UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended: November 30, 2012

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)

(480) 966-5394

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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 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.

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 ☑

AS OF DECEMBER 31, 2012, THE FOLLOWING SHARES OF STOCK WERE OUTSTANDING:

Apollo Group, Inc. Class A common stock, no par value	112,064,000 Shares
Apollo Group, Inc. Class B common stock, no par value	475,000 Shares

APOLLO GROUP, INC. AND SUBSIDIARIES

FORM 10-Q

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Special Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q, including "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 the regulation of the U.S. education industry and eligibility of proprietary schools to participate in U.S. federal student financial aid programs, including the regulatory and other requirements discussed in Item 1, Business, of our Annual Report on Form 10-K for the year ended August 31, 2012, under "Accreditation and Jurisdictional Authorizations," "Financial Aid Programs," and "Regulatory Environment";*
- *each of the factors discussed in Item 1A, Risk Factors, of our Annual Report on Form 10-K for the year ended August 31, 2012; and*
- *those factors set forth in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, of our Annual Report on Form 10-K for the year ended August 31, 2012 and Part I, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations, in this Form 10-Q.*

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.

Part I – FINANCIAL INFORMATION

Item 1 – *Financial Statements*

APOLLO GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

($ in thousands)	As of November 30, 2012	As of August 31, 2012
ASSETS:		
Current assets		
Cash and cash equivalents	$ 776,009	$ 1,276,375
Restricted cash and cash equivalents	351,575	318,334
Accounts receivable, net	201,456	198,279
Prepaid taxes	5,041	26,341
Deferred tax assets, current portion	55,489	69,052
Other current assets	64,513	49,609
Total current assets	1,454,083	1,937,990
Property and equipment, net	546,520	571,629
Goodwill	103,558	103,345
Intangible assets, net	145,789	149,034
Deferred tax assets, less current portion	80,446	77,628
Other assets	38,521	28,696
Total assets	$ 2,368,917	$ 2,868,322
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities		
Short-term borrowings and current portion of long-term debt	$ 22,236	$ 638,588
Accounts payable	63,202	74,872
Income taxes payable	60,717	—
Student deposits	381,124	362,143
Deferred revenue	262,813	254,555
Accrued and other current liabilities	263,433	324,881
Total current liabilities	1,053,525	1,655,039
Long-term debt	75,562	81,323
Deferred tax liabilities	16,096	15,881
Other long-term liabilities	203,705	191,756
Total liabilities	1,348,888	1,943,999
Commitments and contingencies		
Shareholders' equity		
Preferred stock, no par value	—	—
Apollo Group Class A nonvoting common stock, no par value	103	103
Apollo Group Class B voting common stock, no par value	1	1
Additional paid-in capital	41,311	93,770
Apollo Group Class A treasury stock, at cost	(3,864,989)	(3,878,612)
Retained earnings	4,876,645	4,743,150
Accumulated other comprehensive loss	(34,188)	(30,034)
Total Apollo shareholders' equity	1,018,883	928,378
Noncontrolling interests (deficit)	1,146	(4,055)
Total equity	1,020,029	924,323
Total liabilities and shareholders' equity	$ 2,368,917	$ 2,868,322

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

APOLLO GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(In thousands, except per share data)	Three Months Ended November 30, 2012	2011
Net revenue	$ 1,055,183	$ 1,171,900
Costs and expenses:		
Instructional and student advisory	432,150	453,281
Marketing	162,873	165,564
Admissions advisory	71,308	101,388
General and administrative	73,539	79,899
Depreciation and amortization	43,695	46,167
Provision for uncollectible accounts receivable	33,406	41,583
Restructuring and other charges	24,116	5,562
Litigation credit	(16,850)	—
Goodwill and other intangibles impairment	—	16,788
Total costs and expenses	824,237	910,232
Operating income	230,946	261,668
Interest income	549	506
Interest expense	(2,042)	(1,999)
Other, net	1,799	140
Income from continuing operations before income taxes	231,252	260,315
Provision for income taxes	(97,512)	(115,179)
Income from continuing operations	133,740	145,136
Income from discontinued operations, net of tax	—	2,148
Net income	133,740	147,284
Net (income) loss attributable to noncontrolling interests	(245)	2,030
Net income attributable to Apollo	$ 133,495	$ 149,314
Earnings per share – Basic:		
Continuing operations attributable to Apollo	$ 1.19	$ 1.13
Discontinued operations attributable to Apollo	—	0.02
Basic income per share attributable to Apollo	$ 1.19	$ 1.15
Earnings per share – Diluted:		
Continuing operations attributable to Apollo	$ 1.18	$ 1.13
Discontinued operations attributable to Apollo	—	0.01
Diluted income per share attributable to Apollo	$ 1.18	$ 1.14
Basic weighted average shares outstanding	112,420	130,318
Diluted weighted average shares outstanding	112,849	130,874

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

APOLLO GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended November 30,	
($ in thousands)	**2012**	**2011**
Net income	$ 133,740	$ 147,284
Other comprehensive income (loss) (net of tax):		
Currency translation gain (loss)	759	(8,357)
Comprehensive income	134,499	138,927
Comprehensive (income) loss attributable to noncontrolling interests	(272)	3,024
Comprehensive income attributable to Apollo	$ 134,227	$ 141,951

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

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APOLLO GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended November 30,	
($ in thousands)	2012	2011
Cash flows provided by (used in) operating activities:		
Net income	$ 133,740	$ 147,284
Adjustments to reconcile net income to net cash provided by operating activities:		
Share-based compensation	16,889	20,892
Excess tax benefits from share-based compensation	—	(372)
Depreciation and amortization	43,695	46,298
Accelerated depreciation included in restructuring	9,326	—
Amortization of lease incentives	(3,740)	(3,789)
Amortization of deferred gains on sale-leasebacks	(700)	(700)
Goodwill and other intangibles impairment	—	16,788
Non-cash foreign currency gain, net	(607)	(397)
Provision for uncollectible accounts receivable	33,406	41,583
Litigation credit	(16,850)	—
Deferred income taxes	6,064	(1,747)
Changes in assets and liabilities, excluding the impact of acquisition:		
Restricted cash and cash equivalents	(33,241)	2,315
Accounts receivable	(36,349)	(75,698)
Other assets	(6,432)	(6,105)
Accounts payable	(11,771)	858
Income taxes payable	82,032	115,412
Student deposits	18,522	(22,272)
Deferred revenue	8,075	22,340
Accrued and other liabilities	(31,928)	(1,448)
Net cash provided by operating activities	210,131	301,242
Cash flows provided by (used in) investing activities:		
Additions to property and equipment	(27,539)	(23,585)
Acquisition, net of cash acquired	—	(73,736)
Other investing activities	(14,819)	—
Net cash used in investing activities	(42,358)	(97,321)
Cash flows provided by (used in) financing activities:		
Payments on borrowings	(625,762)	(496,322)
Proceeds from borrowings	2,176	—
Purchase of noncontrolling interest	(42,500)	—
Apollo Group Class A common stock purchased for treasury	(3,472)	(80,682)
Issuance of Apollo Group Class A common stock	1,113	2,575
Excess tax benefits from share-based compensation	—	372
Net cash used in financing activities	(668,445)	(574,057)
Exchange rate effect on cash and cash equivalents	306	(491)
Net decrease in cash and cash equivalents	(500,366)	(370,627)
Cash and cash equivalents, beginning of period	1,276,375	1,571,664
Cash and cash equivalents, end of period	$ 776,009	$ 1,201,037
Supplemental disclosure of cash flow and non-cash information		
Cash paid for income taxes, net of refunds	$ 10,243	$ 1,316
Cash paid for interest	$ 1,906	$ 2,344
Restricted stock units vested and released	$ 9,496	$ 7,125
Capital lease additions	$ —	$ 6,668
Credits received for tenant improvements	$ —	$ 19,941
Debt incurred for acquired technology	$ —	$ 14,389

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

APOLLO GROUP, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 1. Nature of Operations

Apollo Group, Inc. and its wholly-owned subsidiaries, collectively referred to herein as “the Company,” “Apollo Group,” “Apollo,” “APOL,” “we,” “us” or “our,” has been an education provider for nearly 40 years. We offer innovative and distinctive educational programs and services both online and on-campus at the undergraduate, master’s and doctoral levels principally through the following wholly-owned subsidiaries:

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

During the first quarter of fiscal year 2013, we purchased the 14.4% noncontrolling ownership interest in Apollo Global from The Carlyle Group (“Carlyle”). We paid $42.5 million cash, plus a contingent payment based on a portion of Apollo Global’s operating results through the fiscal years ending August 31, 2017. As a result of the transaction, Apollo Group owns all of Apollo Global. Refer to Note 10, Shareholders’ Equity.

Note 2. Significant Accounting Policies

Basis of Presentation

The unaudited interim condensed consolidated financial statements include the accounts of Apollo Group, Inc., its wholly-owned subsidiaries, and subsidiaries that we control. These unaudited interim condensed consolidated 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, consisting of normal, recurring adjustments, necessary to fairly present the financial condition, results of operations and cash flows for the periods presented.

These unaudited interim condensed consolidated financial statements do not include all of the information and note disclosures required by accounting principles generally accepted in the United States of America (“GAAP”) for annual financial statements. Therefore, this information should be read in conjunction with the audited consolidated financial statements and notes thereto contained in our 2012 Annual Report on Form 10-K as filed with the Securities and Exchange Commission on October 22, 2012. We consistently applied the accounting policies described in Item 8, *Financial Statements and Supplementary Data,* in our 2012 Annual Report on Form 10-K in preparing these unaudited interim condensed consolidated financial statements.

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.

Our fiscal year is from September 1 to August 31. Unless otherwise noted, references to particular years or quarters refer to our fiscal years and the associated quarters of those fiscal years.

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. Because of the seasonal nature of our business and other factors, the results of operations for the three months ended November 30, 2012 are not necessarily indicative of results to be expected for the entire fiscal year.

Recent Accounting Pronouncements

Future Accounting Changes

The Financial Accounting Standards Board (“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. We have adopted the converged guidance that the FASB has already issued addressing fair value measurements, financial instrument disclosures and the statement of other comprehensive income, which did not have a material impact on our consolidated financial statements. While we anticipate the lease accounting proposal will have the greatest impact on our consolidated financial statements if enacted in its current draft form, the FASB’s standard-setting process is ongoing and until new standards have been finalized and issued, we cannot determine the impact on our consolidated financial statements that may result from 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 preparation of our financial statements in accordance with IFRS could have a material impact on our consolidated financial statements.

Note 3. Restructuring and Other Charges

We have initiated a series of activities to reengineer business processes and refine our educational delivery structure. The following table details the charges incurred for the three months ended November 30, 2012 and 2011, respectively, and the cumulative costs associated with these activities, all of which are included in restructuring and other charges on our Condensed Consolidated Statements of Income:

	Three Months Ended November 30,		Cumulative Costs for Restructuring Activities
($ in thousands)	2012	2011	
Non-cancelable lease obligations and related costs, net	$ 10,112	$ 5,562	$ 45,160
Severance and other employee separation costs	10,943	—	27,676
Other restructuring related costs	3,061	—	12,888
Restructuring and other charges	$ 24,116	$ 5,562	$ 85,724

The following table summarizes the above restructuring and other charges in our segment reporting format:

	Three Months Ended November 30,		Cumulative Costs for Restructuring Activities
($ in thousands)	2012	2011	
University of Phoenix	$ 16,896	$ 5,562	$ 59,811
Apollo Global	79	—	5,997
Other	7,141	—	19,916
Restructuring and other charges	$ 24,116	$ 5,562	$ 85,724

APOLLO GROUP, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements – *(Continued)*
(Unaudited)

The following table details the changes in our restructuring liability by type of cost during the three months ended November 30, 2012:

($ in thousands)	Lease and Related Costs, Net	Severance and Other Employee Separation Costs	Other Restructuring Related Costs	Total
Balance at August 31, 2012 [(1)]	$ 26,024	$ 2,998	$ 1,411	$ 30,433
Restructuring and other charges [(2)]	10,112	10,943	3,061	24,116
Non-cash adjustments [(3)]	(9,326)	(1,065)	—	(10,391)
Payments	(2,994)	(9,111)	(2,450)	(14,555)
Balance at November 30, 2012 [(1)]	$ 23,816	$ 3,765	$ 2,022	$ 29,603

(1) The current portion of our restructuring liability was $11.6 million and $11.3 million as of November 30, 2012 and August 31, 2012, respectively. The majority of these balances are included in accrued and other current liabilities on our Condensed Consolidated Balance Sheets.
(2) Restructuring and other charges associated with lease and related costs, net includes $0.3 million of interest accretion related to lease obligations.
(3) Non-cash adjustments represents $9.3 million of accelerated depreciation and $1.1 million of share-based compensation.

During the first quarter of fiscal year 2013, we initiated a plan to realign University of Phoenix's ground locations throughout the U.S. This plan includes closing 115 locations with students directly impacted by the plan being offered support to continue their education at University of Phoenix either online, through alternative on-ground arrangements or, in limited cases, at existing University of Phoenix locations. Following the finalization and approval of this plan, we performed a recoverability analysis for the fixed assets at the designated facilities we have not yet closed. We performed this analysis by comparing the estimated undiscounted cash flows of the locations through their expected closure dates to the carrying amount of the locations' fixed assets. Based on our analysis, we recorded an insignificant impairment charge. We also revised the useful lives of the fixed assets at each of the designated facilities we have not yet closed through the expected closure dates resulting in $9.3 million of accelerated depreciation during the first quarter of fiscal year 2013. Subject to regulatory approvals, we expect to substantially complete this realignment and incur additional related charges in fiscal year 2013.

During the first quarter of fiscal year 2013, we also initiated a workforce reduction consisting of approximately 800 positions due in part to University of Phoenix's ground location realignment. We eliminated a portion of these positions during the first quarter of fiscal year 2013 and incurred $10.9 million of severance and other employee separation costs. These costs are included in the reportable segments in which the respective eliminated personnel were employed. We expect to eliminate the remaining positions associated with this workforce reduction and incur related charges in fiscal year 2013.

We incurred $3.1 million of costs during the first quarter of fiscal year 2013 principally attributable to services from consulting firms associated with our initiatives to evaluate and identify operating efficiency and effectiveness opportunities. As these services pertain to all areas of our business, we have not allocated these costs to our reportable segments and they are included in "Other" in our segment reporting.

Note 4. Discontinued Operations

During the fourth quarter of fiscal year 2012, BPP completed the sale of its subsidiary, Mander Portman Woodward ("MPW"), a U.K.-based secondary education institution for £54.8 million (equivalent to $85.3 million as of the date of sale). The sale reflects our strategy to focus on the postsecondary education market. We do not have significant continuing involvement after the sale and, accordingly, MPW's operating results are presented as discontinued operations on our Condensed Consolidated Statements of Income for all periods presented. We determined cash flows from our discontinued operations are not material and are included with cash flows from continuing operations on our Condensed Consolidated Statements of Cash Flows. MPW was previously included in the Apollo Global reportable segment.

The following table summarizes MPW's operating results for the three months ended November 30, 2011, which are presented in income from discontinued operations, net of tax in our Condensed Consolidated Statements of Income:

($ in thousands)	
Net revenue	$ 6,790
Costs and expenses	3,889
Income from discontinued operations before income taxes	2,901
Provision for income taxes	(753)
Income from discontinued operations, net of tax	2,148
Income from discontinued operations, net of tax, attributable to noncontrolling interests	(309)
Income from discontinued operations, net of tax, attributable to Apollo	$ 1,839

The operating results of discontinued operations summarized above only includes revenues and costs directly attributable to the discontinued operations, and not those attributable to our continuing operations. Accordingly, no interest or general corporate overhead expenses have been allocated to MPW.

