Total deferred	57,497	(125,378)	(13,516)
Total provision for income taxes	$ 420,638	$ 464,063	$ 456,720

Deferred tax assets and liabilities

Deferred tax assets and liabilities result primarily from temporary differences in book versus tax basis accounting. Deferred tax assets and liabilities consist of the following as of August 31:

($ in thousands)	2011	2010
Deferred tax assets:		
Allowance for doubtful accounts	$ 44,364	$ 72,344
Deferred rent and tenant improvement allowances	25,198	28,921
Net operating loss carry-forward	10,718	17,629
Litigation charge	61,502	70,383
Share-based compensation	67,697	63,168
Other	59,001	73,821
Gross deferred tax assets	268,480	326,266
Valuation allowance	(10,446)	(14,645)
Deferred tax assets, net of valuation allowance	258,034	311,621
Deferred tax liabilities:		
Fixed assets	57,314	39,276
Intangible assets	30,738	40,069
Other	1,296	5,531

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Gross deferred tax liabilities	89,348	84,876
Net deferred income taxes	$168,686	$226,745

Unrecognized tax benefits

The following is a tabular reconciliation of the total amount of unrecognized tax benefits, excluding interest and penalties, at the beginning and the end of fiscal years 2011 and 2010:

($ in thousands)	
Balance at August 31, 2009	$ 84,861
Additions based on tax positions taken in the current year	99,590
Additions for tax positions taken in prior years	18,323
Settlement with tax authorities	(20,665)
Reductions for tax positions of prior years	(11,733)
Reductions due to lapse of applicable statute of limitations	(4,328)
Balance at August 31, 2010	166,048
Additions based on tax positions taken in the current year	4,503
Additions for tax positions taken in prior years	15,570
Settlement with tax authorities	(110,980)
Reductions for tax positions of prior years	(45,231)
Reductions due to lapse of applicable statute of limitations	(4,099)
Balance at August 31, 2011	$ 25,811

Income tax rate reconciliation

The provision for income taxes differs from the tax computed using the statutory U.S. federal income tax rate as a result of the following items for fiscal years 2011, 2010 and 2009:

	2011	**2010**	**2009**
Statutory U.S. federal income tax rate	35.0 %	35.0 %	35.0%
State income taxes, net of federal benefit[1]	1.8 %	6.3 %	5.1%
Non-deductible compensation, net[2]	0.3 %	(1.1)%	0.4%
Foreign taxes	0.8 %	1.1 %	0.6%
Litigation charge	(1.0)%	— %	0.9%
Goodwill impairments	7.4 %	5.8 %	—%
Meritus closure	(0.8)%	— %	—%
Other, net	0.6 %	(0.7)%	0.8%
Effective income tax rate	**44.1 %**	**46.4 %**	**42.8%**

[1] In fiscal year 2011, we realized a $43.3 million benefit associated with our resolution with the Arizona Department of Revenue. See further discussion below.

[2] In fiscal year 2010, we recorded benefits of $10.2 million and $1.2 million associated with our settlement of a dispute with the Internal Revenue Service. See further discussion below.

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Goodwill and Intangible Assets (Tables)	12 Months Ended Aug. 31, 2011
Goodwill And Intangible Assets (Tables) [Abstract]	
Changes in goodwill and goodwill carrying value	Goodwill represents the excess of the purchase price over the fair value assigned to the assets acquired and liabilities assumed. Changes in the carrying amount of goodwill by reportable segment during fiscal years 2011 and 2010 are as follows:

		Apollo Global				
($ in thousands)	University of Phoenix	BPP	Other	Insight Schools	Other Schools	Total Goodwill
Goodwill as of August 31, 2009	$ 37,018	$421,836	$ 35,452	$ 12,742	$ 15,310	$522,358
Impairment on discontinued operations	—	—	—	(9,400)	—	(9,400)
Impairment	—	(156,321)	(8,712)	—	—	(165,033)
Included in assets held for sale	—	—	—	(3,342)	—	(3,342)
Currency translation adjustment	—	(24,311)	1,887	—	—	(22,424)
Goodwill as of August 31, 2010	37,018	241,204	28,627	—	15,310	322,159
Impairment	—	(197,674)	—	—	—	(197,674)
Currency translation adjustment	—	7,164	1,648	—	—	8,812
Goodwill as of August 31, 2011	$ 37,018	$ 50,694	$ 30,275	$ —	$ 15,310	$133,297

The following table presents the components of the net carrying amount of goodwill by reportable segment as of August 31, 2011 and 2010:

		Apollo Global			
($ in thousands)	University of Phoenix	BPP	Other	Other Schools	Total Goodwill
August 31, 2010					
Gross carrying amount	$ 37,018	$ 425,638	$ 39,617	$ 35,515	$ 537,788
Accumulated impairments	—	(156,321)	(8,712)	(20,205)	(185,238)
Effect of foreign currency translation	—	(28,113)	(2,278)	—	(30,391)
Net carrying amount	$ 37,018	$ 241,204	$ 28,627	$ 15,310	$ 322,159

		Apollo Global			
($ in thousands)	University of Phoenix	BPP	Other	Other Schools	Total Goodwill
August 31, 2011					
Gross carrying amount	$ 37,018	$ 425,638	$ 39,617	$ 35,515	$ 537,788
Accumulated impairments	—	(353,995)	(8,712)	(20,205)	(382,912)
Effect of foreign currency translation	—	(20,949)	(630)	—	(21,579)
Net carrying amount	$ 37,018	$ 50,694	$ 30,275	$ 15,310	$ 133,297

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Intangible assets

Intangible assets consist of the following as of August 31:

($ in thousands)	2011				2010			
	Gross Carrying Amount	Accumulated Amortization	Effect of Foreign Currency Translation Loss	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Effect of Foreign Currency Translation Loss	Net Carrying Amount
Finite-lived intangible assets								
Student and customer relationships	$ 9,477	$ (6,538)	$ (1,284)	$ 1,655	$ 19,935	$ (12,891)	$ (1,624)	$ 5,420
Copyrights	20,891	(11,521)	(422)	8,948	20,891	(6,039)	(1,066)	13,786
Other	18,702	(12,499)	(1,166)	5,037	20,676	(9,342)	(1,591)	9,743
Total finite-lived intangible assets	49,070	(30,558)	(2,872)	15,640	61,502	(28,272)	(4,281)	28,949
Indefinite-lived intangible assets								
Trademarks[1]	98,849	—	(737)	98,112	121,879	—	(7,191)	114,688
Accreditations and designations	7,456	—	(91)	7,365	7,456	—	(500)	6,956
Total indefinite-lived intangible assets	106,305	—	(828)	105,477	129,335	—	(7,691)	121,644
Total intangible assets, net	$155,375	$ (30,558)	$ (3,700)	$121,117	$190,837	$ (28,272)	$ (11,972)	$150,593

(1) We recorded impairments charges of $22.2 million and $19.6 million of BPP's intangible assets during fiscal year 2011 and 2010, respectively. See below for further discussion.

Future intangibles amortization

Estimated future amortization expense of finite-lived intangible assets is as follows:

($ in thousands)	
2012	$ 8,577
2013	4,291
2014	1,546
2015	475
2016	92
Thereafter	659
Total estimated amortization expense	$ 15,640

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Stock and Savings Plans	12 Months Ended Aug. 31, 2011
Notes to Consolidated Financial Statements [Abstract]	
Stock and Savings Plans	

Stock and Savings Plans

401(k) Plan

We sponsor a 401(k) plan for eligible employees which provides them the opportunity to make pre-tax employee contributions. Such contributions are subject to certain restrictions as set forth in the Internal Revenue Code. Upon a participating employee’s completion of one year of service and 1,000 hours worked, we will match, at our discretion, 30% of such employee's contributions up to the lesser of 15% of his or her gross compensation or the maximum participant contribution permitted under the Internal Revenue Code. Our matching contributions totaled $12.6 million, $11.3 million and $9.6 million for fiscal years 2011, 2010 and 2009, respectively.

Employee Stock Purchase Plan

Our Third Amended and Restated 1994 Employee Stock Purchase Plan allows eligible employees to purchase shares of our Class A common stock at quarterly intervals through periodic payroll deductions at a price per share equal to 95% of the fair market value on the purchase date. This plan is deemed to be non-compensatory, and accordingly, we do not recognize any share-based compensation expense with respect to the shares of our Class A common stock purchased under the plan.

Share-Based Compensation Plans

We currently have outstanding awards under the following two share-based compensation plans: the Apollo Group, Inc. Second Amended and Restated Director Stock Plan and the Apollo Group, Inc. Amended and Restated 2000 Stock Incentive Plan.

Under the Second Amended and Restated Director Stock Plan, the non-employee members of our Board of Directors received on September 1 of each year through 2003 options to purchase shares of our Class A common stock. No additional shares are available for issuance under this plan, and no grants have been made under such plan since the 2003 calendar year grants.

Under the Amended and Restated 2000 Stock Incentive Plan, we may grant non-qualified stock options, incentive stock options, stock appreciation rights, restricted stock units, performance share awards, and other share-based awards covering shares of our Class A common stock to officers, key employees and faculty members, and the non-employee members of our Board of Directors. In general, the awards granted under the Amended and Restated 2000 Stock Incentive Plan vest over periods ranging from six months to four years. Stock options granted have contractual terms of 10 years or less. For certain outstanding stock options, vesting may be tied to the attainment of prescribed market conditions based on stock price appreciation in addition to service-vesting requirements. Restricted stock units issued under the Plan may have both performance-vesting and service-vesting components (for grants generally made to executive officers) or service-vesting only (for other recipients). Performance share awards have both performance-vesting and service-vesting components tied to a defined performance period. Approximately 25.1 million shares of our Class A common stock have been reserved for issuance over the term of this plan. The shares may be issued from treasury shares or from our authorized but unissued shares of our Class A common stock. As of August 31, 2011, approximately 14.3 million authorized and unissued shares of our Class A common stock were available for issuance under the Amended and Restated 2000 Stock Incentive Plan, including the shares subject to outstanding equity awards under such plan.

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Under each of the two Apollo Group plans, the exercise price for stock options may not be less than 100% of the fair market value of our Class A common stock on the date of the grant. The requisite service period for all awards is generally equal to the vesting period.

Stock Options and Stock Appreciation Rights

During fiscal years 2011, 2010 and 2009, we granted stock options with a service vesting condition to the members of our Board of Directors, officers, and certain faculty and management employees. During fiscal year 2009, we also granted stock options with both a service and a market vesting condition to certain members of our management team. We measure the fair value of stock options as of the date of grant. We amortize share-based compensation expense, net of forfeitures, over the requisite service period using the straight-line method for awards with only a service condition, and the graded vesting attribution method for awards with a service and a market vesting condition. The vesting period of the stock options granted generally ranges from six months to four years. A summary of the activity and changes related to stock options and stock appreciation rights granted under our plans is as follows:

(numbers in thousands, except per share and contractual term data)	Total Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value ($)[1]
Outstanding as of August 31, 2008	12,377	$ 52.41		
Granted	1,164	68.08		
Exercised	(2,707)	41.18		
Forfeited, canceled or expired	(572)	64.24		
Outstanding as of August 31, 2009	10,262	56.49		
Granted	850	43.28		
Exercised	(521)	27.33		
Forfeited, canceled or expired	(442)	62.87		
Outstanding as of August 31, 2010	10,149	56.62		
Granted	650	43.49		
Exercised	(608)	31.41		
Forfeited, canceled or expired	(915)	58.38		
Outstanding as of August 31, 2011	9,276	$ 57.18	3.00	$ 6,894
Vested and expected to vest as of August 31, 2011	9,213	$ 57.24	2.98	$ 6,702
Exercisable as of August 31, 2011	7,136	$ 58.38	2.60	$ 2,159
Available for future grant as of August 31, 2011	1,361			

(1) Aggregate intrinsic value represents the total amount obtained by multiplying the portion of our closing stock price of $46.83 on August 31, 2011 in excess of the applicable exercise prices by the number of options outstanding or exercisable with an exercise price less than that closing stock price.

As of August 31, 2011, there was approximately $34.4 million of total unrecognized share-based compensation cost, net of forfeitures, related to unvested stock options and stock appreciation rights. These costs are expected to be recognized over a weighted average period of 2.08 years. The fair value of stock options and stock appreciation rights that vested during fiscal years 2011, 2010 and 2009 was $37.8 million, $45.4 million, and $54.1 million, respectively.

The following table summarizes information related to outstanding and exercisable options and stock appreciation rights as of August 31, 2011:

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Range of Exercise Prices	Outstanding			Exercisable	
	Outstanding	Weighted Avg. Contractual Life Remaining	Weighted Avg. Exercise Price per Share	Exercisable	Weighted Avg. Exercise Price per Share
(options in thousands)					
$5.83 to $47.47	1,581	4.61	$ 42.59	444	$ 41.96
$48.30 to $51.33	1,581	2.75	$ 49.48	1,567	$ 49.49
$51.67 to $57.54	653	2.73	$ 55.47	485	$ 55.40
$58.03 to $58.03	1,740	1.83	$ 58.03	1,740	$ 58.03
$58.43 to $62.51	1,571	2.69	$ 61.54	1,297	$ 61.38
$62.78 to $69.51	1,367	3.57	$ 67.32	878	$ 66.56
$70.02 to $169.47	783	2.69	$ 75.25	725	$ 75.21
	9,276			7,136	

The following table summarizes information related to stock options and stock appreciation rights exercised during fiscal years 2011, 2010 and 2009:

	Year Ended August 31,		
($ in thousands)	2011	2010	2009
Amounts related to options and stock appreciation rights exercised:			
Intrinsic value realized	$ 9,207	$ 18,020	$ 94,638
Actual tax benefit realized by Apollo for tax deductions	$ 1,771	$ 7,175	$ 21,732

The shares issued upon the exercise of stock options and stock appreciation rights were drawn from treasury shares. Cash received from stock option and stock appreciation rights exercises during fiscal years 2011, 2010 and 2009 was approximately $19.2 million, $14.1 million and $111.6 million, respectively.

Stock Option Valuation Assumptions

Fair Value — We typically use the Black-Scholes-Merton option pricing model to estimate the fair value of our options as of the grant dates using the following weighted average assumptions:

	Year Ended August 31,		
	2011	2010	2009
Weighted average fair value	$ 16.71	$ 17.30	$ 27.32
Expected volatility	46.8%	48.6%	47.7%
Expected life (years)	4.2	4.2	4.2
Risk-free interest rate	1.4%	1.5%	2.2%
Dividend yield	0.0%	0.0%	0.0%

Expected Volatility — We use an average of our historical volatility and the implied volatility of long-lived call options to estimate expected volatility.

Expected Term (years) — Prior to fiscal year 2011, we generally used the simplified mid-point method to estimate the expected term of stock options based on our determination that the terms and exercise behavior of our stock options had changed significantly in recent periods, causing our historical exercise data to not be reflective of our expectations of future exercise behavior.

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The simplified method uses the mid-point between the vesting and contractual terms of the stock options. During fiscal year 2011, we estimated the expected term of our stock options granted based primarily on the vesting period of the awards and historical exercise behavior, which did not result in a significant change in our expected term assumption compared to prior years.

Risk-Free Interest Rate — We use the U.S. constant maturity treasury rates as the risk-free rate interpolated between the years commensurate with the expected life assumptions.

Dividend Yield — The dividend yield assumption is based on the fact that we have not historically paid dividends and we have no current plan to pay dividends in the near term.

Restricted Stock Units and Performance Share Awards ("PSAs")

During fiscal years 2011, 2010 and 2009, we granted restricted stock units covering shares of our Class A common stock with a service and a performance vesting condition to several of our officers. We also granted restricted stock units with only a service vesting condition to the members of our Board of Directors, officers, and certain faculty and management employees. We measure the fair value of restricted stock units as of the date of grant. We amortize share-based compensation expense for awards expected to vest over the requisite service period using the straight-line method for awards with only a service condition, and the graded vesting attribution method for awards with a service and a performance condition. Share-based compensation expense is not recognized for awards with performance conditions that do not meet the associated performance condition. The vesting period of the restricted stock units granted generally ranges from six months to four years. See summary of the activity and changes related to restricted stock units granted under our plans below.

During fiscal years 2011 and 2010, we granted performance share awards to certain members of our executive management that vest based on performance and service vesting conditions. The level at which the performance condition is attained will determine the actual number of shares of our Class A common stock into which the PSAs will be converted. The conversion percentage will range from 0% to 200%, and in limited cases may range to 600%, of the target level based on the performance condition attainment. The award holder will vest in one-third of the shares of our Class A common stock into which his or her PSAs are so converted for each fiscal year the award holder remains employed during the three year performance period. However, the PSAs will immediately convert into fully-vested shares of our Class A common stock at target level or above upon certain changes in control or ownership. The shares of our Class A common stock into which the PSAs are converted will be issued upon the completion of the applicable performance period.

We measure the fair value of PSAs as of the date of grant and amortize share-based compensation expense for our estimate of the number of shares of our Class A common stock expected to vest and become issuable under those awards over the requisite service period. Our estimate of the number of shares that will vest and become issuable under the PSA awards is based on our determination of the probable outcome of the performance condition and requires considerable judgment. Share-based compensation expense is not recognized for PSAs that do not meet the associated performance condition.

The following schedule includes activity and changes related to the restricted stock units and PSAs (granted PSAs are assumed to convert into shares of our Class A common stock at the 100% target level):

(numbers in thousands, except per share data)	**Number of Shares**	**Weighted Average Grant Date Fair Value**
Nonvested balance at August 31, 2008	715	$ 58.17
Granted	645	69.49
Vested and released	(324)	60.96
Forfeited	(38)	57.58

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Nonvested balance at August 31, 2009	998	62.88
Granted	1,057	44.27
Vested and released	(435)	61.29
Forfeited	(70)	60.97
Nonvested balance at August 31, 2010[(1)]	1,550	50.72
Granted	2,263	44.38
Vested and released	(469)	54.01
Forfeited	(152)	49.94
Nonvested balance at August 31, 2011[(1)]	3,192	$ 45.78

(1) The nonvested balance at August 31, 2011 and August 31, 2010 includes approximately 260,000 and 69,000 PSAs, respectively, at the target level. The vesting of these awards are subject to the achievement of the specified performance goals and the actual number of common shares that will ultimately be issued is calculated by multiplying the number of performance shares by a payout percentage range varying from 0% to 200%, and in limited cases may range to 600%.

As of August 31, 2011, there was approximately $105.5 million and $10.9 million of total unrecognized share-based compensation cost, net of forfeitures, related to unvested restricted stock units and performance share awards at the target level, respectively. These costs are expected to be recognized over a weighted average period of 2.52 years. The fair value of restricted stock units that vested during fiscal years 2011, 2010 and 2009 was $25.5 million, $24.8 million and $23.2 million, respectively.

Share-based Compensation Expense

The table below details share-based compensation expense for fiscal years 2011, 2010 and 2009:

	Year Ended August 31,		
($ in thousands)	**2011**	**2010**	**2009**
Instructional and student advisory	$ 27,012	$ 23,603	$ 22,102
Marketing	5,306	5,116	2,062
Admissions advisory	2,109	1,528	2,113
General and administrative	35,613	34,058	41,761
Share-based compensation expense included in operating expenses	70,040	64,305	68,038
Tax effect of share-based compensation	(26,715)	(25,290)	(26,603)
Share-based compensation expense, net of tax	$ 43,325	$ 39,015	$ 41,435

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Goodwill and Intangible Assets	12 Months Ended Aug. 31, 2011

Notes to Consolidated Financial Statements [Abstract]

Goodwill and Intangible Assets

Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price over the fair value assigned to the assets acquired and liabilities assumed. Changes in the carrying amount of goodwill by reportable segment during fiscal years 2011 and 2010 are as follows:

($ in thousands)	University of Phoenix	Apollo Global BPP	Apollo Global Other	Insight Schools	Other Schools	Total Goodwill
Goodwill as of August 31, 2009	$ 37,018	$421,836	$ 35,452	$ 12,742	$ 15,310	$522,358
Impairment on discontinued operations	—	—	—	(9,400)	—	(9,400)
Impairment	—	(156,321)	(8,712)	—	—	(165,033)
Included in assets held for sale	—	—	—	(3,342)	—	(3,342)
Currency translation adjustment	—	(24,311)	1,887	—	—	(22,424)
Goodwill as of August 31, 2010	37,018	241,204	28,627	—	15,310	322,159
Impairment	—	(197,674)	—	—	—	(197,674)
Currency translation adjustment	—	7,164	1,648	—	—	8,812
Goodwill as of August 31, 2011	$ 37,018	$ 50,694	$ 30,275	$ —	$ 15,310	$133,297

The following table presents the components of the net carrying amount of goodwill by reportable segment as of August 31, 2011 and 2010:

($ in thousands)	University of Phoenix	Apollo Global BPP	Apollo Global Other	Other Schools	Total Goodwill
August 31, 2010					
Gross carrying amount	$ 37,018	$ 425,638	$ 39,617	$ 35,515	$ 537,788
Accumulated impairments	—	(156,321)	(8,712)	(20,205)	(185,238)
Effect of foreign currency translation	—	(28,113)	(2,278)	—	(30,391)
Net carrying amount	$ 37,018	$ 241,204	$ 28,627	$ 15,310	$ 322,159

($ in thousands)	University of Phoenix	Apollo Global BPP	Apollo Global Other	Other Schools	Total Goodwill
August 31, 2011					
Gross carrying amount	$ 37,018	$ 425,638	$ 39,617	$ 35,515	$ 537,788
Accumulated impairments	—	(353,995)	(8,712)	(20,205)	(382,912)

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Effect of foreign currency translation	—	(20,949)	(630)	—	(21,579)
Net carrying amount	$ 37,018	$ 50,694	$ 30,275	$ 15,310	$ 133,297

Intangible assets consist of the following as of August 31:

	2011				2010			
($ in thousands)	Gross Carrying Amount	Accumulated Amortization	Effect of Foreign Currency Translation Loss	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Effect of Foreign Currency Translation Loss	Net Carrying Amount
Finite-lived intangible assets								
Student and customer relationships	$ 9,477	$ (6,538)	$ (1,284)	$ 1,655	$ 19,935	$ (12,891)	$ (1,624)	$ 5,420
Copyrights	20,891	(11,521)	(422)	8,948	20,891	(6,039)	(1,066)	13,786
Other	18,702	(12,499)	(1,166)	5,037	20,676	(9,342)	(1,591)	9,743
Total finite-lived intangible assets	49,070	(30,558)	(2,872)	15,640	61,502	(28,272)	(4,281)	28,949
Indefinite-lived intangible assets								
Trademarks[1]	98,849	—	(737)	98,112	121,879	—	(7,191)	114,688
Accreditations and designations	7,456	—	(91)	7,365	7,456	—	(500)	6,956
Total indefinite-lived intangible assets	106,305	—	(828)	105,477	129,335	—	(7,691)	121,644
Total intangible assets, net	$155,375	$ (30,558)	$ (3,700)	$121,117	$190,837	$ (28,272)	$ (11,972)	$150,593

[1] We recorded impairments charges of $22.2 million and $19.6 million of BPP's intangible assets during fiscal year 2011 and 2010, respectively. See below for further discussion.

Finite-lived intangible assets are amortized on either a straight-line basis or using an accelerated method to reflect the pattern in which the benefits of the asset are consumed. The weighted average useful life of our finite-lived intangible assets that are not fully amortized as of August 31, 2011 is 5.2 years. Amortization expense for intangible assets for fiscal years 2011, 2010 and 2009 was $14.7 million, $24.8 million and $9.3 million, respectively.

Estimated future amortization expense of finite-lived intangible assets is as follows:

($ in thousands)	
2012	$ 8,577
2013	4,291
2014	1,546
2015	475
2016	92
Thereafter	659
Total estimated amortization expense	$ 15,640

Estimated future amortization expense may vary as acquisitions and dispositions occur in the future and as a result of foreign currency translation adjustments.

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We completed goodwill and indefinite-lived intangible asset impairment tests, as applicable, for each of our reporting units on their respective annual impairment test dates during fiscal year 2011 as follows:

- University of Phoenix — May 31
- BPP — July 1
- UNIACC *(included in Apollo Global — Other)* — May 31
- ULA *(included in Apollo Global — Other)* — May 31
- Western International University *(included in Apollo Global — Other)* — May 31
- CFFP *(included in Other Schools)* — August 31

For our BPP reporting unit, we were required to perform an interim goodwill impairment test in the second quarter of fiscal year 2011, which resulted in recognizing goodwill and other intangibles impairment charges, as further discussed below. We did not record any impairment charges associated with our other reporting units as the estimated fair value of each of the reporting units exceeded the carrying value of their respective net assets as of their annual impairment test date. The excess as a percentage of fair value for University of Phoenix, UNIACC, Western International University and CFFP was at least 25%, and the excess for ULA was approximately 16% as of their respective annual impairment test dates.

We believe the assumptions used in our goodwill and indefinite lived intangible asset impairment tests are consistent with a reasonable market participant view while employing the concept of highest and best use of the asset. To determine the fair value for our University of Phoenix and Western International University reporting units, we used market multiple information and recent transaction data, if applicable, of comparable sized companies. For our CFFP reporting unit, we determined fair value using the discounted cash flow valuation method utilizing a 14.0% discount rate and 3% terminal growth rate. For our UNIACC and ULA reporting units, which had $13.1 million and $15.6 million of goodwill, respectively, as of August 31, 2011, we determined fair value by using a combination of the discounted cash flow valuation method and the market-based approach, to which we applied weighting factors of 80% and 20%, respectively. Specifically, for our UNIACC and ULA reporting units, the key assumptions used in our analysis include the following:

- Projected net revenue growth at UNIACC through its established online and working learner educational programs, and projected net revenue growth at ULA through its working learner educational programs offered through a blend of on-campus and online modalities. If the projected revenue growth from these programs does not materialize, we may be required in the future to record impairment charges for our goodwill and intangible assets.
- Discount rates for UNIACC and ULA of 15.5% and 16.5%, respectively, and a terminal growth rate of 5% for both reporting units. For sensitivity purposes, a 100 basis point change in either of these assumptions would not have resulted in the carrying value exceeding the fair value for either reporting unit as of their May 31, 2011 annual impairment test date.

Our UNIACC and ULA reporting units also have indefinite lived intangible assets consisting of trademarks and accreditations totaling $7.8 million as of August 31, 2011. We performed a fair value analysis of these indefinite lived intangible assets and determined there was no impairment.

BPP Reporting Unit

Fiscal Year 2011

During the second quarter of fiscal year 2011, BPP experienced lower than expected rates of enrollment for its accounting and finance professional training programs. As a result, we revised our outlook for BPP and reduced forecasted revenues and operating cash flows for the remainder of fiscal year 2011.

The majority of students take multiple years to complete these programs and, as a result, the lower than expected rates of enrollment in these programs are expected to negatively impact revenue growth for the next couple of years. In addition, we also reduced our forecasts for future years from what we had previously anticipated, as we now believe that we will likely experience further near term declines. Currently, accounting and finance professional training programs account for approximately one-half of BPP's revenues and a significant portion of BPP's operating cash flows. For these reasons, we performed an interim goodwill impairment analysis for BPP in the second quarter of fiscal year 2011.

To determine the fair value of our BPP reporting unit in our interim step one analysis, we used a combination of the discounted cash flow valuation method and the market-based approach and applied

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weighting factors of 80% and 20%, respectively. We used assumptions in our interim step one analysis to reflect what we believe to be a reasonable market participant's view of the increased uncertainty in the broader market conditions impacting BPP. Specifically, the key assumptions used in our revised cash flow estimates include the following:

- the markets in which BPP's professional training programs operate in will experience further declines in the near term, and a recovery in the market for such programs will take longer than previously expected,
- decreased our pricing assumptions for degree programs at BPP's University college, given the emerging competitive landscape and the implementation of the U.K. government's review of funding for higher education,
- a significant increase in revenues over a long-term horizon at BPP's University College, and
- a 13.5% discount rate and 3.0% terminal growth rate.

Incorporating these assumptions into our interim step one goodwill impairment analysis resulted in a lower estimated fair value for the BPP reporting unit as compared to its carrying value. This was the second time that we had received new information that has caused us to revise our forecasts for BPP and record impairment charges, as we recorded goodwill and other intangibles impairment charges in fiscal year 2010, which is discussed below.

Accordingly, we performed an interim step two analysis which required us to fair value BPP's assets and liabilities, including identifiable intangible assets, using the fair value derived from the interim step one analysis as the purchase price in a hypothetical acquisition of the BPP reporting unit. The significant hypothetical purchase price adjustments included in the step two analysis consisted of:

- Adjusting the carrying value of land and buildings included in property and equipment to estimated fair value using the market approach and based on appraisals.
- Adjusting the carrying value of the trademark and accreditations and designation indefinite-lived intangible assets to estimated fair value using the valuation methods discussed at Note 2, Significant Accounting Policies. Our interim impairment tests for these indefinite-lived intangible assets utilized the same assumptions used in the BPP reporting unit goodwill impairment analysis which resulted in a lower fair value estimate for BPP's trademark.
- Adjusting all other finite-lived intangible assets to estimated fair value using a variety of methods under the income approach. As a result of this analysis, we determined that all significant finite-lived intangible assets were not impaired in the second quarter of fiscal year 2011.

Based on our analysis, we recorded impairment charges during the second quarter of fiscal year 2011 for BPP's goodwill and trademark of $197.7 million and $22.2 million, respectively. As BPP's goodwill is not deductible for tax purposes, we did not record a tax benefit associated with the goodwill impairment charge. In the second quarter of fiscal year 2011, BPP's goodwill and other intangibles impairment charges in the aggregate approximate $213.9 million (net of $6.0 million benefit for income taxes associated with the other intangibles impairment charge).

In the fourth quarter of fiscal year 2011, we performed our annual goodwill impairment for BPP. There have been no significant changes within BPP or the U.K. that we believe would have a meaningful impact on our cash flow estimates and other significant assumptions used in the interim impairment test performed in the second quarter of fiscal year 2011 discussed above. Accordingly, for the purpose of performing the annual goodwill impairment as of July 1, 2011, we utilized a similar valuation methodology and underlying assumptions. BPP's goodwill was determined to not be impaired and the excess as a percentage of fair value was approximately 23%. Additionally, we completed our annual impairment tests for the indefinite-lived assets at BPP and determined there was no impairment.

Although our projections used in both our interim and annual goodwill impairment tests assume that the markets in which BPP operates will ultimately stabilize, we may be required to record additional impairment charges for BPP's remaining goodwill and other intangibles balances of $50.7 million and $110.4 million, respectively, if there are further deteriorations in these markets, if economic conditions in the U.K. further decline, or we are unable to achieve the projected growth in future enrollment and related revenue at BPP's University College.

Fiscal Year 2010

On July 1, 2010, we conducted our first annual goodwill impairment test for BPP. To determine the fair value of our BPP reporting unit in our step one analysis, we used a combination of the discounted cash

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flow valuation method and the market-based approach and applied weighting factors of 80% and 20%, respectively. In October 2010, BPP concluded its fall enrollment period which we believe was adversely impacted by the continued economic downturn in the U.K. Accordingly, we revised our forecast for BPP, which caused our step one annual goodwill impairment analysis to result in a lower estimated fair value for the BPP reporting unit as compared to its carrying value due to the effects of the economic downturn in the U.K. on BPP's operations and financial performance and increased uncertainty as to when these conditions would recover. Specifically, the assumptions used in our cash flow estimates assumed no near-term recovery in the markets in which BPP operates, modest overall long-term growth in BPP's core programs and a significant increase in revenues over a long-term horizon at BPP's University College. We also utilized a 13.0% discount rate and 3.0% terminal growth rate in the analysis.

Accordingly, we performed a step two analysis and the significant hypothetical purchase price adjustments included in the analysis consisted of:

- Adjusting the carrying value of land and buildings included in property and equipment to estimated fair value using the market approach and based on recent appraisals.
- Adjusting the carrying value of the trademark and accreditations and designation indefinite-lived intangible assets to estimated fair value using the valuation methods discussed at Note 2, Significant Accounting Policies. Our annual impairment tests for these indefinite-lived intangible assets utilized the same revenue, margin and discount rate assumptions used in the BPP reporting unit goodwill impairment step one analysis which resulted in a lower fair value estimate for BPP's trademark. Accordingly, we recorded a $17.6 million impairment charge for these indefinite-lived intangible assets in fiscal year 2010.
- Adjusting all other finite-lived intangible assets to estimated fair value using a variety of methods under the income approach specifically the costs savings method, with and without method and excess earnings method, or replacement cost approach. As a result of this analysis, we determined that one of our student relationship intangible assets was not recoverable resulting in recording an impairment charge of $2.0 million in fiscal year 2010.

Based on our analysis, we recorded a $156.3 million impairment charge for BPP's goodwill in fiscal year 2010. As BPP's goodwill is not deductible for tax purposes, we did not record a tax benefit associated with the goodwill impairment charge. In the fiscal year 2010, BPP's goodwill and intangible asset impairment charges in the aggregate approximate $170.4 million (net of $5.5 million benefit for income taxes associated with the intangible asset impairment charges).

ULA

During fiscal year 2010, we recorded an $8.7 million impairment charge for ULA's goodwill. As ULA's goodwill is not deductible for tax purposes, we did not record a tax benefit associated with the goodwill impairment charge.

Please refer to Note 2, Significant Accounting Policies, for our policy and methodology for evaluating potential impairment of goodwill and indefinite-lived intangible assets.

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Nature of Operations

	12 Months Ended Aug. 31, 2011

Notes to Consolidated Financial Statements [Abstract]
Nature of Operations

Nature of Operations

Apollo Group, Inc. and its wholly-owned subsidiaries and majority-owned subsidiaries, collectively referred to herein as “the Company,” “Apollo Group,” “Apollo,” “APOL,” “we,” “us” or “our,” has been an education provider for more than 35 years. We offer innovative and distinctive educational programs and services both online and on-campus at the undergraduate, master’s and doctoral levels through our wholly-owned subsidiaries:

- The University of Phoenix, Inc. (“University of Phoenix”);
- Institute for Professional Development (“IPD”); and
- The College for Financial Planning Institutes Corporation (“CFFP”).

In addition to these wholly-owned subsidiaries, we have an 85.6% ownership interest in Apollo Global, Inc. (“Apollo Global”) as of August 31, 2011, which did not change during fiscal year 2011. Apollo Global pursues investments primarily in the international education services industry and is consolidated in our financial statements. We offer educational programs and services through the following wholly-owned subsidiaries of Apollo Global:

- BPP Holdings plc (“BPP”) in the United Kingdom;
- Western International University, Inc. (“Western International University”) in the U.S.;
- Universidad de Artes, Ciencias y Comunicación (“UNIACC”) in Chile; and
- Universidad Latinoamericana (“ULA”) in Mexico.

During the fourth quarter of fiscal year 2011, we entered into an agreement to acquire all of the stock of Carnegie Learning, Inc., a publisher of research-based math curricula and adaptive learning for $75 million. In a separate transaction, we entered into an agreement to acquire related technology from Carnegie Mellon University for $21.5 million, payable over a 10-year period. These acquisitions were completed on September 12, 2011. The acquisitions allow us to accelerate our efforts to incorporate adaptive learning into our academic platform and to provide tools to help raise student achievement in mathematics, which supports improved retention and graduation rates. Given our postsecondary focus, we intend to evaluate strategic alternatives for the K-12 portion of the business in order to support Carnegie Learning’s continued success in this market.

We completed the sale of Insight Schools, Inc. (“Insight Schools”) and ceased operations at Meritus University, Inc. (“Meritus”) during the second and third quarters of fiscal year 2011, respectively. Refer to Note 5, Discontinued Operations and Note 22, Segment Reporting, respectively, for further discussion.

Our fiscal year is from September 1 to August 31. Unless otherwise stated, references to the years 2011, 2010 and 2009 relate to fiscal years 2011, 2010 and 2009, respectively.

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Acquisitions (Tables)	12 Months Ended Aug. 31, 2011

Acquisitions (Tables) [Abstract]

Purchase price allocation

The following table presents a summary of the BPP acquisition:

($ in thousands)	
Tangible assets (net of acquired liabilities)	$ (15,346)
Finite-lived intangible assets	51,304
Indefinite-lived intangible assets	139,990
Goodwill	425,638
Allocated purchase price	$ 601,586
Less: Debt assumed	(84,306)
Less: Cash acquired	(7,214)
Acquisition, net of cash acquired	$ 510,066

Pro forma financial results

The following unaudited pro forma financial results of operations for fiscal year 2009 are presented as if the acquisition of BPP had been completed as of September 1, 2008:

(in thousands, except per share data)	(Unaudited) **Year Ended August 31, 2009**
Pro forma net revenue	$ 4,220,298
Pro forma net income attributable to Apollo	$ 616,323
Pro forma earnings per share:	
Basic income per share attributable to Apollo	$ 3.91
Diluted income per share attributable to Apollo	$ 3.86
Basic weighted average shares outstanding	157,760
Diluted weighted average shares outstanding	159,514

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Accounts Receivable, Net	12 Months Ended Aug. 31, 2011

Notes to Consolidated Financial Statements [Abstract]

Accounts Receivable, Net

Accounts Receivable, Net

Accounts receivable, net consist of the following as of August 31:

($ in thousands)	2011	2010
Student accounts receivable	$ 324,324	$ 419,714
Less allowance for doubtful accounts	(128,897)	(192,857)
Net student accounts receivable	195,427	226,857
Other receivables	20,140	37,520
Total accounts receivable, net	$ 215,567	$ 264,377

Student accounts receivable is composed primarily of amounts due related to tuition and educational services. Our student receivables are not collateralized; however, credit risk is reduced as the amount owed by any individual student is small relative to the total student receivables and the customer base is geographically diverse.

For discussion of our accounting policy related to allowance for doubtful accounts, refer to Note 2, Significant Accounting Policies. The following table summarizes the activity in allowance for doubtful accounts for the fiscal years 2011, 2010 and 2009:

	Year Ended August 31,		
($ in thousands)	2011	2010	2009
Beginning allowance for doubtful accounts	$ 192,857	$ 110,420	$ 78,362
Provision for uncollectible accounts receivable	181,297	282,628	152,490
Write-offs, net of recoveries	(245,257)	(200,191)	(120,432)
Ending allowance for doubtful accounts	$ 128,897	$ 192,857	$ 110,420

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Accrued Liabilities	12 Months Ended Aug. 31, 2011

Notes to Consolidated Financial Statements [Abstract]
Accrued Liabilities

Accrued Liabilities

Accrued liabilities consist of the following as of August 31:

($ in thousands)	**2011**	**2010**
Securities class action liability	$161,150	$177,982
Salaries, wages and benefits	93,763	80,773
Accrued advertising	50,172	52,472
Accrued professional fees	32,607	30,895
Student refunds, grants and scholarships	17,360	9,842
Other accrued liabilities	43,754	23,497
Total accrued liabilities	$398,806	$375,461

Refer to Note 20, Commitments and Contingencies, for discussion of the securities class action liability. Salaries, wages and benefits represent amounts due to employees, faculty and third parties for salaries, bonuses, vacation pay and health insurance. Accrued advertising represents amounts due for Internet marketing, direct mail campaigns, and print and broadcast advertising. Accrued professional fees represent amounts due to third parties for outsourced student financial aid processing and other accrued professional obligations. Student refunds, grants and scholarships represent amounts due to students for tuition refunds, federal and state grants payable, scholarships, and other related items. Other accrued liabilities primarily includes sales and business taxes, facilities costs such as rent and utilities, costs for curriculum materials and certain accrued purchases.

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Commitments and Contingencies (Details) (USD $)		12 Months Ended			1 Months Ended	12 Months Ended		12 Months Ended
	Aug. 31, 2011	Aug. 31, 2010	Aug. 31, 2009	Aug. 31, 2007	Mar. 31, 2011 Principal Office Buildings [Member]	Aug. 31, 2011 Principal Office Buildings [Member]	Mar. 24, 2011 Principal Office Buildings [Member]	Aug. 31, 2011 Other Sale Leaseback Transactions [Member]
Future minimum lease commitments [Abstract]								
2012 Operating Leases	$ 162,217,000							
2013 Operating Leases	158,200,000							
2014 Operating Leases	146,295,000							
2015 Operating Leases	134,242,000							
2016 Operating Leases	112,674,000							
Thereafter Operating Leases	464,969,000							
Total Operating Leases	1,178,597,000							
2012 Capital Leases	9,395,000							
2013 Capital Leases	8,922,000							
2014 Capital Leases	7,937,000							
2015 Capital Leases	7,248,000							
2016 Capital Leases	5,199,000							
Thereafter Capital Leases	2,467,000							
Total Capital Leases	41,168,000							
Imputed interest on capital leases	(4,656,000)							
Net present value of lease obligations	36,512,000							
Noncancelable sublease rental income	1,200,000							
Rent expense	219,300,000	194,600,000	162,500,000					
Sale Leaseback Transaction [Line Items]								
Proceeds from sale-leaseback, net	169,018,000	0	0					31,900,000
Lease terms of sale-leaseback					20 years, with four five-year renewal options			
Initial annual rental payments on sale-leaseback						12,000,000		
Annual percentage increase on sale-leaseback rental payments						2.00%		
Deferred gain on sale-leaseback							27,500,000	14,200,000
Sale-leaseback gains recognized	2,221,000	1,705,000	1,715,000					
Deferred gains on sale-leasebacks	31,288,000	5,560,000						

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Glendale, Arizona Sports Complex naming and sponsorship rights		5,800,000
Annual percentage increase for naming and sponsorship rights	3.00%	
Remaining contractual obligation	122,300,000	
Outstanding surety bonds	$ 55,700,000	

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Restricted Cash Equivalents for Collateralization of Letter of Credit	12 Months Ended
	Aug. 31, 2011
Notes to Consolidated Financial Statements [Abstract]	
Restricted cash equivalents for collateralization of letter of credit	**Restricted Cash Equivalents for Collateralization of Letter of Credit** During fiscal year 2010, we posted a letter of credit of approximately $126 million in favor of the U.S. Department of Education as required in connection with a program review of University of Phoenix by the Department. The long-term restricted cash at August 31, 2010 represents funds used to collateralize this letter of credit. During the third quarter of fiscal year 2011, the Department released the letter of credit and, accordingly, the associated funds used as collateral have been returned to us. Refer to Note 20, Commitments and Contingencies.

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Changes in Presentation (Tables)	12 Months Ended Aug. 31, 2011

Changes in Presentation (Tables) [Abstract]

Operating expense changes in presentation

The following table presents our operating expenses as previously reported and as changed on our Consolidated Statements of Income for the fiscal years ended:

	Year Ended August 31,			
	2010		2009	
($ in thousands)	As Reported	As Changed	As Reported	As Changed
Instructional and student advisory	$ 2,125,082	$ 1,733,134	$ 1,567,754	$ 1,333,919
Marketing	1,112,666	623,743	952,884	497,568
Admissions advisory	—	466,358	—	437,908
General and administrative	314,795	301,116	286,493	277,887
Provision for uncollectible accounts receivable	—	282,628	—	151,021
Depreciation and amortization	—	145,564	—	108,828
Goodwill and other intangibles impairment	184,570	184,570	—	—
Litigation charge	177,982	177,982	80,500	80,500
Total costs and expenses	$ 3,915,095	$ 3,915,095	$ 2,887,631	$ 2,887,631

Cash flows changes in presentation

The following table presents our cash flows as previously reported and as changed for the fiscal years ended:

	Year Ended August 31,			
	2010		2009	
($ in thousands)	As Reported	As Changed	As Reported	As Changed
Cash flows provided by (used in) operating activities:				
Change in restricted cash and cash equivalents	$ —	$ (11,828)	$ —	$ (48,149)
Net cash provided by operating activities	$ 1,045,070	$ 1,033,242	$ 960,227	$ 912,078
Cash flows provided by (used in) investing activities:				
Collateralization of letter of credit[1]	$ (138,443)	$ (126,615)	$ (48,149)	$ —
Net cash used in investing activities	$ (307,117)	$ (295,289)	$ (691,265)	$ (643,116)

[1]Following the change in presentation discussed above, the remaining change in restricted cash and cash equivalents in fiscal year 2010 represents funds used to collateralize a letter of credit. We have continued to present this change as an investing activity based on the nature of the restricted cash; however, we have renamed the remaining change, "Collateralization of letter of credit." Refer to Note 8, Restricted Cash Equivalents for Collateralization of Letter of Credit, for further discussion.

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Acquisitions	12 Months Ended Aug. 31, 2011

Notes to Consolidated Financial Statements [Abstract]

Acquisitions

Acquisitions

UNIACC

Apollo Global purchased 100% of UNIACC in fiscal year 2008 for $44.5 million composed of cash and assumed debt, plus a future payment based on a multiple of earnings. In fiscal year 2009, we recorded the estimated obligation associated with the future payment based on earnings as an additional purchase price adjustment increasing goodwill because the amount became determinable during that period. We paid the obligation in fiscal years 2009 and 2010, which consisted of $2.7 million and $5.5 million during the respective years.

BPP

On July 30, 2009, Apollo Global, through a wholly-owned United Kingdom subsidiary, acquired the entire issued and to be issued ordinary share capital of BPP, a company registered in England and Wales, for cash and assumed debt as detailed in the summary purchase price allocation below. BPP is a provider of education and training to professionals in the legal and finance industries and the BPP University College is the first proprietary institution to have been granted degree awarding powers in the United Kingdom.

We accounted for the BPP acquisition using the purchase method of accounting. BPP's operating results are included in the consolidated financial statements from the date of acquisition.

The following table presents a summary of the BPP acquisition:

($ in thousands)	
Tangible assets (net of acquired liabilities)	$ (15,346)
Finite-lived intangible assets	51,304
Indefinite-lived intangible assets	139,990
Goodwill	425,638
Allocated purchase price	$ 601,586
Less: Debt assumed	(84,306)
Less: Cash acquired	(7,214)
Acquisition, net of cash acquired	$ 510,066

Unaudited Pro Forma Financial Results

The following unaudited pro forma financial results of operations for fiscal year 2009 are presented as if the acquisition of BPP had been completed as of September 1, 2008:

(in thousands, except per share data)	(Unaudited) **Year Ended August 31, 2009**
Pro forma net revenue	$ 4,220,298
Pro forma net income attributable to Apollo	$ 616,323
Pro forma earnings per share:	
Basic income per share attributable to Apollo	$ 3.91
Diluted income per share attributable to Apollo	$ 3.86

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Basic weighted average shares outstanding	157,760
Diluted weighted average shares outstanding	159,514

The unaudited pro forma financial information is presented for informational purposes and includes certain adjustments that are factual and supportable, consisting of increased interest expense on debt used to fund the acquisition, adjustments to depreciation expense related to the fair value adjustment for property and equipment, and amortization related to acquired intangible assets, as well as the related tax effect of these adjustments. The unaudited pro forma information is not indicative of the results of operations that would have been achieved if the acquisition and related borrowings had taken place at the beginning of the applicable presented period, or of future results of the consolidated entities.

ULA

Apollo Global acquired a 65% ownership interest in ULA in fiscal year 2008 for $35.8 million, composed of cash and assumed debt. In fiscal year 2009, Apollo Global purchased the remaining 35% of ULA for $11.0 million. This transaction was accounted for as a step acquisition in accordance with the purchase method of accounting and resulted in recording $7.0 million of additional goodwill.

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Changes in Presentation (Details) (USD $) In Thousands	3 Months Ended								12 Months Ended		
	Aug. 31, 2011	May 31, 2011	Feb. 28, 2011	Nov. 30, 2010	Aug. 31, 2010	May 31, 2010	Feb. 28, 2010	Nov. 30, 2009	Aug. 31, 2011	Aug. 31, 2010	Aug. 31, 2009
Changes in Presentation [Line Items]											
Instructional and student advisory	$ 438,486	$ 458,145	$ 421,644	$ 455,812	$ 445,301	$ 441,700	$ 415,458	$ 430,675	$ 1,774,087	$ 1,733,134	$ 1,333,919
Marketing	170,970	161,034	157,215	166,143	179,150	151,668	141,308	151,617	655,362	623,743	497,568
Admissions advisory	99,428	99,923	102,283	113,752	116,591	116,344	118,152	115,271	415,386	466,358	437,908
General and administrative	98,676	87,857	84,344	84,874	86,295	75,362	68,800	70,659	355,751	301,116	277,887
Provision for uncollectible accounts receivable	39,631	39,217	45,540	56,909	74,035	72,011	73,884	62,698	181,297	282,628	151,021
Depreciation and amortization	41,637	41,125	39,142	37,102	38,939	36,701	35,244	34,680	159,006	145,564	108,828
Goodwill and other intangibles impairment	0	0	219,927	0	175,858	8,712	0	0	219,927	184,570	0
Litigation (credit) charge, net	(16,454)	2,048	1,574	881	882	132,600	44,500	0	(11,951)	177,982	80,500
Total costs and expenses	891,441	889,349	1,071,669	919,319	1,117,051	1,035,098	897,346	865,600	3,771,778	3,915,095	2,887,631
Change in restricted cash and cash equivalents									64,725	(11,828)	(48,149)
Net cash provided by operating activities									897,122	1,033,242	912,078
Collateralization of letter of credit									126,615	(126,615)	0
Net cash used in investing activities									164,311	(295,289)	(643,116)
As Reported [Member]											
Changes in Presentation [Line Items]											
Instructional and student advisory										2,125,082	1,567,754
Marketing										1,112,666	952,884
Admissions advisory										0	0
General and administrative										314,795	286,493
Provision for uncollectible accounts receivable										0	0
Depreciation and amortization										0	0
Goodwill and other intangibles impairment										184,570	0
Litigation (credit) charge, net										177,982	80,500
Total costs and expenses										3,915,095	2,887,631
Change in restricted cash and cash equivalents										0	0
Net cash provided by operating activities										1,045,070	960,227
Collateralization of letter of credit										(138,443)	(48,149)
Net cash used in investing activities										(307,117)	(691,265)
As Changed [Member]											
Changes in Presentation [Line Items]											
Instructional and student advisory										1,733,134	1,333,919

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Marketing	623,743	497,568
Admissions advisory	466,358	437,908
General and administrative	301,116	277,887
Provision for uncollectible accounts receivable	282,628	151,021
Depreciation and amortization	145,564	108,828
Goodwill and other intangibles impairment	184,570	0
Litigation (credit) charge, net	177,982	80,500
Total costs and expenses	3,915,095	2,887,631
Change in restricted cash and cash equivalents	(11,828)	(48,149)
Net cash provided by operating activities	1,033,242	912,078
Collateralization of letter of credit	(126,615)	0
Net cash used in investing activities	$ (295,289)	$ (643,116)

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Consolidated Statements of Changes in Shareholders' Equity (USD $) In Thousands, except Share data	Total	Apollo Group Class A nonvoting common stock [Member]	Apollo Group Class B voting common stock [Member]	Additional paid-in capital [Member]	Apollo Group Class A treasury stock [Member]	Retained earnings [Member]	Accumulated other comprehensive loss [Member]	Total Apollo shareholders equity [Member]	Noncontrolling interests [Member]
Balance at Aug. 31, 2008	$ 846,165	$ 103	$ 1	$ 0	$ (1,757,277)	$ 2,595,340	$ (3,781)	$ 834,386	$ 11,779
Treasury stock shares outstanding at Aug. 31, 2008					29,536,000				
Shares at Aug. 31, 2008		188,007,000	475,000						
Treasury stock purchases, shares					7,331,000				
Treasury stock purchases	(452,487)				(452,487)			(452,487)	
Treasury stock issued under stock purchase plans, shares					(90,000)				
Treasury stock issued under stock purchase plan	5,461			77	5,384			5,461	
Treasury stock issued under stock incentive plans, shares					(3,031,000)				
Treasury stock issued under stock incentive plans	111,615			(71,526)	181,757	1,384		111,615	
Tax effect for stock incentive plans	4,550			4,550				4,550	
Share-based compensation	68,038			68,038				68,038	
Currency translation adjustment, net of tax	(11,705)						(9,569)	(9,569)	(2,136)
Change in fair value of marketable securities, net of tax	(390)						(390)	(390)	
Noncontrolling interests contributions	58,980								58,980
Other	556								556
Net income	593,830					598,319		598,319	(4,489)
Balance at Aug. 31, 2009	1,224,613	103	1	1,139	(2,022,623)	3,195,043	(13,740)	1,159,923	64,690
Treasury stock shares outstanding at Aug. 31, 2009					33,746,000				
Shares at Aug. 31, 2009		188,007,000	475,000						
Treasury stock purchases, shares					8,024,000				
Treasury stock purchases	(446,398)				(446,398)			(446,398)	
Treasury stock issued under stock purchase plans, shares					(100,000)				
Treasury stock issued under stock purchase plan	5,520			(447)	5,967			5,520	
Treasury stock issued under stock incentive plans, shares					(956,000)				
Treasury stock issued under stock incentive plans	14,151			(41,115)	55,266			14,151	
Tax effect for stock incentive plans	(4,501)			(4,501)				(4,501)	
Tax benefit related to IRS dispute settlement	27,484			27,484				27,484	
Share-based compensation	64,305			64,305				64,305	
Currency translation adjustment, net of tax	(20,844)						(17,805)	(17,805)	(3,039)
Change in fair value of marketable securities, net of tax	369						369	369	

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Noncontrolling interests contributions	2,460								2,460
Net income	521,581					553,002		553,002	(31,421)
Balance at Aug. 31, 2010	1,388,740	103	1	46,865	(2,407,788)	3,748,045	(31,176)	1,356,050	32,690
Treasury stock shares outstanding at Aug. 31, 2010	40,714,000				40,714,000				
Shares at Aug. 31, 2010		188,007,000	475,000						
Treasury stock purchases, shares					18,503,000				
Treasury stock purchases	(783,168)				(783,168)			(783,168)	
Treasury stock issued under stock purchase plans, shares					(136,000)				
Treasury stock issued under stock purchase plan	5,752			(1,995)	7,747			5,752	
Treasury stock issued under stock incentive plans, shares					(1,078,000)				
Treasury stock issued under stock incentive plans	19,151			(38,883)	58,034			19,151	
Tax effect for stock incentive plans	(7,303)			(7,303)				(7,303)	
Share-based compensation	70,040			70,040				70,040	
Currency translation adjustment, net of tax	7,643						6,952	6,952	691
Change in fair value of marketable securities, net of tax	463						463	463	
Noncontrolling interests contributions	6,875								6,875
Net income	535,796					572,427		572,427	(36,631)
Balance at Aug. 31, 2011	$ 1,243,989	$ 103	$ 1	$ 68,724	$ (3,125,175)	$ 4,320,472	$ (23,761)	$ 1,240,364	$ 3,625
Treasury stock shares outstanding at Aug. 31, 2011	58,003,000				58,003,000				
Shares at Aug. 31, 2011		188,007,000	475,000						

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Significant Accounting Policies	12 Months Ended Aug. 31, 2011
Notes to Consolidated Financial Statements [Abstract]	
Significant Accounting Policies	

Significant Accounting Policies

Basis of Presentation

These financial statements have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission and, in the opinion of management, contain all adjustments necessary to fairly present the financial condition, results of operations and cash flows for the periods presented.

Information and note disclosures included in these consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). We believe that the disclosures made are adequate to make the information presented not misleading.

Principles of Consolidation

The consolidated financial statements include the accounts of Apollo Group, Inc., its wholly-owned subsidiaries, and subsidiaries that we control. Interests in our subsidiaries that we control are reported using the full-consolidation method. We fully consolidate the results of operations and the assets and liabilities of these subsidiaries on our consolidated financial statements. All intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Revenue Recognition

Our educational programs, primarily composed of University of Phoenix programs, are designed to range in length from one-day seminars to degree programs lasting up to four years. Students in University of Phoenix degree programs generally enroll in a program of study encompassing a series of five- to nine-week courses taken consecutively over the length of the program. Generally, students are billed on a course-by-course basis when the student first attends a session, resulting in the recording of a receivable from the student and deferred revenue in the amount of the billing. University of Phoenix students generally fund their education through loans and/or grants under various Title IV programs, tuition assistance from their employers, or personal funds.

Net revenue consists principally of tuition and fees associated with different educational programs as well as related educational resources such as access to online materials, books, and study texts. Net revenue is shown net of discounts. Tuition benefits for our employees and their eligible dependents are included in net revenue and instructional and student advisory. Total employee tuition benefits were $97.0 million, $100.3 million and $90.5 million for fiscal years 2011, 2010 and 2009, respectively.

The following describes the components of our net revenue, which are generally consistent on a percentage basis for all periods presented:

- *Tuition and educational services revenue* represents approximately 92% of our gross consolidated revenue before discounts, and encompasses both online and on-campus

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classroom-based learning. For our University of Phoenix operations, tuition revenue is recognized pro rata over the period of instruction as services are delivered to students.

BPP recognizes tuition revenue as services are provided over the course of the program, which varies depending on the program structure. For our remaining Apollo Global operations, tuition revenue is generally recognized over the length of the course and/or program as applicable.

- *Educational materials revenue* represents approximately 6% of our gross consolidated revenue before discounts, and relates to online course materials delivered to students over the period of instruction. Revenue associated with these materials is recognized pro rata over the period of the related course to correspond with delivery of the materials to students. Educational materials also includes the sale of various books, study texts, course notes, and CDs for which we recognize revenue when the materials have been delivered to and accepted by students or other customers.
- *Services revenue* represents approximately 2% of our gross consolidated revenue before discounts. Services revenue represents net revenue generated by IPD, which provides program development, administration and management consulting services to private colleges and universities ("Client Institutions") to establish or expand their programs for working learners. These services typically include degree program design, curriculum development, market research, certain student admissions services, accounting, and administrative services. Prior to July 1, 2011, IPD was typically paid a portion of the tuition revenue generated from these programs, and the portion of service revenue to which IPD was entitled under the terms of the contract was recognized as the services were provided. Under new U.S. Department of Education regulations, subsequent to July 1, 2011, IPD's revenue is generated based on fixed fee contracts with Client Institutions and is recognized on a straight line basis over the term of the contract as the services are provided. The term for these fixed fee contracts range from one to five years with provisions for renewal thereafter.
- *Other revenue* represents less than 1% of our gross consolidated revenue before discounts. Other revenue consists of the fees students pay when submitting an enrollment application, which, along with the related application costs associated with processing the applications, are deferred and recognized over the average length of time a student remains enrolled in a program of study. Other revenue also includes non-tuition generating revenues, such as renting classroom space and other student support services. Revenue from these sources is recognized as the services are provided.
- *Discounts* represent approximately 5% of our gross consolidated revenue. Discounts reflect reductions in charges for tuition or other fees from our standard rates and include military, corporate, and other employer discounts, along with institutional scholarships, grants and promotions.

University of Phoenix's refund policy permits students who attend 60% or less of a course to be eligible for a refund for the portion of the course they did not attend. Refunds result in a reduction in deferred revenue during the period that a student drops or withdraws from a class because associated tuition revenue is recognized pro rata over the period of instruction as the services are delivered. This refund policy applies to students in most, but not all states, as some states require different policies.

Generally, net revenue varies from period to period based on several factors, including the aggregate number of students attending classes, the number of classes held during the period, and the tuition price per credit.

Sales tax collected from students is excluded from net revenue. Collected but unremitted sales tax is included as a liability in our Consolidated Balance Sheets and is not material to our consolidated financial statements.

Allowance for Doubtful Accounts

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We reduce accounts receivable by an allowance for amounts that we expect to become uncollectible in the future. Estimates are used in determining the allowance for doubtful accounts and are based on historical collection experience and current trends. In determining these amounts, we consider and evaluate the historical write-offs of our receivables. We monitor our collections and write-off experience to assess whether adjustments are necessary.

When a student with Title IV loans withdraws, Title IV rules determine if we are required to return a portion of Title IV funds to the lenders. We are then entitled to collect these funds from the students, but collection rates for these types of receivables is significantly lower than our collection rates for receivables for students who remain in our educational programs.

We routinely evaluate our estimation methodology for adequacy and modify it as necessary. In doing so, our objective is to cause our allowance for doubtful accounts to reflect the amount of receivables that will become uncollectible by considering our most recent collections experience, changes in trends and other relevant facts. In doing so, we believe our allowance for doubtful accounts reflects the most recent collections experience and is responsive to changes in trends. Our accounts receivable are written off once the account is deemed to be uncollectible, which typically occurs after outside collection agencies have pursued collection for approximately six months. Refer to Note 7, Accounts Receivable, Net.