Note 5. Accounts Receivable, Net

Accounts receivable, net consist of the following as of November 30, 2012 and August 31, 2012:

($ in thousands)	**November 30, 2012**	**August 31, 2012**
Student accounts receivable	$ 283,424	$ 287,619
Less allowance for doubtful accounts	(101,793)	(107,230)
Net student accounts receivable	181,631	180,389
Other receivables	19,825	17,890
Total accounts receivable, net	$ 201,456	$ 198,279

Student accounts receivable is composed primarily of amounts due related to tuition and educational services. The following table summarizes the activity in allowance for doubtful accounts for the three months ended November 30, 2012 and 2011:

	Three Months Ended November 30,	
($ in thousands)	**2012**	**2011**
Beginning allowance for doubtful accounts	$ 107,230	$ 128,897
Provision for uncollectible accounts receivable	33,406	41,583
Write-offs, net of recoveries	(38,843)	(47,890)
Ending allowance for doubtful accounts	$ 101,793	$ 122,590

Note 6. Fair Value Measurements

Assets and liabilities measured at fair value on a recurring basis consist of the following as of November 30, 2012:

($ in thousands)	November 30, 2012	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents (including restricted cash equivalents):				
Money market funds	$ 900,056	$ 900,056	$ —	$ —
Other assets:				
Auction-rate securities	5,946	—	—	5,946
Total assets at fair value on a recurring basis	$ 906,002	$ 900,056	$ —	$ 5,946
Liabilities:				
Other long-term liabilities:				
Contingent payment	$ 6,000	$ —	$ —	$ 6,000
Total liabilities at fair value on a recurring basis	$ 6,000	$ —	$ —	$ 6,000

Assets measured at fair value on a recurring basis consist of the following as of August 31, 2012:

($ in thousands)	August 31, 2012	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents (including restricted cash equivalents):				
Money market funds	$ 629,166	$ 629,166	$ —	$ —
Other assets:				
Auction-rate securities	5,946	—	—	5,946
Total assets at fair value on a recurring basis	$ 635,112	$ 629,166	$ —	$ 5,946

We measure the above items on a recurring basis at fair value as follows:

- ***Money market funds*** – Classified within Level 1 and valued primarily using real-time quotes for transactions in active exchange markets involving identical assets. As of November 30, 2012 and August 31, 2012, 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 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. We include auction-rate securities in other assets on our Condensed Consolidated Balance Sheets for all periods presented.
- ***Contingent payment*** – As a result of our purchase of the noncontrolling interest in Apollo Global, we have a contingent payment based on a portion of Apollo Global's operating results through the fiscal years ending August 31, 2017. This contingent payment is classified within Level 3 and valued using a discounted cash flow valuation method encompassing significant unobservable inputs. The inputs include estimated operating results for the applicable performance period, probability weightings assigned to operating results scenarios and the discount rate applied.

We did not change our valuation techniques associated with recurring fair value measurements from prior periods. Additionally, the only significant change in the assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the three months ended November 30, 2012 was the new contingent payment noted above.

Liabilities measured at fair value on a nonrecurring basis during the first quarter of fiscal year 2013 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 Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Losses for Three Months Ended November 30, 2012
Other liabilities:					
Initial lease obligation included in restructuring	$ 422	$ —	$ —	$ 422	$ 422
Total liabilities at fair value on a nonrecurring basis	$ 422	$ —	$ —	$ 422	$ 422

During the first quarter of fiscal year 2013, we recorded an initial lease obligation at fair value of $0.4 million associated with abandoning a leased facility as part of our restructuring activities. We recorded the lease obligation liability on the date we ceased use of the facility, and we measured the liability at fair value using Level 3 inputs included in the valuation method. Refer to Note 3, Restructuring and Other Charges.

Note 7. Accrued and Other Liabilities

Accrued and other current liabilities consist of the following as of November 30, 2012 and August 31, 2012:

($ in thousands)	November 30, 2012	August 31, 2012
Salaries, wages and benefits	$ 77,695	$ 117,432
Accrued legal and other professional obligations	40,226	57,476
Accrued advertising	31,056	45,737
Deferred rent and other lease liabilities	18,734	19,868
Student refunds, grants and scholarships	13,987	11,181
Curriculum materials	12,900	13,004
Other	68,835	60,183
Total accrued and other current liabilities	$ 263,433	$ 324,881

Other long-term liabilities consist of the following as of November 30, 2012 and August 31, 2012:

($ in thousands)	November 30, 2012	August 31, 2012
Deferred rent and other lease liabilities	$ 87,197	$ 88,164
Uncertain tax positions	26,770	27,223
Deferred gains on sale-leasebacks	24,993	25,692
Restructuring lease obligations	18,028	19,122
Other	46,717	31,555
Total other long-term liabilities	$ 203,705	$ 191,756

Note 8. Debt

Debt and short-term borrowings consist of the following as of November 30, 2012 and August 31, 2012:

($ in thousands)	November 30, 2012	August 31, 2012
Revolving Credit Facility, see terms below	$ —	$ 615,000
Capital lease obligations	60,045	70,215
BPP Credit Facility, see terms below	—	2,421
Other, see terms below	37,753	32,275
Total debt	97,798	719,911
Less short-term borrowings and current portion of long-term debt	(22,236)	(638,588)
Long-term debt	$ 75,562	$ 81,323

- ***Revolving Credit Facility*** – In fiscal year 2012, we entered into a syndicated $625 million unsecured revolving credit facility (the "Revolving Credit Facility"). The Revolving Credit Facility is used for general corporate purposes including acquisitions and share repurchases. The term is five years and will expire in April 2017. The Revolving Credit Facility may be used for borrowings in certain foreign currencies and letters of credit, in each case up to specified sublimits.

  We borrowed $615.0 million and had approximately $8 million of outstanding letters of credit under the Revolving Credit Facility as of August 31, 2012. We repaid the entire amount borrowed under the Revolving Credit Facility during the first quarter of fiscal year 2013. As of November 30, 2012, we have approximately $12 million of outstanding letters of credit under the Revolving Credit Facility.

  The Revolving Credit Facility fees are determined based on a pricing grid that varies according to our leverage ratio. The Revolving Credit Facility fee ranges from 25 to 40 basis points. Incremental fees for borrowings under the facility generally range from LIBOR + 125 to 185 basis points. The weighted average interest rate on outstanding borrowings under the Revolving Credit Facility at August 31, 2012 was 3.5%.

  The Revolving Credit Facility contains various customary representations, covenants and other provisions, 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. We were in compliance with all applicable covenants related to the Revolving Credit Facility at November 30, 2012.

- ***BPP Credit Facility*** – In fiscal year 2012, we entered into a £39.0 million (equivalent to $62.4 million as of November 30, 2012) secured credit agreement (the "BPP Credit Facility"). We did not have any borrowings on the BPP Credit Facility as of November 30, 2012 and subsequent to November 30, 2012, we terminated the BPP Credit Facility.

- ***Other*** – As of November 30, 2012 and August 31, 2012, Other principally includes debt at subsidiaries of Apollo Global and the present value of an obligation payable over a 10-year period associated with our purchase of technology in fiscal year 2012. The weighted average interest rate on our other debt at November 30, 2012 and August 31, 2012 was 5.4% and 6.0%, respectively.

Note 9. Income Taxes

We determine our interim income tax provision by estimating our effective income tax rate expected to be applicable for the full fiscal year. Our effective income tax rate is dependent upon several factors, such as tax rates in state and foreign jurisdictions and the relative amount of income we earn in such jurisdictions. In determining our full year estimate, we do not include the estimated impact of unusual and/or infrequent items, which may cause significant variations in the customary relationship between income tax expense and income before income taxes. We exercise significant judgment in determining our income tax provision due to transactions, credits and calculations where the ultimate tax determination is uncertain.

Our federal income tax returns for fiscal years 2006 through 2008 continue to be under review by the Internal Revenue Service ("IRS"). During the first quarter of fiscal year 2013, the IRS completed its audit of our federal income tax returns for fiscal years 2009 and 2010 without significant adjustment. We also were notified that the IRS will audit our federal income tax return for fiscal year 2011.

We are subject to numerous ongoing audits, including those noted above, by federal, 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.

Note 10. Shareholders' Equity

The following tables detail changes in shareholders' equity during the three months ended November 30, 2012 and 2011:

	Common Stock			Treasury Stock					
	Class A	Class B	Additional	Class A		Accumulated Other	Total Apollo	Non-Controlling	
($ in thousands)	Stated Value	Stated Value	Paid-in Capital	Cost	Retained Earnings	Comprehensive Loss	Shareholders' Equity	Interests (Deficit)	Total Equity
Balance as of August 31, 2012	$ 103	$ 1	$ 93,770	$ (3,878,612)	$ 4,743,150	$ (30,034)	$ 928,378	$ (4,055)	$ 924,323
Treasury stock purchases	—	—	—	(3,472)	—	—	(3,472)	—	(3,472)
Treasury stock issued under stock purchase plans	—	—	(936)	2,049	—	—	1,113	—	1,113
Treasury stock issued under stock incentive plans	—	—	(15,046)	15,046	—	—	—	—	—
Net tax effect for stock incentive plans	—	—	(4,823)	—	—	—	(4,823)	—	(4,823)
Share-based compensation	—	—	16,889	—	—	—	16,889	—	16,889
Currency translation adjustment, net of tax	—	—	—	—	—	732	732	27	759
Purchase of noncontrolling interest	—	—	(48,543)	—	—	(4,886)	(53,429)	4,929	(48,500)
Net income	—	—	—	—	133,495	—	133,495	245	133,740
Balance as of November 30, 2012	$ 103	$ 1	$ 41,311	$ (3,864,989)	$ 4,876,645	$ (34,188)	$ 1,018,883	$ 1,146	$ 1,020,029

	Common Stock								
	Class A	Class B		Treasury Stock Class A					
($ in thousands)	Stated Value	Stated Value	Additional Paid-in Capital	Cost	Retained Earnings	Accumulated Other Comprehensive Loss	Total Apollo Shareholders' Equity	Non-Controlling Interests	Total Equity
Balance as of August 31, 2011	$ 103	$ 1	$ 68,724	$ (3,125,175)	$ 4,320,472	$ (23,761)	$ 1,240,364	$ 3,625	$ 1,243,989
Treasury stock purchases	—	—	—	(80,682)	—	—	(80,682)	—	(80,682)
Treasury stock issued under stock purchase plans	—	—	(441)	1,787	—	—	1,346	—	1,346
Treasury stock issued under stock incentive plans	—	—	(8,435)	9,664	—	—	1,229	—	1,229
Net tax effect for stock incentive plans	—	—	(1,384)	—	—	—	(1,384)	—	(1,384)
Share-based compensation	—	—	20,892	—	—	—	20,892	—	20,892
Currency translation adjustment, net of tax	—	—	—	—	—	(7,363)	(7,363)	(994)	(8,357)
Net income (loss)	—	—	—	—	149,314	—	149,314	(2,030)	147,284
Balance as of November 30, 2011	$ 103	$ 1	$ 79,356	$ (3,194,406)	$ 4,469,786	$ (31,124)	$ 1,323,716	$ 601	$ 1,324,317

The following schedule details net income attributable to Apollo and transfers to noncontrolling interest for the three months ended November 30, 2012 and 2011:

($ in thousands)	November 30, 2012	November 30, 2011
Net income attributable to Apollo	$ 133,495	$ 149,314
Transfer to noncontrolling interest:		
Decrease in equity for purchase of Carlyle interest	(48,543)	—
Change from net income attributable to Apollo and transfer to noncontrolling interest	$ 84,952	$ 149,314

Purchase of Noncontrolling Interest

During the first quarter of fiscal year 2013, we purchased the 14.4% noncontrolling ownership interest in Apollo Global from Carlyle. We paid $42.5 million cash, plus a contingent payment based on a portion of Apollo Global's operating results through the fiscal years ending August 31, 2017. We estimated the fair value of the contingent payment to be $6.0 million using a discounted cash flow valuation method encompassing significant unobservable inputs. Refer to Note 6, Fair Value Measurements. As a result of the transaction, Apollo Group owns all of Apollo Global. This purchase was accounted for as an equity transaction resulting in the removal of Carlyle's noncontrolling interest from our Condensed Consolidated Balance Sheets. Accordingly, we recorded an adjustment to additional paid-in capital of $48.5 million, which principally represents the difference between the fair value of the consideration discussed above and the carrying amount of the noncontrolling interest acquired. The adjustment to additional paid-in capital also includes an adjustment to accumulated other comprehensive loss to reflect the change in Apollo's proportionate interest.

The remaining noncontrolling interest on our Condensed Consolidated Balance Sheets following the above purchase represents an ownership interest in a subsidiary of BPP.

Share Reissuances

During the three months ended November 30, 2012 and 2011, we issued approximately 0.4 million and 0.2 million shares, respectively, of our Apollo Group Class A common stock from our treasury stock. These reissuances are 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.

We did not repurchase shares of our Apollo Group Class A common stock during the three months ended November 30, 2012. We repurchased approximately 1.7 million shares of our Apollo Group Class A common stock at a total cost of $78.2 million during the three months ended November 30, 2011, which represents a weighted average purchase price of $45.84 per share.

As of November 30, 2012, we have no availability on our share repurchase authorization. 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 0.1 million shares of Class A common stock for $3.5 million and $2.4 million during the three months ended November 30, 2012 and 2011, respectively. These repurchases relate to tax withholding requirements on the restricted stock units.

Note 11. 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.

APOLLO GROUP, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements – *(Continued)*
(Unaudited)

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:

	Three months ended November 30,	
($ in thousands)	2012	2011
Net income attributable to Apollo (basic and diluted)	$ 133,495	$ 149,314
Basic weighted average shares outstanding	112,420	130,318
Dilutive effect of stock options	—	32
Dilutive effect of restricted stock units and performance share awards	429	524
Diluted weighted average shares outstanding	112,849	130,874
Earnings per share:		
Basic income per share attributable to Apollo	$ 1.19	$ 1.15
Diluted income per share attributable to Apollo	$ 1.18	$ 1.14

During the three months ended November 30, 2012 and 2011, approximately 8.4 million and 9.0 million, respectively, of our stock options outstanding and approximately 2.0 million and 0.1 million, 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 12. Share-Based Compensation

The table below details share-based compensation expense for the three months ended November 30, 2012 and 2011:

	Three Months Ended November 30,	
($ in thousands)	2012	2011
Instructional and student advisory	$ 7,588	$ 7,422
Marketing	2,043	2,234
Admissions advisory	170	447
General and administrative	6,023	10,789
Restructuring and other charges	1,065	—
Share-based compensation expense	$ 16,889	$ 20,892

In accordance with our Apollo Group, Inc. Amended and Restated 2000 Stock Incentive Plan, we granted approximately 26,000 stock options during the three months ended November 30, 2012. The weighted average grant date fair value and weighted average exercise price of these options was $7.77 and $19.62, respectively. As of November 30, 2012, there was approximately $11.8 million of total unrecognized share-based compensation cost, net of forfeitures, related to unvested stock options. These costs are expected to be recognized over a weighted average period of 2.0 years.

In accordance with our Apollo Group, Inc. Amended and Restated 2000 Stock Incentive Plan, we granted approximately 76,000 restricted stock units and performance share awards with a weighted average grant date fair value of $21.05 during the three months ended November 30, 2012. As of November 30, 2012, there was approximately $82.5 million and $5.8 million of total unrecognized share-based compensation cost, net of forfeitures, related to unvested restricted stock units and performance share awards, respectively. These costs are expected to be recognized over a weighted average period of 2.3 years.

Note 13. Commitments and Contingencies

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 (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. On October 27, 2011, the Court granted our motion to dismiss and granted plaintiffs leave to amend. On December 6, 2011, the lead plaintiffs filed an Amended Consolidated Class Action Complaint, which alleges similar claims against the same defendants. On January 9, 2012, we filed a motion to dismiss the Amended Consolidated Class Action Complaint. On June 22, 2012, the Court granted our motion to dismiss and entered a judgment in our favor. On July 20, 2012, the plaintiffs filed a Notice of Appeal with the U.S. Court of Appeals for the Ninth Circuit, and their appeal remains pending before that Court.

If the plaintiffs are successful in their appeal, we anticipate they will seek substantial damages. 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 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.

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 April 30, 2009, plaintiffs filed their Second Amended Complaint, which alleges similar claims for alleged securities fraud against the same defendants.

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 the Court denied this motion on April 2, 2012. On April

27, 2012, the plaintiffs filed a Notice of Appeal with the U.S. Court of Appeals for the Ninth Circuit, and their appeal remains pending before that Court.