Cash and Cash Equivalents

We consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents primarily include money market funds, bank overnight deposits, time deposits and commercial paper, which are all placed with high-credit-quality financial institutions in the U.S. and internationally. We have not experienced any losses on our cash and cash equivalents.

We maintain our cash and cash equivalents accounts with high-credit-quality financial institutions. Only a negligible portion of these deposits are insured by the Federal Deposit Insurance Corporation.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents primarily represents funds held for students for unbilled educational services that were received from Title IV financial aid program funds. As a trustee of these Title IV financial aid funds, we are required to maintain and restrict these funds pursuant to the terms of our program participation agreement with the U.S. Department of Education. Restricted cash and cash equivalents are excluded from cash and cash equivalents in the Consolidated Balance Sheets and Consolidated Statements of Cash Flows from Continuing and Discontinued Operations. Our restricted cash and cash equivalents are primarily held in money market funds.

Property and Equipment, Net

Property and equipment is recorded at cost less accumulated depreciation. Property and equipment under capital leases, and the related obligation, is recorded at an amount equal to the present value of future minimum lease payments. Buildings, furniture, equipment, and software, including internally developed software, are depreciated using the straight-line method over the estimated useful lives of the related assets, which range from 3 to 40 years. Capital leases, leasehold improvements and tenant improvement allowances are amortized using the straight-line method over the shorter of the lease term or the estimated useful lives of the related assets. Construction in progress, excluding software, is recorded at cost until the corresponding asset is placed into service and depreciation begins. Software is recorded at cost and is amortized once the related asset is ready for its intended use. Maintenance and repairs are expensed as incurred.

We capitalize certain internal software development costs consisting primarily of the direct labor associated with creating the internally developed software. Capitalized costs are amortized using the straight-line method over the estimated lives of the software. Software development projects generally include three stages: the preliminary project stage (all costs expensed as incurred), the application development stage (certain costs capitalized, certain costs expensed as incurred), and the post-implementation/operation stage (all costs expensed as incurred). The costs capitalized in

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the application development stage primarily include the costs of designing the application, coding, installation of hardware, and testing. We capitalize costs incurred during the application development phase of the project as permitted. Refer to Note 9, Property and Equipment, Net.

Goodwill and Intangible Assets

- *Goodwill and Indefinite-Lived Intangible Assets* — Goodwill represents the excess of the purchase price of an acquired business over the amount assigned to the assets acquired and liabilities assumed. At the time of an acquisition, we allocate the goodwill and related assets and liabilities to our respective reporting units. We identify our reporting units by assessing whether the components of our operating segments constitute businesses for which discrete financial information is available and segment management regularly reviews the operating results of those components.

  Indefinite-lived intangible assets are recorded at fair market value on their acquisition date and primarily include trademarks and foreign regulatory accreditations and designations as a result of the BPP, UNIACC and ULA acquisitions. We assign indefinite lives to acquired trademarks, accreditations and designations that we believe have the continued ability to generate cash flows indefinitely; have no legal, regulatory, contractual, economic or other factors limiting the useful life of the respective intangible asset; and when we intend to renew the respective trademark, accreditation or designation and renewal can be accomplished at little cost.

  We assess goodwill and indefinite-lived intangible assets at least annually for impairment or more frequently if events occur or circumstances change between annual tests that would more likely than not reduce the fair value of the respective reporting unit below its carrying amount.

  - *Goodwill* - We test for goodwill impairment at the reporting unit level by applying a two-step test. In the first step, we compare the fair value of the reporting unit to the carrying value of its net assets. If the fair value of the reporting unit exceeds the carrying value of the net assets of the reporting unit, goodwill is not impaired and no further testing is required. If the carrying value of the net assets of the reporting unit exceeds the fair value of the reporting unit, we perform a second step which involves using a hypothetical purchase price allocation to determine the implied fair value of the goodwill and compare it to the carrying value of the goodwill. An impairment loss is recognized to the extent the implied fair value of the goodwill is less than the carrying amount of the goodwill. As discussed in *Recent Accounting Pronouncements* below, effective September 1, 2011, we early adopted Accounting Standards Update ("ASU") No. 2011-08, "*Intangibles-Goodwill and Other (Topic 350): Testing Goodwill for Impairment*," which allows, but does not require, us to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test discussed above.

    To determine the fair value of our reporting units, we primarily use an income-based approach consisting of a discounted cash flow valuation method. We also consider a market-based approach or a combination of both methods. The discounted cash flow valuation method consists of projecting future cash flows for a reporting unit, which may include developing one or multiple sets of cash flow scenarios and applying a reasonable weighting to those scenarios, calculating a terminal value, and discounting such cash flows by a risk-adjusted rate of return. Generally, the market-based approach incorporates information from comparable transactions in the market and publicly traded companies with similar operating and investment characteristics of the reporting unit to develop a multiple which is then applied to the operating performance of the reporting unit to determine value. The determination of fair value of our reporting units consists primarily of using unobservable inputs under the fair value measurement standards.

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We believe the most critical assumptions and estimates in determining the estimated fair value of our reporting units, include, but are not limited to, the amounts and timing of expected future cash flows for each reporting unit, the probability weightings assigned to cash flow scenarios, the discount rate applied to those cash flows, terminal growth rates, selection of comparable market multiples and applying weighting factors when a combination of valuation methods is used. The assumptions used in determining our expected future cash flows consider various factors such as historical operating trends particularly in student enrollment and pricing, the political environment the reporting unit operates in, anticipated economic and regulatory conditions and reasonable expectations for planned business, and operating strategies and initiatives over a long-term planning horizon. The discount rate used by each reporting unit is based on our assumption of a prudent investor's required rate of return of assuming the risk of investing in a particular company in a specific country. The terminal growth rate reflects the sustainable operating income a reporting unit could generate in a perpetual state as a function of revenue growth, inflation and future margin expectations. We also believe the assumptions used in our goodwill impairment tests are consistent with a reasonable market participant view and employ the concept of highest and best use of the asset. If we determine our critical assumptions discussed above require revision or are adversely impacted, a potential goodwill impairment may result in the future.

- *Indefinite-lived intangible assets* - The annual impairment test for indefinite-lived intangible assets involves a comparison of the estimated fair value of the intangible asset with its carrying value. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. We perform our annual indefinite-lived intangible asset impairment tests on the same dates that we perform our annual goodwill impairment tests for the respective reporting units.

  To determine the fair value of our trademark intangible assets we use the relief-from-royalty method. This method estimates the benefit of owning the intangible assets rather than paying royalties for the right to use a comparable asset. This method incorporates the use of significant judgments in determining both the projected revenues attributable to the asset, as well as the appropriate discount rate and royalty rates applied to those revenues to determine fair value. To fair value the accreditations and designations intangible assets, we primarily use the cost savings method which estimates the cost savings of owning the intangible asset rather than either creating the asset or not having the asset in place to be used in current operations. This method incorporates the use of significant judgments in determining the projected profit or replacement cost attributable to the asset and the appropriate discount rate. The determination of fair value of our indefinite-lived intangible assets consists primarily of using unobservable inputs under the fair value measurement standards.

- *Finite-Lived Intangible Assets* — Finite-lived intangible assets that are acquired in business combinations are recorded at fair market value on their acquisition date and are amortized on either a straight-line basis or using an accelerated method to reflect the pattern in which the economic benefits of the asset are consumed. The weighted average useful life of our finite-lived intangible assets that are not fully amortized as of August 31, 2011 is 5.2 years.

Other Long-Lived Asset Impairments

We evaluate the carrying amount of our major other long-lived assets, including property and equipment and finite-lived intangible assets, whenever changes in circumstances or events indicate that the value of such assets may not be fully recoverable. Excluding the impairment charges discussed in Note 4, Restructuring and Other Charges, we did not recognize any impairment charges for our other long-lived assets during fiscal years 2011 and 2010. At

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August 31, 2011, we believe the carrying amounts of our remaining other long-lived assets are fully recoverable and no impairment exists.

Share-Based Compensation

We measure and recognize compensation expense for all share-based awards issued to faculty, employees and directors based on estimated fair values of the share awards on the date of grant. We record compensation expense, net of forfeitures, for all share-based awards over the requisite service period using the straight-line method for awards with only a service condition, and the graded vesting attribution method for awards with service and performance conditions.

We calculate the fair value of share-based awards on the date of grant. For stock options, we typically use the Black-Scholes-Merton option pricing model to estimate fair value. The Black-Scholes-Merton option pricing model requires us to estimate key assumptions such as expected term, volatility, risk-free interest rates and dividend yield to determine the fair value of stock options, based on both historical information and management judgment regarding market factors and trends. The expected term of options represents the period of time that the options granted are expected to be outstanding. Prior to fiscal year 2011, we generally used the simplified mid-point method to estimate the expected term of stock options based on our determination that the terms and exercise behavior of our stock options had changed significantly in recent periods, causing our historical exercise data to not be reflective of our expectations of future exercise behavior. The simplified method uses the mid-point between the vesting and contractual terms of the stock options. During fiscal year 2011, we estimated the expected term of our stock options granted based primarily on the vesting period of the awards and historical exercise behavior, which did not result in a significant change in our expected term assumption compared to prior years.

For share-based awards with performance conditions, such as our Performance Share Awards described in Note 18, Stock and Savings Plans, we measure the fair value of such awards as of the date of grant and amortize share-based compensation expense for our estimate of the number of shares expected to vest. Our estimate of the number of shares that will vest is based on our determination of the probable outcome of the performance condition, which requires considerable judgment. We record a cumulative adjustment to share-based compensation expense in periods that we change our estimate of the number of shares expected to vest. Additionally, we ultimately adjust the expense recognized to reflect the actual vested shares following the resolution of the performance conditions.

We estimate expected forfeitures of share-based awards at the grant date and recognize compensation cost only for those awards expected to vest. We estimate our forfeiture rate based on several factors including historical forfeiture activity, expected future employee turnover, and other qualitative factors. We ultimately adjust this forfeiture assumption to actual forfeitures. Therefore, changes in the forfeiture assumptions do not impact the total amount of expense ultimately recognized over the requisite service period. Rather, different forfeiture assumptions only impact the timing of expense recognition over the requisite service period. If the actual forfeitures differ from management estimates, additional adjustments to compensation expense are recorded.

Income Taxes

The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in an entity's financial statements or tax returns. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period when the new rate is enacted. We record a valuation allowance to reduce deferred tax assets to the amount that we believe is more likely than not to be realized.

The determination of our uncertain tax positions requires us to make significant judgments. We evaluate and account for uncertain tax positions using a two-step approach. Recognition (step one) occurs when we conclude that a tax position, based solely on its technical merits, is more likely than not to be sustained upon examination. Measurement (step two) determines the amount of benefit that is greater than 50% likely to be realized upon ultimate settlement with a taxing

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authority that has full knowledge of all relevant information. Derecognition of a tax position that was previously recognized would occur when we subsequently determine that a tax position no longer meets the more likely than not threshold of being sustained. We do not use a valuation allowance as a substitute for derecognition of tax positions. Refer to Note 15, Income Taxes.

Earnings per Share

Basic income per share is calculated using the weighted average number of Apollo Group Class A and Class B common shares outstanding during the period. Diluted income per share is calculated similarly except that it includes the dilutive effect of the assumed exercise of stock options and release of restricted stock units and performance share awards issuable under our stock compensation plans. The amount of any tax benefit to be credited to additional paid-in capital related to the exercise of stock options, release of restricted stock units and release of performance share awards, and unrecognized share-based compensation expense is included when applying the treasury stock method in the computation of diluted income per share. Refer to Note 17, Earnings Per Share.

Leases

We lease substantially all of our administrative and educational facilities, with the exception of several Apollo Global facilities, and we enter into various other lease agreements in conducting our business. At the inception of each lease, we evaluate the lease agreement to determine whether the lease is an operating or capital lease. Additionally, most of our lease agreements contain renewal options, tenant improvement allowances, rent holidays, and/or rent escalation clauses. When such items are included in a lease agreement, we record a deferred rent asset or liability in our Consolidated Balance Sheets and record the rent expense evenly over the term of the lease. Leasehold improvements are reflected under investing activities as additions to property and equipment in our Consolidated Statements of Cash Flows from Continuing and Discontinued Operations. Credits received against rent for tenant improvement allowances are reflected as a component of non-cash investing activities in our Consolidated Statements of Cash Flows from Continuing and Discontinued Operations. Lease terms generally range from five to ten years with one to two renewal options for extended terms. For leases with renewal options, we record rent expense and amortize the leasehold improvements on a straight-line basis over the initial non-cancelable lease term (in instances where the lease term is shorter than the economic life of the asset) unless we intend to exercise the renewal option. Refer to Note 20, Commitments and Contingencies.

We are also required to make additional payments under lease terms for taxes, insurance, and other operating expenses incurred during the lease period, which are expensed as incurred. Rental deposits are provided for lease agreements that specify payments in advance or deposits held in security that are refundable, less any damages at lease end.

Marketing Costs

We expense marketing costs, the substantial majority of which includes advertising, as incurred.

Foreign Currency Translation

We use the U.S. dollar as our reporting currency. The functional currency of our entities operating outside the United States is the currency of the primary economic environment in which the entity primarily generates and expends cash, which is generally the local currency. The assets and liabilities of these operations are translated to U.S. dollars using exchange rates in effect at the balance sheet dates. Income and expense items are translated monthly at the average exchange rate for that period. The resulting translation adjustments and the effect of exchange rate changes on intercompany transactions of a long-term investment nature are included in shareholders' equity as a component of accumulated other comprehensive income (loss) or noncontrolling interests, as applicable. We report gains and losses from foreign exchange rate changes related to intercompany receivables and payables that are not of a long-term investment nature, as well as gains and losses from foreign currency transactions in other, net in our Consolidated Statements of Income. These items amounted to a net $1.7 million loss, net $0.6 million loss and net $0.1 million gain in fiscal years 2011, 2010 and 2009, respectively.

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Fair Value

The carrying amount of certain assets and liabilities reported in our Consolidated Balance Sheets, including accounts receivable and accounts payable, approximate fair value because of the short-term nature of these financial instruments.

For fair value measurements of assets and liabilities that are recognized or disclosed at fair value, we consider fair value to be an exit price, which represents the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. We use valuation techniques to determine fair value consistent with either the market approach, income approach and/or cost approach, and we prioritize the inputs used in our valuation techniques using the following three-tier fair value hierarchy:

- Level 1 — Observable inputs that reflect quoted market prices (unadjusted) for identical assets and liabilities in active markets;
- Level 2 — Observable inputs, other than quoted market prices, that are either directly or indirectly observable in the marketplace for identical or similar assets and liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets and liabilities; and
- Level 3 — Unobservable inputs that are supported by little or no market activity that are significant to the fair value of assets or liabilities.

We categorize each of our fair value measurements for disclosure purposes in one of the above three levels based on the lowest level input that is significant to the fair value measurement in its entirety. In measuring fair value, our valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. We use prices and inputs that are current as of the measurement date, including during periods of market volatility. Therefore, classification of inputs within the hierarchy may change from period to period depending upon the observability of those prices and inputs. Our assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value for certain assets and liabilities and their placement within the fair value hierarchy. Refer to Note 11, Fair Value Measurements.

Loss Contingencies

We are subject to various claims and contingencies which are in the scope of ordinary and routine litigation incidental to our business, including those related to regulation, litigation, business transactions, employee-related matters and taxes, among others. When we become aware of a claim or potential claim, the likelihood of any loss or exposure is assessed. If it is probable that a loss will result and the amount of the loss can be reasonably estimated, we record a liability for the loss. The liability recorded includes probable and estimable legal costs incurred to date and future legal costs to the point in the legal matter where we believe a conclusion to the matter will be reached. If the loss is not probable or the amount of the loss cannot be reasonably estimated, we disclose the claim if the likelihood of a potential loss is reasonably possible and the amount of the potential loss could be material. For matters where no loss contingency is recorded, our policy is to expense legal fees as incurred. The assessment of the likelihood of a potential loss and the estimation of the amount of a loss are subjective and require judgment. Refer to Note 20, Commitments and Contingencies.

Restructuring and Other Charges

Restructuring and other charges are comprised principally of employee severance and other fringe benefit costs, non-cancelable lease obligations, and other related costs, including asset impairments. Our employee severance costs are expensed on the date we notify the employee, unless the employee must provide future service, in which case the benefits are expensed ratably over the future service period. For our non-cancelable lease obligations, we record the obligation upon the later of when we terminate the contract in accordance with the contract terms or when

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we cease using the right conveyed by the contract. We recognize these costs at fair value in the period the liability is incurred. Generally, for restructuring charges that have future payments that extend beyond one year, we record the net present value of the estimated future cash payments and then accrete the discount to restructuring and other charges over the term of the remaining payments. The estimate of our restructuring charges is based on the best information available at the time we record the obligation. Accordingly, any adjustments to previously recorded charges resulting from a change to the estimated liability are recognized in the period the change occurs. Refer to Note 4, Restructuring and Other Charges.

Discontinued Operations

Assets and liabilities expected to be sold or disposed of are presented separately in our Consolidated Balance Sheets as assets or liabilities held for sale. If we determine we will not have significant continuing involvement with components that are classified as held for sale, the results of operations of these components are presented separately as income (loss) from discontinued operations, net of tax, in the current and prior periods. Refer to Note 5, Discontinued Operations.

Recent Accounting Pronouncements

Issued Accounting Changes

On September 15, 2011, the Financial Accounting Standards Board ("FASB") issued ASU No. 2011-08, "*Intangibles-Goodwill and Other (Topic 350): Testing Goodwill for Impairment*" ("ASU 2011-08"), which simplifies how an entity tests goodwill for impairment. The amendments permit an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. Accordingly, an entity will no longer be required to calculate the fair value of a reporting unit in the step one test unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. ASU 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. We adopted ASU 2011-08 on September 1, 2011 for our fiscal year 2012 goodwill impairment tests. Although we are still evaluating the impact of adopting ASU 2011-08, we do not believe it will have material impact on our financial condition, results of operations or disclosures.

Future Accounting Changes

The FASB and the International Accounting Standards Board ("IASB") are working on joint convergence projects to address accounting differences between GAAP and International Financial Reporting Standards ("IFRS") in order to support their commitment to achieve a single set of high-quality global accounting standards. Some of the most significant projects on the FASB and IASB's agenda include accounting for leases, revenue recognition and financial instruments, among other items. Both the FASB and IASB have issued final guidance for certain accounting topics and are currently redeliberating guidance in other areas. The converged guidance that the FASB has already issued addressing fair value measurements and the statement of other comprehensive income is not expected to have a material impact on our financial condition, results of operations, or disclosures. While we anticipate the lease accounting and revenue recognition proposals will have the most impact on us, the FASB's standard-setting process is ongoing and until new standards have been finalized and issued, we cannot determine the impact on our financial condition, results of operations, or disclosures that may result from any such future changes.

Concurrent with these convergence projects, the Securities and Exchange Commission is considering incorporating IFRS into the U.S. financial reporting system. At this time, the method and timing of potential conversion to IFRS is uncertain and cannot be determined until final conversion requirements are mandated. The potential preparation of our financial statements in accordance with IFRS could have a material impact on our financial condition, results of operations, and disclosures.

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Accrued Liabilities (Table)	12 Months Ended Aug. 31, 2011
Accrued Liabilities (Table) [Abstract]	
Accrued liabilities	Accrued liabilities consist of the following as of August 31:

($ in thousands)	**2011**	**2010**
Securities class action liability	$161,150	$177,982
Salaries, wages and benefits	93,763	80,773
Accrued advertising	50,172	52,472
Accrued professional fees	32,607	30,895
Student refunds, grants and scholarships	17,360	9,842
Other accrued liabilities	43,754	23,497
Total accrued liabilities	$398,806	$375,461

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Significant Accounting Policies (Policies)	12 Months Ended Aug. 31, 2011
Policy Text Block [Abstract]	
Basis of Accounting Policy	***Basis of Presentation*** These financial statements have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission and, in the opinion of management, contain all adjustments necessary to fairly present the financial condition, results of operations and cash flows for the periods presented. Information and note disclosures included in these consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). We believe that the disclosures made are adequate to make the information presented not misleading.
Principles of Consolidation Policy	***Principles of Consolidation*** The consolidated financial statements include the accounts of Apollo Group, Inc., its wholly-owned subsidiaries, and subsidiaries that we control. Interests in our subsidiaries that we control are reported using the full-consolidation method. We fully consolidate the results of operations and the assets and liabilities of these subsidiaries on our consolidated financial statements. All intercompany transactions and balances have been eliminated in consolidation.
Use of Estimates Policy	***Use of Estimates*** The preparation of financial statements in accordance with GAAP requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.
Revenue Recognition Policy	***Revenue Recognition*** Our educational programs, primarily composed of University of Phoenix programs, are designed to range in length from one-day seminars to degree programs lasting up to four years. Students in University of Phoenix degree programs generally enroll in a program of study encompassing a series of five- to nine-week courses taken consecutively over the length of the program. Generally, students are billed on a course-by-course basis when the student first attends a session, resulting in the recording of a receivable from the student and deferred revenue in the amount of the billing. University of Phoenix students generally fund their education through loans and/or grants under various Title IV programs, tuition assistance from their employers, or personal funds. Net revenue consists principally of tuition and fees associated with different educational programs as well as related educational resources such as access to online materials, books, and study texts. Net revenue is shown net of discounts. Tuition benefits for our employees and their eligible dependents are included in net revenue and instructional and student advisory. Total employee tuition benefits were $97.0 million, $100.3 million and $90.5 million for fiscal years 2011, 2010 and 2009, respectively. The following describes the components of our net revenue, which are generally consistent on a percentage basis for all periods presented: • *Tuition and educational services revenue* represents approximately 92% of our gross consolidated revenue before discounts, and encompasses both online and on-campus classroom-based learning. For our University of Phoenix operations, tuition revenue is recognized pro rata over the period of instruction as services are delivered to students. BPP recognizes tuition revenue as services are provided over the course of the program, which varies depending on the program structure. For our remaining Apollo

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Global operations, tuition revenue is generally recognized over the length of the course and/or program as applicable.

- *Educational materials revenue* represents approximately 6% of our gross consolidated revenue before discounts, and relates to online course materials delivered to students over the period of instruction. Revenue associated with these materials is recognized pro rata over the period of the related course to correspond with delivery of the materials to students. Educational materials also includes the sale of various books, study texts, course notes, and CDs for which we recognize revenue when the materials have been delivered to and accepted by students or other customers.

- *Services revenue* represents approximately 2% of our gross consolidated revenue before discounts. Services revenue represents net revenue generated by IPD, which provides program development, administration and management consulting services to private colleges and universities ("Client Institutions") to establish or expand their programs for working learners. These services typically include degree program design, curriculum development, market research, certain student admissions services, accounting, and administrative services. Prior to July 1, 2011, IPD was typically paid a portion of the tuition revenue generated from these programs, and the portion of service revenue to which IPD was entitled under the terms of the contract was recognized as the services were provided. Under new U.S. Department of Education regulations, subsequent to July 1, 2011, IPD's revenue is generated based on fixed fee contracts with Client Institutions and is recognized on a straight line basis over the term of the contract as the services are provided. The term for these fixed fee contracts range from one to five years with provisions for renewal thereafter.

- *Other revenue* represents less than 1% of our gross consolidated revenue before discounts. Other revenue consists of the fees students pay when submitting an enrollment application, which, along with the related application costs associated with processing the applications, are deferred and recognized over the average length of time a student remains enrolled in a program of study. Other revenue also includes non-tuition generating revenues, such as renting classroom space and other student support services. Revenue from these sources is recognized as the services are provided.

- *Discounts* represent approximately 5% of our gross consolidated revenue. Discounts reflect reductions in charges for tuition or other fees from our standard rates and include military, corporate, and other employer discounts, along with institutional scholarships, grants and promotions.

University of Phoenix's refund policy permits students who attend 60% or less of a course to be eligible for a refund for the portion of the course they did not attend. Refunds result in a reduction in deferred revenue during the period that a student drops or withdraws from a class because associated tuition revenue is recognized pro rata over the period of instruction as the services are delivered. This refund policy applies to students in most, but not all states, as some states require different policies.

Generally, net revenue varies from period to period based on several factors, including the aggregate number of students attending classes, the number of classes held during the period, and the tuition price per credit.

Sales tax collected from students is excluded from net revenue. Collected but unremitted sales tax is included as a liability in our Consolidated Balance Sheets and is not material to our consolidated financial statements.

Allowance for Doubtful Accounts Policy

Allowance for Doubtful Accounts

We reduce accounts receivable by an allowance for amounts that we expect to become uncollectible in the future. Estimates are used in determining the allowance for doubtful accounts and are based on historical collection experience and current trends. In determining these amounts, we consider and evaluate the historical write-offs of our receivables. We monitor our collections and write-off experience to assess whether adjustments are necessary.

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When a student with Title IV loans withdraws, Title IV rules determine if we are required to return a portion of Title IV funds to the lenders. We are then entitled to collect these funds from the students, but collection rates for these types of receivables is significantly lower than our collection rates for receivables for students who remain in our educational programs.

We routinely evaluate our estimation methodology for adequacy and modify it as necessary. In doing so, our objective is to cause our allowance for doubtful accounts to reflect the amount of receivables that will become uncollectible by considering our most recent collections experience, changes in trends and other relevant facts. In doing so, we believe our allowance for doubtful accounts reflects the most recent collections experience and is responsive to changes in trends. Our accounts receivable are written off once the account is deemed to be uncollectible, which typically occurs after outside collection agencies have pursued collection for approximately six months. Refer to Note 7, Accounts Receivable, Net.

Cash And Cash Equivalents Policy

Cash and Cash Equivalents

We consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents primarily include money market funds, bank overnight deposits, time deposits and commercial paper, which are all placed with high-credit-quality financial institutions in the U.S. and internationally. We have not experienced any losses on our cash and cash equivalents.

We maintain our cash and cash equivalents accounts with high-credit-quality financial institutions. Only a negligible portion of these deposits are insured by the Federal Deposit Insurance Corporation.

Restricted Cash and Cash Equivalents Policy

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents primarily represents funds held for students for unbilled educational services that were received from Title IV financial aid program funds. As a trustee of these Title IV financial aid funds, we are required to maintain and restrict these funds pursuant to the terms of our program participation agreement with the U.S. Department of Education. Restricted cash and cash equivalents are excluded from cash and cash equivalents in the Consolidated Balance Sheets and Consolidated Statements of Cash Flows from Continuing and Discontinued Operations. Our restricted cash and cash equivalents are primarily held in money market funds.

Property and Equipment, Net Policy

Property and Equipment, Net

Property and equipment is recorded at cost less accumulated depreciation. Property and equipment under capital leases, and the related obligation, is recorded at an amount equal to the present value of future minimum lease payments. Buildings, furniture, equipment, and software, including internally developed software, are depreciated using the straight-line method over the estimated useful lives of the related assets, which range from 3 to 40 years. Capital leases, leasehold improvements and tenant improvement allowances are amortized using the straight-line method over the shorter of the lease term or the estimated useful lives of the related assets. Construction in progress, excluding software, is recorded at cost until the corresponding asset is placed into service and depreciation begins. Software is recorded at cost and is amortized once the related asset is ready for its intended use. Maintenance and repairs are expensed as incurred.

We capitalize certain internal software development costs consisting primarily of the direct labor associated with creating the internally developed software. Capitalized costs are amortized using the straight-line method over the estimated lives of the software. Software development projects generally include three stages: the preliminary project stage (all costs expensed as incurred), the application development stage (certain costs capitalized, certain costs expensed as incurred), and the post-implementation/operation stage (all costs expensed as incurred). The costs capitalized in the application development stage primarily include the costs of designing the application, coding, installation of hardware, and testing. We capitalize costs incurred during the application development phase of the project as permitted. Refer to Note 9, Property and Equipment, Net.

Goodwill and Intangible Assets Policy

Goodwill and Intangible Assets

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- *Goodwill and Indefinite-Lived Intangible Assets* — Goodwill represents the excess of the purchase price of an acquired business over the amount assigned to the assets acquired and liabilities assumed. At the time of an acquisition, we allocate the goodwill and related assets and liabilities to our respective reporting units. We identify our reporting units by assessing whether the components of our operating segments constitute businesses for which discrete financial information is available and segment management regularly reviews the operating results of those components.

  Indefinite-lived intangible assets are recorded at fair market value on their acquisition date and primarily include trademarks and foreign regulatory accreditations and designations as a result of the BPP, UNIACC and ULA acquisitions. We assign indefinite lives to acquired trademarks, accreditations and designations that we believe have the continued ability to generate cash flows indefinitely; have no legal, regulatory, contractual, economic or other factors limiting the useful life of the respective intangible asset; and when we intend to renew the respective trademark, accreditation or designation and renewal can be accomplished at little cost.

  We assess goodwill and indefinite-lived intangible assets at least annually for impairment or more frequently if events occur or circumstances change between annual tests that would more likely than not reduce the fair value of the respective reporting unit below its carrying amount.

  - *Goodwill* - We test for goodwill impairment at the reporting unit level by applying a two-step test. In the first step, we compare the fair value of the reporting unit to the carrying value of its net assets. If the fair value of the reporting unit exceeds the carrying value of the net assets of the reporting unit, goodwill is not impaired and no further testing is required. If the carrying value of the net assets of the reporting unit exceeds the fair value of the reporting unit, we perform a second step which involves using a hypothetical purchase price allocation to determine the implied fair value of the goodwill and compare it to the carrying value of the goodwill. An impairment loss is recognized to the extent the implied fair value of the goodwill is less than the carrying amount of the goodwill. As discussed in *Recent Accounting Pronouncements* below, effective September 1, 2011, we early adopted Accounting Standards Update ("ASU") No. 2011-08, "*Intangibles-Goodwill and Other (Topic 350): Testing Goodwill for Impairment*," which allows, but does not require, us to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test discussed above.