If the plaintiffs are successful in their appeal, we anticipate they will seek substantial damages. 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 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. On July 12, 2011, we filed a motion to dismiss and on August 30, 2011, relators filed a motion for leave to file a Second Amended Complaint, which the Court granted. On November 2, 2011, we filed a motion to dismiss relators' Second Amended Complaint, which was denied by the Court on July 6, 2012. On August 1, 2012, we filed a motion for certification of an interlocutory appeal, which would allow us to immediately appeal the District Court's order denying our motion to dismiss to the U.S. Court of Appeals for the Ninth Circuit. That motion remains pending before the District Court.

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.

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 substantial damages, including royalties as a percentage of our net revenue over a multi-year period. 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 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 appealed the order granting summary judgment to the United States Court of Appeals for the Federal Circuit, which held oral argument on December 5, 2011. On March 7, 2012, a divided three-judge panel of the Federal Circuit issued an opinion affirming in part and reversing in part the order granting summary judgment, and it remanded a portion of the plaintiff's claims to the district court for further proceedings. We filed a Petition for Rehearing with the Federal Circuit regarding the portion of the decision reversing the grant of summary judgment, which the Federal Circuit denied on May 25, 2012. Accordingly, the case has been remanded to the U.S. District Court for the Eastern District of Virginia for further proceedings, the outcome of which remains uncertain at this point.

As of November 30, 2012, we have accrued an immaterial amount reflecting a rejected settlement offer we made during the fiscal year 2012 and additional legal costs that we may incur in this matter. 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 in excess of our accrual as of November 30, 2012.

Himmel Derivative Action

On November 12, 2010, we received a shareholder demand 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 March 24, 2011, a shareholder derivative complaint was filed in the Superior Court for the State of Arizona, Maricopa County by Daniel Himmel, the foregoing shareholder 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 *Securities Class Action (Apollo Institutional Investors Group)* matter.

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*. We believe that the relevant exclusivity and noncompete provision is inapplicable to us and our affiliates, we have sought to dismiss this action on those grounds, and our application for such relief remains pending before the Court. On December 14, 2010, the Court declined to enter an injunction, but the matter is set for a further hearing on March 15, 2013. If plaintiff ultimately obtains the requested injunctive relief, our ability to conduct business in India, including through our joint venture with HT Media Limited, 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.

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. In September 2011, we entered into a settlement agreement with the plaintiffs to settle the litigation for $145.0 million, which was approved by the Court on April 20, 2012. Under the settlement agreement and during fiscal year 2012, the $145.0 million we had previously deposited into a common fund account in December 2011 was paid to the plaintiffs.

In December 2012, we resolved the dispute with our insurers regarding the previously advanced defense costs for this action. As a result, we reversed previously recorded charges associated with this dispute, which are included in litigation credit on our Condensed Consolidated Statements of Income during the first quarter of fiscal year 2013. We do not believe we have any exposure associated with this matter in the future.

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-00059-LKK. On April 12, 2010, plaintiff filed a 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 U.S. District Court in California granted plaintiff's motion for class action certification of the California claims. In August 2011, the parties agreed to settle the case for an immaterial amount, which was accrued in our financial statements during fiscal year 2011. The agreement, in which we do not admit any liability, was approved by the Court on December 17, 2012.

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 year 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 inquiries 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 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

During April 2012, we received notification from the Enforcement Division of the Securities and Exchange Commission requesting documents and information relating to certain stock sales by company insiders and our February 28, 2012 announcement filed with the Commission on Form 8-K regarding revised enrollment forecasts. We are cooperating fully with the Securities and Exchange Commission in connection with this investigation. We cannot predict the eventual scope or outcome of this investigation.

UNIACC Investigations

UNIACC was advised by the National Accreditation Commission of Chile in November 2011 that its institutional accreditation would not be renewed and therefore had lapsed. Subsequently, in June 2012, a prosecutor's office in Santiago, Chile requested that UNIACC provide documents relating to UNIACC's relationship with a former employee and consultant who served as a member of the National Accreditation Commission until March 2012, and we have since received requests for additional information in connection with this investigation. Furthermore, in August 2012, the prosecutor's office began requesting that UNIACC provide information about UNIACC's business structure and operations and its relationship with other Apollo entities, in connection with an additional investigation regarding UNIACC's compliance with applicable laws concerning the generation of profit by universities such as UNIACC. In November 2012, UNIACC learned that the Ministry of Education was commencing a formal investigation into related profit issues and concerning the official recognition of UNIACC as a university under Chilean law. We are cooperating with these investigations. At this time, we cannot predict the eventual scope, course or outcome of these investigations.

Refer to Note 9, Income Taxes, for discussion of Internal Revenue Service audits.

Note 14. Regulatory Matters

Student Financial Aid

In fiscal year 2012, University of Phoenix generated 91% of our total consolidated net revenue and more than 100% of our operating income, and 84% of University of Phoenix's cash basis revenue for eligible tuition and fees was derived from Title IV financial aid program funds, as calculated under the 90/10 Rule.

All U.S. federal financial aid programs are established by Title IV of the Higher Education Act and regulations promulgated thereunder. The U.S. Congress must periodically reauthorize the Higher Education Act and annually determine the funding level for each Title IV program. In August 2008, the Higher Education Act was reauthorized through September 30, 2013 by the Higher Education Opportunity Act. Changes to the Higher Education Act are likely to occur in subsequent reauthorizations, and the scope and substance of any such changes cannot be predicted.

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 expired December 31, 2012. University of Phoenix has submitted necessary documentation for re-certification. University of Phoenix's eligibility continues on a month-to-month basis until the Department issues its decision on the application. We have no reason to believe that our application will not be renewed in due course, and it is not unusual to be continued on a month-to-month basis until the Department completes its review.

Western International University was recertified in May 2010 and entered into a new Title IV Program Participation Agreement which expires September 30, 2014.

Higher Learning Commission ("HLC")

University of Phoenix and Western International University are accredited by The Higher Learning Commission of the North Central Association of Colleges and Schools ("HLC"). This accreditation 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.

The HLC began its comprehensive reaffirmation evaluation of University of Phoenix in March 2012, and Western International University in May 2012.

Office of the Inspector General of the U.S. Department of Education ("OIG")

In October 2011, the OIG notified us that it was conducting a nationwide audit of the Department's program requirements, guidance, and monitoring of institutions of higher education offering distance education. In connection with the OIG's audit of the Department, the OIG examined a sample of University of Phoenix students who enrolled during the period from July 1, 2010 to June 30, 2011. The OIG subsequently notified University of Phoenix that in the course of this review it identified certain conditions that the OIG believes are Title IV compliance exceptions at University of Phoenix. Although University of Phoenix is not the direct subject of the OIG's audit of the Department, the OIG has asked University of Phoenix to respond so that it may consider University of Phoenix's views in formulating its audit report of the Department. These exceptions relate principally to the calculation of the amount of Title IV funds returned after student withdrawals and the process for confirming student eligibility prior to disbursement of Title IV funds.

Note 15. Segment Reporting

We operate primarily in the education industry. During the fourth quarter of fiscal year 2012, we revised our segment reporting to maintain consistency with the method management uses to evaluate performance and allocate resources. Accordingly, we have identified five operating segments that are managed in the following reportable segments:

- University of Phoenix;
- Apollo Global; and
- Other.

As a result of the above changes, BPP is no longer an operating segment and we have changed our presentation for all periods presented to reflect our revised segment reporting.

Apollo Global includes BPP, Western International University, UNIACC, ULA and the Apollo Global corporate operations. Other includes IPD, CFFP, Apollo Education Services and corporate activities. Apollo Education Services is a business we are developing through which we intend to begin providing a variety of educational delivery services to other higher education institutions. Apollo Education Services has not yet generated net revenues.

A summary of financial information by reportable segment is as follows:

	Three Months Ended November 30,	
($ in thousands)	2012	2011
Net revenue		
University of Phoenix	$ 939,890	$ 1,057,069
Apollo Global	96,791	95,967
Other	18,502	18,864
Net revenue	$ 1,055,183	$ 1,171,900
Operating income (loss)[1]:		
University of Phoenix	$ 242,319	$ 292,038
Apollo Global[2]	(9,143)	(14,953)
Other[3]	(2,230)	(15,417)
Total operating income	230,946	261,668
Reconciling items:		
Interest income	549	506
Interest expense	(2,042)	(1,999)
Other, net	1,799	140
Income from continuing operations before income taxes	$ 231,252	$ 260,315

[1] University of Phoenix, Apollo Global and Other include charges associated with our restructuring activities. Refer to Note 3, Restructuring and Other Charges.

[2] The operating loss for Apollo Global for the three months ended November 30, 2011 includes $16.8 million of goodwill and other intangibles impairment charges.

[3] The operating loss for Other for the three months ended November 30, 2012 includes a $16.9 million credit associated with the *Securities Class Action (Policeman's Annuity and Benefit Fund of Chicago)*. Refer to Note 13, Commitments and Contingencies.

APOLLO GROUP, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements – *(Continued)*
(Unaudited)

A summary of our consolidated assets by reportable segment is as follows:

($ in thousands)	November 30, 2012	August 31, 2012
University of Phoenix	$ 877,612	$ 938,104
Apollo Global	410,343	389,509
Other[1]	1,080,962	1,540,709
Total assets	$ 2,368,917	$ 2,868,322

(1) The majority of assets included in Other consists of corporate cash and cash equivalents.

Item 2 – *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 unaudited condensed consolidated financial statements and related notes included elsewhere in this report. 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 condensed consolidated financial statements.
- **Liquidity, Capital Resources, and Financial Position:** An analysis of our 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 nearly 40 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 include the following:

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

Substantially all of our net revenue is composed of tuition and fees for educational services. In fiscal year 2012, University of Phoenix generated 91% of our total consolidated net revenue and more than 100% of our operating income, and 84% of University of Phoenix's cash basis revenue for eligible tuition and fees was derived from U.S. federal financial aid programs established by Title IV of the Higher Education Act and regulations promulgated thereunder ("Title IV"), as calculated under the 90/10 Rule.

We believe that our success depends on providing high quality educational products and services to students to maximize the benefits of their educational experience.

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:

- *Changing Education Industry*. The U.S. higher education industry, including the proprietary sector, is experiencing unprecedented, rapidly developing changes due to technological developments, evolving needs and objectives of students and employers, economic constraints affecting educational institutions and students, and other factors that challenge many of the core principles underlying the industry. Additionally, an increasing number of traditional colleges and universities and community colleges are offering distance learning and other online education programs, including programs that are geared towards the needs of working learners. As the proportion of traditional colleges providing alternative learning modalities increases, we will face increasing competition for students from traditional colleges, including colleges with well-established brand names. We must adapt our business to meet these rapidly evolving developments, and many of the initiatives described below are driven by our focus on this imperative.

- *Education to Careers*. We believe it is critical that we demonstrate a clear connection between our students' education goals and career goals. Accordingly, we are focused on providing a compelling relationship between our degree programs and improvements in our graduates' prospects for employment in their field of choice or advancement within their existing careers. We are enhancing this element of our value proposition through various initiatives, including connecting our educational offerings directly with employers, providing an interactive online portal that allows employers to directly recruit our students, and incorporating career resources such as career planning tools directly into the learning experience.
- *Student Experience*. We remain focused on more effectively identifying students who can succeed in our educational programs, ensuring they are adequately prepared, and improving the overall student experience. In furtherance of this:
  - we are actively working on major enhancements to our learning and student service platforms, and we are in the process of incorporating adaptive learning into our curricula to offer an individualized approach to learning;
  - we require substantially all incoming students with less than 24 credits to attend our 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;
  - we have modified our marketing content and channels to better identify potential students that we believe are more likely to succeed at University of Phoenix; and
  - we have eliminated all enrollment factors in evaluating the performance of our admissions personnel in order to better align our admissions personnel with our students' success.

  We believe that some of these changes significantly contributed to the reduction in New Degreed Enrollment beginning in fiscal year 2011. However, we believe these changes, together with other initiatives, have improved the student experience and will enhance student outcomes. Furthermore, we believe that over the long-term these initiatives will reduce the risks to our business associated with the regulatory environment.
- *Business Process Reengineering*. Beginning in fiscal year 2011 and continuing through the first quarter of fiscal year 2013, we initiated a series of activities to reengineer business processes and refine our educational delivery structure. These activities are designed to increase operating efficiencies and effectiveness, and enhance our students' educational experience and outcomes. We have incurred $85.7 million of cumulative restructuring and other charges associated with these activities since we initiated these activities in fiscal year 2011. In connection with these activities, in the first quarter of fiscal year 2013 we initiated the following:
  - A plan to realign University of Phoenix's ground locations throughout the U.S. This plan includes closing 115 locations and students directly impacted by the plan will be offered support to continue their education at University of Phoenix either online, through alternative on-ground arrangements or, in limited cases, at existing University of Phoenix locations. We incurred $10.1 million of expense associated with this plan during the first quarter of fiscal year 2013, the substantial majority of which is accelerated depreciation for fixed assets at the designated facilities we have not yet closed. Subject to regulatory approvals, we expect to substantially complete this realignment in fiscal year 2013. We expect to incur approximately $165 million of additional charges, principally for lease exit and other related costs, with most of these costs incurred in fiscal year 2013. We also plan to continue investing in our remaining ground locations to create state-of-the art, technologically-integrated facilities offering academic and career support and increased mobile connectivity, while continuing to advance our leading-edge online learning platform.
  - A workforce reduction consisting of approximately 800 positions due in part to University of Phoenix's ground location realignment. We eliminated a portion of these positions during the first quarter of fiscal year 2013 and incurred $10.9 million of severance and other employee separation costs. We expect to incur approximately $15 million of additional charges associated with this reduction as the remaining positions are eliminated.

    Our activities to reengineer business processes and refine our educational delivery structure are expected to favorably impact annual operating expenses by at least $300 million when compared to fiscal year 2012. Although we expect to realize at least $200 million of these annual savings in fiscal year 2013, we do not expect to realize the full $300 million in annual savings until fiscal year 2014.
- *Regulatory Environment*. Our domestic postsecondary institutions are subject to extensive federal and state regulations and to the requirements of our academic accrediting bodies.

  The federal Higher Education Act, as reauthorized, and related U.S. Department of Education regulations, prescribe detailed requirements affecting substantially all activities of University of Phoenix and Western International University as a condition to participating in U.S. federal financial aid programs established under Title IV of the Higher Education Act ("Title IV"). We have summarized below certain significant regulatory matters applicable to our business. For a more detailed discussion of the regulatory environment and related risks, refer to Part I, Item 1, *Business*, and Item 1A, *Risk Factors*, in our 2012 Annual Report on Form 10-K filed with the Securities and Exchange Commission on October 22, 2012.

- *Higher Learning Commission*. University of Phoenix is undergoing the scheduled comprehensive reaffirmation evaluation by its principal accreditor, the Higher Learning Commission ("HLC"), which began in March 2012. The HLC accreditation of University of Phoenix was last reaffirmed by HLC in 2002. Prior to this reaffirmation evaluation, in August 2010, HLC requested supplemental evidence of compliance with the HLC accreditation standards following an August 2010 report by the Government Accountability Office of its undercover investigation into the enrollment and recruiting practices of a number of proprietary institutions, including University of Phoenix. In July 2011, the Special Committee formed by HLC to review this matter reported 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 were significantly inadequate or inappropriate. However, HLC also stated that there remained significant questions and areas that University of Phoenix should work on improving, and HLC is reviewing these areas of concern as part of its current reaffirmation evaluation. In addition, HLC has requested that University of Phoenix provide an explanation, to be reviewed in connection with the reaffirmation evaluation, of three non-financial indicators identified by HLC that warrant further inquiry, namely:
  - Increase or decrease in full-time faculty of 25% or more from the prior year's report;
  - Ratio of undergraduate full-time equivalent students to undergraduate full-time equivalent faculty of greater than 35 in the period reported; and
  - Three-year student loan default rate of 25% or more.
- *U.S. Congressional Activity and Financial Aid Funding*. In recent years, there has been increased focus by members of the U.S. Congress on the role that proprietary educational institutions play in higher education and we expect this focus to continue. Various Congressional hearings and roundtable discussions have been held, beginning in June 2010, by the U.S. Senate Committee on Health, Education, Labor and Pensions ("HELP Committee") and other Congressional members and committees regarding various aspects of the education industry. We have voluntarily provided substantial amounts of information about our business at the request of various Congressional committees, and we intend to continue being responsive to Congress in this regard. In July 2012, the HELP Committee majority staff issued their final report which was unfavorable to proprietary institutions. We expect that other Congressional hearings and roundtable discussions will be held regarding various aspects of the education industry. In addition, over the past two years, a number of proposed bills and amendments have been introduced in the Senate and House of Representatives that if adopted, would affect our business. We cannot predict what legislation, if any, will result from these hearings and legislative proposals or what impact any such legislation might have on the proprietary education sector and our business in particular. As Congress addresses the historic U.S. budget deficit, financial aid programs are a potential target for reduction. 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. Congressional action could also require us to modify our practices in ways that could increase our administrative costs and reduce our operating income.