    To determine the fair value of our reporting units, we primarily use an income-based approach consisting of a discounted cash flow valuation method. We also consider a market-based approach or a combination of both methods. The discounted cash flow valuation method consists of projecting future cash flows for a reporting unit, which may include developing one or multiple sets of cash flow scenarios and applying a reasonable weighting to those scenarios, calculating a terminal value, and discounting such cash flows by a risk-adjusted rate of return. Generally, the market-based approach incorporates information from comparable transactions in the market and publicly traded companies with similar operating and investment characteristics of the reporting unit to develop a multiple which is then applied to the operating performance of the reporting unit to determine value. The determination of fair value of our reporting units consists primarily of using unobservable inputs under the fair value measurement standards.

    We believe the most critical assumptions and estimates in determining the estimated fair value of our reporting units, include, but are not limited to, the amounts and timing of expected future cash flows for each reporting unit, the probability weightings assigned to cash flow scenarios, the discount rate applied to those cash flows, terminal growth rates, selection of comparable market multiples and applying weighting factors when a combination of

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valuation methods is used. The assumptions used in determining our expected future cash flows consider various factors such as historical operating trends particularly in student enrollment and pricing, the political environment the reporting unit operates in, anticipated economic and regulatory conditions and reasonable expectations for planned business, and operating strategies and initiatives over a long-term planning horizon. The discount rate used by each reporting unit is based on our assumption of a prudent investor's required rate of return of assuming the risk of investing in a particular company in a specific country. The terminal growth rate reflects the sustainable operating income a reporting unit could generate in a perpetual state as a function of revenue growth, inflation and future margin expectations. We also believe the assumptions used in our goodwill impairment tests are consistent with a reasonable market participant view and employ the concept of highest and best use of the asset. If we determine our critical assumptions discussed above require revision or are adversely impacted, a potential goodwill impairment may result in the future.

- *Indefinite-lived intangible assets* - The annual impairment test for indefinite-lived intangible assets involves a comparison of the estimated fair value of the intangible asset with its carrying value. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. We perform our annual indefinite-lived intangible asset impairment tests on the same dates that we perform our annual goodwill impairment tests for the respective reporting units.

  To determine the fair value of our trademark intangible assets we use the relief-from-royalty method. This method estimates the benefit of owning the intangible assets rather than paying royalties for the right to use a comparable asset. This method incorporates the use of significant judgments in determining both the projected revenues attributable to the asset, as well as the appropriate discount rate and royalty rates applied to those revenues to determine fair value. To fair value the accreditations and designations intangible assets, we primarily use the cost savings method which estimates the cost savings of owning the intangible asset rather than either creating the asset or not having the asset in place to be used in current operations. This method incorporates the use of significant judgments in determining the projected profit or replacement cost attributable to the asset and the appropriate discount rate. The determination of fair value of our indefinite-lived intangible assets consists primarily of using unobservable inputs under the fair value measurement standards.

- *Finite-Lived Intangible Assets* — Finite-lived intangible assets that are acquired in business combinations are recorded at fair market value on their acquisition date and are amortized on either a straight-line basis or using an accelerated method to reflect the pattern in which the economic benefits of the asset are consumed. The weighted average useful life of our finite-lived intangible assets that are not fully amortized as of August 31, 2011 is 5.2 years.

Other Long-Lived Assets Impairments Policy

Other Long-Lived Asset Impairments

We evaluate the carrying amount of our major other long-lived assets, including property and equipment and finite-lived intangible assets, whenever changes in circumstances or events indicate that the value of such assets may not be fully recoverable. Excluding the impairment charges discussed in Note 4, Restructuring and Other Charges, we did not recognize any impairment charges for our other long-lived assets during fiscal years 2011 and 2010. At August 31, 2011, we believe the carrying amounts of our remaining other long-lived assets are fully recoverable and no impairment exists.

Share-Based Compensation Policy

Share-Based Compensation

We measure and recognize compensation expense for all share-based awards issued to faculty, employees and directors based on estimated fair values of the share awards on the date of grant.

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We record compensation expense, net of forfeitures, for all share-based awards over the requisite service period using the straight-line method for awards with only a service condition, and the graded vesting attribution method for awards with service and performance conditions.

We calculate the fair value of share-based awards on the date of grant. For stock options, we typically use the Black-Scholes-Merton option pricing model to estimate fair value. The Black-Scholes-Merton option pricing model requires us to estimate key assumptions such as expected term, volatility, risk-free interest rates and dividend yield to determine the fair value of stock options, based on both historical information and management judgment regarding market factors and trends. The expected term of options represents the period of time that the options granted are expected to be outstanding. Prior to fiscal year 2011, we generally used the simplified mid-point method to estimate the expected term of stock options based on our determination that the terms and exercise behavior of our stock options had changed significantly in recent periods, causing our historical exercise data to not be reflective of our expectations of future exercise behavior. The simplified method uses the mid-point between the vesting and contractual terms of the stock options. During fiscal year 2011, we estimated the expected term of our stock options granted based primarily on the vesting period of the awards and historical exercise behavior, which did not result in a significant change in our expected term assumption compared to prior years.

For share-based awards with performance conditions, such as our Performance Share Awards described in Note 18, Stock and Savings Plans, we measure the fair value of such awards as of the date of grant and amortize share-based compensation expense for our estimate of the number of shares expected to vest. Our estimate of the number of shares that will vest is based on our determination of the probable outcome of the performance condition, which requires considerable judgment. We record a cumulative adjustment to share-based compensation expense in periods that we change our estimate of the number of shares expected to vest. Additionally, we ultimately adjust the expense recognized to reflect the actual vested shares following the resolution of the performance conditions.

We estimate expected forfeitures of share-based awards at the grant date and recognize compensation cost only for those awards expected to vest. We estimate our forfeiture rate based on several factors including historical forfeiture activity, expected future employee turnover, and other qualitative factors. We ultimately adjust this forfeiture assumption to actual forfeitures. Therefore, changes in the forfeiture assumptions do not impact the total amount of expense ultimately recognized over the requisite service period. Rather, different forfeiture assumptions only impact the timing of expense recognition over the requisite service period. If the actual forfeitures differ from management estimates, additional adjustments to compensation expense are recorded.

Income Taxes Policy

Income Taxes

The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in an entity's financial statements or tax returns. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period when the new rate is enacted. We record a valuation allowance to reduce deferred tax assets to the amount that we believe is more likely than not to be realized.

The determination of our uncertain tax positions requires us to make significant judgments. We evaluate and account for uncertain tax positions using a two-step approach. Recognition (step one) occurs when we conclude that a tax position, based solely on its technical merits, is more likely than not to be sustained upon examination. Measurement (step two) determines the amount of benefit that is greater than 50% likely to be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. Derecognition of a tax position that was previously recognized would occur when we subsequently determine that a tax position no longer meets the more likely than not threshold of being sustained. We do not use a valuation allowance as a substitute for derecognition of tax positions. Refer to Note 15, Income Taxes.

Earnings per Share Policy

Earnings per Share

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Basic income per share is calculated using the weighted average number of Apollo Group Class A and Class B common shares outstanding during the period. Diluted income per share is calculated similarly except that it includes the dilutive effect of the assumed exercise of stock options and release of restricted stock units and performance share awards issuable under our stock compensation plans. The amount of any tax benefit to be credited to additional paid-in capital related to the exercise of stock options, release of restricted stock units and release of performance share awards, and unrecognized share-based compensation expense is included when applying the treasury stock method in the computation of diluted income per share. Refer to Note 17, Earnings Per Share.

Leases Policy

Leases

We lease substantially all of our administrative and educational facilities, with the exception of several Apollo Global facilities, and we enter into various other lease agreements in conducting our business. At the inception of each lease, we evaluate the lease agreement to determine whether the lease is an operating or capital lease. Additionally, most of our lease agreements contain renewal options, tenant improvement allowances, rent holidays, and/or rent escalation clauses. When such items are included in a lease agreement, we record a deferred rent asset or liability in our Consolidated Balance Sheets and record the rent expense evenly over the term of the lease. Leasehold improvements are reflected under investing activities as additions to property and equipment in our Consolidated Statements of Cash Flows from Continuing and Discontinued Operations. Credits received against rent for tenant improvement allowances are reflected as a component of non-cash investing activities in our Consolidated Statements of Cash Flows from Continuing and Discontinued Operations. Lease terms generally range from five to ten years with one to two renewal options for extended terms. For leases with renewal options, we record rent expense and amortize the leasehold improvements on a straight-line basis over the initial non-cancelable lease term (in instances where the lease term is shorter than the economic life of the asset) unless we intend to exercise the renewal option. Refer to Note 20, Commitments and Contingencies.

We are also required to make additional payments under lease terms for taxes, insurance, and other operating expenses incurred during the lease period, which are expensed as incurred. Rental deposits are provided for lease agreements that specify payments in advance or deposits held in security that are refundable, less any damages at lease end.

Marketing Costs Policy

Marketing Costs

We expense marketing costs, the substantial majority of which includes advertising, as incurred.

Foreign Currency Translation Policy

Foreign Currency Translation

We use the U.S. dollar as our reporting currency. The functional currency of our entities operating outside the United States is the currency of the primary economic environment in which the entity primarily generates and expends cash, which is generally the local currency. The assets and liabilities of these operations are translated to U.S. dollars using exchange rates in effect at the balance sheet dates. Income and expense items are translated monthly at the average exchange rate for that period. The resulting translation adjustments and the effect of exchange rate changes on intercompany transactions of a long-term investment nature are included in shareholders' equity as a component of accumulated other comprehensive income (loss) or noncontrolling interests, as applicable. We report gains and losses from foreign exchange rate changes related to intercompany receivables and payables that are not of a long-term investment nature, as well as gains and losses from foreign currency transactions in other, net in our Consolidated Statements of Income. These items amounted to a net $1.7 million loss, net $0.6 million loss and net $0.1 million gain in fiscal years 2011, 2010 and 2009, respectively.

Fair Value Policy

Fair Value

The carrying amount of certain assets and liabilities reported in our Consolidated Balance Sheets, including accounts receivable and accounts payable, approximate fair value because of the short-term nature of these financial instruments.

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For fair value measurements of assets and liabilities that are recognized or disclosed at fair value, we consider fair value to be an exit price, which represents the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. We use valuation techniques to determine fair value consistent with either the market approach, income approach and/or cost approach, and we prioritize the inputs used in our valuation techniques using the following three-tier fair value hierarchy:

- Level 1 — Observable inputs that reflect quoted market prices (unadjusted) for identical assets and liabilities in active markets;
- Level 2 — Observable inputs, other than quoted market prices, that are either directly or indirectly observable in the marketplace for identical or similar assets and liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets and liabilities; and
- Level 3 — Unobservable inputs that are supported by little or no market activity that are significant to the fair value of assets or liabilities.

We categorize each of our fair value measurements for disclosure purposes in one of the above three levels based on the lowest level input that is significant to the fair value measurement in its entirety. In measuring fair value, our valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. We use prices and inputs that are current as of the measurement date, including during periods of market volatility. Therefore, classification of inputs within the hierarchy may change from period to period depending upon the observability of those prices and inputs. Our assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value for certain assets and liabilities and their placement within the fair value hierarchy. Refer to Note 11, Fair Value Measurements.

Loss Contingencies Policy

Loss Contingencies

We are subject to various claims and contingencies which are in the scope of ordinary and routine litigation incidental to our business, including those related to regulation, litigation, business transactions, employee-related matters and taxes, among others. When we become aware of a claim or potential claim, the likelihood of any loss or exposure is assessed. If it is probable that a loss will result and the amount of the loss can be reasonably estimated, we record a liability for the loss. The liability recorded includes probable and estimable legal costs incurred to date and future legal costs to the point in the legal matter where we believe a conclusion to the matter will be reached. If the loss is not probable or the amount of the loss cannot be reasonably estimated, we disclose the claim if the likelihood of a potential loss is reasonably possible and the amount of the potential loss could be material. For matters where no loss contingency is recorded, our policy is to expense legal fees as incurred. The assessment of the likelihood of a potential loss and the estimation of the amount of a loss are subjective and require judgment. Refer to Note 20, Commitments and Contingencies.

Restructuring and other Charges Policy

Restructuring and Other Charges

Restructuring and other charges are comprised principally of employee severance and other fringe benefit costs, non-cancelable lease obligations, and other related costs, including asset impairments. Our employee severance costs are expensed on the date we notify the employee, unless the employee must provide future service, in which case the benefits are expensed ratably over the future service period. For our non-cancelable lease obligations, we record the obligation upon the later of when we terminate the contract in accordance with the contract terms or when we cease using the right conveyed by the contract. We recognize these costs at fair value in the period the liability is incurred. Generally, for restructuring charges that have future payments that extend beyond one year, we record the net present value of the estimated future cash payments and then accrete the discount to restructuring and other charges over the term of the remaining payments. The estimate of our restructuring charges is based on the best information available at

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Discontinued Operations Policy

the time we record the obligation. Accordingly, any adjustments to previously recorded charges resulting from a change to the estimated liability are recognized in the period the change occurs. Refer to Note 4, Restructuring and Other Charges.

Discontinued Operations

Assets and liabilities expected to be sold or disposed of are presented separately in our Consolidated Balance Sheets as assets or liabilities held for sale. If we determine we will not have significant continuing involvement with components that are classified as held for sale, the results of operations of these components are presented separately as income (loss) from discontinued operations, net of tax, in the current and prior periods. Refer to Note 5, Discontinued Operations.

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Property and Equipment, Net (Details) (USD $)	12 Months Ended		
	Aug. 31, 2011	Aug. 31, 2010	Aug. 31, 2009
Property and equipment [Line Items]			
Gross property and equipment	$ 1,104,840,000	$ 1,094,317,000	
Less accumulated depreciation and amortization	(551,813,000)	(474,780,000)	
Property and equipment, net	553,027,000	619,537,000	
Less accumulated depreciation and amortization	(6,341,000)	(3,340,000)	
Capital lease assets, net	36,407,000	7,846,000	
Depreciation expense	144,300,000	122,200,000	103,400,000
Real estate rationalization - Asset impairments	6,015,000		
Loss on fixed assets write-off	0	0	9,416,000
Land [Member]			
Property and equipment [Line Items]			
Gross property and equipment	32,762,000	46,641,000	
Buildings [Member]			
Property and equipment [Line Items]			
Gross property and equipment	68,202,000	195,699,000	
Furniture And Equipment [Member]			
Property and equipment [Line Items]			
Gross property and equipment	459,881,000	368,162,000	
Capital lease assets	36,910,000	5,157,000	
Leasehold improvements (includes tenant improvement allowances) [Member]			
Property and equipment [Line Items]			
Gross property and equipment	349,921,000	295,058,000	
Internally developed software [Member]			
Property and equipment [Line Items]			
Gross property and equipment	63,578,000	83,011,000	
Depreciation expense	15,000,000	16,100,000	12,500,000
Software [Member]			
Property and equipment [Line Items]			
Gross property and equipment	100,562,000	68,666,000	
Construction in Progress [Member]			
Property and equipment [Line Items]			
Gross property and equipment	29,934,000	37,080,000	
Building and land [Member]			
Property and equipment [Line Items]			
Capital lease assets	$ 5,838,000	$ 6,029,000	

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Goodwill and Intangible Assets (Details 2) (USD $) In Thousands	12 Months Ended	
	Aug. 31, 2011	Aug. 31, 2010
Intangible Assets [Line Items]		
Gross carrying amount	$ 155,375	$ 190,837
Accumulated amortization	(30,558)	(28,272)
Effect of foreign currency translation loss	(3,700)	(11,972)
Intangible assets, net	121,117	150,593
Bpp Apollo Global [Member] | Finite-lived intangible assets [Member]		
Intangible Assets [Line Items]		
Intangible assets impairment		2,000
Finite-lived intangible assets [Member]		
Intangible Assets [Line Items]		
Gross carrying amount	49,070	61,502
Accumulated amortization	(30,558)	(28,272)
Effect of foreign currency translation loss	(2,872)	(4,281)
Intangible assets, net	15,640	28,949
Student and customer relationships [Member]		
Intangible Assets [Line Items]		
Gross carrying amount	9,477	19,935
Accumulated amortization	(6,538)	(12,891)
Effect of foreign currency translation loss	(1,284)	(1,624)
Intangible assets, net	1,655	5,420
Copyrights [Member]		
Intangible Assets [Line Items]		
Gross carrying amount	20,891	20,891
Accumulated amortization	(11,521)	(6,039)
Effect of foreign currency translation loss	(422)	(1,066)
Intangible assets, net	8,948	13,786
Other finite-lived intangibles [Member]		
Intangible Assets [Line Items]		
Gross carrying amount	18,702	20,676
Accumulated amortization	(12,499)	(9,342)
Effect of foreign currency translation loss	(1,166)	(1,591)
Intangible assets, net	5,037	9,743
Bpp Apollo Global [Member] | Indefinite-lived intangible assets [Member]		
Intangible Assets [Line Items]		
Intangible assets impairment		17,600
Ula and Uniacc [Member] | Indefinite-lived intangible assets [Member]		
Intangible Assets [Line Items]		
Intangible assets, net	7,800	
Indefinite-lived intangible assets [Member]		
Intangible Assets [Line Items]		

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Gross carrying amount	106,305	129,335
Accumulated amortization	0	0
Effect of foreign currency translation loss	(828)	(7,691)
Intangible assets, net	105,477	121,644
Bpp Apollo Global [Member] | Trademarks [Member]		
Intangible Assets [Line Items]		
Intangible assets impairment	22,253	
Trademarks [Member]		
Intangible Assets [Line Items]		
Gross carrying amount	98,849	121,879
Accumulated amortization	0	0
Effect of foreign currency translation loss	(737)	(7,191)
Intangible assets, net	98,112	114,688
Accreditations and designations [Member]		
Intangible Assets [Line Items]		
Gross carrying amount	7,456	7,456
Accumulated amortization	0	0
Effect of foreign currency translation loss	(91)	(500)
Intangible assets, net	7,365	6,956
Bpp Apollo Global [Member]		
Intangible Assets [Line Items]		
Intangible assets, net	110,400	
Intangible assets impairment	$ 22,200	$ 19,600

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Significant Accounting Policies (Details) (USD $)	12 Months Ended		
	Aug. 31, 2011 Years	Aug. 31, 2010	Aug. 31, 2009
Significant Accounting Policies (Details) [Abstract]			
Employee tuition benefits	$ 97,000,000	$ 100,300,000	$ 90,500,000
Components of revenue [Line Items]			
University of Phoenix course completion percentage refund eligibility	60% or less		
Property and equipment minimum useful life	3		
Property and equipment maximum useful life	40		
Finite-lived Intangible Assets weighted-average useful life	5.2		
Foreign currency gain (loss), net	$ (1,662,000)	$ (643,000)	$ 62,000
Tuition And Educational Services Revenue [Member]			
Components of revenue [Line Items]			
Percent of total gross consolidated revenue before discounts	92.00%		
Educational Materials Revenue [Member]			
Components of revenue [Line Items]			
Percent of total gross consolidated revenue before discounts	6.00%		
Services Revenue [Member]			
Components of revenue [Line Items]			
Percent of total gross consolidated revenue before discounts	2.00%		
Other Revenue [Member]			
Components of revenue [Line Items]			
Percent of total gross consolidated revenue	less than 1%		
Discounts [Member]			
Components of revenue [Line Items]			
Percent of total gross consolidated revenue before discounts	5.00%		

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Other Liabilities (Details) (USD $) In Thousands	Aug. 31, 2011	Aug. 31, 2010
Other liabilities [Abstract]		
Deferred rent and other lease incentives	$ 90,761	$ 81,218
Deferred gains on sale-leasebacks	31,288	5,560
Uncertain tax positions	28,218	126,999
Restructuring obligation	13,052	0
Other	51,151	51,925
Total other liabilities	214,470	265,702
Less current portion	(50,131)	(53,416)
Total other long-term liabilities	$ 164,339	$ 212,286

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Changes in Presentation	12 Months Ended Aug. 31, 2011

Changes in Presentation

Operating Expenses

In executing our strategy, we have recently implemented and are continuing to implement a number of important changes and initiatives to transition our business to more effectively support our students and improve their educational outcomes. One of our most significant initiatives is to better align our admissions personnel with our students' success. Effective September 1, 2010, we eliminated enrollment factors in evaluating the performance and any related compensation adjustments for our admissions personnel. This represents a significant change as admissions personnel have been transitioned to more of an advisory function for prospective students during the admissions process, which includes potential students that do not matriculate into one of our educational programs.

Based on our business transition, we evaluated the presentation of our operating expenses and determined that additional disaggregation will provide more meaningful information and increased transparency of our operations. The following details the additional disaggregation and a description of the costs included in our operating expense categories:

- ***Instructional and student advisory*** - We previously reported our provision for uncollectible accounts receivable and a portion of our depreciation and amortization in "instructional costs and services" on our Consolidated Statements of Income. We have disaggregated and are presenting separately our provision for uncollectible accounts receivable and depreciation and amortization, which are discussed in more detail below. Effective during the first quarter of fiscal year 2011, we have renamed the remaining costs "instructional and student advisory." This category primarily consists of costs related to the delivery and administration of our educational programs and include costs related to faculty, student advisory and administrative compensation, classroom and administration lease expenses (including facilities that are shared and support both instructional and admissions functions), financial aid processing costs, costs related to the development of our educational programs and other related costs. Tuition costs for all employees and their eligible family members are recorded as an expense within instructional and student advisory.
- ***Admissions advisory*** - We previously reported costs related to our admissions advisory personnel in "selling and promotional" on our Consolidated Statements of Income. Effective during the first quarter of fiscal year 2011, we began separately stating such costs on our Consolidated Statements of Income as "admissions advisory." Based on the strategic initiative discussed above, we believe the disaggregation of admissions personnel costs better represents our admissions advisory function and provides a more transparent view of our operations. The substantial majority of costs included in this disaggregated presentation consist of compensation for admissions personnel. The category also includes other costs directly related to admissions advisory functions.
- ***Marketing*** - The costs associated with admissions personnel represented a significant portion of our previously reported "selling and promotional" expense. As discussed above, we began presenting such costs separately on our Consolidated Statements of Income. Considering the substantial majority of the remaining costs represent advertising and other marketing activities, we believe the disaggregation of our marketing costs provides additional transparency. Specifically, effective during the first quarter of fiscal year 2011, we have renamed the remaining costs "marketing," which were previously referred to as "selling and promotional." The substantial majority of costs included in the disaggregated presentation of marketing consist of advertising expenses, compensation for marketing personnel including personnel responsible for establishing relationships with selected employers, which we refer to as our Workforce Solutions team, and production of marketing materials. The category also includes other costs directly related to marketing functions. Based on this disaggregation, we also identified certain costs previously included in "selling and promotional" that we believe are now more appropriately represented as general and administrative in our revised presentation of operating expenses. These costs principally include compensation associated with our External Affairs employees and other costs related to our External Affairs activities.
- ***General and administrative*** - Excluding the change in presentation noted above related to External Affairs and the disaggregation of depreciation and amortization discussed below, there are no additional changes to our presentation of general and administrative expense. General and administrative costs consist primarily of corporate compensation, occupancy costs, legal and professional fees, and other related costs.
- ***Provision for uncollectible accounts receivable*** - We previously reported our provision for uncollectible accounts receivable in "instructional costs and services" on our Consolidated Statements of Income. We believe the disaggregated presentation of our provision for uncollectible accounts receivable is meaningful and provides a more transparent view of our operations.
- ***Depreciation and amortization*** - We previously reported depreciation and amortization in a combination of all of our operating expense categories on our Consolidated Statements of Income. The assets associated with our depreciation and amortization often possess characteristics that can be associated with multiple operating expense categories. We expect this trend to continue as we implement various strategic initiatives that enhance our operational efficiencies as well as improve the student experience. Accordingly, we believe the disaggregated presentation of our depreciation and amortization provides a more transparent view of our operations.

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We have changed our presentation of operating expenses for prior periods to conform to the above disaggregation and revisions to our presentation. There were no changes to total operating expenses or operating income as a result of these changes in presentation. The following table presents our operating expenses as previously reported and as changed on our Consolidated Statements of Income for the fiscal years ended:

	Year Ended August 31,			
	2010		2009	
($ in thousands)	As Reported	As Changed	As Reported	As Changed
Instructional and student advisory	$ 2,125,082	$ 1,733,134	$ 1,567,754	$ 1,333,919
Marketing	1,112,666	623,743	952,884	497,568
Admissions advisory	—	466,358	—	437,908
General and administrative	314,795	301,116	286,493	277,887
Provision for uncollectible accounts receivable	—	282,628	—	151,021
Depreciation and amortization	—	145,564	—	108,828
Goodwill and other intangibles impairment	184,570	184,570	—	—
Litigation charge	177,982	177,982	80,500	80,500
Total costs and expenses	$ 3,915,095	$ 3,915,095	$ 2,887,631	$ 2,887,631

Restricted Cash and Cash Equivalents

Effective during fiscal year 2011, we changed our presentation of changes in restricted cash and cash equivalents related to financial aid program funds to cash flows from operating activities on our Consolidated Statements of Cash Flows from Continuing and Discontinued Operations. We previously presented such changes as cash flows from investing activities. Our restricted cash and cash equivalents primarily represents funds held for students for unbilled educational services that were received from Title IV financial aid program funds. When we receive such funds, they are recorded as restricted cash on our balance sheet with an offsetting liability recorded as student deposits. These restricted funds are a core activity of our operations and, accordingly, we believe presentation of changes in such funds as an operating activity more appropriately reflects the nature of the restricted cash. Additionally, we believe that including both changes in the restricted cash asset and the student deposit liability within operating activities provides better transparency. We have changed our presentation on our Consolidated Statements of Cash Flows from Continuing and Discontinued Operations for all periods presented. The changes have no other impact on our financial position and results of operations.

The following table presents our cash flows as previously reported and as changed for the fiscal years ended:

	Year Ended August 31,			
	2010		2009	
($ in thousands)	As Reported	As Changed	As Reported	As Changed
Cash flows provided by (used in) operating activities:				
Change in restricted cash and cash equivalents	$ —	$ (11,828)	$ —	$ (48,149)
Net cash provided by operating activities	$ 1,045,070	$ 1,033,242	$ 960,227	$ 912,078
Cash flows provided by (used in) investing activities:				
Collateralization of letter of credit[(1)]	$ (138,443)	$ (126,615)	$ (48,149)	$ —
Net cash used in investing activities	$ (307,117)	$ (295,289)	$ (691,265)	$ (643,116)

[(1)]Following the change in presentation discussed above, the remaining change in restricted cash and cash equivalents in fiscal year 2010 represents funds used to collateralize a letter of credit. We have continued to present this change as an investing activity based on the nature of the restricted cash; however, we have renamed the remaining change, "Collateralization of letter of credit." Refer to Note 8, Restricted Cash Equivalents for Collateralization of Letter of Credit, for further discussion.

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Regulatory Matters (Details) (USD $) In Millions, unless otherwise specified	Aug. 31, 2010	12 Months Ended Aug. 31, 2011 University Of Phoenix [Member]
Percentage of consolidated net revenue		91.00%
Percentage of consolidated operating income		more than 100%
Title IV percentage		86.00%
Change in 90/10 percentage		200 basis point
Cohort default rate		18.80%
Letter of credit	$ 126	

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Other Liabilities (Table)	12 Months Ended Aug. 31, 2011

Other Liabilities (Table) [Abstract]

Other liabilities

Other liabilities consist of the following as of August 31:

($ in thousands)	2011	2010
Deferred rent and other lease incentives	$ 90,761	$ 81,218
Deferred gains on sale-leasebacks	31,288	5,560
Uncertain tax positions	28,218	126,999
Restructuring obligation	13,052	—
Other	51,151	51,925
Total other liabilities	214,470	265,702
Less current portion	(50,131)	(53,416)
Total other long-term liabilities	$164,339	$212,286

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Regulatory Matters	12 Months Ended Aug. 31, 2011
Notes to Consolidated Financial Statements [Abstract]	
Regulatory Matters	

Regulatory Matters

Student Financial Aid

All U.S. federal financial aid programs are established by Title IV of the Higher Education Act and regulations promulgated thereunder. In August 2008, the Higher Education Act was reauthorized through September 30, 2013 by the Higher Education Opportunity Act. The U.S. Congress must periodically reauthorize the Higher Education Act and annually determine the funding level for each Title IV program. Changes to the Higher Education Act are likely to result from subsequent reauthorizations, and the scope and substance of any such changes cannot be predicted.

The Higher Education Opportunity Act specifies the manner in which the U.S. Department of Education reviews institutions for eligibility and certification to participate in Title IV programs. Every educational institution involved in Title IV programs must be certified to participate and is required to periodically renew this certification.

University of Phoenix was recertified in November 2009 and entered into a new Title IV Program Participation Agreement which expires December 31, 2012.

Western International University was recertified in May 2010 and entered into a new Title IV Program Participation Agreement which expires September 30, 2014.

Concentration of Revenue Source

We collected the substantial majority of our fiscal year 2011 total consolidated net revenue from receipt of Title IV financial aid program funds, principally from federal student loans and Pell Grants. University of Phoenix represented 91% of our total consolidated net revenue and more than 100% of our operating income in fiscal year 2011. University of Phoenix generated 86% of its cash basis revenue for eligible tuition and fees during fiscal year 2011 from the receipt of Title IV financial aid program funds, as calculated under the 90/10 Rule described below.

Rulemaking Initiative

In November 2009, the U.S. Department of Education convened two negotiated rulemaking teams related to Title IV program integrity issues and foreign school issues. The resulting program integrity rules promulgated in October 2010 and June 2011 address numerous topics. The most significant for our business are the following:

- Modification of the standards relating to the payment of incentive compensation to employees involved in student recruitment and enrollment;
- Implementation of standards for state authorization of institutions of higher education, which require us to seek and obtain specific regulatory approval by June 30, 2012, or to seek a further annual waiver from the Department through June 30, 2013 to operate in California, Colorado, Hawaii and New Mexico. If we are unable to operate in California in a manner that would preserve Title IV eligibility for our students, our business would be materially and adversely impacted;
- Adoption of a definition of "gainful employment" for purposes of the requirement of Title IV student financial aid that a program of study offered by a proprietary institution prepare students for gainful employment in a recognized occupation; and
- Expansion of the definition of misrepresentation, relating to the Department's authority under the Higher Education Act, as reauthorized, to suspend or terminate an institution's participation in Title IV programs if the institution engages in substantial

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misrepresentation of the nature of its educational program, its financial charges, or the employability of graduates, and expansion of the sanctions that the Department may impose for engaging in a substantial misrepresentation.