  In addition to possible reductions in federal student financial aid, state-funded student financial aid also may be reduced as many states grapple with their own historic budget shortfalls.
- *Program Participation Agreement*. University of Phoenix's Title IV Program Participation Agreement expired December 31, 2012. University of Phoenix has submitted necessary documentation for re-certification. University of Phoenix's eligibility continues on a month-to-month basis until the Department issues its decision on the application. We have no reason to believe that our application will not be renewed in due course, and it is not unusual to be continued on a month-to-month basis until the Department completes its review.
- *Increased Attention to Issues Surrounding Marketing*. At both the state and federal level, there are a growing number of efforts to evaluate and restrict the manner in which educational institutions market their services to potential students. For example, several state Attorneys General recently reached a settlement with a third-party lead generation provider relating to alleged misleading marketing practices. In addition, various members of Congress have commented publicly about allegedly deceptive marketing practices by some for-profit educational institutions based on review of the materials released by Senator Tom Harkin, and on September 21, 2012, a group of Senators and Representatives sent a letter to the Federal Trade Commission encouraging the Commission to evaluate these practices. Other members of Congress have introduced legislation to limit the use of federal

funds for marketing purposes. Action by Congress or the Department of Education to address these marketing issues could limit and potentially constrain our choices of marketing plans and limit their effectiveness.

- *90/10 Rule*. One requirement of the Higher Education Act, as reauthorized, commonly referred to as the "90/10 Rule," provides that 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. The University of Phoenix 90/10 Rule percentage for fiscal year 2012 was 84%. 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 2013. However, the 90/10 Rule percentage for University of Phoenix remains high and could exceed 90% in the future.

  Various legislative proposals have been introduced in Congress that would heighten the requirements of the 90/10 Rule. For example, in January 2012, the Protecting Our Students and Taxpayers Act was introduced in the U.S. Senate and, if adopted, would reduce the 90% maximum under the rule to the pre-1998 level of 85%, cause tuition derived from military benefit programs to be included in the 85% portion under the rule instead of the 10% portion as is the case today, and impose Title IV ineligibility after one year of noncompliance rather than two. If these or similar proposals are adopted, University of Phoenix may have to make material changes to its business to remain eligible to participate in Title IV programs, including measures which may reduce our revenue, increase our operating expenses, or both, in each case perhaps significantly.

- *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. An educational institution will lose its eligibility to participate in Title IV programs if its two-year student loan cohort default rates exceed 25% for three consecutive cohort years, or 40% for any given cohort year. The 2010 and 2009 two-year cohort default rates for University of Phoenix were 17.9% and 18.8%, respectively.

  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. If an institution's three-year cohort default rates for the 2009 and 2010 cohorts exceed 30%, the institution may be subject to provisional certification imposing various 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. 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 if the institution's three-year cohort default rates exceed 30% for three consecutive years, beginning with the 2009 cohort, the institution will cease to be eligible to participate in Title IV programs. The 2009 and 2008 three-year cohort default rates for University of Phoenix were 26.4% and 21.1%, respectively.

  If our student loan default rates approach the applicable limits, we may be required to increase efforts and resources dedicated to improving these default rates. This is challenging because most borrowers who are in default or at risk of default are no longer students, and we may have only limited contact with them. Furthermore, recently there has been increased attention by members of Congress and others on default aversion activities of proprietary education institutions. If such attention leads to congressional or regulatory action restricting the types of default aversion assistance that educational institutions are permitted to provide, the default rates of our former students may be negatively impacted. Accordingly, there is 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.

- *Information Technology*. We are upgrading a substantial portion of our key IT systems, including our student learning system, student services platform and corporate applications, and retiring the related legacy systems. We believe that these new systems will improve the productivity, scalability, reliability and sustainability of our IT infrastructure. However, the transition from our legacy systems entails risk of unanticipated disruption, including disruptions in our core business functions that could adversely impact our business.
- *Expansion into New Markets*. We intend to continue pursuing opportunities to utilize our core expertise and organizational capabilities, both domestically and internationally. In particular, we are actively pursuing quality opportunities to acquire or develop institutions of higher learning through Apollo Global and to provide educational services to other higher education institutions through our Apollo Education Services business. To date, Apollo Global has acquired educational institutions in the United Kingdom, Mexico and Chile, and has also established a joint venture to develop and provide educational services and programs in India. The integration and operation of acquired businesses in foreign jurisdictions entails substantial regulatory, market and execution risks and such acquisitions may not be accretive for an extended period of time, if at all, depending on the circumstances.

For a more detailed discussion of trends, risks and uncertainties, and our strategic plan, refer to our 2012 Annual Report on Form 10-K filed with the Securities and Exchange Commission on October 22, 2012.

Fiscal Year 2013 Significant Events

In addition to the items mentioned above, we experienced the following significant events during fiscal year 2013 to date:

1. *Purchase of Noncontrolling Interest*. During the first quarter of fiscal year 2013, we purchased the 14.4% noncontrolling ownership interest in Apollo Global from The Carlyle Group. We paid $42.5 million cash, plus a contingent payment based on a portion of Apollo Global's operating results through the fiscal years ending August 31, 2017. As a result of the transaction, Apollo Group owns 100% of Apollo Global. Refer to Note 10, Shareholders' Equity in Item 8, *Financial Statements and Supplementary Data* .
2. *Changes in Directors and Executive Officers*. We have experienced the following changes in directors and executive officers:
   - During fiscal year 2012, K. Sue Redman, a member of our Board of Directors and Audit Committee Chair, informed the Board of Directors that she has decided not to stand for reelection as a director when her term expires at the 2013 annual meeting of our Class B shareholders.
   - On December 13, 2012:
     - Dr. John Sperling, our founder and Executive Chairman, announced his retirement as Executive Chairman and a director effective December 31, 2012;
     - Our Board of Directors elected Peter Sperling, formerly Vice Chairman of the Board of Directors, to succeed Dr. John Sperling as Chairman of our Board of Directors, effective December 31, 2012;
     - Our Board of Directors elected Terri Bishop, a member of the Board of Directors and Executive Vice President, Integrated Academic Strategies and Senior Advisor to the Chief Executive Officer, to succeed Peter Sperling as Vice Chair of the Board of Directors, effective December 31, 2012; and
     - Matthew Carter, Jr. was appointed to our Board of Directors, effective December 13, 2012, and will sit on the audit and finance committees of the Board of Directors.

Critical Accounting Policies and Estimates

For a detailed discussion of our critical accounting policies and estimates, refer to our 2012 Annual Report on Form 10-K.

Recent Accounting Pronouncements

Refer to Note 2, Significant Accounting Policies, in Item 1, *Financial Statements*, 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 the three months ended November 30, 2012 compared to the three months ended November 30, 2011.

As discussed in the *Overview* of this MD&A, we believe some of our initiatives to enhance the student experience and outcomes have contributed to the decline in University of Phoenix enrollment. Despite the current adverse effects on our enrollment and operating results, we believe that many of these initiatives have improved the student experience and will enhance student outcomes. Furthermore, we believe that over the long-term, these initiatives will reduce the risks to our business associated with the regulatory environment and position us for more stable 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.

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.
- *Depreciation and amortization* – consist of depreciation expense on our property and equipment and amortization of our finite-lived intangibles.
- *Provision for uncollectible accounts receivable* – consist of expense charged to reduce our accounts receivable to our estimate of the amount we expect to collect.

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Three months ended November 30, 2012 compared to the three months ended November 30, 2011

Analysis of Condensed 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*.

	Three Months Ended November 30,		% of Net Revenue		
($ in thousands)	**2012**	**2011**	**2012**	**2011**	**% Change**
Net revenue	$ 1,055,183	$ 1,171,900	100.0 %	100.0 %	(10.0)%
Costs and expenses:					
Instructional and student advisory	432,150	453,281	40.9 %	38.7 %	(4.7)%
Marketing	162,873	165,564	15.4 %	14.1 %	(1.6)%
Admissions advisory	71,308	101,388	6.8 %	8.7 %	(29.7)%
General and administrative	73,539	79,899	7.0 %	6.8 %	(8.0)%
Depreciation and amortization	43,695	46,167	4.1 %	3.9 %	(5.4)%
Provision for uncollectible accounts receivable	33,406	41,583	3.2 %	3.6 %	(19.7)%
Restructuring and other charges	24,116	5,562	2.3 %	0.5 %	*
Litigation credit	(16,850)	—	(1.6)%	— %	*
Goodwill and other intangibles impairment	—	16,788	— %	1.4 %	*
Total costs and expenses	824,237	910,232	78.1 %	77.7 %	(9.4)%
Operating income	230,946	261,668	21.9 %	22.3 %	(11.7)%
Interest income	549	506	— %	0.1 %	8.5 %
Interest expense	(2,042)	(1,999)	(0.2)%	(0.2)%	(2.2)%
Other, net	1,799	140	0.2 %	— %	*
Income from continuing operations before income taxes	231,252	260,315	21.9 %	22.2 %	(11.2)%
Provision for income taxes	(97,512)	(115,179)	(9.2)%	(9.8)%	15.3 %
Income from continuing operations	133,740	145,136	12.7 %	12.4 %	(7.9)%
Income from discontinued operations, net of tax	—	2,148	— %	0.2 %	*
Net income	133,740	147,284	12.7 %	12.6 %	(9.2)%
Net (income) loss attributable to noncontrolling interests	(245)	2,030	— %	0.1 %	*
Net income attributable to Apollo	$ 133,495	$ 149,314	12.7 %	12.7 %	(10.6)%

* not meaningful

Net Revenue

Our net revenue decreased $116.7 million, or 10.0%, in the first quarter of fiscal year 2013 compared to the first quarter of fiscal year 2012. The decrease was primarily attributable to University of Phoenix's 11.1% decrease in net revenue principally due to lower University of Phoenix enrollment, partially offset by selective tuition price and other fee changes. Refer to 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 decreased $21.1 million, or 4.7% in the first quarter of fiscal year 2013 compared to the first quarter of fiscal year 2012, which represents a 220 basis point increase as a percentage of net revenue. The decrease in expense was principally attributable to lower costs that are more variable in nature such as faculty and certain student advisory functions, and a decrease in rent expense primarily attributable to our restructuring activities. Refer to *Restructuring and Other Charges* below. This was partially offset by the assessment of approximately $11 million of foreign indirect taxes in the first quarter of fiscal year 2013 associated with certain instructional materials.

Marketing

Marketing decreased $2.7 million, or 1.6%, in the first quarter of fiscal year 2013 compared to the first quarter of fiscal year 2012, which represents a 130 basis point increase as a percentage of net revenue. The decrease in expense was principally attributable to lower advertising costs attributable in part to reducing our use of third-party operated Internet sites. This was partially offset by higher employee compensation costs primarily to support building relationships with employers.

Admissions Advisory

Admissions advisory decreased $30.1 million, or 29.7%, in the first quarter of fiscal year 2013 compared to the first quarter of fiscal year 2012, which represents a 190 basis point decrease as a percentage of net revenue. The decrease in expense was principally attributable to a decline in admissions advisory headcount due in part to our restructuring activities. Refer to *Restructuring and Other Charges* below.

General and Administrative

General and administrative decreased $6.4 million, or 8.0%, in the first quarter of fiscal year 2013 compared to the first quarter of fiscal year 2012, which represents a 20 basis point increase as a percentage of net revenue. The decrease in expense was principally attributable to lower share-based compensation and a decrease in rent expense primarily due to our restructuring activities. Refer to *Restructuring and Other Charges* below.

Depreciation and Amortization

Depreciation and amortization decreased $2.5 million, or 5.4%, in the first quarter of fiscal year 2013 compared to the first quarter of fiscal year 2012, which represents a 20 basis point increase as a percentage of net revenue. The decrease in expense was principally attributable to lower depreciation expense due in part to the decline in depreciable assets resulting from our restructuring activities. Refer to *Restructuring and Other Charges* below. The decrease was also due to lower intangibles amortization.

Provision for Uncollectible Accounts Receivable

Provision for uncollectible accounts receivable decreased $8.2 million, or 19.7%, in the first quarter of fiscal year 2013 compared to the first quarter of fiscal year 2012, which represents a 40 basis point decrease as a percentage of net revenue. The decrease was primarily attributable to reductions in gross accounts receivable principally resulting from lower University of Phoenix enrollment, and improved collection rates for aged receivables at University of Phoenix.

Restructuring and Other Charges

We have initiated a series of activities to reengineer business processes and refine our educational delivery structure. The following table details the charges incurred for the three months ended November 30, 2012 and 2011, respectively, and the cumulative costs associated with these activities, all of which are included in restructuring and other charges on our Condensed Consolidated Statements of Income:

($ in thousands)	Three Months Ended November 30, 2012	Three Months Ended November 30, 2011	Cumulative Costs for Restructuring Activities
Non-cancelable lease obligations and related costs, net	$ 10,112	$ 5,562	$ 45,160
Severance and other employee separation costs	10,943	—	27,676
Other restructuring related costs	3,061	—	12,888
Restructuring and other charges	$ 24,116	$ 5,562	$ 85,724

The following table summarizes the above restructuring and other charges in our segment reporting format:

($ in thousands)	Three Months Ended November 30, 2012	Three Months Ended November 30, 2011	Cumulative Costs for Restructuring Activities
University of Phoenix	$ 16,896	$ 5,562	$ 59,811
Apollo Global	79	—	5,997
Other	7,141	—	19,916
Restructuring and other charges	$ 24,116	$ 5,562	$ 85,724

- ***Lease obligations and related costs*** – During the first quarter of fiscal year 2013, we initiated a plan to realign University of Phoenix's ground locations throughout the U.S. This plan includes closing 115 locations with students directly impacted by the plan being offered support to continue their education at University of Phoenix either online, through alternative on-ground arrangements or, in limited cases, at existing University of Phoenix locations. Following the finalization and approval of this plan, we performed a recoverability analysis for the fixed assets at the designated facilities we have not yet closed. We performed this analysis by comparing the estimated undiscounted cash flows of the locations through their expected closure dates to the carrying amount of the locations' fixed assets. Based on our analysis, we recorded an insignificant impairment charge. We also revised the useful lives of the fixed assets at each of the designated facilities we have not yet closed through the expected closure dates resulting in $9.3 million of accelerated depreciation during the first quarter of fiscal year 2013. Subject to regulatory approvals, we expect to substantially complete this realignment in fiscal year 2013. We expect to incur approximately $165 million of additional charges, principally for lease exit and other related costs, with most of these costs incurred in fiscal year 2013. We also plan to continue investing in our remaining ground locations to create state-of-the art, technologically-integrated facilities offering academic and career support and increased mobile connectivity, while continuing to advance our leading-edge online learning platform.
- ***Severance and other employee separation costs*** – During the first quarter of fiscal year 2013, we also initiated a workforce reduction consisting of approximately 800 positions due in part to University of Phoenix's ground location realignment. We eliminated a portion of these positions during the first quarter of fiscal year 2013 and incurred $10.9 million of severance and other employee separation costs. These costs are included in the reportable segments in which the respective eliminated personnel were employed. We expect to incur approximately $15 million of additional charges associated with this reduction as the remaining positions are eliminated.
- ***Other*** – We incurred $3.1 million of costs during the first quarter of fiscal year 2013 principally attributable to services from consulting firms associated with our initiatives to evaluate and identify operating efficiency and effectiveness opportunities. As these services pertain to all areas of our business, we have not allocated these costs to our reportable segments and they are included in "Other" in our segment reporting.