Except for the gainful employment metrics discussed below, most of the rules were effective July 1, 2011.

On June 13, 2011, the Department published final regulations, effective July 1, 2012, on the metrics for determining whether an academic program prepares students for gainful employment. The regulations establish three annual, program-level metrics: debt repayment rate, debt-to-discretionary income ratio, and debt-to-total earnings ratio. If an academic program fails all three metrics in a year, the institution must disclose the amount by which the program missed the minimum acceptable performance and the institution's plan to improve the program. If an academic program fails all three metrics in two out of three years, the institution must inform students in the failing program that their debts may be unaffordable and the program may lose eligibility, and must describe for students their available transfer options. If an academic program fails all three metrics in three out of four years, the academic program would become ineligible to participate in federal student financial aid programs for at least three years. We believe substantially all of our academic programs currently prepare students for gainful employment measured in the manner set forth in the final gainful employment regulations for purposes of continued eligibility to participate in federal student financial aid programs.

U.S. Congressional Hearings

Beginning last year, there has been increased focus by members of the U.S. Congress on the role that proprietary educational institutions play in higher education. In June 2010, the U.S. Senate Committee on Health, Education, Labor and Pensions ("HELP Committee") held the first in a series of hearings to examine the proprietary education sector. At a subsequent hearing in August 2010, the Government Accountability Office ("GAO") presented a report of its review of various aspects of the proprietary sector, including recruitment practices and the degree to which proprietary institutions' revenue is composed of Title IV funding. Following the August hearing, Sen. Tom Harkin, the Chairman of the HELP Committee, requested a broad range of detailed information from 30 proprietary institutions, including University of Phoenix and other subsidiaries of Apollo Group. We have been and intend to continue being responsive to the requests of the HELP Committee. Sen. Harkin has held subsequent hearings and roundtable discussions, most recently on July 21, 2011, and we believe that future hearings may be held. On September 22, 2011, Sen. Tom Carper, the Chairman of the Senate Homeland Security and Government Affairs Subcommittee on Federal Financial Management, Government Information, Federal Services and International Security, held a hearing on "Improving Educational Outcomes for Our Military and Veterans," focusing on the quality of education for the military and veterans population and the treatment of such funding for purposes of the 90/10 Rule calculation that, if enacted, would adversely impact our 90/10 Rule percentage. Sen. Carper suggested a follow-up roundtable discussion. In addition, other Congressional hearings or roundtable discussions are expected to be held regarding various aspects of the education industry that may affect our business.

90/10 Rule

One requirement of the Higher Education Act, as reauthorized, commonly referred to as the "90/10 Rule," applies to proprietary institutions such as University of Phoenix and Western International University. Under this rule, a proprietary institution will be ineligible to participate in Title IV programs if for any two consecutive fiscal years it derives more than 90% of its cash basis revenue, as defined in the rule, from Title IV programs. An institution that exceeds this limit for any single fiscal year will be automatically placed on provisional certification for two fiscal years and will be subject to possible additional sanctions determined to be appropriate under the circumstances by the U.S. Department of Education. While the Department has broad discretion to impose additional sanctions on such an institution, there is only limited precedent available to predict what those sanctions might be, particularly in the current regulatory environment. The Department could specify a wide range of additional conditions as a part of the provisional certification and the institution's continued participation in Title IV programs. These conditions may include, among other things, restrictions on the total amount of Title IV program funds that

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may be distributed to students attending the institution; restrictions on programmatic and geographic expansion; requirements to obtain and post letters of credit; and additional reporting requirements to include additional interim financial reporting. Should an institution be subject to such provisional certification at the time that its program participation agreement expired, the effect on recertification of the institution or continued eligibility to participate in Title IV programs pending recertification is uncertain.

The University of Phoenix 90/10 Rule percentage for fiscal year 2011 was 86%, which represented a 200 basis point decrease compared to fiscal year 2010. We believe the decrease is primarily attributable to the reduction in the proportion of our students who are enrolled in our associate's degree programs, which historically have had a higher percentage of Title IV funds applied to eligible tuition and fees. We have also implemented in recent years various measures intended to reduce the percentage of University of Phoenix's cash basis revenue attributable to Title IV funds, including emphasizing employer-paid and other direct-pay education programs, encouraging students to carefully evaluate the amount of necessary Title IV borrowing, and continued focus on professional development and continuing education programs. Although we believe these measures will favorably impact the 90/10 Rule percentage, they have had only limited impact to date. We have substantially no control over the amount of Title IV student loans and grants sought by or awarded to our students.

The 90/10 Rule percentage for University of Phoenix remains near 90% and could exceed 90% in the future depending on the degree to which our various initiatives are effective, the impact of future changes in our enrollment mix, and regulatory and other factors outside our control, including any reduction in government tuition assistance for military personnel, including veterans, or changes in the treatment of such funding for purposes of the 90/10 Rule calculation.

Any necessary further efforts to reduce the 90/10 Rule percentage for University of Phoenix, especially if the percentage exceeds 90% for a fiscal year, may involve taking measures which reduce our revenue, increase our operating expenses, or both, in each case perhaps significantly. In addition, we may be required to make structural changes to our business in the future in order to remain in compliance, which changes may materially alter the manner in which we conduct our business and materially and adversely impact our business, financial condition, results of operations and cash flows. Furthermore, these required changes could make more difficult our ability to comply with other important regulatory requirements, such as the cohort default rate regulations, which is discussed below.

Student Loan Cohort Default Rates

To remain eligible to participate in Title IV programs, an educational institution's student loan cohort default rates must remain below certain specified levels. Each cohort is the group of students who first enter into student loan repayment during a federal fiscal year (ending September 30). The currently applicable cohort default rate for each cohort is the percentage of the students in the cohort who default on their student loans prior to the end of the following federal fiscal year, which represents a two-year measuring period. An educational institution will lose its eligibility to participate in some or all Title IV programs if its student loan cohort default rate equals or exceeds 25% for three consecutive cohorts or 40% for any given cohort. If our student loan default rates approach these limits, we may be required to increase efforts and resources dedicated to improving these default rates.

For University of Phoenix, the 2009 cohort default rate was 18.8%. We believe the University of Phoenix cohort default rate has been increasing over the past several years due to the challenging economic climate, the growth in our associate's degree student population and changes in the manner in which student loans are serviced. Although we expect that the challenging economic environment will continue to put pressure on our student borrowers, we believe that our ongoing efforts to shift our student mix to a higher proportion of bachelor and graduate level students, the full implementation of our University Orientation program in November 2010 and our investment in student protection initiatives and repayment management services will help to stabilize and over time favorably impact our rates.

Higher Learning Commission ("HLC")

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In August 2010, University of Phoenix received a letter from HLC requiring University of Phoenix to provide certain information and evidence of compliance with HLC accreditation standards. The letter related to the August 2010 report published by the GAO of its undercover investigation into the enrollment and recruiting practices of a number of proprietary institutions of higher education, including University of Phoenix. We submitted the response to HLC in September 2010 and subsequently responded to further requests for information. In July 2011, HLC informed University of Phoenix that the Special Committee formed to review this matter had completed its work, concluding that based on its limited review, it found no apparent evidence of systematic misrepresentations to students or that University of Phoenix's procedures in the areas of recruiting, financial aid and admissions are significantly inadequate or inappropriate. These were the areas on which HLC's review was focused. HLC also stated that there remain significant questions as well as areas that University of Phoenix should work on improving. HLC indicated that these will be reviewed by the comprehensive evaluation team at its previously scheduled visit beginning in March 2012, which is its next comprehensive evaluation visit.

U.S. Department of Education Program Reviews

The U.S. Department of Education periodically reviews institutions participating in Title IV programs for compliance with applicable standards and regulations. In December 2010, the Department commenced a program review of policies, procedures and practices of University of Phoenix relevant to participation in Title IV programs, including specific procedures relating to distance education. The review covered federal financial aid years 2009 - 2010 and 2010 - 2011 through October 31, 2010. In February 2011, University of Phoenix received an Expedited Final Program Review Determination Letter from the Department. There were no significant adverse findings in the program review. The Department concluded that University of Phoenix has initiated or completed acceptable corrective actions in respect of each compliance item identified in the review and each finding has been closed. No economic or other sanctions were imposed.

During fiscal year 2011, the Department released our $126 million letter of credit previously posted in connection with our February 2009 program review.

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Income Taxes (Details 2) (USD $)	3 Months Ended								12 Months Ended		
	Aug. 31, 2011	May 31, 2011	Feb. 28, 2011	Nov. 30, 2010	Aug. 31, 2010	May 31, 2010	Feb. 28, 2010	Nov. 30, 2009	Aug. 31, 2011	Aug. 31, 2010	Aug. 31, 2009
Income tax examination [Line Items]											
Cash paid									$ 464,701,000	$ 514,532,000	$ 472,241,000
Income tax benefit	44,622,000	130,385,000	76,052,000	169,579,000	122,628,000	122,390,000	69,064,000	149,981,000	420,638,000	464,063,000	456,720,000
Increase in additional paid-in capital										27,484,000	
IRS (Lawsuit Settlement Deductibility) [Member]											
Income tax examination [Line Items]											
Income tax benefit									(9,600,000)		
IRS (Years 2003 Through 2005) [Member]											
Income tax examination [Line Items]											
Reserve for uncertain tax positions prior to settlement								50,500,000			
Cash paid										27,300,000	
Income tax benefit										(10,200,000)	
Decrease in deferred tax assets					1,500,000					1,500,000	
Increase in additional paid-in capital										11,500,000	
IRS (Years 2006 Through 2009) [Member]											
Income tax examination [Line Items]											
Income tax benefit										(1,200,000)	
Decrease in deferred tax assets					900,000					900,000	
Increase in additional paid-in capital										16,000,000	
Arizona Department of Revenue [Member]											
Income tax examination [Line Items]											
Income tax benefit									(43,300,000)		
Income tax refund claim										51,500,000	
Tax settlement that we paid or will pay	$ 59,800,000								$ 59,800,000		

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Segment Reporting (Details 2) (USD $) In Thousands	3 Months Ended								12 Months Ended		
	Aug. 31, 2011	May 31, 2011	Feb. 28, 2011	Nov. 30, 2010	Aug. 31, 2010	May 31, 2010	Feb. 28, 2010	Nov. 30, 2009	Aug. 31, 2011	Aug. 31, 2010	Aug. 31, 2009
Net revenue	$ 1,122,121	$ 1,235,837	$ 1,048,629	$ 1,326,435	$ 1,259,420	$ 1,337,404	$ 1,070,336	$ 1,258,659	$ 4,733,022	$ 4,925,819	$ 3,953,566
Long-lived assets	807,441				1,092,289				807,441	1,092,289	1,283,536
United States [Member]											
Net revenue									4,437,079	4,617,533	3,879,615
Long-lived assets	471,703				547,715				471,703	547,715	496,493
United Kingdom [Member]											
Net revenue									222,732	228,177	13,062
Long-lived assets	214,073				430,475				214,073	430,475	698,273
Latin America [Member]											
Net revenue									50,725	53,765	54,536
Long-lived assets	86,103				81,870				86,103	81,870	86,137
Other Geographical Areas [Member]											
Net revenue									22,486	26,344	6,353
Long-lived assets	$ 35,562				$ 32,229				$ 35,562	$ 32,229	$ 2,633

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Accrued Liabilities (Details) (USD $) In Thousands	Aug. 31, 2011	Aug. 31, 2010
Accrued liabilities [Abstract]		
Securities class action liability	$ 161,150	$ 177,982
Salaries, wages and benefits	93,763	80,773
Accrued advertising	50,172	52,472
Accrued professional fees	32,607	30,895
Student refunds, grants and scholarships	17,360	9,842
Other accrued liabilities	43,754	23,497
Total accrued liabilities	$ 398,806	$ 375,461

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Restructuring and Other Charges (Tables)	12 Months Ended Aug. 31, 2011
Restructuring and Other Charges (Tables) [Abstract]	
Restructuring and other charges	The following table details the charges incurred in fiscal year 2011 associated with these initiatives, which are presented in restructuring and other charges on our Consolidated Statements of Income:

($ in thousands)		**Charge for Year Ended August 31, 2011**
Real estate rationalization - Lease obligation costs, net	$	13,052
Real estate rationalization - Asset impairments		6,015
Reduction in force - Severance and other benefits		3,846
Restructuring and other charges	$	22,913

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Debt (Tables)	12 Months Ended Aug. 31, 2011
Debt (Tables) [Abstract]	
Debt	Debt and short-term borrowings consist of the following as of August 31:

($ in thousands)	**2011**	**2010**
Bank Facility, see terms below	$493,322	$497,968
BPP Credit Facility, see terms below	47,603	52,925
Capital lease obligations	36,512	7,827
Other, see terms below	21,572	25,680
Total debt	599,009	584,400
Less short-term borrowings and current portion of long-term debt	(419,318)	(416,361)
Long-term debt	$179,691	$168,039

Debt maturities

Aggregate debt maturities for each of the years ended August 31 are as follows:

($ in thousands)	
2012	$419,318
2013	150,651
2014	8,273
2015	7,970
2016	6,295
Thereafter	6,502
	$599,009

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Quarterly Results of Operations (Unaudited)	12 Months Ended Aug. 31, 2011
Notes to Consolidated Financial Statements [Abstract]	
Quarterly Results of Operations (Unaudited)	

Quarterly Results of Operations (Unaudited)

Seasonality

Our operations are generally subject to seasonal trends. We experience, and expect to continue to experience, fluctuations in our results of operations as a result of seasonal variations in the level of our institutions' enrollments. Although University of Phoenix enrolls students throughout the year, its net revenue is generally lower in our second fiscal quarter (December through February) than the other quarters due to holiday breaks.

Quarterly Results of Operations

The following unaudited consolidated interim financial information presented should be read in conjunction with other information included on our consolidated financial statements. The following unaudited consolidated financial information reflects all adjustments necessary for the fair presentation of the results of interim periods, including the changes in presentation described in Note 3, Changes in Presentation. The following tables set forth selected unaudited quarterly financial information for each of our last eight quarters:

	(Unaudited) 2011			
	Q1	Q2	Q3	Q4
(In thousands, except per share data)	November 30	February 28[1]	May 31	August 31
Consolidated Quarterly Statements of Operations:				
Net revenue	$ 1,326,435	$ 1,048,629	$ 1,235,837	$ 1,122,121
Costs and expenses:				
Instructional and student advisory	455,812	421,644	458,145	438,486
Marketing	166,143	157,215	161,034	170,970
Admissions advisory	113,752	102,283	99,923	99,428
General and administrative	84,874	84,344	87,857	98,676
Provision for uncollectible accounts receivable	56,909	45,540	39,217	39,631
Depreciation and amortization	37,102	39,142	41,125	41,637
Goodwill and other intangibles impairment	—	219,927	—	—
Restructuring and other charges	3,846	—	—	19,067
Litigation charge (credit), net	881	1,574	2,048	(16,454)
Total costs and expenses	919,319	1,071,669	889,349	891,441
Operating income (loss)	407,116	(23,040)	346,488	230,680
Interest income	983	785	867	587
Interest expense	(2,170)	(1,654)	(2,383)	(2,724)
Other, net	(54)	313	(1,862)	15
Income (loss) from continuing operations before income taxes	405,875	(23,596)	343,110	228,558
Provision for income taxes	(169,579)	(76,052)	(130,385)	(44,622)
Income (loss) from continuing operations	236,296	(99,648)	212,725	183,936
(Loss) income from discontinued operations, net of tax	(628)	2,575	540	—
Net income (loss)	235,668	(97,073)	213,265	183,936
Net (income) loss attributable to noncontrolling interests	(255)	33,035	(825)	4,676
Net income (loss) attributable to Apollo	$ 235,413	$ (64,038)	$ 212,440	$ 188,612
Earnings (loss) per share — Basic:[2]				
Continuing operations attributable to Apollo	$ 1.61	$ (0.47)	$ 1.52	$ 1.38
Discontinued operations attributable to Apollo	—	0.02	—	—
Basic income (loss) per share attributable to Apollo	$ 1.61	$ (0.45)	$ 1.52	$ 1.38
Earnings (loss) per share — Diluted:[2]				
Continuing operations attributable to Apollo	$ 1.61	$ (0.47)	$ 1.51	$ 1.37
Discontinued operations attributable to Apollo	—	0.02	—	—
Diluted income (loss) per share attributable to Apollo	$ 1.61	$ (0.45)	$ 1.51	$ 1.37
Basic weighted average shares outstanding	146,352	142,354	139,856	136,594
Diluted weighted average shares outstanding	146,663	142,354	140,343	137,295

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(1) The effective income tax rate and net loss attributable to noncontrolling interests was significantly affected in the second quarter of fiscal year 2011 by BPP goodwill and other intangibles impairment charges.

(2) The sum of quarterly income per share may not equal annual income per share due to rounding and the net loss in the second quarter of fiscal year 2011.

	(Unaudited) 2010			
	Q1	Q2	Q3	Q4
(In thousands, except per share data)	November 30	February 28	May 31	August 31[1]
Consolidated Quarterly Statements of Income:				
Net revenue	$ 1,258,659	$ 1,070,336	$ 1,337,404	$ 1,259,420
Costs and expenses:				
Instructional and student advisory	430,675	415,458	441,700	445,301
Marketing	151,617	141,308	151,668	179,150
Admissions advisory	115,271	118,152	116,344	116,591
General and administrative	70,659	68,800	75,362	86,295
Provision for uncollectible accounts receivable	62,698	73,884	72,011	74,035
Depreciation and amortization	34,680	35,244	36,701	38,939
Goodwill and other intangibles impairment	—	—	8,712	175,858
Litigation charge	—	44,500	132,600	882
Total costs and expenses	865,600	897,346	1,035,098	1,117,051
Operating income	393,059	172,990	302,306	142,369
Interest income	932	525	827	636
Interest expense	(2,908)	(3,220)	(1,979)	(3,784)
Other, net	(670)	(79)	(1,312)	1,376
Income from continuing operations before income taxes	390,413	170,216	299,842	140,597
Provision for income taxes	(149,981)	(69,064)	(122,390)	(122,628)
Income from continuing operations	240,432	101,152	177,452	17,969
(Loss) income from discontinued operations, net of tax	(300)	(10,638)	2,084	(6,570)
Net income	240,132	90,514	179,536	11,399
Net loss (income) attributable to noncontrolling interests	10	2,092	(253)	29,572
Net income attributable to Apollo	$ 240,142	$ 92,606	$ 179,283	$ 40,971
Earnings (loss) per share — Basic:[2]				
Continuing operations attributable to Apollo	$ 1.55	$ 0.67	$ 1.17	$ 0.32
Discontinued operations attributable to Apollo	—	(0.07)	0.02	(0.04)
Basic income per share attributable to Apollo	$ 1.55	$ 0.60	$ 1.19	$ 0.28
Earnings (loss) per share — Diluted:[2]				
Continuing operations attributable to Apollo	$ 1.54	$ 0.67	$ 1.16	$ 0.32
Discontinued operations attributable to Apollo	—	(0.07)	0.02	(0.04)
Diluted income per share attributable to Apollo	$ 1.54	$ 0.60	$ 1.18	$ 0.28
Basic weighted average shares outstanding	154,824	154,119	151,127	147,829
Diluted weighted average shares outstanding	156,045	155,168	152,291	148,334

(1) The effective income tax rate and net loss attributable to noncontrolling interests was significantly affected in the fourth quarter of fiscal year 2010 by BPP goodwill and other intangibles impairment charges.

(2) The sum of quarterly income per share may not equal annual income per share due to rounding.

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Fair Value Measurements

12 Months Ended Aug. 31, 2011

Notes to Consolidated Financial Statements [Abstract]

Fair Value Measurements

Fair Value Measurements

Assets and liabilities measured at fair value on a recurring basis consist of the following as of August 31, 2011:

($ in thousands)	August 31, 2011	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents (including restricted cash equivalents):				
Money market funds	$ 1,854,927	$ 1,854,927	$ —	$ —
Marketable securities:				
Auction-rate securities	5,946	—	—	5,946
Total assets at fair value on a recurring basis:	$ 1,860,873	$ 1,854,927	$ —	$ 5,946
Liabilities:				
Other liabilities:				
Interest rate swap	$ 3,363	$ —	$ 3,363	$ —
Total liabilities at fair value on a recurring basis:	$ 3,363	$ —	$ 3,363	$ —

Assets and liabilities measured at fair value on a recurring basis consist of the following as of August 31, 2010:

($ in thousands)	August 31, 2010	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents (including restricted cash equivalents):				
Money market funds	$ 1,468,992	$ 1,468,992	$ —	$ —
Marketable securities:				
Auction-rate securities	15,174	—	—	15,174
Total assets at fair value on a recurring basis:	$ 1,484,166	$ 1,468,992	$ —	$ 15,174
Liabilities:				
Other liabilities:				
Interest rate swap	$ 5,148	$ —	$ 5,148	$ —
Total liabilities at fair value on a recurring basis:	$ 5,148	$ —	$ 5,148	$ —

We measure the above items on a recurring basis at fair value as follows:

- ***Money market funds*** — Classified within Level 1 and were valued primarily using real-time quotes for transactions in active exchange markets involving identical assets. As of August 31, 2011 and 2010, our remaining cash and cash equivalents not disclosed in the above tables approximate fair value because of the short-term nature of the financial instruments.
- ***Auction-rate securities*** — Classified within Level 3 due to the illiquidity of the market and were valued using a discounted cash flow model encompassing significant unobservable inputs such as estimated interest rates, credit spreads, timing and amount of cash flows, credit quality of the underlying securities and illiquidity considerations.
- ***Interest rate swap*** — We have an interest rate swap with a notional amount of $47.5 million as of August 31, 2011 used to minimize the interest rate exposure on a portion of BPP's variable rate debt. The interest rate swap is used to fix the variable interest rate on the associated debt. The swap is classified within Level 2 and is valued using readily available pricing sources which utilize market observable inputs including the current variable interest rate for similar types of instruments.

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At August 31, 2011, the carrying value of our debt, excluding capital leases, was $562.5 million. Substantially all of our debt is variable interest rate debt and the carrying amount approximates fair value.

We did not change our valuation techniques associated with recurring fair value measurements from prior periods.

Changes in the assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the year ended August 31, 2011 are as follows:

($ in thousands)	
Balance at August 31, 2010	$ 15,174
Reversal of unrealized loss on redemption	772
Redemptions at par value	(10,000)
Transfers in (out) of Level 3	—
Balance at August 31, 2011	$ 5,946
Net unrealized gains (losses) included in earnings related to assets held as of August 31, 2011	$ —

Assets and liabilities measured at fair value on a non-recurring basis during fiscal year 2011 consist of the following:

		Fair Value Measurements at Measurement Date Using			
($ in thousands)	Fair Value at Measurement Date	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Losses for Year Ended August 31, 2011
Assets:					
Goodwill					
BPP	$ 48,889	$ —	$ —	$ 48,889	$ (197,674)
Intangible assets, net					
BPP trademark	90,658	—	—	90,658	(22,253)
Total assets at fair value on a nonrecurring basis	$ 139,547	$ —	$ —	$ 139,547	$ (219,927)
Liabilities:					
Other liabilities					
Restructuring obligation	$ 13,052	$ —	$ —	$ 13,052	$ (13,052)
Total liabilities at fair value on a nonrecurring basis	$ 13,052	$ —	$ —	$ 13,052	$ (13,052)

In the second quarter of fiscal year 2011, we recorded impairment charges for BPP's goodwill and trademark. Accordingly, BPP's goodwill balance was written down to the implied fair value and BPP's trademark was measured at fair value. We measured the implied fair value for BPP's goodwill and the fair value of BPP's trademark using Level 3 inputs included in the valuation methods used to determine fair value for the respective assets. Refer to Note 10, Goodwill and Intangible Assets.

During the fourth quarter of fiscal year 2011, we recorded a $13.1 million liability associated with our real estate rationalization plan. We measured the liability at fair value using Level 3 inputs included in the valuation method. Refer to Note 4, Restructuring and Other Charges.

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Accounts Receivable, Net (Details) (USD $) In Thousands	12 Months Ended		
	Aug. 31, 2011	Aug. 31, 2010	Aug. 31, 2009
Accounts receivable, net [Abstract]			
Student accounts receivable	$ 324,324	$ 419,714	
Less allowance for doubtful accounts	(128,897)	(192,857)	(110,420)
Net student accounts receivable	195,427	226,857	
Other receivables	20,140	37,520	
Total accounts receivable, net	215,567	264,377	
Allowance for doubtful accounts [Abstract]			
Allowance for doubtful accounts	192,857	110,420	78,362
Provision for uncollectible accounts receivable	181,297	282,628	152,490
Write-offs, net of recoveries	(245,257)	(200,191)	(120,432)
Allowance for doubtful accounts	$ 128,897	$ 192,857	$ 110,420

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Commitments and Contingencies (Details 2) (USD $) In Thousands	**Aug. 31, 2011**
Future minimum lease obligation	$ 1,178,597
Leased facility we do not have right to control [Member]	
Future minimum lease obligation	87,000
Leased facility abandoned in period [Member]	
Future minimum lease obligation	43,800
Leased facilities we expect to abandon [Member]	
Future minimum lease obligation	$ 34,700

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Fair Value Measurements (Details) (USD $)	12 Months Ended		
	Aug. 31, 2011	Aug. 31, 2010	Feb. 28, 2011
Assets and liabilities measured on a recurring and nonrecurring basis [Line Items]			
Money market funds (cash and cash equivalents)	$ 1,854,927,000	$ 1,468,992,000	
Auction-rate securities (marketable securities)	5,946,000	15,174,000	
Total assets at fair value on a recurring basis	1,860,873,000	1,484,166,000	
Interest rate swap (other liabilities)	3,363,000	5,148,000	
Total liabilities at fair value on a recurring basis	3,363,000	5,148,000	
Goodwill			48,889,000
BPP Goodwill - Losses for year ended August 31, 2011	(197,674,000)	(165,033,000)	
Intangible assets			90,658,000
Total assets at fair value on a nonrecurring basis			139,547,000
Total assets at fair value on a noncurring basis, losses	(219,927,000)		
Restructuring obligation	13,052,000	0	
Restructuring obligation - Losses for year ended August 31, 2011	(13,052,000)		
Total liabilities at fair value on a nonrecurring basis	13,052,000		
Total liabilities at fair value on a nonrecurring basis, losses	(13,052,000)		
Interest rate swap notional amount	47,500,000		
Carrying value of debt, excluding capital leases	562,500,000		
Changes in the assets measured at fair value on a recurring basis using Level 3 inputs [Abstract]			
Assets measured at fair value on a recurring basis using significant unobservable inputs	15,174,000		
Reversal of unrealized loss on redemption	772,000		
Redemptions at par value	(10,000,000)		
Transfers in (out) of Level 3	0		
Assets measured at fair value on a recurring basis using significant unobservable inputs	5,946,000	15,174,000	
Net unrealized gains (losses) included in earnings related to assets held	0		
Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1) [Member]			
Assets and liabilities measured on a recurring and nonrecurring basis [Line Items]			
Money market funds (cash and cash equivalents)	1,854,927,000	1,468,992,000	
Auction-rate securities (marketable securities)	0	0	
Total assets at fair value on a recurring basis	1,854,927,000	1,468,992,000	
Interest rate swap (other liabilities)	0	0	
Total liabilities at fair value on a recurring basis	0	0	
Goodwill	0		
Intangible assets	0		
Total assets at fair value on a nonrecurring basis	0		

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Restructuring obligation	0		
Total liabilities at fair value on a nonrecurring basis	0		
Significant Other Observable Inputs (Level 2) [Member]			
Assets and liabilities measured on a recurring and nonrecurring basis [Line Items]			
Money market funds (cash and cash equivalents)	0	0	
Auction-rate securities (marketable securities)	0	0	
Total assets at fair value on a recurring basis	0	0	
Interest rate swap (other liabilities)	3,363,000	5,148,000	
Total liabilities at fair value on a recurring basis	3,363,000	5,148,000	
Goodwill	0		
Intangible assets	0		
Total assets at fair value on a nonrecurring basis	0		
Restructuring obligation	0		
Total liabilities at fair value on a nonrecurring basis	0		
Significant Unobservable Inputs (Level 3) [Member]			
Assets and liabilities measured on a recurring and nonrecurring basis [Line Items]			
Money market funds (cash and cash equivalents)	0	0	
Auction-rate securities (marketable securities)	5,946,000	15,174,000	
Total assets at fair value on a recurring basis	5,946,000	15,174,000	
Interest rate swap (other liabilities)	0	0	
Total liabilities at fair value on a recurring basis	0	0	
Goodwill			48,889,000
Intangible assets			90,658,000
Total assets at fair value on a nonrecurring basis			139,547,000
Restructuring obligation	13,052,000		
Total liabilities at fair value on a nonrecurring basis	13,052,000		
Bpp Apollo Global [Member]			
Assets and liabilities measured on a recurring and nonrecurring basis [Line Items]			
BPP Goodwill - Losses for year ended August 31, 2011	(197,674,000)	(156,321,000)	
BPP Trademark - Losses for year ended August 31, 2011	(22,200,000)	(19,600,000)	
Bpp Apollo Global [Member] | Trademarks [Member]			
Assets and liabilities measured on a recurring and nonrecurring basis [Line Items]			
BPP Trademark - Losses for year ended August 31, 2011	$ (22,253,000)		

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Restructuring and Other Charges	12 Months Ended Aug. 31, 2011
Notes to Consolidated Financial Statements [Abstract]	
Restructuring and Other Charges	

Restructuring and Other Charges

As discussed in Note 3, Changes in Presentation, we have recently implemented a number of important operational changes and initiatives to transition our business to more effectively support our students and improve their educational outcomes. As part of this transition, we implemented a strategic reduction in force in November 2010 and a real estate rationalization plan in the fourth quarter of fiscal year 2011. These initiatives, which are discussed further below, were designed to streamline our operations and better align our operations with our business strategy, refined business model and outlook. The following table details the charges incurred in fiscal year 2011 associated with these initiatives, which are presented in restructuring and other charges on our Consolidated Statements of Income:

($ in thousands)		Charge for Year Ended August 31, 2011
Real estate rationalization - Lease obligation costs, net	$	13,052
Real estate rationalization - Asset impairments		6,015
Reduction in force - Severance and other benefits		3,846
Restructuring and other charges	$	22,913

Real Estate Rationalization

During the fourth quarter of fiscal year 2011, we initiated a plan to rationalize our real estate portfolio in Phoenix, Arizona through space consolidation and reorganization. The plan consists of abandoning all, or a portion of, four leased facilities, all of which are classified as operating leases. As of August 31, 2011, we were not using one of the facilities and we determined will no longer derive a future economic benefit from the facility. Accordingly, we accrued $13.1 million in other liabilities on our Consolidated Balance Sheets representing the fair value of our future contractual lease obligation under the respective operating lease. We measured the lease obligation at fair value using a discounted cash flow approach encompassing significant unobservable inputs. The estimation of future cash flows includes non-cancelable contractual lease costs over the remaining term of the lease, partially offset by estimated future sublease rental income, which involves significant judgment. Our estimate of the amount and timing of sublease rental income considered current commercial real estate market data and conditions, comparable transaction data and qualitative factors specific to the facility. This estimate will be subject to adjustment as market conditions change or as new information becomes available, including the execution of sublease agreements. We also wrote-off $6.0 million of certain assets, including leasehold improvements, at the facility for which we do not expect a future economic benefit. The lease obligation and asset impairment charges are included in our University of Phoenix reportable segment.

We expect to abandon the remaining three facilities in fiscal year 2012 and incur additional charges associated with initially recognizing the net lease obligations and other costs. The majority of these charges will be recorded on the respective cease-use dates for each facility and will be included in our University of Phoenix reportable segment.

Reduction in Force

We implemented a strategic reduction in force primarily at University of Phoenix in November 2010 that eliminated approximately 700 full-time positions, principally among admissions personnel. In connection with this reduction in force, we incurred a $3.8 million charge consisting of severance and other fringe benefit costs. This charge is included in our University of Phoenix reportable segment and was paid in the second quarter of fiscal year 2011.

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Other Liabilities

12 Months Ended Aug. 31, 2011

Notes to Consolidated Financial Statements [Abstract]

Other Liabilities

Other Liabilities

Other liabilities consist of the following as of August 31:

($ in thousands)	**2011**	**2010**
Deferred rent and other lease incentives	$ 90,761	$ 81,218
Deferred gains on sale-leasebacks	31,288	5,560
Uncertain tax positions	28,218	126,999
Restructuring obligation	13,052	—
Other	51,151	51,925
Total other liabilities	214,470	265,702
Less current portion	(50,131)	(53,416)
Total other long-term liabilities	$164,339	$212,286

Deferred rent represents the difference between the cash rental payments and the straight-line recognition of the expense over the term of the leases. Other lease incentives represent amounts included in lease agreements and are amortized on a straight-line basis over the term of the leases. The increase in deferred gains on sale-leasebacks is primarily due to the sale-leaseback of our principal office buildings in Phoenix, Arizona. Refer to Note 20, Commitments and Contingencies. The decrease in our liability for uncertain tax positions is primarily due to resolution regarding the apportionment of income for state income tax purposes. Refer to Note 15, Income Taxes. The restructuring and other activities liability is related to our real estate rationalization plan. Refer to Note 4, Restructuring and Other Charges.

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Income Taxes (Details) (USD $)	3 Months Ended								12 Months Ended		
	Aug. 31, 2011	May 31, 2011	Feb. 28, 2011	Nov. 30, 2010	Aug. 31, 2010	May 31, 2010	Feb. 28, 2010	Nov. 30, 2009	Aug. 31, 2011	Aug. 31, 2010	Aug. 31, 2009
Geographical sources of income from continuing operations [Abstract]											
United States									$ 1,213,353,000	$ 1,227,794,000	$ 1,085,704,000
Foreign									(259,406,000)	(226,726,000)	(18,777,000)
Income from continuing operations before income taxes	228,558,000	343,110,000	(23,596,000)	405,875,000	140,597,000	299,842,000	170,216,000	390,413,000	953,947,000	1,001,068,000	1,066,927,000
Current:											
Federal									350,640,000	458,375,000	377,911,000
State									11,372,000	131,284,000	93,350,000
Foreign									1,129,000	(218,000)	(1,025,000)
Total current									363,141,000	589,441,000	470,236,000
Deferred:											
Federal									62,474,000	(106,834,000)	(8,667,000)
State									10,214,000	(7,574,000)	(4,872,000)
Foreign									(15,191,000)	(10,970,000)	23,000
Total deferred									57,497,000	(125,378,000)	(13,516,000)
Total provision for income taxes	44,622,000	130,385,000	76,052,000	169,579,000	122,628,000	122,390,000	69,064,000	149,981,000	420,638,000	464,063,000	456,720,000
Deferred tax assets:											
Allowance for doubtful accounts	44,364,000				72,344,000				44,364,000	72,344,000	
Deferred rent and tenant improvement allowances	25,198,000				28,921,000				25,198,000	28,921,000	
Net operating loss carry-forward	10,718,000				17,629,000				10,718,000	17,629,000	
Litigation charge	61,502,000				70,383,000				61,502,000	70,383,000	
Share-based compensation	67,697,000				63,168,000				67,697,000	63,168,000	
Other	59,001,000				73,821,000				59,001,000	73,821,000	
Gross deferred tax assets	268,480,000				326,266,000				268,480,000	326,266,000	
Valuation allowance	(10,446,000)				(14,645,000)				(10,446,000)	(14,645,000)	
Deferred tax assets, net of valuation allowance	258,034,000				311,621,000				258,034,000	311,621,000	
Deferred tax liabilities:											
Fixed assets	57,314,000				39,276,000				57,314,000	39,276,000	
Intangible assets	30,738,000				40,069,000				30,738,000	40,069,000	
Other	1,296,000				5,531,000				1,296,000	5,531,000	
Gross deferred tax liabilities	89,348,000				84,876,000				89,348,000	84,876,000	
Net deferred income taxes	168,686,000				226,745,000				168,686,000	226,745,000	
Unrecognized tax benefits rollforward [Abstract]											
Beginning balance				166,048,000				84,861,000	166,048,000	84,861,000	
Additions based on tax positions taken in the current year									4,503,000	99,590,000	
Additions for tax positions taken in prior years									15,570,000	18,323,000	
Settlement with tax authorities									(110,980,000)	(20,665,000)	
Reductions for tax positions of prior years									(45,231,000)	(11,733,000)	
Reductions due to lapse of applicable statute of limitations									(4,099,000)	(4,328,000)	
Ending balance	25,811,000				166,048,000				25,811,000	166,048,000	84,861,000
Unrecognized assets in unrecognized tax benefits	1,200,000				44,400,000				1,200,000	44,400,000	
Uncertain tax position interest and penalties expense									(1,700,000)	(10,400,000)	4,400,000
Uncertain tax position interest and penalties accrued	3,700,000				5,400,000				3,700,000	5,400,000	
Unrecognized tax benefits that would impact tax rate	18,400,000								18,400,000		
Effective income tax rate reconciliation [Abstract]											
Statutory U.S. federal income tax rate									35.00%	35.00%	35.00%

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State income taxes, net of federal benefit		1.80%	6.30%	5.10%
Non-deductible compensation, net		0.30%	(1.10%)	0.40%
Foreign taxes		0.80%	1.10%	0.60%
Litigation charge		(1.00%)	0.00%	0.90%
Goodwill impairments		7.40%	5.80%	0.00%
Meritus closure		(0.80%)	0.00%	0.00%
Other, net		0.60%	(0.70%)	0.80%
Effective income tax rate		44.10%	46.40%	42.80%
United States [Member]				
Net operating loss carry-forwards [Line Items]				
Net operating loss carry-forwards	17,500,000	17,500,000		
Foreign [Member]				
Net operating loss carry-forwards [Line Items]				
Net operating loss carry-forwards	$ 20,700,000	$ 20,700,000		

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Debt (Details)	Aug. 31, 2011 USD ($)	Aug. 31, 2010 USD ($)	1 Months Ended Oct. 19, 2011 Bank Facility [Member] USD ($)	3 Months Ended Nov. 30, 2010 Bank Facility [Member] USD ($)	12 Months Ended Aug. 31, 2011 Bank Facility [Member] USD ($)	12 Months Ended Aug. 31, 2011 Bank Facility [Member] GBP (£)	Aug. 31, 2010 Bank Facility [Member] USD ($)	12 Months Ended Aug. 31, 2011 Credit Facility Bpp [Member] USD ($)	12 Months Ended Aug. 31, 2011 Credit Facility Bpp [Member] GBP (£)	Aug. 31, 2010 Credit Facility Bpp [Member] USD ($)	Aug. 31, 2011 Capital Lease Obligations [Member] USD ($)	Aug. 31, 2010 Capital Lease Obligations [Member] USD ($)	12 Months Ended Aug. 31, 2011 Other Debt [Member] USD ($)	Aug. 31, 2010 Other Debt [Member] USD ($)	Aug. 31, 2011 Other Debt Variable [Member] USD ($)	Aug. 31, 2010 Other Debt Variable [Member] USD ($)	Aug. 31, 2011 Other Debt Fixed [Member] USD ($)	Aug. 31, 2010 Other Debt Fixed [Member] USD ($)
Debt [Line Items]																		
Total debt	$ 599,009,000	$ 584,400,000			$ 493,322,000		$ 497,968,000	$ 47,603,000		$ 52,925,000	$ 36,512,000	$ 7,827,000	$ 21,572,000	$ 25,680,000	$ 9,100,000	$ 8,700,000	$ 12,500,000	$ 17,000,000
Short-term borrowings and current portion of long-term debt	(419,318,000)	(416,361,000)																
Long-term debt	179,691,000	168,039,000																
Aggregate debt maturities [Abstract]																		
2012	419,318,000																	
2013	150,651,000																	
2014	8,273,000																	
2015	7,970,000																	
2016	6,295,000																	
Thereafter	6,502,000																	
Total debt	599,009,000	584,400,000			493,322,000		497,968,000	47,603,000		52,925,000	36,512,000	7,827,000	21,572,000	25,680,000	9,100,000	8,700,000	12,500,000	17,000,000
Borrowing capacity					500,000,000			85,200,000	52,000,000									
Expansion feature					250,000,000													
Term length and expiration					five years and will expire on January 4, 2013	five years and will expire on January 4, 2013												
British Pounds denominated debt					103,200,000	63,000,000												
US Dollar denominated debt repaid			$ 390,100,000	$ 400,100,000														
Fees					12.5 to 17.5 basis points	12.5 to 17.5 basis points												
Fees for borrowings					LIBOR + 50.0 to 82.5 basis points	LIBOR + 50.0 to 82.5 basis points		LIBOR + 250 to 325 basis points	LIBOR + 250 to 325 basis points									
Weighted average interest rate					2.80%	2.80%	2.90%	4.00%	4.00%	4.00%			6.10%	6.70%				
Other debt interest rates, minimum													5.00%					
Other debt interest rates, maximum													7.30%					
Other debt maturities, earliest													2012					
Other debt maturities, latest													2019					

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Fair Value Measurements (Tables)	12 Months Ended Aug. 31, 2011
Fair Value Measurements (Tables) [Abstract]	
Fair value assets and liabilities measured on recurring basis	Assets and liabilities measured at fair value on a recurring basis consist of the following as of August 31, 2011:

($ in thousands)	August 31, 2011	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents (including restricted cash equivalents):				
Money market funds	$ 1,854,927	$ 1,854,927	$ —	$ —
Marketable securities:				
Auction-rate securities	5,946	—	—	5,946
Total assets at fair value on a recurring basis:	$ 1,860,873	$ 1,854,927	$ —	$ 5,946
Liabilities:				
Other liabilities:				
Interest rate swap	$ 3,363	$ —	$ 3,363	$ —
Total liabilities at fair value on a recurring basis:	$ 3,363	$ —	$ 3,363	$ —

Assets and liabilities measured at fair value on a recurring basis consist of the following as of August 31, 2010:

($ in thousands)	August 31, 2010	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents (including restricted cash equivalents):				
Money market funds	$ 1,468,992	$ 1,468,992	$ —	$ —
Marketable securities:				
Auction-rate securities	15,174	—	—	15,174
Total assets at fair value on a recurring basis:	$ 1,484,166	$ 1,468,992	$ —	$ 15,174
Liabilities:				
Other liabilities:				
Interest rate swap	$ 5,148	$ —	$ 5,148	$ —
Total liabilities at fair value on a recurring basis:	$ 5,148	$ —	$ 5,148	$ —

Changes in level 3 assets

Changes in the assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the year ended August 31, 2011 are as follows:

($ in thousands)	
Balance at August 31, 2010	$ 15,174
Reversal of unrealized loss on redemption	772
Redemptions at par value	(10,000)
Transfers in (out) of Level 3	—
Balance at August 31, 2011	$ 5,946

Net unrealized gains/losses included in earnings

Net unrealized gains (losses) included in earnings related to assets held as of August 31, 2011	$ —

Fair value assets and liabilities measured on non-recurring basis

Assets and liabilities measured at fair value on a non-recurring basis during fiscal year 2011 consist of the following:

($ in thousands)	Fair Value at Measurement Date	Fair Value Measurements at Measurement Date Using: Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Losses for Year Ended August 31, 2011

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Assets:					
Goodwill					
BPP	$ 48,889	$ —	$ —	$ 48,889	$ (197,674)
Intangible assets, net					
BPP trademark	90,658	—	—	90,658	(22,253)
Total assets at fair value on a nonrecurring basis	$ 139,547	$ —	$ —	$ 139,547	$ (219,927)
Liabilities:					
Other liabilities					
Restructuring obligation	$ 13,052	$ —	$ —	$ 13,052	$ (13,052)
Total liabilities at fair value on a nonrecurring basis	$ 13,052	$ —	$ —	$ 13,052	$ (13,052)

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Stock and Savings Plans (Details 2) (USD $) In Thousands	12 Months Ended		
	Aug. 31, 2011	Aug. 31, 2010	Aug. 31, 2009
Share-based compensation expense [Line Items]			
Share-based compensation	$ 70,040	$ 64,305	$ 68,038
Tax effect of share-based compensation	(26,715)	(25,290)	(26,603)
Share-based compensation expense, net of tax	43,325	39,015	41,435
Instructional and student advisory [Member]			
Share-based compensation expense [Line Items]			
Share-based compensation	27,012	23,603	22,102
Marketing [Member]			
Share-based compensation expense [Line Items]			
Share-based compensation	5,306	5,116	2,062
Admissions advisory [Member]			
Share-based compensation expense [Line Items]			
Share-based compensation	2,109	1,528	2,113
General and administrative [Member]			
Share-based compensation expense [Line Items]			
Share-based compensation	$ 35,613	$ 34,058	$ 41,761

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Segment Reporting

Notes to Consolidated Financial Statements [Abstract]

Segment Reporting

12 Months Ended Aug. 31, 2011

Segment Reporting

We operate primarily in the education industry. We have organized our segments using a combination of factors primarily focusing on the type of educational services provided and products delivered. Our five operating segments are managed in the following four reportable segments:

1. University of Phoenix;
2. Apollo Global - BPP
3. Apollo Global - Other; and
4. Other Schools.

The University of Phoenix segment offers associate's, bachelor's, master's and doctoral degrees in a variety of program areas. University of Phoenix offers its educational programs worldwide through its online education delivery system and at its campus locations and learning centers.

The Apollo Global — BPP segment offers professional training and education through schools located in the United Kingdom, a European network of BPP offices, and the sale of books and other publications globally. We began reporting Apollo Global — BPP as a separate reportable segment during the fourth quarter of fiscal year 2009 following Apollo Global's acquisition of BPP on July 30, 2009.

The Apollo Global — Other segment includes Western International University, UNIACC, ULA and the Apollo Global corporate operations. Western International University offers associate's, bachelor's and master's degrees in a variety of program areas as well as certificate programs at its Arizona campus locations and online at Western International University Interactive Online. UNIACC offers bachelor's and master's programs on campuses in Chile and online. ULA offers degree programs at its four campuses throughout Mexico.

The Other Schools segment includes IPD and CFFP, as well as Meritus until its closure in fiscal year 2011, which is discussed further below. IPD provides program development, administration and management consulting services to private colleges and universities to establish or expand their programs for working learners. CFFP provides financial services education programs, including the Master of Science in three majors and certification programs in retirement, asset management, and other financial planning areas.

In the third quarter of fiscal year 2011, we ceased operations at Meritus and provided the opportunity for Meritus students to enroll in University of Phoenix. Based on our continuing involvement with Meritus' students, we have not presented Meritus as discontinued operations. In connection with our closure of Meritus, we recorded an insignificant charge in fiscal year 2011 and we do not expect significant charges in future periods resulting from the closure.

Our reportable segments have been determined based on the method by which management evaluates performance and allocates resources. Management evaluates performance based on reportable segment profit. This measure of profit includes allocating corporate support costs to each segment as part of transfer pricing arrangements and/or a general allocation, but excludes taxes, interest income and expense, and certain revenue and unallocated corporate charges. At the discretion of management, certain corporate costs are not allocated to the subsidiaries due to their designation as special charges because of their infrequency of occurrence, the non-cash nature of the expense and/or the determination that the allocation of these costs to the subsidiaries will not result in an appropriate measure of the subsidiaries' results. These costs include such items as unscheduled or significant management bonuses, unusual severance pay and share-based compensation expense attributed to corporate management and administrative employees. The

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Corporate caption includes adjustments to reconcile segment results to consolidated results which primarily consist of net revenue and corporate charges that are not allocated to our reportable segments.

During fiscal years 2011, 2010 and 2009, no individual customer accounted for more than 10% of our consolidated net revenue.

A summary of financial information by reportable segment is as follows:

	Year Ended August 31,		
($ in thousands)	**2011**	**2010**	**2009**
Net revenue			
University of Phoenix	$ 4,322,670	$ 4,498,325	$ 3,766,600
Apollo Global:			
BPP	244,181	251,743	13,062
Other	75,800	78,253	76,083
Total Apollo Global	319,981	329,996	89,145
Other Schools	88,517	95,706	95,045
Corporate	1,854	1,792	2,776
Net revenue	$ 4,733,022	$ 4,925,819	$ 3,953,566
Operating income (loss):			
University of Phoenix[1]	$ 1,270,468	$ 1,447,636	$ 1,131,331
Apollo Global:			
BPP[2]	(224,335)	(186,552)	(6,607)
Other[3]	(37,750)	(31,147)	(11,431)
Total Apollo Global	(262,085)	(217,699)	(18,038)
Other Schools	6,870	9,201	6,931
Corporate[4]	(54,009)	(228,414)	(54,289)
Total operating income	961,244	1,010,724	1,065,935
Reconciling items:			
Interest income	3,222	2,920	12,591
Interest expense	(8,931)	(11,891)	(4,448)
Other, net	(1,588)	(685)	(7,151)
Income from continuing operations before income taxes	$ 953,947	$ 1,001,068	$ 1,066,927
Depreciation and amortization			
University of Phoenix	$ 53,681	$ 50,770	$ 59,337
Apollo Global:			
BPP	22,976	32,917	3,115
Other	7,570	7,998	6,801
Total Apollo Global	30,546	40,915	9,916
Other Schools	1,082	982	1,405
Corporate	73,697	54,368	42,692
Total depreciation and amortization	$ 159,006	$ 147,035	$ 113,350
Capital expenditures			
University of Phoenix	$ 53,801	$ 39,623	$ 49,031
Apollo Global:			
BPP	11,896	10,287	504
Other	8,943	5,994	6,490

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Total Apollo Global	20,839	16,281	6,994
Other Schools	72	456	639
Corporate	87,861	111,817	70,692
Total capital expenditures	$ 162,573	$ 168,177	$ 127,356

(1) University of Phoenix's fiscal year 2011 operating income includes $22.9 million of restructuring and other charges associated with our real estate rationalization plan and a strategic reduction in force. Refer to Note 4, Restructuring and Other Charges. Operating income for fiscal year 2009 includes an $80.5 million charge resulting from our agreement in principle to settle a qui tam lawsuit pertaining to alleged violations of the False Claims Act. The settlement was finalized by all parties in fiscal year 2010.

(2) The operating loss for BPP in fiscal years 2011 and 2010 includes a $219.9 million and $175.9 million, respectively, of goodwill and other intangibles impairment charges. Refer to Note 10, Goodwill and Intangible Assets.

(3) Apollo Global - Other's operating loss in fiscal year 2010 includes an $8.7 million goodwill impairment charge for ULA.

(4) The operating loss for Corporate in fiscal years 2011 and 2010 includes a net credit of $16.2 million and charges of $178.0 million, respectively, associated with the *Securities Class Action (Policeman's Annuity and Benefit Fund of Chicago)*. See Note 20, Commitments and Contingencies.

A summary of our consolidated assets by reportable segment is as follows:

	As of August 31,		
($ in thousands)	**2011**	**2010**	**2009**
Assets			
University of Phoenix	$1,016,005	$1,263,024	$1,112,002
Apollo Global:			
BPP[1]	303,107	511,124	778,416
Other	146,490	116,483	148,125
Total Apollo Global	449,597	627,607	926,541
Insight Schools[2]	—	—	26,590
Other Schools	24,073	33,114	37,590
Corporate	1,780,031	1,677,706	1,160,654
Total assets	$3,269,706	$3,601,451	$3,263,377

(1) We recorded a $219.9 million and a $175.9 million impairment charge for BPP's goodwill and other intangibles during fiscal years 2011 and 2010, respectively. Refer to Note 10, Goodwill and Intangible Assets.

(2) Insight Schools' assets were held for sale and included in our Corporate caption as of August 31, 2010. Refer to Note 5, Discontinued Operations.

A summary of financial information by geographical area based on country of domicile for our respective operating locations is as follows:

	Year Ended August 31,		
($ in thousands)	**2011**	**2010**	**2009**
Net revenue			
United States	$4,437,079	$4,617,533	$3,879,615
United Kingdom	222,732	228,177	13,062
Latin America	50,725	53,765	54,536
Other	22,486	26,344	6,353
Net revenue	$4,733,022	$4,925,819	$3,953,566

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($ in thousands)	As of August 31,		
	2011	2010	2009
Long-lived assets[1]			
United States	$471,703	$ 547,715	$ 496,493
United Kingdom	214,073	430,475	698,273
Latin America	86,103	81,870	86,137
Other	35,562	32,229	2,633
Total long-lived assets	$807,441	$1,092,289	$1,283,536

(1) Long-lived assets include property and equipment, net, goodwill, and intangible assets, net.

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Consolidated Statements of Comprehensive Income (USD $) In Thousands	12 Months Ended		
	Aug. 31, 2011	Aug. 31, 2010	Aug. 31, 2009
Statement of Income and Comprehensive Income [Abstract]			
Net income	$ 535,796	$ 521,581	$ 593,830
Other comprehensive income (loss) (net of tax):			
Currency translation gain (loss)	7,643	(20,844)	(11,705)
Change in fair value of marketable securities	463	369	(390)
Comprehensive income	543,902	501,106	581,735
Comprehensive loss attributable to noncontrolling interests	35,940	34,460	6,625
Comprehensive income attributable to Apollo	$ 579,842	$ 535,566	$ 588,360

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Income Taxes	12 Months Ended Aug. 31, 2011

Notes to Consolidated Financial Statements [Abstract]

Income Taxes

Income Taxes

Geographic sources of income (loss) from continuing operations before income taxes are as follows:

($ in thousands)	2011	2010	2009
United States	$1,213,353	$1,227,794	$1,085,704
Foreign	(259,406)	(226,726)	(18,777)
Total income from continuing operations before income taxes	$ 953,947	$1,001,068	$1,066,927

Income tax expense (benefit) consists of the following for fiscal years 2011, 2010 and 2009:

($ in thousands)	2011	2010	2009
Current:			
Federal	$ 350,640	$ 458,375	$ 377,911
State	11,372	131,284	93,350
Foreign	1,129	(218)	(1,025)
Total current	363,141	589,441	470,236
Deferred:			
Federal	62,474	(106,834)	(8,667)
State	10,214	(7,574)	(4,872)
Foreign	(15,191)	(10,970)	23
Total deferred	57,497	(125,378)	(13,516)
Total provision for income taxes	$ 420,638	$ 464,063	$ 456,720

Deferred tax assets and liabilities result primarily from temporary differences in book versus tax basis accounting. Deferred tax assets and liabilities consist of the following as of August 31:

($ in thousands)	2011	2010
Deferred tax assets:		
Allowance for doubtful accounts	$ 44,364	$ 72,344
Deferred rent and tenant improvement allowances	25,198	28,921
Net operating loss carry-forward	10,718	17,629
Litigation charge	61,502	70,383
Share-based compensation	67,697	63,168
Other	59,001	73,821
Gross deferred tax assets	268,480	326,266
Valuation allowance	(10,446)	(14,645)
Deferred tax assets, net of valuation allowance	258,034	311,621

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Deferred tax liabilities:		
Fixed assets	57,314	39,276
Intangible assets	30,738	40,069
Other	1,296	5,531
Gross deferred tax liabilities	89,348	84,876
Net deferred income taxes	$168,686	$226,745

The decrease in our valuation allowance during fiscal year 2011 was primarily the result of the write-off of net operating losses and associated valuation allowance due to the closure of Meritus. We have recorded a valuation allowance related to a portion of our net operating losses and to the deferred tax assets of certain of our foreign subsidiaries, as it is more likely than not that these deferred tax assets will not be utilized. In light of our history of profitable operations, we have concluded that it is more likely than not that we will ultimately realize the full benefit of our deferred tax assets other than assets mentioned above. Accordingly, we believe that a valuation allowance should not be recorded for our remaining net deferred tax assets.

The net operating loss carry-forward in the above table represents $17.5 million of U.S. net operating losses that will begin to expire August 31, 2021. We also have $20.7 million of net operating losses in various foreign jurisdictions that do not expire.

We have not provided deferred taxes on unremitted earnings attributable to international companies that have been considered permanently reinvested. As of August 31, 2011, any earnings related to the operations of these foreign subsidiaries are not significant.

We exercise significant judgment in determining our income tax provision due to transactions, credits and calculations where the ultimate tax determination is uncertain. The following is a tabular reconciliation of the total amount of unrecognized tax benefits, excluding interest and penalties, at the beginning and the end of fiscal years 2011 and 2010:

($ in thousands)	
Balance at August 31, 2009	$ 84,861
Additions based on tax positions taken in the current year	99,590
Additions for tax positions taken in prior years	18,323
Settlement with tax authorities	(20,665)
Reductions for tax positions of prior years	(11,733)
Reductions due to lapse of applicable statute of limitations	(4,328)
Balance at August 31, 2010	166,048
Additions based on tax positions taken in the current year	4,503
Additions for tax positions taken in prior years	15,570
Settlement with tax authorities	(110,980)
Reductions for tax positions of prior years	(45,231)
Reductions due to lapse of applicable statute of limitations	(4,099)
Balance at August 31, 2011	$ 25,811

As of August 31, 2011 and 2010, we had $1.2 million and $44.4 million, respectively, of unrecognized receivables included in our unrecognized tax benefits, and the substantial majority of our remaining unrecognized tax benefits are included in other liabilities in our Consolidated Balance Sheets. The decrease in our unrecognized tax benefits during fiscal year 2011 was principally attributable to resolution with the Arizona Department of Revenue regarding the apportionment of income for Arizona corporate income tax purposes. See *Arizona Department of Revenue Audit* below for further discussion. The decrease was also due to a $9.6 million benefit from resolution with the Internal Revenue Service regarding the deductibility of payments made

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related to the settlement of a qui tam lawsuit in fiscal year 2010. This benefit is included in litigation charge on our effective income tax rate reconciliation below.

We classify interest and penalties related to uncertain tax positions as a component of provision for income taxes in our Consolidated Statements of Income. We recognized benefits of $1.7 million and $10.4 million in fiscal years 2011 and 2010, respectively, and an expense of $4.4 million in fiscal year 2009 related to interest and penalties. The $1.7 million benefit in fiscal year 2011 is primarily attributable to the reduction of accrued interest related to the resolution with the Arizona Department of Revenue noted above. The $10.4 million benefit in fiscal year 2010 is mainly due to the reduction of accrued interest related to the I.R.S. 162(m) settlement which occurred in November 2009. See *Internal Revenue Service Audits* below for further discussion. The total amount of interest and penalties included in our Consolidated Balance Sheets was $3.7 million and $5.4 million as of August 31, 2011 and 2010, respectively.

We believe that any change in our existing unrecognized tax benefits in the next 12 months will be immaterial.

As of August 31, 2011, $18.4 million of our total unrecognized tax benefits would favorably affect our effective tax rate if recognized. If amounts accrued are less than amounts ultimately assessed by the taxing authorities, we would record additional income tax expense in our Consolidated Statements of Income.

Our U.S. federal tax years and various state tax years from 2006 remain subject to income tax examinations by tax authorities. In addition, tax years from 2006 related to our foreign taxing jurisdictions also remain subject to examination.

The provision for income taxes differs from the tax computed using the statutory U.S. federal income tax rate as a result of the following items for fiscal years 2011, 2010 and 2009:

	2011	**2010**	**2009**
Statutory U.S. federal income tax rate	35.0 %	35.0 %	35.0%
State income taxes, net of federal benefit[1]	1.8 %	6.3 %	5.1%
Non-deductible compensation, net[2]	0.3 %	(1.1)%	0.4%
Foreign taxes	0.8 %	1.1 %	0.6%
Litigation charge	(1.0)%	— %	0.9%
Goodwill impairments	7.4 %	5.8 %	—%
Meritus closure	(0.8)%	— %	—%
Other, net	0.6 %	(0.7)%	0.8%
Effective income tax rate	**44.1 %**	**46.4 %**	**42.8%**

[1] In fiscal year 2011, we realized a $43.3 million benefit associated with our resolution with the Arizona Department of Revenue. See further discussion below.

[2] In fiscal year 2010, we recorded benefits of $10.2 million and $1.2 million associated with our settlement of a dispute with the Internal Revenue Service. See further discussion below.