Our activities to reengineer business processes and refine our educational delivery structure are expected to favorably impact annual operating expenses by at least $300 million when compared to fiscal year 2012. Although we expect to realize at least $200 million of these annual savings in fiscal year 2013, we do not expect to realize the full $300 million in annual savings until fiscal year 2014.

Litigation Credit

We recorded a $16.9 million credit in the first quarter of fiscal year 2013 associated with the *Securities Class Action (Policeman's Annuity and Benefit Fund of Chicago)*. Refer to Note 13, Commitments and Contingencies in Part I, Item 1, *Financial Statements*.

Goodwill and Other Intangibles Impairment

During the first quarter of fiscal year 2012, we recorded impairment charges of UNIACC's goodwill and other intangibles of $11.9 million and $4.9 million, respectively.

Interest Income

Interest income was essentially flat in the first quarter of fiscal year 2013 compared to the first quarter of fiscal year 2012.

Interest Expense

Interest expense was essentially flat in the first quarter of fiscal year 2013 compared to the first quarter of fiscal year 2012.

Other, Net

The increase in other, net in the first quarter of fiscal year 2013 compared to the first quarter of fiscal year 2012 was primarily attributable to distributions we received from an investment in the first quarter of fiscal year 2013.

Provision for Income Taxes

Our income tax rate for continuing operations was 42.2% and 44.2% for the first quarter of fiscal year 2013 and 2012, respectively. The decrease was primarily attributable to the nondeductible UNIACC goodwill and other intangibles impairment in the first quarter of fiscal year 2012. This was partially offset by an increase in our foreign losses for which we cannot take a tax benefit.

Income from Discontinued Operations, Net of Tax

Income from discontinued operations, net of tax, in the first quarter of fiscal year 2012 represents the operating results from Mander Portman Woodward, which we sold in the fourth quarter of fiscal year 2012. Refer to Note 4, Discontinued Operations, in Item 1, *Financial Statements*.

Analysis of Operating Results by Reportable Segment

The table below details our operating results by reportable segment for the three months ended November 30:

	Net Revenue				Operating Income (Loss)			
($ in thousands)	2012	2011	$ Change	% Change	2012	2011	$ Change	% Change
University of Phoenix	$ 939,890	$ 1,057,069	$ (117,179)	(11.1)%	$ 242,319	$ 292,038	$ (49,719)	(17.0)%
Apollo Global	96,791	95,967	824	0.9 %	(9,143)	(14,953)	5,810	38.9 %
Other	18,502	18,864	(362)	(1.9)%	(2,230)	(15,417)	13,187	85.5 %
Total	$ 1,055,183	$ 1,171,900	$ (116,717)	(10.0)%	$ 230,946	$ 261,668	$ (30,722)	(11.7)%

University of Phoenix

The $117.2 million, or 11.1%, decrease in net revenue in our University of Phoenix segment was primarily attributable to lower enrollment. This was partially offset by selective tuition price and other fee increases implemented in July 2012 that were generally in the range of 3-5%, and a favorable mix shift in our enrollment toward higher degree-level programs, which generally provide higher net revenue per student. During the first quarter of fiscal year 2013, we increased our use of targeted discounts and grants, which reduced net revenue. Future net revenue will be impacted by tuition price and other fee changes, along with changes in enrollment and student mix within programs and degree levels, and discounts.

The following table details University of Phoenix enrollment for the first quarter of fiscal years 2013 and 2012:

	Degreed Enrollment[1]			New Degreed Enrollment[2]			Average Degreed Enrollment		
	Quarter Ended November 30,			Quarter Ended November 30,			Quarter Ended November 30,		
(Rounded to the nearest hundred)	2012	2011	% Change	2012	2011	% Change	2012[3]	2011[4]	% Change
Associate's	99,100	130,300	(23.9)%	22,900	27,800	(17.6)%	100,900	133,300	(24.3)%
Bachelor's	168,000	182,500	(7.9)%	22,500	26,100	(13.8)%	170,300	182,800	(6.8)%
Master's	46,000	52,900	(13.0)%	8,000	8,900	(10.1)%	46,200	53,500	(13.6)%
Doctoral	6,600	7,400	(10.8)%	700	900	(22.2)%	6,700	7,400	(9.5)%
Total	319,700	373,100	(14.3)%	54,100	63,700	(15.1)%	324,100	377,000	(14.0)%

[1] 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;
- 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); and
- students participating in certain certificate programs of at least 18 credits with some course applicability into a related degree program.

[2] 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.

[3] Represents the average of Degreed Enrollment for the quarters ended August 31, 2012 and November 30, 2012.

[4] Represents the average of Degreed Enrollment for the quarters ended August 31, 2011 and November 30, 2011.

University of Phoenix Average Degreed Enrollment decreased 14.0% in the first quarter of fiscal year 2013 compared to the first quarter of fiscal year 2012. Some of our initiatives to enhance the student experience and outcomes in recent years have contributed to this decline in enrollment. We also believe New Degreed Enrollment has been adversely impacted by changes in economic conditions and a robust competitive environment. Despite the current adverse effects on our enrollment and operating results, we believe that many of our initiatives have improved the student experience and will enhance student outcomes and, therefore, over the long-term, will reduce the risks to our business associated with the regulatory environment and position us for more stable growth .

Operating income in our University of Phoenix segment decreased $49.7 million, or 17.0%, during the first quarter of fiscal year 2013 compared to the first quarter of fiscal year 2012. This decrease was primarily attributable to lower net revenue and an $11.3 million increase in restructuring charges. These factors were partially offset by decreases in costs that are more variable in nature, and a decrease in rent expense primarily due to our restructuring activities.

Apollo Global

Apollo Global net revenue was essentially flat in the first quarter of fiscal year 2013 compared to the first quarter of fiscal year 2012. The decreased operating loss was due to UNIACC’s $16.8 million goodwill and other intangibles impairment charge in the first quarter of fiscal year 2012. This was partially offset by the assessment of approximately $11 million of foreign indirect taxes in the first quarter of fiscal year 2013 associated with certain instructional materials.

Other

Other net revenue was essentially flat in the first quarter of fiscal year 2013 compared to the first quarter of fiscal year 2012. The decreased operating loss was principally attributable to the $16.9 million litigation credit during the first quarter of fiscal year 2013 discussed above. This was partially offset by higher restructuring charges. Refer to *Restructuring and Other Charges* above.

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, including information technology initiatives, investments in opportunities that leverage our core expertise through acquisitions, the development of institutions of higher learning or other service offerings, and share repurchases.

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.

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 at November 30, 2012 and August 31, 2012:

			% of Total Assets at		
($ in thousands)	**November 30, 2012**	**August 31, 2012**	**November 30, 2012**	**August 31, 2012**	**% Change**
Cash and cash equivalents	$ 776,009	$ 1,276,375	32.8%	44.5%	(39.2)%
Restricted cash and cash equivalents	351,575	318,334	14.8%	11.1%	10.4 %
Total	$ 1,127,584	$ 1,594,709	47.6%	55.6%	(29.3)%

Cash and cash equivalents (excluding restricted cash) decreased $ 500.4 million primarily due to $625.8 million used for payments on borrowings, $42.5 million used for the purchase of noncontrolling interests and $27.5 million for capital expenditures. These items were partially offset by $210.1 million of cash provided by operations.

We measure our money market funds included in cash and restricted cash equivalents at fair value. At November 30, 2012, we had money market funds of $900.1 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

Revolving Credit Facility – In fiscal year 2012, we entered into a syndicated $625 million unsecured revolving credit facility (the "Revolving Credit Facility"). The Revolving Credit Facility is used for general corporate purposes including acquisitions and share repurchases. The term is five years and will expire in April 2017. The Revolving Credit Facility may be used for borrowings in certain foreign currencies and letters of credit, in each case up to specified sublimits.

We borrowed $615.0 million and had approximately $8 million of outstanding letters of credit under the Revolving Credit Facility as of August 31, 2012. We repaid the entire amount borrowed under the Revolving Credit Facility during the first quarter of fiscal year 2013. As of November 30, 2012, we have approximately $12 million of outstanding letters of credit under the Revolving Credit Facility.

The Revolving Credit Facility fees are determined based on a pricing grid that varies according to our leverage ratio. The Revolving Credit Facility fee ranges from 25 to 40 basis points. Incremental fees for borrowings under the facility generally range from LIBOR + 125 to 185 basis points. The weighted average interest rate on outstanding borrowings under the Revolving Credit Facility at August 31, 2012 was 3.5%.

The Revolving Credit Facility contains various customary representations, covenants and other provisions, 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. We were in compliance with all applicable covenants related to the Revolving Credit Facility at November 30, 2012.

BPP Credit Facility – In fiscal year 2012, we entered into a £39.0 million (equivalent to $62.4 million as of November 30, 2012) secured credit agreement (the "BPP Credit Facility"). We did not have any borrowings on the BPP Credit Facility as of November 30, 2012 and subsequent to November 30, 2012, we terminated the BPP Credit Facility.

Other – As of November 30, 2012 and August 31, 2012, Other principally includes debt at subsidiaries of Apollo Global and the present value of an obligation payable over a 10-year period associated with our purchase of technology in fiscal year 2012.

The weighted average interest rate on our other debt at November 30, 2012 and August 31, 2012 was 5.4% and 6.0%, respectively.

Cash Flows

Operating Activities

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

	Three Months Ended November 30,	
($ in thousands)	**2012**	**2011**
Net income	$ 133,740	$ 147,284
Non-cash items	87,483	118,556
Changes in assets and liabilities, excluding the impact of acquisition	(11,092)	35,402
Net cash provided by operating activities	$ 210,131	$ 301,242

Three Months Ended November 30, 2012 – Our non-cash items primarily consisted of $43.7 million of depreciation and amortization, a $33.4 million provision for uncollectible accounts receivable, $16.9 million of share-based compensation, $9.3 million of restructuring accelerated depreciation and $6.1 million of deferred income taxes. These items were partially offset by a $16.9 million credit associated with the *Securities Class Action (Policeman's Annuity and Benefit Fund of Chicago)*. The changes in assets and liabilities primarily consisted of the following:

- a $36.3 million use of cash related to the change in accounts receivable, excluding the provision for uncollectible accounts receivable;
- a $33.2 million increase in restricted cash and cash equivalents; and
- a $31.9 million decrease in accrued and other liabilities principally attributable to the timing of our payroll cycle and accrued bonus payments .

The above changes were partially offset by:

- an $82.0 million increase in income taxes payable principally attributable to the timing of our quarterly tax payments; and
- an $18.5 million increase in student deposits.

Three Months Ended November 30, 2011 – Our non-cash items primarily consisted of $46.3 million of depreciation and amortization, a $41.6 million provision for uncollectible accounts receivable, $20.9 million for share-based compensation, and $16.8 million for goodwill and other intangibles impairments. The changes in assets and liabilities primarily consisted of the following:

- a $115.4 million increase in income taxes payable principally attributable to the timing of our quarterly tax payments; and
- a $22.3 million increase in deferred revenue principally attributable to the timing of course starts at BPP.

The above changes were partially offset by:

- a $75.7 million use of cash related to the change in accounts receivable, excluding the provision for uncollectible accounts receivable; and
- a $22.3 million decrease in student deposits.

We monitor our accounts receivable through a variety of metrics, including days sales outstanding. We calculate our days sales 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 November 30, 2012 excluding accounts receivable and the related net revenue for Apollo Global, our days sales outstanding was 20 days as compared to 22 days as of August 31, 2012 and 24 days as of November 30, 2011. The decrease in days sales outstanding was primarily attributable to reductions in gross accounts receivable principally resulting from decreases in University of Phoenix enrollment, and improved collection rates for aged receivables at University of Phoenix.

Investing Activities

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

	Three Months Ended November 30,	
($ in thousands)	2012	2011
Capital expenditures	$ (27,539)	$ (23,585)
Acquisition, net of cash acquired	—	(73,736)
Other investing activities	(14,819)	—
Net cash used in investing activities	$ (42,358)	$ (97,321)

Three Months Ended November 30, 2012 – Cash used in investing activities primarily consisted of $27.5 million used for capital expenditures.

Three Months Ended November 30, 2011 – Cash used in investing activities primarily consisted of $73.7 million used to acquire Carnegie Learning, and $23.6 million used for capital expenditures that primarily related to investments in our information technology.

Financing Activities

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

	Three Months Ended November 30,	
($ in thousands)	2012	2011
Payments on borrowings, net	$ (623,586)	$ (496,322)
Purchase of noncontrolling interest	(42,500)	—
Apollo Group Class A common stock purchased for treasury	(3,472)	(80,682)
Other	1,113	2,947
Net cash used in financing activities	$ (668,445)	$ (574,057)

Three Months Ended November 30, 2012 – Cash used in financing activities primarily consisted of $623.6 million used for net payments on borrowings, and $42.5 million used for the purchase of the noncontrolling ownership interest in Apollo Global.

Three Months Ended November 30, 2011 – Cash used in financing activities primarily consisted of $496.3 million used for payments on borrowings, and $80.7 million used for share repurchases.

As of November 30, 2012, we have no remaining availability on our share repurchase authorization. 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.

Contractual Obligations and Other Commercial Commitments

During the first quarter of fiscal year 2013, we repaid the entire amount borrowed on our Revolving Credit Facility of $615.0 million. There have been no other material changes in our contractual obligations and other commercial commitments other than in the ordinary course of business since the end of fiscal year 2012 through November 30, 2012. Information regarding our contractual obligations and other commercial commitments is provided in our 2012 Annual Report on Form 10-K.

Item 3 – *Quantitative and Qualitative Disclosures About Market Risk*

There have been no significant changes to our market risk since August 31, 2012. For a discussion of our exposure to market risk, refer to our 2012 Annual Report on Form 10-K.

Item 4 – *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 Chief Executive Officer (“Principal Executive Officer”) 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 Officer 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 Quarterly Report on Form 10-Q are certifications of our Principal Executive Officer 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 Officer and Principal Financial Officer.

Changes in Internal Control Over Financial Reporting

There have not been any changes in our internal control over financial reporting during the quarter ended November 30, 2012, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1 – *Legal Proceedings*

Refer to Note 13, Commitments and Contingencies, in Part I, Item 1, *Financial Statements*, for legal proceedings, which is incorporated into this Item 1 of Part II by this reference.

Item 1A – *Risk Factors*

There have been no material changes to the risk factors previously disclosed in our 2012 Annual Report on Form 10-K.

Item 2 – *Unregistered Sales of Equity Securities and Use of Proceeds*

Purchase of Equity Securities

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. We did not repurchase shares of our Apollo Group Class A common stock during the three months ended November 30, 2012.

The following table details changes in our treasury stock during the three months ended November 30, 2012:

(In thousands, except per share data)	Total Number of Shares Repurchased	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
Treasury stock as of August 31, 2012	76,239	$ 50.87	76,239	$ —
New authorizations	—	—	—	—
Shares repurchased	—	—	—	—
Shares reissued	(125)	50.87	(125)	—
Treasury stock as of September 30, 2012	76,114	$ 50.87	76,114	$ —
New authorizations	—	—	—	—
Shares repurchased	—	—	—	—
Shares reissued	(134)	50.87	(134)	—
Treasury stock as of October 31, 2012	75,980	$ 50.87	75,980	$ —
New authorizations	—	—	—	—
Shares repurchased	—	—	—	—
Shares reissued	(9)	50.87	(9)	—
Treasury stock as of November 30, 2012	75,971	$ 50.87	75,971	$ —

Resales by Directors and Officers

From time to time, our directors and officers enter into written trading plans under Securities and Exchange Commission Rule 10b5-1(c) for the resale of shares of our common stock, including shares to be acquired upon the vesting of restricted stock units and performance share awards, and shares to be acquired pursuant to the exercise of stock options. These plans, which must be entered into during an open trading window and at a time when the director or officer is not in possession of material nonpublic information, provide for sales in accordance with a formula, algorithm or other instructions such that the seller cannot exercise any influence over how, when or whether to effect sales. After adopted, sales may occur in accordance with the plans regardless of whether or not the seller subsequently possesses material nonpublic information or otherwise would then be permitted to trade in our securities. Our insider trading policy permits the adoption of these types of trading plans, and we encourage our directors and officers to utilize such plans, where practical. In the future, we do not intend to announce, via Form 8-K or otherwise, the adoption or any termination of such trading plans, if any. Sales under these plans generally must be reported within two business days on Form 4 filed with the SEC, pursuant to Section 16 of the Securities Exchange Act of 1934, as amended.