Internal Revenue Service Audits

In fiscal year 2007, the Internal Revenue Service commenced an examination of our U.S. federal income tax returns for fiscal years 2003 through 2005. In February 2009, the Internal Revenue Service issued an examination report and proposed to disallow certain deductions relating to stock option compensation and also proposed the additions of penalties and interest. In March 2009, we commenced administrative proceedings with the Office of Appeals of the Internal Revenue Service challenging the proposed adjustments, including penalties and interest. In November 2009, we executed a Closing Agreement with the Internal Revenue Service Office of Appeals to settle this matter. The settlement resolves only the disputed tax issues between the Internal Revenue Service and us and is not an admission by us of liability, wrongdoing, legal compliance or non-compliance for any other purpose.

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Prior to the settlement, we had a total accrual of $50.5 million included in our reserve for uncertain tax positions relating to this issue. As a result of this settlement, we paid $27.3 million during fiscal year 2010 and the remaining accrual was reversed through a reduction in the provision for income taxes, a decrease in deferred tax assets, and an increase in additional paid-in capital in the amounts of $10.2 million, $1.5 million and $11.5 million, respectively.

Based on the agreed upon settlement, we believe that we are entitled to certain deductions related to stock option compensation that were not claimed on our tax returns for the years ended in 2006 through 2009. During fiscal year 2010, we recorded the benefit of these deductions through provision for income taxes, deferred taxes, and additional paid-in-capital in the amounts of $1.2 million, $0.9 million and $16.0 million, respectively. We submitted claims to the Internal Revenue Service for the deductions that were not taken on our tax returns for the years ended in 2006, 2007 and 2008. These claims have been accepted by the Internal Revenue Service. We have also claimed the deductions related to stock option compensation in subsequent year income tax returns.

Our U.S. federal income tax returns for our fiscal years 2006 through 2010 are currently under review by the Internal Revenue Service.

Arizona Department of Revenue Audit

The Arizona Department of Revenue commenced an audit during fiscal year 2010 relating to our Arizona income tax returns for fiscal years 2003 through 2009. During fiscal year 2010, we filed amended Arizona income tax returns for fiscal years 2003 through 2007 to change our method of sourcing service income to a destination basis, rather than on an origin basis, for sales factor apportionment purposes. In general for state sales factor apportionment purposes, 'destination sourcing' assigns revenue to the state of the customer or market, while 'origin sourcing' assigns revenue to the state of production. We also reported the final audit adjustments made by the Internal Revenue Service for fiscal years 2003 through 2005. The resulting impact from these adjustments was a net claim for refund of $51.5 million, excluding interest, for fiscal years 2003 through 2007. For fiscal years 2008 through 2010, we filed our original Arizona income tax returns sourcing our service revenues on a destination basis and we did not take a benefit related to our Arizona destination sourcing position in our financial statements.

In March 2011, the Arizona Department of Revenue issued a notice of proposed assessment for fiscal years 2003 through 2009 asserting our services revenues should be based on an origin sourcing method. The proposed assessment also denied our refund claims for this same reason. In May 2011, we filed our protest to the proposed assessment and refund denials, and began the administrative review process to assert our destination sourcing position. On August 4, 2011, we executed a Closing Agreement with the Arizona Department of Revenue to settle this matter. The settlement resolves the sales factor sourcing issue for the audit period and provides an agreed upon sales factor sourcing methodology for fiscal years 2010 through 2020.

Based on the agreed upon settlement, we have foregone our refund claims of $51.5 million, paid or will pay $59.8 million, and made applicable adjustments to our deferred taxes. These amounts were previously included in our unrecognized tax benefits, and the settlement resulted in a $43.3 million benefit. The benefit includes state tax accrued throughout fiscal year 2011 based on the uncertainty prior to settlement.

In addition to the audits discussed above, we are subject to numerous ongoing audits by federal, state, local and foreign tax authorities. Although we believe our tax accruals to be reasonable, the final determination of tax audits in the U.S. or abroad and any related litigation could be materially different from our historical income tax provisions and accruals.

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Shareholders' Equity (Table)	12 Months Ended Aug. 31, 2011
Shareholders' Equity (Table) [Abstract]	
Accumulated other comprehensive loss	The following table summarizes the components of accumulated other comprehensive loss at August 31:

($ in thousands)	2011	2010
Foreign currency translation losses	$(23,230)	$(30,182)
Unrealized loss on marketable securities	(531)	(994)
Accumulated other comprehensive loss[1]	$(23,761)	$(31,176)

(1) Accumulated other comprehensive loss is net of $0.4 million and $1.2 million of taxes as of August 31, 2011 and 2010, respectively. The tax effect on each component of other comprehensive income during fiscal years 2011, 2010 and 2009 is not significant.

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Earnings Per Share	12 Months Ended Aug. 31, 2011

Notes to Consolidated Financial Statements [Abstract]

Earnings Per Share

Earnings Per Share

Our outstanding shares consist of Apollo Group Class A and Class B common stock. Our Articles of Incorporation treat the declaration of dividends on the Apollo Group Class A and Class B common stock in an identical manner. As such, both the Apollo Group Class A and Class B common stock are included in the calculation of our earnings per share.

Diluted weighted average shares outstanding includes the incremental effect of shares that would be issued upon the assumed exercise of stock options and the vesting and release of restricted stock units and performance share awards. The components of basic and diluted earnings per share are as follows:

	Year Ended August 31,		
($ in thousands)	**2011**	**2010**	**2009**
Net income attributable to Apollo (basic and diluted)	$572,427	$553,002	$598,319
Basic weighted average shares outstanding	141,269	151,955	157,760
Dilutive effect of stock options	99	652	1,482
Dilutive effect of restricted stock units and performance share awards	382	299	272
Diluted weighted average shares outstanding	141,750	152,906	159,514
Earnings per share:			
Basic income per share attributable to Apollo	$ 4.05	$ 3.64	$ 3.79
Diluted income per share attributable to Apollo	$ 4.04	$ 3.62	$ 3.75

During fiscal years 2011, 2010 and 2009, approximately 9.3 million, 7.2 million and 3.6 million, respectively, of our stock options outstanding and approximately 390,000, 6,000 and 6,000, respectively, of our restricted stock units and performance share awards were excluded from the calculation of diluted earnings per share because their inclusion would have been anti-dilutive. These options, restricted stock units and performance share awards could be dilutive in the future.

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Related Person Transactions (Details) (USD $) In Thousands	12 Months Ended		
	Aug. 31, 2011	Aug. 31, 2010	Aug. 31, 2009
Yo Pegasus [Member]			
Related party transactions [Line Items]			
Related party transaction	$ 100	$ 300	$ 200
Sperling Gallery Lease Payments [Member]			
Related party transactions [Line Items]			
Related party transaction		8	34
Sperling Gallery Purchases [Member]			
Related party transactions [Line Items]			
Related party transaction		88	
Earth Day Network [Member]			
Related party transactions [Line Items]			
Related party transaction	30	500	100
Fuzebox [Member]			
Related party transactions [Line Items]			
Related party transaction	266		
John Sperling Voting Trust [Member]			
Related party transactions [Line Items]			
Related party transaction	1,200		
Other long-term liabilities [Member]			
Related party transactions [Line Items]			
Related party transaction	$ 3,300		

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Earnings Per Share (Details) (USD $) In Thousands, except Per Share data	3 Months Ended								12 Months Ended		
	Aug. 31, 2011	May 31, 2011	Feb. 28, 2011	Nov. 30, 2010	Aug. 31, 2010	May 31, 2010	Feb. 28, 2010	Nov. 30, 2009	Aug. 31, 2011	Aug. 31, 2010	Aug. 31, 2009
Earnings Per Share (Details) [Abstract]											
Net income attributable to Apollo (basic and diluted)	$ 188,612	$ 212,440	$ (64,038)	$ 235,413	$ 40,971	$ 179,283	$ 92,606	$ 240,142	$ 572,427	$ 553,002	$ 598,319
Basic weighted average shares outstanding	136,594	139,856	142,354	146,352	147,829	151,127	154,119	154,824	141,269	151,955	157,760
Anti-dilutive securities [Line Items]											
Diluted weighted average shares outstanding	137,295	140,343	142,354	146,663	148,334	152,291	155,168	156,045	141,750	152,906	159,514
Basic income per share attributable to Apollo	$ 1.38	$ 1.52	$ (0.45)	$ 1.61	$ 0.28	$ 1.19	$ 0.60	$ 1.55	$ 4.05	$ 3.64	$ 3.79
Diluted income per share attributable to Apollo	$ 1.37	$ 1.51	$ (0.45)	$ 1.61	$ 0.28	$ 1.18	$ 0.60	$ 1.54	$ 4.04	$ 3.62	$ 3.75
Stock options [Member]											
Anti-dilutive securities [Line Items]											
Dilutive effect of share-based awards									99	652	1,482
Anti-dilutive securities excluded from earnings per share computation									9,300	7,200	3,600
Restricted stock units and performance share awards [Member]											
Anti-dilutive securities [Line Items]											
Dilutive effect of share-based awards									382	299	272
Anti-dilutive securities excluded from earnings per share computation									390	6	6

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Consolidated Statements of Cash Flows from Continuing and Discontinued Operations (USD $) In Thousands	12 Months Ended		
	Aug. 31, 2011	Aug. 31, 2010	Aug. 31, 2009
Cash flows provided by (used in) operating activities:			
Net income	$ 535,796	$ 521,581	$ 593,830
Adjustments to reconcile net income to net cash provided by operating activities:			
Share-based compensation	70,040	64,305	68,038
Excess tax benefits from share-based compensation	(4,014)	(6,648)	(18,543)
Depreciation and amortization	159,006	147,035	113,350
Amortization of lease incentives	(18,822)	(13,358)	(12,807)
Impairment on discontinued operations	0	9,400	0
Goodwill and other intangibles impairment	219,927	184,570	0
Loss on fixed assets write-off	0	0	9,416
Amortization of deferred gains on sale-leasebacks	(2,221)	(1,705)	(1,715)
Non-cash foreign currency loss (gain), net	1,662	643	(62)
Provision for uncollectible accounts receivable	181,297	282,628	152,490
Litigation (credit) charge, net	(11,951)	177,982	80,500
Restructuring and other charges	22,913	0	0
Deferred income taxes	55,823	(125,399)	(13,799)
Changes in assets and liabilities, excluding the impact of acquisitions and business disposition:			
Change in restricted cash and cash equivalents	64,725	(11,828)	(48,149)
Accounts receivable	(121,120)	(265,996)	(192,289)
Prepaid taxes	(25,241)	10,421	(30,848)
Other assets	(9,900)	2,183	9,945
Accounts payable and accrued liabilities	4,851	(44,653)	45,406
Student deposits	(70,120)	3,445	59,458
Deferred revenue	(79,488)	32,887	80,315
Other liabilities	(76,041)	65,749	17,542
Net cash provided by operating activities	897,122	1,033,242	912,078
Cash flows provided by (used in) investing activities:			
Additions to property and equipment	(162,573)	(168,177)	(127,356)
Acquisitions, net of cash acquired	0	(5,497)	(523,795)
Maturities of marketable securities	10,000	5,000	8,035
Proceeds from sale-leaseback, net	169,018	0	0
Proceeds from business disposition	21,251	0	0
Collateralization of letter of credit	126,615	(126,615)	0
Net cash provided by (used in) investing activities	164,311	(295,289)	(643,116)
Cash flows provided by (used in) financing activities:			
Payments on borrowings	(437,925)	(477,568)	(37,341)
Proceeds from borrowings	410,051	475,454	513,170

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Apollo Class A common stock purchased for treasury	(783,168)	(446,398)	(452,487)
Issuance of Apollo Group Class A common stock	24,903	19,671	117,076
Noncontrolling interest contributions	6,875	2,460	58,980
Excess tax benefits from share-based compensation	4,014	6,648	18,543
Net cash (used in) provided by financing activities	(775,250)	(419,733)	217,941
Exchange rate effect on cash and cash equivalents	712	(1,697)	(1,852)
Net increase in cash and cash equivalents	286,895	316,523	485,051
Cash and cash equivalents, beginning of year	1,284,769	968,246	483,195
Cash and cash equivalents, end of year	1,571,664	1,284,769	968,246
Supplemental disclosure of cash flow and non-cash information			
Cash paid for income taxes, net of refunds	464,701	514,532	472,241
Cash paid for interest	10,972	7,837	3,683
Capital lease additions	31,818	2,372	1,313
Credits received for tenant improvements	25,538	17,372	12,674
Restricted stock units vested and released	$ 21,470	$ 19,868	$ 22,617

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Property and Equipment, Net	**12 Months Ended Aug. 31, 2011**
Notes to Consolidated Financial Statements [Abstract]	
Property and Equipment, Net	

Property and Equipment, Net

Property and equipment, net consist of the following as of August 31:

($ in thousands)	**2011**	**2010**
Land	$ 32,762	$ 46,641
Buildings	68,202	195,699
Furniture and equipment	459,881	368,162
Leasehold improvements (includes tenant improvement allowances)	349,921	295,058
Internally developed software	63,578	83,011
Software	100,562	68,666
Construction in progress	29,934	37,080
Gross property and equipment	1,104,840	1,094,317
Less accumulated depreciation and amortization	(551,813)	(474,780)
Property and equipment, net	$ 553,027	$ 619,537

The decrease in land and buildings is primarily due to the sale-leaseback of our principal office buildings in Phoenix, Arizona. Refer to Note 20, Commitments and Contingencies.

The following amounts, which are included in the above table, relate to property and equipment capital leases as of August 31:

($ in thousands)	**2011**	**2010**
Buildings and land	$ 5,838	$ 6,029
Furniture and equipment	36,910	5,157
Less accumulated depreciation and amortization	(6,341)	(3,340)
Capital lease assets, net	$ 36,407	$ 7,846

The increase in furniture and equipment was primarily due to purchases of information technology and network infrastructure assets during fiscal year 2011, a portion of which are recorded as capital leases.

Depreciation expense was $144.3 million, $122.2 million and $103.4 million for fiscal years 2011, 2010 and 2009, respectively. Included in these amounts is depreciation of capitalized internally developed software of $15.0 million, $16.1 million and $12.5 million for the fiscal years 2011, 2010 and 2009, respectively. Additionally, we wrote-off $6.0 million of certain assets, including leasehold improvements, during fiscal year 2011 in conjunction with our real estate rationalization plan. Refer to Note 4, Restructuring and Other Charges. We also recorded a loss of $9.4 million in fiscal year 2009 that is included in general and administrative expenses in our Consolidated Statements of Income for the write-off of information technology fixed assets resulting primarily from our rationalization of software.

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Acquisitions (Details) (USD $) Share data in Thousands, except Per Share data, unless otherwise specified	3 Months Ended								12 Months Ended						12 Months Ended		12 Months Ended	
	Aug. 31, 2011	May 31, 2011	Feb. 28, 2011	Nov. 30, 2010	Aug. 31, 2010	May 31, 2010	Feb. 28, 2010	Nov. 30, 2009	Aug. 31, 2011	Aug. 31, 2010	Aug. 31, 2009	Aug. 31, 2010 Uniacc Apollo Global [Member]	Aug. 31, 2009 Uniacc Apollo Global [Member]	Aug. 31, 2008 Uniacc Apollo Global [Member]	Aug. 31, 2009 Bpp Apollo Global [Member]	Jul. 30, 2009 Bpp Apollo Global [Member]	Aug. 31, 2009 Ula Apollo Global [Member]	Aug. 31, 2008 Ula Apollo Global [Member]
Purchase price allocation [Line Items]																		
Ownership interest acquired														100.00%			35.00%	65.00%
Tangible assets (net of acquired liabilities)																$ (15,346,000)		
Finite-lived intangible assets																51,304,000		
Indefinite-lived intangible assets																139,990,000		
Goodwill																425,638,000		
Allocated purchase price														44,500,000		601,586,000	11,000,000	35,800,000
Less: Debt assumed																(84,306,000)		
Less: Cash aquired																(7,214,000)		
Acquisitions, net of acquired cash									0	5,497,000	523,795,000	5,500,000	2,700,000		510,066,000			
Goodwill acquired																	7,000,000	
Unaudited pro forma financial results [Abstract]																		
Pro forma net revenue											4,220,298,000							
Pro forma net income attributable to Apollo											$ 616,323,000							
Basic income per share attributable to Apollo											$ 3.91							
Diluted income per share attributable to Apollo											$ 3.86							
Basic weighted average shares outstanding	136,594	139,856	142,354	146,352	147,829	151,127	154,119	154,824	141,269	151,955	157,760							
Diluted weighted average shares outstanding	137,295	140,343	142,354	146,663	148,334	152,291	155,168	156,045	141,750	152,906	159,514							

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Goodwill and Intangible Assets (Details) (USD $)	12 Months Ended		
	Aug. 31, 2011 Years	Aug. 31, 2010	Aug. 31, 2009
Goodwill [Line Items]			
Goodwill beginning balance	$ 322,159,000	$ 522,358,000	
Impairment on discontinued operations	0	(9,400,000)	0
Impairment	(197,674,000)	(165,033,000)	
Included in assets held for sale		(3,342,000)	
Currency translation adjustment	8,812,000	(22,424,000)	
Goodwill ending balance	133,297,000	322,159,000	522,358,000
Goodwill net carrying amount [Abstract]			
Gross carrying amount	537,788,000	537,788,000	
Accumulated impairments	(382,912,000)	(185,238,000)	
Effect of foreign currency translation	(21,579,000)	(30,391,000)	
Goodwill	133,297,000	322,159,000	522,358,000
Intangible assets, net	121,117,000	150,593,000	
Finite-lived intangibles weighted average useful life	5.2		
Amortization expense	14,700,000	24,800,000	9,300,000
Future intangible amortization [Abstract]			
2012	8,577,000		
2013	4,291,000		
2014	1,546,000		
2015	475,000		
2016	92,000		
Thereafter	659,000		
Total estimated amortization expense	15,640,000		
University Of Phoenix [Member]			
Goodwill [Line Items]			
Goodwill beginning balance	37,018,000	37,018,000	
Impairment on discontinued operations		0	
Impairment	0	0	
Included in assets held for sale		0	
Currency translation adjustment	0	0	
Goodwill ending balance	37,018,000	37,018,000	
Goodwill net carrying amount [Abstract]			
Gross carrying amount	37,018,000	37,018,000	
Accumulated impairments	0	0	
Effect of foreign currency translation	0	0	
Goodwill	37,018,000	37,018,000	
Excess of fair value over carrying value as percentage of fair value	at least 25%		
Bpp Apollo Global [Member]			
Goodwill [Line Items]			

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Goodwill beginning balance	241,204,000	421,836,000
Impairment on discontinued operations		0
Impairment	(197,674,000)	(156,321,000)
Included in assets held for sale		0
Currency translation adjustment	7,164,000	(24,311,000)
Goodwill ending balance	50,694,000	241,204,000
Goodwill net carrying amount [Abstract]		
Gross carrying amount	425,638,000	425,638,000
Accumulated impairments	(353,995,000)	(156,321,000)
Effect of foreign currency translation	(20,949,000)	(28,113,000)
Goodwill	50,694,000	241,204,000
Intangible assets impairment	22,200,000	19,600,000
Excess of fair value over carrying value as percentage of fair value	approximately 23%	
Goodwill discount rate	13.50%	13.00%
Terminal growth rate	3.00%	3.00%
Weighting of discounted cash flow and market-based approaches	80% and 20%	80% and 20%
Goodwill and other intangibles impairment net of tax	213,900,000	170,400,000
Tax benefit on intangibles impairment	6,000,000	5,500,000
Intangible assets, net	110,400,000	
Apollo Global Other [Member]		
Goodwill [Line Items]		
Goodwill beginning balance	28,627,000	35,452,000
Impairment on discontinued operations		0
Impairment	0	(8,712,000)
Included in assets held for sale		0
Currency translation adjustment	1,648,000	1,887,000
Goodwill ending balance	30,275,000	28,627,000
Goodwill net carrying amount [Abstract]		
Gross carrying amount	39,617,000	39,617,000
Accumulated impairments	(8,712,000)	(8,712,000)
Effect of foreign currency translation	(630,000)	(2,278,000)
Goodwill	30,275,000	28,627,000
Insight Schools [Member]		
Goodwill [Line Items]		
Goodwill beginning balance	0	12,742,000
Impairment on discontinued operations		(9,400,000)
Impairment	0	0
Included in assets held for sale		(3,342,000)
Currency translation adjustment	0	0
Goodwill ending balance	0	0
Goodwill net carrying amount [Abstract]		
Goodwill	0	0
Other Schools [Member]		

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Goodwill [Line Items]		
Goodwill beginning balance	15,310,000	15,310,000
Impairment on discontinued operations		0
Impairment	0	0
Included in assets held for sale		0
Currency translation adjustment	0	0
Goodwill ending balance	15,310,000	15,310,000
Goodwill net carrying amount [Abstract]		
Gross carrying amount	35,515,000	35,515,000
Accumulated impairments	(20,205,000)	(20,205,000)
Effect of foreign currency translation	0	0
Goodwill	15,310,000	15,310,000
Western International University [Member]		
Goodwill net carrying amount [Abstract]		
Excess of fair value over carrying value as percentage of fair value	at least 25%	
Ula Apollo Global [Member]		
Goodwill [Line Items]		
Impairment		(8,700,000)
Goodwill ending balance	15,600,000	
Goodwill net carrying amount [Abstract]		
Goodwill	15,600,000	
Excess of fair value over carrying value as percentage of fair value	approximately 16%	
Goodwill discount rate	16.50%	
Terminal growth rate	5.00%	
Weighting of discounted cash flow and market-based approaches	80% and 20%	
Cffp [Member]		
Goodwill net carrying amount [Abstract]		
Excess of fair value over carrying value as percentage of fair value	at least 25%	
Goodwill discount rate	14.00%	
Terminal growth rate	3.00%	
Uniacc Apollo Global [Member]		
Goodwill [Line Items]		
Goodwill ending balance	13,100,000	
Goodwill net carrying amount [Abstract]		
Goodwill	$ 13,100,000	
Excess of fair value over carrying value as percentage of fair value	at least 25%	
Goodwill discount rate	15.50%	
Terminal growth rate	5.00%	
Weighting of discounted cash flow and market-based approaches	80% and 20%	

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Stock and Savings Plans (Details) (USD $)	12 Months Ended		
	Aug. 31, 2011 Years	Aug. 31, 2010 Years	Aug. 31, 2009 Years
Stock And Savings Plans (Details) [Abstract]			
Employee 401K match	Upon a participating employee's completion of one year of service and 1,000 hours worked, we will match, at our discretion, 30% of such employee's contributions up to the lesser of 15% of his or her gross compensation or the maximum participant contribution permitted under the Internal Revenue Code		
401(k) plan matching contributions	$ 12,600,000	$ 11,300,000	$ 9,600,000
Employee stock purchase plan percentage of fair value purchase price	95.00%		
Vesting period of share-based awards	six months to four years		
Contractual terms of stock options	10 years or less		
Shares reserved for issuance over term of stock incentive plan	25,100,000		
Shares authorized and unissued available for issuance under incentive plan	14,300,000		
Summary of stock options and stock appreciation rights [Abstract]			
Outstanding shares beginning balance	10,149,000	10,262,000	12,377,000
Shares granted	650,000	850,000	1,164,000
Shares exercised	(608,000)	(521,000)	(2,707,000)
Shares forfeited, canceled or expired	(915,000)	(442,000)	(572,000)
Outstanding shares ending balance	9,276,000	10,149,000	10,262,000
Weighted average exercise price of options outstanding beginning balance	$ 56.62	$ 56.49	$ 52.41
Weighted average exercise price of options granted	$ 43.49	$ 43.28	$ 68.08
Weighted average exercise price of options exercised	$ 31.41	$ 27.33	$ 41.18

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Weighted average exercise price of options forfeited, canceled or expired	$ 58.38	$ 62.87	$ 64.24
Weighted average exercise price of options outstanding ending balance	$ 57.18	$ 56.62	$ 56.49
Weighted average remaining contractual term of options outstanding (years)	3.00		
Aggregate intrinsic value of options outstanding ($)	6,894,000		
Options vested and expected to vest	9,213,000		
Weighted average exercise price per share of options vested and expected to vest	$ 57.24		
Weighted average remaining contractual term of options vested and expected to vest (years)	2.98		
Aggregate intrinsic value of options vested and expected to vest ($)	6,702,000		
Exercisable options	7,136,000		
Weighted average exercise price per exercisable options	$ 58.38		
Weighted average remaining contractual term, exercisable options (years)	2.60		
Aggregate intrinsic value, exercisable options ($)	2,159,000		
Shares available for future grant	1,361,000		
Apollo stock price	46.83		
Exercise price range [Line Items]			
Outstanding options	9,276,000		
Exercisable options	7,136,000		
Summary of amounts related to options exercised [Abstract]			
Intrinsic value realized	9,207,000	18,020,000	94,638,000
Actual tax benefit realized by Apollo for tax deductions	1,771,000	7,175,000	21,732,000
Cash received from stock option exercises	$ 19,200,000	$ 14,100,000	$ 111,600,000

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Share-based compensation expense assumptions [Abstract]			
Weighted average fair value	$ 16.71	$ 17.30	$ 27.32
Expected volatility	46.80%	48.60%	47.70%
Expected life (years)	4.2	4.2	4.2
Risk-free interest rate	1.40%	1.50%	2.20%
Dividend yield	0.00%	0.00%	0.00%
Summary of restricted stock units and performance share awards [Abstract]			
Awards nonvested, beginning balance	1,550,000	998,000	715,000
Awards granted	2,263,000	1,057,000	645,000
Awards vested and released	(469,000)	(435,000)	(324,000)
Awards forfeited	(152,000)	(70,000)	(38,000)
Awards nonvested, ending balance	3,192,000	1,550,000	998,000
Weighted average fair value of nonvested awards, beginning balance	$ 50.72	$ 62.88	$ 58.17
Weighted average fair value of granted awards	$ 44.38	$ 44.27	$ 69.49
Weighted average fair value of vested and released awards	$ 54.01	$ 61.29	$ 60.96
Weighted average fair value of forfeited awards	$ 49.94	$ 60.97	$ 57.58
Weighted average fair value of nonvested awards, ending balance	$ 45.78	$ 50.72	$ 62.88
Performance share awards nonvested	260,000	69,000	
Percentage range that performance shares could convert	0% to 200%, and in limited cases may range to 600%		
Range $5.83 To $47.47 [Member]			
Exercise price range [Line Items]			
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Lower Range Limit	$ 5.83		
Share-based Compensation, Shares Authorized under Stock	$ 47.47		

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Option Plans, Exercise Price Range, Upper Range Limit	
Outstanding options	1,581,000
Outstanding options weighted average remaining contractual term	4.61
Outstanding options weighted average exercise price	$ 42.59
Exercisable options	444,000
Exercisable options weighted average exercise price	$ 41.96
Range $48.30 To $51.33 [Member]	
Exercise price range [Line Items]	
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Lower Range Limit	$ 48.30
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Upper Range Limit	$ 51.33
Outstanding options	1,581,000
Outstanding options weighted average remaining contractual term	2.75
Outstanding options weighted average exercise price	$ 49.48
Exercisable options	1,567,000
Exercisable options weighted average exercise price	$ 49.49
Range $51.67 To $57.54 [Member]	
Exercise price range [Line Items]	
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Lower Range Limit	$ 51.67
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Upper Range Limit	$ 57.54
Outstanding options	653,000

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Outstanding options weighted average remaining contractual term	2.73
Outstanding options weighted average exercise price	$ 55.47
Exercisable options	485,000
Exercisable options weighted average exercise price	$ 55.40
Range $58.03 To $58.03 [Member]	
Exercise price range [Line Items]	
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Lower Range Limit	$ 58.03
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Upper Range Limit	$ 58.03
Outstanding options	1,740,000
Outstanding options weighted average remaining contractual term	1.83
Outstanding options weighted average exercise price	$ 58.03
Exercisable options	1,740,000
Exercisable options weighted average exercise price	$ 58.03
Range $58.43 To $62.51 [Member]	
Exercise price range [Line Items]	
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Lower Range Limit	$ 58.43
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Upper Range Limit	$ 62.51
Outstanding options	1,571,000
Outstanding options weighted average remaining contractual term	2.69
Outstanding options weighted average exercise price	$ 61.54

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Exercisable options	1,297,000
Exercisable options weighted average exercise price	$ 61.38
Range $62.78 To $69.51 [Member]	
Exercise price range [Line Items]	
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Lower Range Limit	$ 62.78
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Upper Range Limit	$ 69.51
Outstanding options	1,367,000
Outstanding options weighted average remaining contractual term	3.57
Outstanding options weighted average exercise price	$ 67.32
Exercisable options	878,000
Exercisable options weighted average exercise price	$ 66.56
Range $70.02 To $169.47 [Member]	
Exercise price range [Line Items]	
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Lower Range Limit	$ 70.02
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Upper Range Limit	$ 169.47
Outstanding options	783,000
Outstanding options weighted average remaining contractual term	2.69
Outstanding options weighted average exercise price	$ 75.25
Exercisable options	725,000
Exercisable options weighted average exercise price	$ 75.21

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Discontinued Operations (Tables)	12 Months Ended Aug. 31, 2011
Discontinued Operations (Tables) [Abstract]	
Discontinued operations	

The major components of Insight Schools' assets and liabilities presented separately as held for sale on our Consolidated Balance Sheets as of August 31, 2010 are as follows:

($ in thousands)	As of August 31, 2010
Accounts receivable, net	$ 3,851
Property and equipment, net	6,037
Goodwill	3,342
Other	2,715
Total Insight Schools' assets	$ 15,945
Total Insight Schools' liabilities	$ 4,474

The following table summarizes Insight Schools' operating results for fiscal years 2011, 2010 and 2009, which are presented in income (loss) from discontinued operations, net of tax in our Consolidated Statements of Income:

	Year Ended August 31,		
($ in thousands)	2011	2010	2009
Net revenue	$ 20,494	$ 32,240	$ 20,636
Goodwill impairment[1]	—	(9,400)	—
Costs and other[2]	(19,596)	(42,552)	(47,748)
Income (loss) from discontinued operations before income taxes	898	(19,712)	(27,112)
Benefit from income taxes[1],[3]	1,589	4,288	10,735
Income (loss) from discontinued operations, net of tax	$ 2,487	$ (15,424)	$ (16,377)

[1] We recognized the goodwill impairment charge in fiscal year 2010 in the quarter we began presenting Insight Schools' as held for sale. We did not record a tax benefit associated with the goodwill impairment charge because Insight Schools' goodwill was not deductible for tax purposes.
[2] Costs and other includes a $0.1 million loss on sale recorded in fiscal year 2011.
[3] Benefit from income taxes during fiscal year 2011 includes a $1.6 million tax benefit recorded in fiscal year 2011 as a result of the Insight Schools sale generating a capital loss for tax purposes.

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Debt	12 Months Ended Aug. 31, 2011

Notes to Consolidated Financial Statements [Abstract]

Debt

Debt

Debt and short-term borrowings consist of the following as of August 31:

($ in thousands)	**2011**	**2010**
Bank Facility, see terms below	$493,322	$497,968
BPP Credit Facility, see terms below	47,603	52,925
Capital lease obligations	36,512	7,827
Other, see terms below	21,572	25,680
Total debt	599,009	584,400
Less short-term borrowings and current portion of long-term debt	(419,318)	(416,361)
Long-term debt	$179,691	$168,039

Aggregate debt maturities for each of the years ended August 31 are as follows:

($ in thousands)	
2012	$419,318
2013	150,651
2014	8,273
2015	7,970
2016	6,295
Thereafter	6,502
	$599,009

- *Bank Facility* - In fiscal year 2008, we entered into a syndicated $500 million credit agreement (the "Bank Facility"). The Bank Facility is an unsecured revolving credit facility used for general corporate purposes including acquisitions and stock buybacks. The Bank Facility has an expansion feature for an aggregate principal amount of up to $250 million. The term is five years and will expire on January 4, 2013. The Bank Facility provides a multi-currency sub-limit facility for borrowings in certain specified foreign currencies.

  We borrowed substantially all of our credit line under the Bank Facility as of August 31, 2011 and 2010, which included £63.0 million denominated in British Pounds (equivalent to $103.2 million as of August 31, 2011). We repaid the U.S. dollar denominated debt on our Bank Facility of $390.1 million during the first quarter of fiscal year 2012 and $400.1 million during the first quarter of fiscal year 2011. We have classified the U.S. dollar denominated portion of our Bank Facility borrowings as short-term borrowings and the current portion of long-term debt on our Consolidated Balance Sheets because it was repaid subsequent to our respective fiscal year-ends.

  The Bank Facility fees are determined based on a pricing grid that varies according to our leverage ratio. The Bank Facility fee ranges from 12.5 to 17.5 basis points and the incremental fees for borrowings under the facility range from LIBOR + 50.0 to 82.5 basis points. The weighted average interest rate on outstanding borrowings under the Bank Facility at August 31, 2011 and 2010 was 2.8% and 2.9%, respectively.

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The Bank Facility contains affirmative and negative covenants, including the following financial covenants: maximum leverage ratio, minimum coverage interest and rent expense ratio, and a U.S. Department of Education financial responsibility composite score. In addition, there are covenants restricting indebtedness, liens, investments, asset transfers and distributions. We were in compliance with all covenants related to the Bank Facility at August 31, 2011.

- *BPP Credit Facility* - In fiscal year 2010, we refinanced BPP's debt by entering into a £52.0 million (equivalent to $85.2 million as of August 31, 2011) secured credit agreement (the "BPP Credit Facility"). The BPP Credit Facility contains term debt, which was used to refinance BPP's existing debt, and revolving credit facilities used for working capital and general corporate purposes. The term of the agreement is three years and will expire on August 31, 2013. The interest rate on borrowings varies according to a financial ratio and range from LIBOR + 250 to 325 basis points. The weighted average interest rate on BPP's outstanding borrowings at August 31, 2011 and 2010 was 4.0% and 4.0%, respectively.

  The BPP Credit Facility contains financial covenants that include minimum cash flow coverage ratio, minimum fixed charge coverage ratio, maximum leverage ratio, and maximum capital expenditure ratio. We were in compliance with all covenants related to the BPP Credit Facility at August 31, 2011.

- *Other* - Other debt includes $9.1 million of variable rate debt and $12.5 million of fixed rate debt as of August 31, 2011, and $8.7 million of variable rate debt and $17.0 million of fixed rate debt as of August 31, 2010. The interest rates on these debt instruments range from 5.0% to 7.3% with various maturities from 2012 to 2019. The weighted average interest rate on our other debt at August 31, 2011 and 2010 was 6.1% and 6.7%, respectively.

Refer to Note 11, Fair Value Measurements, for discussion of the fair value of our debt.

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Consolidated Balance Sheets (USD $) In Thousands	Aug. 31, 2011	Aug. 31, 2010
Current assets		
Cash and cash equivalents	$ 1,571,664	$ 1,284,769
Restricted cash and cash equivalents	379,407	444,132
Accounts receivable, net	215,567	264,377
Deferred tax assets, current portion	124,137	166,549
Prepaid taxes	35,629	39,409
Other current assets	44,382	38,031
Assets held for sale from discontinued operations	0	15,945
Total current assets	2,370,786	2,253,212
Property and equipment, net	553,027	619,537
Restricted cash equivalents for collateralization of letter of credit	0	126,615
Marketable securities	5,946	15,174
Goodwill	133,297	322,159
Intangible assets, net	121,117	150,593
Deferred tax assets, less current portion	70,949	99,071
Other assets	14,584	15,090
Total assets	3,269,706	3,601,451
Current liabilities		
Short-term borrowings and current portion of long-term debt	419,318	416,361
Accounts payable	69,551	90,830
Accrued liabilities	398,806	375,461
Student deposits	424,045	493,245
Deferred revenue	293,436	359,724
Other current liabilities	50,131	53,416
Liabilities held for sale from discontinued operations	0	4,474
Total current liabilities	1,655,287	1,793,511
Long-term debt	179,691	168,039
Deferred tax liabilities	26,400	38,875
Total other long-term liabilities	164,339	212,286
Total liabilities	2,025,717	2,212,711
Commitments and contingencies (Note 20)		
Shareholders' equity		
Preferred stock, no par value, 1,000 shares authorized; none issued		
Additional paid-in capital	68,724	46,865
Apollo Group Class A treasury stock, at cost, 58,003 and 40,714 shares as of August 31, 2011 and 2010, respectively	(3,125,175)	(2,407,788)
Retained earnings	4,320,472	3,748,045
Accumulated other comprehensive loss	(23,761)	(31,176)
Total Apollo shareholders equity	1,240,364	1,356,050
Noncontrolling interests	3,625	32,690

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Total equity	1,243,989	1,388,740
Total liabilities and shareholders equity	3,269,706	3,601,451
Apollo Group Class A nonvoting common stock [Member]		
Shareholders' equity		
Apollo Group common stock	103	103
Apollo Group Class B voting common stock [Member]		
Shareholders' equity		
Apollo Group common stock	$ 1	$ 1

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Accounts Receivable, Net (Tables)	12 Months Ended Aug. 31, 2011
Accounts Receivable, Net (Tables) [Abstract]	
Accounts receivable, net	Accounts receivable, net consist of the following as of August 31:

($ in thousands)	2011	2010
Student accounts receivable	$ 324,324	$ 419,714
Less allowance for doubtful accounts	(128,897)	(192,857)
Net student accounts receivable	195,427	226,857
Other receivables	20,140	37,520
Total accounts receivable, net	$ 215,567	$ 264,377

Allowance for doubtful accounts	The following table summarizes the activity in allowance for doubtful accounts for the fiscal years 2011, 2010 and 2009:

	Year Ended August 31,		
($ in thousands)	2011	2010	2009
Beginning allowance for doubtful accounts	$ 192,857	$ 110,420	$ 78,362
Provision for uncollectible accounts receivable	181,297	282,628	152,490
Write-offs, net of recoveries	(245,257)	(200,191)	(120,432)
Ending allowance for doubtful accounts	$ 128,897	$ 192,857	$ 110,420

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Quarterly Results of Operations (Unaudited) (Details) (USD $) In Thousands, except Per Share data	3 Months Ended								12 Months Ended		
	Aug. 31, 2011	May 31, 2011	Feb. 28, 2011	Nov. 30, 2010	Aug. 31, 2010	May 31, 2010	Feb. 28, 2010	Nov. 30, 2009	Aug. 31, 2011	Aug. 31, 2010	Aug. 31, 2009
Consolidated Quarterly Statements of Operations [Abstract]											
Net revenue	$ 1,122,121	$ 1,235,837	$ 1,048,629	$ 1,326,435	$ 1,259,420	$ 1,337,404	$ 1,070,336	$ 1,258,659	$ 4,733,022	$ 4,925,819	$ 3,953,566
Costs and expenses:											
Instructional and student advisory	438,486	458,145	421,644	455,812	445,301	441,700	415,458	430,675	1,774,087	1,733,134	1,333,919
Marketing	170,970	161,034	157,215	166,143	179,150	151,668	141,308	151,617	655,362	623,743	497,568
Admissions advisory	99,428	99,923	102,283	113,752	116,591	116,344	118,152	115,271	415,386	466,358	437,908
General and administrative	98,676	87,857	84,344	84,874	86,295	75,362	68,800	70,659	355,751	301,116	277,887
Provision for uncollectible accounts receivable	39,631	39,217	45,540	56,909	74,035	72,011	73,884	62,698	181,297	282,628	151,021
Depreciation and amortization	41,637	41,125	39,142	37,102	38,939	36,701	35,244	34,680	159,006	145,564	108,828
Goodwill and other intangibles impairment	0	0	219,927	0	175,858	8,712	0	0	219,927	184,570	0
Restructuring and other charges	19,067	0	0	3,846					22,913	0	0
Litigation (credit) charge, net	(16,454)	2,048	1,574	881	882	132,600	44,500	0	(11,951)	177,982	80,500
Total costs and expenses	891,441	889,349	1,071,669	919,319	1,117,051	1,035,098	897,346	865,600	3,771,778	3,915,095	2,887,631
Operating income	230,680	346,488	(23,040)	407,116	142,369	302,306	172,990	393,059	961,244	1,010,724	1,065,935
Interest income	587	867	785	983	636	827	525	932	3,222	2,920	12,591
Interest expense	(2,724)	(2,383)	(1,654)	(2,170)	(3,784)	(1,979)	(3,220)	(2,908)	(8,931)	(11,891)	(4,448)
Other, net	15	(1,862)	313	(54)	1,376	(1,312)	(79)	(670)	(1,588)	(685)	(7,151)
Income from continuing operations before income taxes	228,558	343,110	(23,596)	405,875	140,597	299,842	170,216	390,413	953,947	1,001,068	1,066,927
Provision for income taxes	(44,622)	(130,385)	(76,052)	(169,579)	(122,628)	(122,390)	(69,064)	(149,981)	(420,638)	(464,063)	(456,720)
Income from continuing operations	183,936	212,725	(99,648)	236,296	17,969	177,452	101,152	240,432	533,309	537,005	610,207
(Loss) income from discontinued operations, net of tax	0	540	2,575	(628)	(6,570)	2,084	(10,638)	(300)	2,487	(15,424)	(16,377)
Net income	183,936	213,265	(97,073)	235,668	11,399	179,536	90,514	240,132	535,796	521,581	593,830
Net loss attributable to noncontrolling interests	4,676	(825)	33,035	(255)	29,572	(253)	2,092	10	36,631	31,421	4,489
Net income attributable to Apollo	$ 188,612	$ 212,440	$ (64,038)	$ 235,413	$ 40,971	$ 179,283	$ 92,606	$ 240,142	$ 572,427	$ 553,002	$ 598,319
Earnings (loss) per share - Basic:											
Continuing operations attributable to Apollo	$ 1.38	$ 1.52	$ (0.47)	$ 1.61	$ 0.32	$ 1.17	$ 0.67	$ 1.55	$ 4.03	$ 3.74	$ 3.90
Discontinued operations attributable to Apollo	$ 0	$ 0	$ 0.02	$ 0	$ (0.04)	$ 0.02	$ (0.07)	$ 0	$ 0.02	$ (0.10)	$ (0.11)
Basic income per share attributable to Apollo	$ 1.38	$ 1.52	$ (0.45)	$ 1.61	$ 0.28	$ 1.19	$ 0.60	$ 1.55	$ 4.05	$ 3.64	$ 3.79
Earnings (loss) per share - Diluted:											
Continuing operations attributable to Apollo	$ 1.37	$ 1.51	$ (0.47)	$ 1.61	$ 0.32	$ 1.16	$ 0.67	$ 1.54	$ 4.02	$ 3.72	$ 3.85
Discontinued operations attributable to Apollo	$ 0	$ 0	$ 0.02	$ 0	$ (0.04)	$ 0.02	$ (0.07)	$ 0	$ 0.02	$ (0.10)	$ (0.10)
Diluted income per share attributable to Apollo	$ 1.37	$ 1.51	$ (0.45)	$ 1.61	$ 0.28	$ 1.18	$ 0.60	$ 1.54	$ 4.04	$ 3.62	$ 3.75

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Basic weighted average shares outstanding	136,594	139,856	142,354	146,352	147,829	151,127	154,119	154,824	141,269	151,955	157,760
Diluted weighted average shares outstanding	137,295	140,343	142,354	146,663	148,334	152,291	155,168	156,045	141,750	152,906	159,514

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Commitments and Contingencies (Details 3) (USD $)	3 Months Ended								12 Months Ended		
	Aug. 31, 2011	May 31, 2011	Feb. 28, 2011	Nov. 30, 2010	Aug. 31, 2010	May 31, 2010	Feb. 28, 2010	Nov. 30, 2009	Aug. 31, 2011	Aug. 31, 2010	Aug. 31, 2009
Securities class action liability	$ 161,150,000				$ 177,982,000				$ 161,150,000	$ 177,982,000	
Litigation (credit) charge, net	(16,454,000)	2,048,000	1,574,000	881,000	882,000	132,600,000	44,500,000	0	(11,951,000)	177,982,000	80,500,000
Securities Class Action (Policeman's Annuity and Benefit Fund of Chicago) [Member]											
Agreement in principle settlement amount	145,000,000								145,000,000		
Securities class action liability	161,200,000	181,900,000							161,200,000		
Estimated range of loss - minimum		127,200,000									
Estimated range of loss - maximum		228,000,000									
Litigation (credit) charge, net	$ (20,700,000)										

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Quarterly Results of Operations (Unaudited) (Table)	12 Months Ended Aug. 31, 2011
Quarterly Results Of Operations (Unaudited) (Tables) [Abstract]	
Quarterly results of operations	The following tables set forth selected unaudited quarterly financial information for each of our last eight quarters:

	(Unaudited) 2011			
	Q1	Q2	Q3	Q4
(In thousands, except per share data)	November 30	February 28[1]	May 31	August 31
Consolidated Quarterly Statements of Operations:				
Net revenue	$ 1,326,435	$ 1,048,629	$ 1,235,837	$ 1,122,121
Costs and expenses:				
Instructional and student advisory	455,812	421,644	458,145	438,486
Marketing	166,143	157,215	161,034	170,970
Admissions advisory	113,752	102,283	99,923	99,428
General and administrative	84,874	84,344	87,857	98,676
Provision for uncollectible accounts receivable	56,909	45,540	39,217	39,631
Depreciation and amortization	37,102	39,142	41,125	41,637
Goodwill and other intangibles impairment	—	219,927	—	—
Restructuring and other charges	3,846	—	—	19,067
Litigation charge (credit), net	881	1,574	2,048	(16,454)
Total costs and expenses	919,319	1,071,669	889,349	891,441
Operating income (loss)	407,116	(23,040)	346,488	230,680
Interest income	983	785	867	587
Interest expense	(2,170)	(1,654)	(2,383)	(2,724)
Other, net	(54)	313	(1,862)	15
Income (loss) from continuing operations before income taxes	405,875	(23,596)	343,110	228,558
Provision for income taxes	(169,579)	(76,052)	(130,385)	(44,622)
Income (loss) from continuing operations	236,296	(99,648)	212,725	183,936
(Loss) income from discontinued operations, net of tax	(628)	2,575	540	—
Net income (loss)	235,668	(97,073)	213,265	183,936
Net (income) loss attributable to noncontrolling interests	(255)	33,035	(825)	4,676
Net income (loss) attributable to Apollo	$ 235,413	$ (64,038)	$ 212,440	$ 188,612
Earnings (loss) per share — Basic:[2]				
Continuing operations attributable to Apollo	$ 1.61	$ (0.47)	$ 1.52	$ 1.38
Discontinued operations attributable to Apollo	—	0.02	—	—
Basic income (loss) per share attributable to Apollo	$ 1.61	$ (0.45)	$ 1.52	$ 1.38
Earnings (loss) per share — Diluted:[2]				
Continuing operations attributable to Apollo	$ 1.61	$ (0.47)	$ 1.51	$ 1.37
Discontinued operations attributable to Apollo	—	0.02	—	—
Diluted income (loss) per share attributable to Apollo	$ 1.61	$ (0.45)	$ 1.51	$ 1.37
Basic weighted average shares outstanding	146,352	142,354	139,856	136,594
Diluted weighted average shares outstanding	146,663	142,354	140,343	137,295

[1] The effective income tax rate and net loss attributable to noncontrolling interests was significantly affected in the second quarter of fiscal year 2011 by BPP goodwill and other intangibles impairment charges.

[2] The sum of quarterly income per share may not equal annual income per share due to rounding and the net loss in the second quarter of fiscal year 2011.

	(Unaudited) 2010			
	Q1	Q2	Q3	Q4
(In thousands, except per share data)	November 30	February 28	May 31	August 31[1]
Consolidated Quarterly Statements of Income:				
Net revenue	$ 1,258,659	$ 1,070,336	$ 1,337,404	$ 1,259,420
Costs and expenses:				

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Instructional and student advisory	430,675	415,458	441,700	445,301
Marketing	151,617	141,308	151,668	179,150
Admissions advisory	115,271	118,152	116,344	116,591
General and administrative	70,659	68,800	75,362	86,295
Provision for uncollectible accounts receivable	62,698	73,884	72,011	74,035
Depreciation and amortization	34,680	35,244	36,701	38,939
Goodwill and other intangibles impairment	—	—	8,712	175,858
Litigation charge	—	44,500	132,600	882
Total costs and expenses	865,600	897,346	1,035,098	1,117,051
Operating income	393,059	172,990	302,306	142,369
Interest income	932	525	827	636
Interest expense	(2,908)	(3,220)	(1,979)	(3,784)
Other, net	(670)	(79)	(1,312)	1,376
Income from continuing operations before income taxes	390,413	170,216	299,842	140,597
Provision for income taxes	(149,981)	(69,064)	(122,390)	(122,628)
Income from continuing operations	240,432	101,152	177,452	17,969
(Loss) income from discontinued operations, net of tax	(300)	(10,638)	2,084	(6,570)
Net income	240,132	90,514	179,536	11,399
Net loss (income) attributable to noncontrolling interests	10	2,092	(253)	29,572
Net income attributable to Apollo	$ 240,142	$ 92,606	$ 179,283	$ 40,971
Earnings (loss) per share — Basic:[2]				
Continuing operations attributable to Apollo	$ 1.55	$ 0.67	$ 1.17	$ 0.32
Discontinued operations attributable to Apollo	—	(0.07)	0.02	(0.04)
Basic income per share attributable to Apollo	$ 1.55	$ 0.60	$ 1.19	$ 0.28
Earnings (loss) per share — Diluted:[2]				
Continuing operations attributable to Apollo	$ 1.54	$ 0.67	$ 1.16	$ 0.32
Discontinued operations attributable to Apollo	—	(0.07)	0.02	(0.04)
Diluted income per share attributable to Apollo	$ 1.54	$ 0.60	$ 1.18	$ 0.28
Basic weighted average shares outstanding	154,824	154,119	151,127	147,829
Diluted weighted average shares outstanding	156,045	155,168	152,291	148,334

(1) The effective income tax rate and net loss attributable to noncontrolling interests was significantly affected in the fourth quarter of fiscal year 2010 by BPP goodwill and other intangibles impairment charges.

(2) The sum of quarterly income per share may not equal annual income per share due to rounding.

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Restricted Cash Equivalents for Collateralization of Letter of Credit (Details) (USD $) In Millions	Aug. 31, 2010
Restricted Cash Equivalents for Collateralization of Letter of Credit (Details) [Abstract]	
Letter of credit	$ 126

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Shareholders' Equity (Details) (USD $)	1 Months Ended	12 Months Ended		
	Oct. 19, 2011	Aug. 31, 2011	Aug. 31, 2010	Aug. 31, 2009
Shareholders' Equity (Details) [Abstract]				
Treasury stock reissued, shares		1,200,000	1,100,000	3,100,000
Aggregate share repurchase program	$ 500,000,000	$ 600,000,000		
Share Repurchases [Line Items]				
Treasury stock purchases, cost		783,168,000	446,398,000	452,487,000
Amount remaining on repurchase authorization		700,000		
Accumulated other comprehensive loss [Abstract]				
Foreign currency translation losses		(23,230,000)	(30,182,000)	
Unrealized loss on marketable securities		(531,000)	(994,000)	
Accumulated other comprehensive loss		(23,761,000)	(31,176,000)	
Tax in accumulated other comprehensive loss		400,000	1,200,000	
Share Repurchases [Member]				
Share Repurchases [Line Items]				
Treasury stock purchases, shares		18,300,000	7,900,000	7,200,000
Treasury stock purchases, cost		775,800,000	439,300,000	444,400,000
Treasury stock purchases, average price per share		$ 42.30	$ 55.78	$ 61.62
Repurchases Related To Restricted Stock Units [Member]				
Share Repurchases [Line Items]				
Treasury stock purchases, shares		163,000	149,000	119,000
Treasury stock purchases, cost		$ 7,400,000	$ 7,100,000	$ 8,100,000

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Earnings Per Share (Table)	12 Months Ended Aug. 31, 2011
Earnings Per Share (Table) [Abstract]	
Earnings per share	The components of basic and diluted earnings per share are as follows:

	Year Ended August 31,		
($ in thousands)	**2011**	**2010**	**2009**
Net income attributable to Apollo (basic and diluted)	$572,427	$553,002	$598,319
Basic weighted average shares outstanding	141,269	151,955	157,760
Dilutive effect of stock options	99	652	1,482
Dilutive effect of restricted stock units and performance share awards	382	299	272
Diluted weighted average shares outstanding	141,750	152,906	159,514
Earnings per share:			
Basic income per share attributable to Apollo	$ 4.05	$ 3.64	$ 3.79
Diluted income per share attributable to Apollo	$ 4.04	$ 3.62	$ 3.75

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Stock and Savings Plans (Tables)	12 Months Ended Aug. 31, 2011

Stock And Savings Plans (Tables) [Abstract]

Summary of stock options and stock appreciation rights

A summary of the activity and changes related to stock options and stock appreciation rights granted under our plans is as follows:

(numbers in thousands, except per share and contractual term data)	Total Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value ($)[1]
Outstanding as of August 31, 2008	12,377	$ 52.41		
Granted	1,164	68.08		
Exercised	(2,707)	41.18		
Forfeited, canceled or expired	(572)	64.24		
Outstanding as of August 31, 2009	10,262	56.49		
Granted	850	43.28		
Exercised	(521)	27.33		
Forfeited, canceled or expired	(442)	62.87		
Outstanding as of August 31, 2010	10,149	56.62		
Granted	650	43.49		
Exercised	(608)	31.41		
Forfeited, canceled or expired	(915)	58.38		
Outstanding as of August 31, 2011	9,276	$ 57.18	3.00	$ 6,894
Vested and expected to vest as of August 31, 2011	9,213	$ 57.24	2.98	$ 6,702
Exercisable as of August 31, 2011	7,136	$ 58.38	2.60	$ 2,159
Available for future grant as of August 31, 2011	1,361			

(1) Aggregate intrinsic value represents the total amount obtained by multiplying the portion of our closing stock price of $46.83 on August 31, 2011 in excess of the applicable exercise prices by the number of options outstanding or exercisable with an exercise price less than that closing stock price.

Stock options and stock appreciation rights by exercise price range

The following table summarizes information related to outstanding and exercisable options and stock appreciation rights as of August 31, 2011:

	Outstanding			Exercisable	
Range of Exercise Prices	Outstanding	Weighted Avg. Contractual Life Remaining	Weighted Avg. Exercise Price per Share	Exercisable	Weighted Avg. Exercise Price per Share
(options in thousands)					
$5.83 to $47.47	1,581	4.61	$ 42.59	444	$ 41.96
$48.30 to $51.33	1,581	2.75	$ 49.48	1,567	$ 49.49
$51.67 to $57.54	653	2.73	$ 55.47	485	$ 55.40

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$58.03 to $58.03	1,740	1.83	$ 58.03	1,740	$ 58.03
$58.43 to $62.51	1,571	2.69	$ 61.54	1,297	$ 61.38
$62.78 to $69.51	1,367	3.57	$ 67.32	878	$ 66.56
$70.02 to $169.47	783	2.69	$ 75.25	725	$ 75.21
	9,276			7,136	

Information related to options exercised

The following table summarizes information related to stock options and stock appreciation rights exercised during fiscal years 2011, 2010 and 2009:

	Year Ended August 31,		
($ in thousands)	**2011**	**2010**	**2009**
Amounts related to options and stock appreciation rights exercised:			
Intrinsic value realized	$ 9,207	$ 18,020	$ 94,638
Actual tax benefit realized by Apollo for tax deductions	$ 1,771	$ 7,175	$ 21,732

Stock option valuation assumptions

Fair Value — We typically use the Black-Scholes-Merton option pricing model to estimate the fair value of our options as of the grant dates using the following weighted average assumptions:

	Year Ended August 31,		
	2011	**2010**	**2009**
Weighted average fair value	$ 16.71	$ 17.30	$ 27.32
Expected volatility	46.8%	48.6%	47.7%
Expected life (years)	4.2	4.2	4.2
Risk-free interest rate	1.4%	1.5%	2.2%
Dividend yield	0.0%	0.0%	0.0%

Summary of restricted stock units and performance share awards activity

The following schedule includes activity and changes related to the restricted stock units and PSAs (granted PSAs are assumed to convert into shares of our Class A common stock at the 100% target level):

(numbers in thousands, except per share data)	**Number of Shares**	**Weighted Average Grant Date Fair Value**
Nonvested balance at August 31, 2008	715	$ 58.17
Granted	645	69.49
Vested and released	(324)	60.96
Forfeited	(38)	57.58
Nonvested balance at August 31, 2009	998	62.88
Granted	1,057	44.27
Vested and released	(435)	61.29
Forfeited	(70)	60.97
Nonvested balance at August 31, 2010[(1)]	1,550	50.72
Granted	2,263	44.38
Vested and released	(469)	54.01
Forfeited	(152)	49.94
Nonvested balance at August 31, 2011[(1)]	3,192	$ 45.78

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[1] The nonvested balance at August 31, 2011 and August 31, 2010 includes approximately 260,000 and 69,000 PSAs, respectively, at the target level. The vesting of these awards are subject to the achievement of the specified performance goals and the actual number of common shares that will ultimately be issued is calculated by multiplying the number of performance shares by a payout percentage range varying from 0% to 200%, and in limited cases may range to 600%.

Share-based compensation expense

The table below details share-based compensation expense for fiscal years 2011, 2010 and 2009:

	Year Ended August 31,		
($ in thousands)	**2011**	**2010**	**2009**
Instructional and student advisory	$ 27,012	$ 23,603	$ 22,102
Marketing	5,306	5,116	2,062
Admissions advisory	2,109	1,528	2,113
General and administrative	35,613	34,058	41,761
Share-based compensation expense included in operating expenses	70,040	64,305	68,038
Tax effect of share-based compensation	(26,715)	(25,290)	(26,603)
Share-based compensation expense, net of tax	$ 43,325	$ 39,015	$ 41,435

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Discontinued Operations (Details) (USD $)	3 Months Ended								12 Months Ended		
	Aug. 31, 2011	May 31, 2011	Feb. 28, 2011	Nov. 30, 2010	Aug. 31, 2010	May 31, 2010	Feb. 28, 2010	Nov. 30, 2009	Aug. 31, 2011	Aug. 31, 2010	Aug. 31, 2009
Discontinued Operations (Details) [Abstract]											
Proceeds from disposition	$ 15,000,000		$ 6,300,000						$ 21,251,000	$ 0	$ 0
Proceeds from disposition held in escrow			3,000,000								
Estimated working capital consideration			15,300,000								
Loss on sale									100,000		
Insight Schools assets and liabilities [Abstract]											
Accounts receivable, net					3,851,000					3,851,000	
Property and equipment, net					6,037,000					6,037,000	
Goodwill					3,342,000					3,342,000	
Other					2,715,000					2,715,000	
Total Insight Schools assets					15,945,000					15,945,000	
Total Insight Schools liabilities					4,474,000					4,474,000	
Operating results included in discontinued operations [Abstract]											
Net revenue									20,494,000	32,240,000	20,636,000
Goodwill impairment									0	(9,400,000)	0
Costs and other									(19,596,000)	(42,552,000)	(47,748,000)
Income (loss) from discontinued operations before income taxes									898,000	(19,712,000)	(27,112,000)
Benefit from income taxes									1,589,000	4,288,000	10,735,000
Income (loss) from discontinued operations, net of tax	0	540,000	2,575,000	(628,000)	(6,570,000)	2,084,000	(10,638,000)	(300,000)	2,487,000	(15,424,000)	(16,377,000)
Tax benefit from sale									$ 1,600,000		

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Property and Equipment, Net (Tables)	12 Months Ended Aug. 31, 2011

Property Plant And Equipment (Tables) [Abstract]

Property and equipment, net

Property and equipment, net consist of the following as of August 31:

($ in thousands)	2011	2010
Land	$ 32,762	$ 46,641
Buildings	68,202	195,699
Furniture and equipment	459,881	368,162
Leasehold improvements (includes tenant improvement allowances)	349,921	295,058
Internally developed software	63,578	83,011
Software	100,562	68,666
Construction in progress	29,934	37,080
Gross property and equipment	1,104,840	1,094,317
Less accumulated depreciation and amortization	(551,813)	(474,780)
Property and equipment, net	$ 553,027	$ 619,537

Property and equipment capital leases

The following amounts, which are included in the above table, relate to property and equipment capital leases as of August 31:

($ in thousands)	2011	2010
Buildings and land	$ 5,838	$ 6,029
Furniture and equipment	36,910	5,157
Less accumulated depreciation and amortization	(6,341)	(3,340)
Capital lease assets, net	$ 36,407	$ 7,846

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