Sales of Unregistered Securities

We did not have any sales of unregistered equity securities during the three months ended November 30, 2012.

Item 3 – *Defaults Upon Senior Securities*

Not applicable.

Item 4 – *Mine Safety Disclosures*

Not applicable.

Item 5 – *Other Information*

None.

Item 6 – ***Exhibits***

APOLLO GROUP, INC. AND SUBSIDIARIES
EXHIBIT INDEX

Exhibit Number	Exhibit Description
2.1	Stock Purchase Agreement by and among Apollo Group, Inc., an Arizona corporation, Apollo Global, Inc., a Delaware corporation, Carlyle U.S. Growth Fund III, L.P. /f/k/a Carlyle Venture Partners III, L.P., a Delaware limited partnership and CVP III Coinvestments, L.P., dated October 12, 2012.
10.1	Form of Cash Retention Award Agreement
31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
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
32.2	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
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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

Date: January 8, 2013

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)

EXECUTION COPY

Exhibit 2.1

STOCK PURCHASE AGREEMENT

This STOCK PURCHASE AGREEMENT (this "Agreement") is made and entered into as of October 12, 2012 (the "Closing Date"), by and among Apollo Group, Inc., an Arizona corporation ("Buyer"), Apollo Global, Inc., a Delaware corporation (the "Company"), Carlyle U.S. Growth Fund III, L.P. f/k/a Carlyle Venture Partners III, L.P., a Delaware limited partnership ("Carlyle") and CVP III Coinvestment, L.P. ("CVP", and together with Carlyle, the Company and Buyer, the "Parties"). Carlyle and CVP are each referred to herein as a "Seller" and collectively as "Sellers." Certain terms used in this Agreement are defined in Section 6.4 hereof. Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Capital Contribution Agreement (as defined below).

WHEREAS, Buyer, Carlyle and CVP are the only stockholders of the Company;

WHEREAS, as of the date hereof, Carlyle owns 82,210 shares of the Company's Class B Common Stock, par value $0.001 per share (the "Carlyle Shares") and CVP owns 4,822 shares of the Company's Class B Common Stock, par value $0.001 per share (the "CVP Shares" and together with the Carlyle Shares, the "Shares");

WHEREAS, Carlyle, CVP, Buyer and the Company are parties to that certain Amended and Restated Shareholders Agreement, dated as of July 28, 2009 (the "Shareholders Agreement");

WHEREAS, Carlyle, Buyer and the Company are parties to that certain Amended and Restated Capital Contribution Agreement, dated as of July 28, 2009 (the "Capital Contribution Agreement");

WHEREAS, the Company and Carlyle are parties to that certain Subscription Agreement, dated as of April 6, 2010 (the "WIU Subscription Agreement");

WHEREAS, Carlyle, Buyer and the Company are parties to that certain Registration Rights Agreement, dated as of October 22, 2007, as amended by that certain Amendment No. 1 to the Registration Rights Agreement, dated as of July 28, 2009 (the "Registration Rights Agreement", and collectively with the Capital Contribution Agreement, the WIU Subscription Agreement and the Shareholders Agreement, the "JV Agreements");

WHEREAS, Sellers desire to sell to Buyer, and Buyer desires to purchase from Sellers, all of the Shares for the consideration and on the terms and conditions set forth in this Agreement; and

WHEREAS, in connection with the purchase of the Shares, the Parties also wish to terminate the JV Agreements and to provide for certain other covenants as set forth herein, on the terms and conditions hereinafter provided.

NOW THEREFORE, in consideration of the mutual agreements and covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

ARTICLE 1 - SALE AND TRANSFER OF SHARES; CLOSING

Section 1.1 **Purchase and Sale of Shares**. Subject to the terms and conditions of this Agreement, at the Closing Sellers will sell, transfer, assign and convey to Buyer, and Buyer will purchase and acquire from the Sellers, all of the Shares, free and clear of all Encumbrances.

Section 1.2 **Purchase Price and Payment**.

a. In consideration of the sale of the Shares by Sellers to Buyer and in reliance upon the representations and warranties of Sellers contained herein, Buyer shall pay to each Seller its respective Pro Rata Portion of an aggregate purchase price of (i) $42,500,000.00 in cash (the "Base Purchase Price"), plus (ii) the amount (if any) of any Earn-Out Payment and any Related Party Divestiture payment that becomes due and payable in accordance with Section 1.6 herein.

b. On the Closing Date, Buyer shall pay the Base Purchase Price as follows:

(i) $40,145,291.39 to Carlyle by wire transfer of immediately available funds to an account or accounts designated by Carlyle in writing to Buyer; and

(ii) $2,354,708.61 to CVP by wire transfer of immediately available funds to an account or accounts designated by CVP in writing to Buyer.

Section 1.3 **Closing**. The closing of the transactions contemplated by this Agreement (the "Closing") shall take place on the date hereof at the offices of Kirkland & Ellis LLP, 300 North LaSalle Street, Chicago, Illinois 60654, contemporaneously with the execution of this Agreement at 10:00 a.m., but shall be deemed effective as of 12:01 a.m. on the date hereof.

Section 1.4 **Closing Deliverables of Sellers**. At the Closing, each Seller shall deliver to Buyer all of the following in form and substance reasonably satisfactory to Buyer:

a. an executed counterpart to the Restrictive Covenant Agreement;

b. a resignation (effective as of the Closing Date) from Charles Rossotti, in his capacity as a director of the Company;

c. a non-foreign affidavit dated as of the Closing Date, sworn under penalty of perjury and in form and substance required under the Treasury Regulations issued pursuant to Section 1445 of the Code stating that such Seller is not a "foreign person" as defined in section 1445 of the Code; and

d. a duly executed stock power that conveys ownership of the Shares to Buyer, together with any certificates representing the Shares duly endorsed for transfer.

Section 1.5 **Closing Deliverables of Buyer**. At the Closing, Buyer shall deliver to Sellers all of the following:

a. the Base Purchase Price in accordance with Section 1.2; and

b. an executed counterpart to the Restrictive Covenant Agreement.

Section 1.6 Earn-Out.

a. As additional consideration to Sellers for the purchase of the Shares, if and solely to the extent required by this Section 1.6, each Seller shall be entitled to receive its respective Pro Rata Portion of an additional cash payment in the amount described in this Section 1.6. Such payment (the "Earn-Out Payment") shall be calculated and paid strictly in accordance with, and shall be subject to the review and dispute procedures set forth in, this Section 1.6.

b. Amount of Earn-Out Payment. The Earn-Out Payment shall be an amount equal to Excess EBITDA; provided that, in the event of a Change in Control prior to August 31, 2017, the acquiror pursuant to such Change in Control transaction (the "Acquiror") shall assume the obligation to make the Earn-Out Payment and shall be the assignee of all other rights, obligations and liabilities of Buyer under this Section 1.6, unless Sellers elect (the "Accelerated Payment Election"), solely at their own discretion, to receive the Earn-Out Payment in lieu of such assignment of this Agreement to Acquiror by providing written notice to Buyer within 30 days after Sellers' receipt of (i) notification of the pending Change in Control transaction (the " Sale Notice") and (ii) Buyer's good faith determination and calculation of Adjusted EBITDA for the most recently completed fiscal year prior to the year in which the Sale Notice is delivered, which items shall be delivered by Buyer to Sellers as soon as reasonably practicable. The Accelerated Payment Election shall be irrevocable once delivered to Buyer. The Earn-Out Payment shall be paid in accordance with and as finally determined pursuant to Section 1.6(e). The Earn-Out Payment shall be paid by Buyer in U.S. dollars ($) using the exchange rate in effect on August 31, 2017 (or the applicable fiscal year end as described in the definition of "Measurement Period" in Section 6.4 herein) as reflected in the Wall Street Journal. Upon an Acquiror's assumption of the rights, obligations and liabilities of Buyer under this Section 1.6 in connection with a Change in Control transaction (including the obligations in Section 1.6(c) below), Buyer shall have no further obligation or liability whatsoever related to the Earn-Out Payment or otherwise under this Section 1.6.

c. Final Earn-Out Statement. No later than one hundred-twenty (120) days after (i) August 31, 2017 or (ii) if Sellers' make the Accelerated Payment Election, the closing of the Change in Control, Buyer shall deliver to Sellers a statement (the "Final Earn-Out Statement") describing in reasonable detail (i) Buyer's good-faith determination and calculation of Adjusted EBITDA and (ii) the amount of the Earn-Out Payment required to be paid hereunder (if any); provided that, following an Accelerated Payment Election, in no event shall the amount of Adjusted EBITDA as reflected in the Final Earn-Out Statement be less than the amount of Adjusted EBITDA specified by Buyer pursuant to clause (ii) in the foregoing Section 1.6(b).

d. Dispute Resolution. Following delivery of the Final Earn-Out Statement, Buyer shall cause BPP to provide Sellers with such information and documentation as may be reasonably requested by Sellers for purposes of reviewing the Final Earn-Out Statement and Buyer shall cause BPP to make its employees and accountants reasonably available to Sellers for the purposes of discussing the Final Earn-Out Statement and the calculations and determinations contained therein. The Final Earn-Out Statement shall become final and binding on Buyer and Sellers sixty (60) days following Sellers' receipt thereof, unless Sellers give written notice to Buyer of their objection (an "Earn-Out Objection Notice") to the calculation of the Adjusted EBITDA prior to such date. Any Earn-Out Objection Notice shall specify in reasonable detail the nature of any disagreement with the calculation of Adjusted EBITDA. If an Earn-Out Objection Notice is timely delivered, Buyer and Sellers shall attempt in good faith for a period of thirty (30) days to resolve the objections stated therein (the "Earn-Out Objections"). Any such Earn-Out Objections which cannot be resolved between Buyer and Sellers within thirty (30) days following Buyer's receipt of the Earn-Out Objection Notice shall be resolved by a qualified and independent accounting or valuation firm mutually selected by Buyer and Sellers (the "Accounting Referee") which (i) confirms it has not been retained in connection with a material matter by Buyer, the Company or any Seller or its Subsidiaries during the one (1) year period preceding the date of such referral that would preclude it from acting independently, (ii) has agreed to meet the time deadlines imposed herein, and (iii) will be acting as an arbitrator. The resolution of the Earn-Out Objections as determined by such Accounting Referee shall be final and binding on Buyer and Sellers and not subject to further appeal or review. Buyer and Sellers shall instruct the Accounting Referee to resolve the Earn-Out Objections in accordance with the terms and definitions of this Agreement and the Accounting Referee's determination (i) will be based solely on the information and materials provided by Buyer and Sellers (i.e., not on the basis of an independent review), and (ii) will not award an amount more favorable to Buyer than the corresponding amounts claimed by Buyer on the Final Earn-Out Statement or more favorable to Sellers than the corresponding amounts claimed by Sellers in its Earn-Out Objection Notice. The determination by the Accounting Referee with respect to such disputed items shall be made within thirty (30) days after its appointment. Sellers and Buyer shall each be responsible for 50% of the fees, costs and expenses of the Accounting Referee.

e. Payment. Buyer shall pay to each Seller, by wire transfer of immediately available funds to an account or accounts designated by such Seller in writing not less than five (5) Business Days prior to such payment, its Pro Rata Portion of the Earn-Out Payment within fifteen (15) days after the date on which the amount of the Earn-Out Payment is finally determined pursuant to Section 1.6(d) above.

f. Access to Information. Buyer shall deliver to Sellers a copy of the consolidated statement of income and cash flows of BPP and its Subsidiaries for each quarterly period and fiscal year ending during the period from the date hereof through and including the end of the final Measurement Period, and a consolidated balance sheet of BPP and its Subsidiaries for each quarterly period and as of the end of each such fiscal year, as soon as available and in any event within 45 days after the end of a quarterly period and within 120 days after the end of each such fiscal year of the Company, respectively (the " BPP Financials"). Carlyle shall have the right at such reasonable times as may be reasonably requested by Carlyle but in any case not more than once during any twelve-month period, to engage in each of the following (i) visits and inspections of BPP's properties and facilities and (ii) discussions of the BPP Financials with BPP's officers and directors, in the case of both (i) and (ii) for legitimate corporate purposes and provided that (i) and (ii) shall not interfere in any material way with the conduct of the operation of the business and affairs of BPP or any of its Subsidiaries. Each of Buyer and Sellers will bear its own expenses with respect to any such meetings, inspections and visits. Subject to the foregoing proviso, Buyer shall also deliver to Sellers such other information relating to the financial condition, business or corporate affairs of BPP as Sellers may reasonably request from time to time for legitimate corporate purposes, provided that any such requests shall occur no more frequently than once per fiscal quarter and provided further that BPP may withhold any information that is subject to attorney-client or other similar applicable privileges.

g. Tax Treatment. Buyer and Sellers agree to treat any payments made to Seller under Section 1.6 hereof as additional consideration for the purchase of the Shares (it being understood that a portion of such payments will be treated, as applicable, as interest under Section 483 of the Code or Section 1274 of the Code), and Buyer and Sellers shall report these payments as such on their respective federal, state and local tax returns (unless otherwise required under applicable Law).

h. Operation of BPP. Buyer shall not, and shall cause the Company not to, take any material action, or refrain from taking any material action, if such action or inaction is taken in bad faith with a purpose or objective of reducing the amount of the Earn-Out Payment. Not in limitation of the foregoing, Buyer further acknowledges and agrees that, until the end of the final Measurement Period, unless otherwise agreed in writing by the mutual consent of the Parties, Buyer shall cause BPP and its Subsidiaries as a group to maintain their own separate and accurate books and records.

i. Divestitures. In the event of any sale, conveyance or other transfer of any of the consolidated assets (whether tangible or intangible) of BPP or its Subsidiaries prior to the end of the final Measurement Period (any such sale, conveyance or transfer, a "Divestiture"), other than sales, conveyances and transfers (including sales of products or inventory) in the ordinary course of business consistent with past practice that does not constitute a Change of Control, then, if each transferee in such Divestiture is a non-Affiliate of Buyer, at the option of Sellers, (A) the EBITDA attributable to such assets during the twelve (12) months immediately preceding such Divestiture will be included in the calculation of Adjusted EBITDA as provided in clause (xv) of the definition of EBITDA on Exhibit A attached hereto or (B) if any Excess EBITDA exists as set forth in the Final Earn-Out Statement (as may be finally determined pursuant to Section 1.6(d) above), ten percent (10%) of the amount of proceeds of such Divestiture (less the reasonable out-of-pocket transaction expenses paid to unaffiliated third parties in such Divestiture) will be added to the amount of the Earn-Out Payment payable to the Sellers. In the event of a Divestiture in which a transferee is Buyer or an Affiliate of Buyer (a "Related Party Divestiture"), unless the sale, conveyance or transfer is on arms' length terms, Buyer shall pay to each Seller, by wire transfer of immediately available funds to an account or accounts designated by such Seller in writing not less than five (5) Business Days prior to such payment, its Pro Rata Portion of ten percent (10%) of the value of the asset(s) sold, transferred or conveyed in the Related Party Divestiture within fifteen (15) days after the date on which such value is finally determined as set forth below. Prior to consummating a Related Party Divestiture, Buyer shall give written notice to Sellers of the potential transaction, which notice shall include Buyer's good faith determination of the value of the asset(s) to be sold, conveyed or transferred. Following delivery of such written notice, Buyer shall cause BPP to provide Sellers with such information and documentation and access to employees of BPP as may be reasonably requested by Sellers for purposes of evaluating such valuation, and such valuation shall become final and binding on the Buyer and Sellers sixty (60) days following Sellers' receipt thereof, unless Sellers give written notice to Buyer of their objection (a "Divestiture Objection Notice") to such valuation; provided, however, that Sellers shall only be permitted to submit a Divestiture Objection Notice with respect to any proposed Related Party Divestiture if the aggregate value of the assets in that Related Party Divestiture, together with the aggregate value of the assets in all prior Related Party Divestitures and all other Related Party Divestitures for which written notice has been delivered by Buyer to Sellers, exceeds $4,000,000. If a Divestiture Objection Notice is timely delivered, Buyer and Sellers shall attempt in good faith for a period of thirty (30) days to resolve the valuation at issue, and if they cannot reach resolution within thirty (30) days following Buyer's receipt of the Divestiture Objection Notice, they shall jointly appoint an Accounting Referee, whose valuation shall be final and binding on the Buyer and Sellers and not subject to further appeal or review. Buyer and Sellers shall instruct the Accounting Referee to determine the fair market value of the asset(s) at issue based solely on the information and materials provided by Buyer and Sellers (i.e., not on the basis of an independent review), and in an amount not more favorable to Buyer than the valuation claimed by Buyer on the initial written notice or more favorable to Sellers than the valuation claimed by Sellers in its Divestiture Objection Notice. The valuation determination by the Accounting Referee shall be made within thirty (30) days after its appointment. The fees, costs and expenses of the Accounting Referee shall be borne by (i) Sellers in the event that the final valuation as determined by the Accounting Referee is closer to the valuation proposed by Buyer or (ii) Buyer in the event that the final valuation as determined by the Accounting Referee is closer to the valuation proposed by Sellers.

ARTICLE II - REPRESENTATIONS AND WARRANTIES OF SELLERS

Each Seller, with respect to itself, hereby makes to Buyer the representations and warranties contained in this Article II.

Section 2.1 **Organization**. Seller is a limited partnership duly formed, validly existing and in good standing under the Laws of the State of Delaware.

Section 2.2 **Authorization; Validity of Agreement; Necessary Action**. Seller has all requisite power and authority to execute and deliver this Agreement and the Restrictive Covenant Agreement and to perform its obligations hereunder and thereunder. The execution, delivery and performance by Seller of this Agreement and the Restrictive Covenant Agreement and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all necessary partnership action by Seller and no other action on the part of Seller is necessary to authorize the execution and delivery by Seller of this Agreement and the Restrictive Covenant Agreement and the consummation of the transactions contemplated hereby and thereby. This Agreement and the Restrictive Covenant Agreement have been duly executed and delivered by Seller and, assuming due and valid authorization, execution and delivery hereof and thereof by Buyer, are valid and binding obligations of Seller, enforceable against Seller in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting creditors' rights generally and by general equitable principles (regardless of whether enforcement is sought in a Proceeding at law or in equity) (collectively, "General Enforceability Exceptions").

Section 2.3 **No Conflict; Consent**. Neither the execution and the delivery of this Agreement or the Restrictive Covenant Agreement, nor the consummation of the transactions contemplated hereby or thereby, will (a) violate or conflict in any material respect with any constitution, Law, Order or other restriction of any Governmental Authority to which Seller is subject, or (b) violate or conflict in any material respect with or result in a material default (whether after the giving of notice, lapse of time or both) under, or give rise to a right of termination, cancellation or acceleration of, any material contract, agreement, permit, license, authorization or obligation to which Seller is a party or by which Seller's assets are bound, or any provision of the Seller's organizational documents, except for those contracts or agreements to which Buyer or the Company is a party.

Section 2.4 **Ownership of Shares**. Each of Carlyle and CVP is the record and beneficial owner of, and has good and marketable title to, the Carlyle Shares and the CVP Shares, respectively, free and clear of all Encumbrances (except for those imposed by securities laws generally and those resulting from contracts or agreements to which Buyer or the Company is a party), and shall transfer to Buyer, at Closing, good and marketable title to the Carlyle Shares and the CVP Shares, free and clear of all Encumbrances (except for those imposed by securities laws generally and those resulting from contracts or agreements to which Buyer or the Company is a party).

Section 2.5 **Due Diligence Investigation**. Since the date on which Seller first acquired the Shares, (i) Seller has had a representative on the Board of Directors of the Company, (ii) Seller has had an opportunity to discuss the business, management, operations, contracts, legal matters and finances of the Company and its Subsidiaries with its officers, directors, employees, agents, representatives and Affiliates, (iii) Seller has been furnished by the Company (or the Company has otherwise made available) information, documents and other material relating to the Company and its Subsidiaries, and, as applicable, the Company's and its Subsidiaries' business, management, operations, contracts, legal matters and finances, that Seller has requested and (iv) the Company (including without limitation its directors and officers and Persons acting on the Company's and Buyer's behalf) and Buyer have answered to Seller's satisfaction all questions posed by Seller concerning the terms and conditions of the transactions contemplated by this Agreement. In making its decision to execute and deliver this Agreement and to consummate the transactions contemplated by this Agreement, Seller has relied upon its detailed knowledge of the business, management, operations, legal matters, finances and future prospects of the Company and its Subsidiaries and expressly acknowledges and agrees that the Buyer is making no representations or warranties, express or implied, as to the value of the Company, its Subsidiaries or the Shares, the Company's or its Subsidiaries' prospects or future performance, or any other aspect of the business of the Company and its Subsidiaries. Seller is experienced, sophisticated and knowledgeable in the trading in securities and debt obligations of private and public companies. Seller has made such investigation of the Company and its Subsidiaries as it deemed appropriate to evaluate the merits and risks of the transactions contemplated by this Agreement. Seller acknowledges that Buyer is relying on the representations set forth in this Agreement, including this Section 2.5, in engaging in the transactions contemplated hereby and would not engage in the transactions in the absence of these representations.

Section 2.6 **No Brokers**. No agent, broker, finder or investment or commercial banker, or other Person or firm engaged by or acting on behalf of Seller or any Affiliate of Seller in connection with the negotiation, execution or performance of this Agreement or the transactions contemplated by this Agreement, is or will be entitled to any brokerage or finder's or similar fee or other commission as a result of this Agreement or consummation of the transactions contemplated hereby.

Section 2.7 **No Additional Representations or Warranties**. Except as provided in this Article II, neither Seller nor any of their respective Affiliates, nor any of their respective directors, officers, employees, stockholders, partners, members or representatives has made, or is making, any representation or warranty whatsoever to Buyer or its Affiliates, and no such party shall be liable in respect of the accuracy or completeness of any information provided to Buyer or its Affiliates.

ARTICLE III - REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby makes to Sellers the representations and warranties contained in this ARTICLE III.

Section 3.1 **Organization**. Buyer is a corporation duly organized, validly existing and in good standing under the Laws of the State of Arizona.

Section 3.2 **Authorization; Validity of Agreement; Necessary Action**. Buyer has all requisite corporate power and authority to execute and deliver this Agreement and the Restrictive Covenant Agreement and to perform its obligations hereunder and thereunder. The execution, delivery and performance by Buyer of this Agreement and the Restrictive Covenant Agreement and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all necessary action by Buyer and no other action on the part of Buyer is necessary to authorize the execution and delivery by Buyer of this Agreement and the Restrictive Covenant Agreement and the consummation of the transactions contemplated hereby and thereby. This Agreement and the Restrictive Covenant Agreement have been duly executed and delivered by Buyer and, assuming due and valid authorization, execution and delivery hereof and thereof by Sellers, are a valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms, except as such enforceability may be limited by General Enforceability Exceptions.

Section 3.3 **No Conflict; Consents**. Neither the execution and the delivery of this Agreement or the Restrictive Covenant Agreement, nor the consummation of the transactions contemplated hereby or thereby, will (a) violate or conflict in any material respect with any constitution, Law, Order or other restriction of any Governmental Authority to which Buyer is subject, or (b) violate or conflict in any material respect with or result in a material default (whether after the giving of notice, lapse of time or both) under, or give rise to a right of termination, cancellation or acceleration of, any material contract, agreement, permit, license, authorization or obligation to which Buyer is a party or by which Buyer's assets are bound, or any provision of the Buyer's organizational documents.

Section 3.4 **Miscellaneous.** The Shares acquired by Buyer at the Closing will be acquired by it for investment purposes for its own account and without a view to distribution or resale thereof. No agent, broker, finder or investment or commercial banker, or other Person or firm engaged by or acting on behalf of Buyer or any Affiliate of Buyer in connection with the negotiation, execution or performance of this Agreement or the transactions contemplated by this Agreement, is or will be entitled to any brokerage or finder's or similar fee or other commission as a result of this Agreement or consummation of the transactions contemplated hereby. Buyer has at all times controlled the Company and in making its decision to execute and deliver this Agreement and to consummate the transactions contemplated by this Agreement, Buyer has relied upon its detailed knowledge of the business, management, operations, legal matters, finances and future prospects of the Company and its Subsidiaries and expressly acknowledges and agrees that the Seller is making no representations or warranties, express or implied, as to the value of the Company, its Subsidiaries or the Shares, the Company's or its Subsidiaries' prospects or future performance, or any other aspect of the business of the Company and its Subsidiaries. Buyer confirms that it has made such further investigation of the Company as was deemed appropriate to evaluate the merits and risks of this purchase. Buyer further acknowledges that it has had the opportunity to ask questions of, and receive answers from, the directors and officers of the Company, Seller and Persons acting on the Company's and Seller's behalf concerning the terms and conditions of the purchase of the Shares. Buyer is experienced, sophisticated and knowledgeable in the trading in securities and debt obligations of private and public companies. Buyer acknowledges that Seller is relying on the representations set forth in this Agreement, including this Section 3.4, in engaging in the transactions contemplated hereby and would not engage in the transactions in the absence of these representations.

ARTICLE IV - TERMINATION

Section 4.1 **Termination of JV Agreements**. The undersigned, constituting all of the parties to the JV Agreements, hereby agree, effective upon the Closing, that each of the JV Agreements is automatically and unconditionally terminated and shall have no further force or effect. The Parties further acknowledge and agree that each of the parties to the JV Agreements has fully complied in all respects and at all times with all of their respective obligations under the JV Agreements and, accordingly, are delivering the mutual release set forth in Article V herein with respect to, among other things, such agreements.

ARTICLE V - MUTUAL RELEASE

Section 5.1 **Company Release**. Subject to the proviso set forth below in this Section 5.1, each of the Company and Buyer, on behalf of itself and all of its Subsidiaries, Affiliates, agents, representatives, successors and assigns, hereby expressly, fully, finally, and forever releases and discharges Carlyle and CVP and each of their respective past, current and future stockholders, equityholders, partners, members, directors, officers, managers, Subsidiaries, Affiliates, employees, independent contractors, agents, representatives, successors and assigns, from any and all past, current, and future liabilities, claims, obligations, causes of action, actions, suits, investigations, proceedings, demands, and damages of any kind or nature whatsoever (collectively, "Liability") arising under, or in connection with, the JV Agreements or related to the status of Carlyle and CVP as shareholders of the Company or the ownership of the Shares or any actions or inactions of their representatives on the board of directors of the Company (in each case whether known or unknown, asserted or unasserted, absolute or contingent, accrued or unaccrued, at law or in equity and whether due or to become due); provided, however, that nothing in the foregoing shall limit in any manner or release or discharge any Liability under this Agreement or the Restrictive Covenant Agreement, including any breach of any provision hereof or thereof.

Section 5.2 **Carlyle Release**. Subject to the proviso set forth below in this Section 5.2, each of Carlyle and CVP, on behalf of itself and all of its Subsidiaries, Affiliates, agents, representatives, successors and assigns, hereby expressly, fully, finally, and forever releases and discharges Buyer and the Company and each of their respective past, current and future stockholders, equityholders, partners, members, directors, officers, managers, Subsidiaries, Affiliates, employees, independent contractors, agents, representatives, successors and assigns, from any and all past, current, and future Liability arising under, or in connection with, the JV Agreements or related to the status of Carlyle and CVP as shareholders of the Company or the ownership of the Shares or any actions or inactions of their representatives on the board of directors of the Company (in each case whether known or unknown, asserted or unasserted, absolute or contingent, accrued or unaccrued, at law or in equity and whether due or to become due); provided, however, that nothing in the foregoing shall limit in any manner or release or discharge any Liability under this Agreement or the Restrictive Covenant Agreement, including any breach of any provision hereof or thereof.

Section 5.3 **Additional Covenants and Representations.**

a. The Parties expressly consent that Sections 5.1 and 5.2 shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown, unsuspected and unanticipated claims (notwithstanding any Law that expressly limits the effectiveness of a general release of unknown, unsuspected and unanticipated claims). The Parties have read Section 1542 of the Civil Code of the State of California (" Section 1542"), which provides as follows:

> A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

b. Each of the Parties understands that Section 1542, or a comparable Law or Order of another jurisdiction, gives it the right not to release existing claims of which it is not aware, unless it voluntarily chooses to waive this right. Having been so apprised, each of the Parties nevertheless hereby voluntarily elects to and does waive the rights described in Section 1542, or such other comparable Law, and elects to assume all risks for claims that exist, existed or may hereafter exist, known or unknown, arising out of or related to Liabilities arising from any claims or other matters purported to be released pursuant to Sections 5.1 and 5.2.

c. Each of the Parties hereby irrevocably covenants to refrain from, directly or indirectly, asserting any claim or demand, or commencing, instituting or causing to be commenced any action, suit, proceeding, investigation or other claim, of any kind against any Person released under Sections 5.1 or 5.2 before any Governmental Authority or other forum by reason of any matters covered thereby.

d. Each of the Parties represents that it has not assigned or transferred or purported to assign or transfer to any Person all or any part of, or any interest in, any Liability of any nature, character or description whatsoever, which is or which purports to be released or discharged by Sections 5.1 and 5.2. Each of the Parties hereby represents that it understands and acknowledges that it may hereafter discover facts and legal theories concerning the releases provided in Sections

5.1 and 5.2 and the subject matter thereof in addition to or different from those of which it now believes to be true. The undersigned understands and hereby agrees that Sections 5.1 and 5.2 shall remain effective in all respects notwithstanding those additional or different facts and legal theories or the discovery of those additional or different facts or legal theories. Each of the Parties assumes the risk of any mistake of fact or law with regard to any potential claim or with regard to any of the facts that are now unknown to him, her or it relating thereto. Notwithstanding anything to the contrary set forth herein, this Article V shall remain binding on the Parties hereto.

ARTICLE VI - GENERAL PROVISIONS

Section 6.1 **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 when personally delivered on a Business Day during regular business hours of the recipient (or, if not, on the next succeeding Business Day) or two (2) Business Days after sent by reputable overnight express courier (charges prepaid). Such notices, demands and other communications shall be sent to the following Persons at the following addresses:

a. if to Buyer or the Company, to:

Apollo Group, Inc.
227 West Monroe Street, Suite 3600
Chicago, IL 60606
Attn: Robert Chernoff, Senior Corporate Counsel

with a copy to (which shall not constitute notice):
Kirkland & Ellis LLP
300 N. LaSalle Street
Chicago, IL 60654
Attn: Michael D. Paley, P.C.

b. If to Carlyle or CVP:

1001 Pennsylvania Avenue, N.W.
Suite 220 South
Washington, DC 20004-2505
Attn: Brooke B. Coburn

with a copy to (which shall not constitute notice):

Latham & Watkins LLP
555 Eleventh Street, N.W., Suite 1000
Washington, D.C. 20004-1304
Attention: Paul F. Sheridan, Jr.

Section 6.2 **Assignment**. Except (i) as expressly permitted by the terms hereof, including an assignment the rights, obligations and liabilities of the Buyer under Section 1.6 to an Acquiror in connection with a Change in Control transaction as described in Section 1.6(b) above and (ii) for assignments by a Party to an Affiliate of such Party (provided that any such assignment to an Affiliate shall not relieve a Party of its obligations hereunder), neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the Parties hereto without the prior written consent of the other Parties. Notwithstanding anything to the contrary herein, Sellers at all times shall maintain the ability to direct Buyer to make payments owed under this Agreement directly to their respective limited partners without any prior consent from Buyer and without any liability to Buyer for acting in accordance with such direction; provided that, Sellers, TCG Ventures III, L.L.C. or one of the controlled investment funds of TCG Ventures III, L.L.C. or, subject to the prior written approval of Buyer (not to be unreasonably withheld), a designated Affiliate of TCG Ventures III, L.L.C. shall at all times be the only Persons that have any rights to enforce any right, obligation or covenant of the Sellers hereunder.

Section 6.3 **Severability**. If any provision of this Agreement or the application thereof to any Person or circumstance is held invalid or unenforceable, the remainder of this Agreement, and the application of such provision to other Persons or circumstances, shall not be affected thereby, and to such end, the provisions of this Agreement are agreed to be severable.

Section 6.4 **Certain Definitions**. For purposes of this Agreement:

"Adjusted EBITDA" means, for any fiscal year included within the Measurement Period, the earnings before interest, taxes, depreciation, and amortization of BPP and its Subsidiaries for such fiscal year, as adjusted and determined in accordance with the definitions and principles set forth in Exhibit A. In the event of any conflict between the definitions and principles set forth in Exhibit A, Exhibit A shall control.

"Affiliate" means, as to any Person, another Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such first Person.

"BPP" means BPP Holdings Ltd., a United Kingdom limited company.

"Business Day" means any day other than a day on which banks in the State of Illinois are closed.

"Change in Control" means any transaction or series of related transactions pursuant to which any Person or group of Persons (other than an Affiliate or Affiliates of Buyer) acquire (i) equity securities of BPP possessing the voting power to elect a majority of the board of directors of BPP, whether by merger, consolidation or sale or transfer of BPP's equity securities, or (ii) all or a majority of BPP's assets, in each case determined on a consolidated basis.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Encumbrances" means any mortgage, pledge, lien, charge, claim, option, warrant, conditional sale agreement, security interest or other encumbrance.

"Excess EBITDA" means the amount, if any, by which the highest Adjusted EBITDA achieved for any of the fiscal years included within the Measurement Period exceeds £26,500,000.00.

"Governmental Authority" means any United States or foreign governmental authority, including but not limited to any national, federal, territorial, state, commonwealth, province, territory, county, municipal, district, local governmental jurisdiction of any nature or any other governmental, self-regulatory or quasi-governmental authority of any nature (including any governmental department, division, agency, bureau, office, branch, court, commission, tribunal, or other governmental instrumentality) or any political or other subdivision or part of any of the foregoing.

“Law” means any law (common, statutory or otherwise), treaty, rule, regulation, judgment, injunction, order, decree or other binding action, restriction or requirement of, or agreement with, a Governmental Authority.

“Measurement Period” means each of the fiscal years starting September 1 and ending August 31, from the current year through the fiscal year ended August 31, 2017; provided that, in the event of a Change in Control prior to August 31, 2017 for which Sellers make the Accelerated Payment Election, the Measurement Period shall be the most recently completed fiscal year of BPP prior to the year in which the Change in Control is consummated.

“Order” means any administrative decision or award, decree, injunction, judgment, order, quasi-judicial decision or ruling, or writ of any federal, state, local or foreign Governmental Authority.

“Person” means an individual, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization or other entity.

“Proceeding” means any litigation, action, written demand, grievance, suit, proceeding, claim, charge, filed complaint, hearing, order, arbitration, examination or investigation.

“Pro Rata Portion” means (i) with respect to Carlyle, a fraction, the numerator of which is 82,210 and the denominator of which is 87,032 and (ii) with respect to CVP, a fraction, the numerator of which is 4,822 and the denominator of which is 87,032.

“Purchase Price” means the Base Purchase Price plus the Earn-Out Payment (if any).

“Representatives” means, as to any Person, such Person’s directors, officers, employees, partners, managers and its and their legal, financial, tax and accounting advisors.

“Restrictive Covenant Agreement” means that certain Restrictive Covenant Agreement, dated as of the date hereof, by and among the Parties.

“Subsidiary” means, with respect to any Person, any corporation of which 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 such Person or one or more of the other Subsidiaries of such Person or a combination thereof, or any partnership, joint venture, association or other business entity of which a majority of the partnership or other similar ownership interest is at the time owned or controlled, directly or indirectly, by such Person or one or more Subsidiaries of such Person or a combination thereof. For purposes of this definition, a Person is deemed to have a majority ownership interest in a partnership, joint venture, association or other business entity if such Person is allocated a majority of the gains or losses of such partnership, joint venture, association or other business entity or is or controls the managing director or general partner of such partnership, joint venture, association or other business entity.

“Tax” or “Taxes” means any federal, state, local or foreign income, gross receipts, capital gains, franchise, alternative or add-on minimum, estimated, sales, use, goods and services, transfer, registration, value added, excise, natural resources, severance, stamp, occupation, premium, windfall profit, environmental, customs, duties, real property, special assessment, personal property, capital stock, social security, unemployment, employment, disability, payroll, license, employee or other withholding, contributions or other tax, of any kind whatsoever, including any interest, penalties or additions to tax or additional amounts in respect of the foregoing.

Section 6.5 **Interpretation**. When a reference is made in this Agreement to an Article, Section or Exhibit, such reference will be to an Article or Section of, or Exhibit to, this Agreement unless otherwise indicated. The headings contained in this Agreement are for reference purposes only and will not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include", "includes" or "including" are used in this Agreement, they will be deemed to be followed by the words "without limitation." The words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement will refer to this Agreement as a whole and not to any particular provision of this Agreement. The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such term. References to a Person are also to its permitted successors and assigns.

Section 6.6 **Further Assurances**. Each of the Parties shall use its respective commercially reasonable efforts to take or cause to be taken all appropriate action, do or cause to be done all things necessary, proper or advisable and execute and deliver such documents and other papers, as may be required to carry out the provisions of this Agreement and consummate and make effective the transactions contemplated by this Agreement.

Section 6.7 **Press Releases; Confidentiality.** No press release or public announcement related to this Agreement or the transactions contemplated herein shall be issued without the mutual approval of all of the Parties, except for any public disclosure (i) which is required by applicable Law (including, without limitation, in connection with the filing of tax returns), regulation or rules of any securities exchange or by any bank examiner, securities examiner or similar self-regulating organization, (ii) in connection with the enforcement of this Agreement or the Restrictive Covenant Agreement or (iii) required pursuant to any legal, judicial, administrative or regulatory process. The Parties further agree not to disclose this Agreement, its existence or its terms to any other Person other than (x) to its Representatives (including direct or indirect managers and partners) for financial reporting, tax or other legitimate corporate purposes, (y) in connection with any public disclosure described in the exceptions in the immediately preceding sentence, or (z) to its Representatives, future investors and future potential investors in connection with customary fund raising and marketing efforts that would typically be provided by private equity funds with respect to the investment performance of their current or prior portfolio companies; provided that, if this Agreement is publicly filed by Buyer pursuant to clause (i) in the first sentence of this Section 6.7, this second sentence of this Section 6.7 shall be of no further force or effect following such filing.

Section 6.8 **Fees and Expenses**. Except as otherwise set forth in this Agreement, each of Buyer, on the one hand, and Sellers, on the other hand, shall bear its own expenses in connection with the negotiation and the consummation of the transactions contemplated by this Agreement.

Section 6.9 **Choice of Law**. All questions concerning the construction, validity and interpretation of this Agreement 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 State of Delaware or any other jurisdiction) that would cause the application of the Laws of any jurisdiction other than the State of Delaware.

Section 6.10 **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 DELAWAREBY 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.

Section 6.11 **Waiver of Jury Trial**. THE PARTIES HERETO WAIVE THE RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING UNDER THIS AGREEMENT OR ANY ACTION OR PROCEEDING ARISING OUT OF THE TRANSACTIONS CONTEMPLATED HEREBY, REGARDLESS OF WHICH PARTY INITIATES SUCH ACTION OR PROCEEDING.

Section 6.12 **Third Party Beneficiaries**. Each of the Persons set forth in Sections 5.1, 5.2 and 5.3 are intended third party beneficiaries of such provisions and shall be entitled to the protections afforded by the releases set forth in such provisions.

Section 6.13 **Miscellaneous**. This Agreement and the Restrictive Covenant Agreement (a) constitute, together with the Exhibits attached hereto, the entire agreement and supersedes all of the prior and contemporaneous agreements and understandings, both written and oral, among the Parties, or any of them, with respect to the subject matter hereof (including with regard to confidentiality), (b) shall be binding upon and inure to the benefits of the Parties hereto and their respective successors and permitted assigns and, except as expressly provided herein, is not intended to confer upon any other Person any rights or remedies hereunder, (c) may be executed in two or more counterparts which together shall constitute a single agreement, and (d) may only be amended by the Parties by an instrument in writing signed on behalf of each of the Parties or their respective successors and permitted assigns, as applicable.

* * * * * * * * * * * * *

IN WITNESS WHEREOF, the parties hereto have caused this Stock Purchase Agreement to be entered into as of the date first written above.

APOLLO GROUP, INC.

By: /s/ Greg Cappelli

Name: Greg Cappelli
Title: Chief Executive Officer

APOLLO GLOBAL, INC.

By: /s/ Timothy F. Daniels

Name: Timothy F. Daniels
Title: President

CARLYLE U.S. GROWTH FUND III, L.P.

By: TCG Ventures III, L.P.
Its: General Partner

By: TCG Ventures III, L.L.C.
Its: General Partner

By: /s/ Brooke Coburn

Name: Brooke Coburn
Title: Managing Director

CVP III COINVESTMENT, L.P.

By: TCG Ventures III, L.P.
Its: General Partner

By: TCG Ventures III, L.L.C.
Its: General Partner

By: /s/ Brooke Coburn

Name: Brooke Coburn
Title: Managing Director

EXHIBIT A
Adjusted EBITDA

The mutual intention of Buyer and Sellers is to measure BPP's consolidated stand-alone EBITDA as if it were operated on an independent basis during the Measurement Period and shall be calculated in a manner generally consistent with the historical accounting policies, procedures and methodologies of BPP (which are the policies, procedures and methodologies used to prepare the financial statements delivered to the Board of Directors of the Company for the fiscal year ended August 31, 2011). EBITDA shall be calculated on a consolidated basis with BPP's consolidated subsidiaries and shall be based on BPP's audited consolidated financial statements, as further set forth below:

"EBITDA" means, during the Measurement Period, Net Income, plus (i) interest expense (net of interest income) which has been deducted in the determination of Net Income, plus (ii) federal, foreign, state and local income Taxes which have been deducted in determining Net Income, plus (iii) depreciation and amortization expenses which have been deducted in determining Net Income, plus (iv) any impairment charges related to goodwill, intangible assets or other long-lived assets which have been deducted in determining Net Income, minus (v) any pre-tax gains on the sale of property, plant and equipment which have been included in determining Net Income, plus (vi) any pre-tax losses on the sale of property, plant and equipment which have been deducted in determining Net Income, plus (vii) any pre-tax losses recognized on the sale or disposal of a Subsidiary of BPP which have been deducted in determining Net Income, minus (viii) any pre-tax gains recognized on the sale or disposal of a Subsidiary of BPP which have been included in determining Net Income, plus (ix) any costs incurred by, and accrued to, Buyer, the Company or any Affiliate of Buyer or the Company (other than BPP or any of its Subsidiaries) for any services (excluding third-party services), including corporate services support work performed for the benefit of BPP and/or its Subsidiaries, including, without limitation, for human resources, information technology, intercompany charges or allocations, contracts, treasury, facility security, corporate compliance, and business development activities which have been deducted in determining Net Income, plus (x) costs associated with licensing or cost sharing of intangible assets by Buyer, the Company or any Affiliate of Buyer or the Company (other than BPP or any of its Subsidiaries) to BPP or any of its Subsidiaries which have been deducted in determining Net Income, plus (in the case of expenses) and minus (in the case of credits) (xi) amounts presented as "Restructuring and other charges" in Buyer's external financial statements which have been deducted in determining Net Income, plus (xii) any transaction related costs incurred related to the acquisition or disposition of a component or all of one of BPP's subsidiaries which have been deducted in determining Net Income, whether the transaction was completed or not, plus (in the case of expenses) and minus (in the case of credits) (xiii) costs associated with long-term incentive or similar compensation plans for BPP employees, whether of Buyer, the Company or BPP, which have been deducted in determining Net Income, minus (xiv) EBITDA attributable to any acquisitions by the Company or BPP where the acquired assets or entity are either part of BPP or a Subsidiary of BPP, plus (xv) provided that such sale, conveyance or transfer does not constitute a Change in Control and is not a Related Party Divestiture, EBITDA attributable to any consolidated assets (whether tangible or intangible) of BPP or its Subsidiaries that are sold, conveyed or otherwise transferred (other than asset sales, conveyances or transfers in the ordinary course of business, including sales of products or inventory) and calculated for the trailing twelve month period as of the most recently completed month end prior to the consummation of the applicable asset sale, plus (xvi) any non-cash, non-recurring, non-operational, or out-of-period expenses or losses, including write-offs as well as charges relating to the Earn-Out Payment contemplated by this or other agreements (other than deductions which represent the accrual or reserve for the payment of cash charges in a future period), plus (xvii) any extraordinary or unusual expenses or losses (whether or not otherwise includable as a separate item in BPP's income statement), plus (xviii) restructuring and integration costs, including, without limitation, any severance costs, relocation costs, retention and completion bonuses, costs associated with curtailments and modifications to pension and post-retirement employee benefit plans, costs associated with office/facility openings, closures, or consolidations, relocation or integration costs and other non-recurring business optimization charges and expenses, plus (xix) out-of-pocket transaction expenses related to the transaction contemplated by this Agreement, including costs incurred relating to the determination of the Earn-Out Payment contemplated in this Agreement, plus or minus (xx) impacts from changes in accounting principles from those used in the preparation of BPP's consolidated financial statements for the most recently completed fiscal year as of the date of this Agreement, plus (xxi) any costs resulting from any transactions of BPP and its Subsidiaries on an intercompany basis with Apollo and its other Subsidiaries (whether with Apollo, any of its Subsidiaries and/or any third party) that is not on an arm's length basis; provided, that no item included in EBITDA shall be double-counted as an add-back or deduction to EBITDA. For the avoidance of doubt, the impairment charges disclosed publicly by Buyer prior to the date of this Agreement with respect to BPP and its related businesses for the fiscal years ended August 31, 2010 and August 31, 2011 shall not reduce in any way any calculation of EBITDA hereunder.

"Net Income" means the net income (or loss) of BPP and its Subsidiaries on a consolidated basis, calculated in accordance with United States generally accepted accounting principles in effect at the time of calculation expressed in British Pounds.

Exhibit 10.1

CASH RETENTION AWARD AGREEMENT

RECITALS

A. Apollo Group, Inc. is implementing this special cash retention award to encourage key employees and officers of the Apollo Group, Inc. or one or more of its Subsidiaries (collectively " **the Company**") to remain in the employ of the Company by providing Participants with the opportunity to earn a cash amount pursuant to the terms of this Cash Retention Award Agreement ("**Agreement**") by remaining employed with the Company through the retention dates set forth in the Agreement.

B. 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:

AWARD SUMMARY

Cash Retention Award. The Company hereby awards to the Participant, as of the Award Date indicated below, a cash retention award (the "**Award**") entitling the Participant to a cash amount that is earned if the Participant meets the Service-vesting requirements set forth in this Agreement. The dates on which the actual cash amount earned under the Award shall become payable and the remaining terms and conditions governing the Award, including the applicable Service-vesting requirements, shall be as set forth in this Agreement.

Participant:	NAME OF EXECUTIVE
Award Date:	October XX, 2012
Retention Bonus Amount:	The total cash amount of the Award that may become payable pursuant to this Agreement shall be $XXXXXX
Vesting Schedule:	The Award shall vest in two (2) successive equal annual installments. Fifty percent (50%) of the Award shall vest on September 15, 2013 and the remaining fifty percent (50%) on September 15, 2014, provided that the Participant remains continuously in Service with the Company through each such annual vesting date. There will be no pro-rata vesting of the Award.

1. **Limited Transferability**. Prior to the actual payment of the Award, the Participant may not assign, transfer, pledge or otherwise encumber any interest in this Award or any cash amount that may become payable hereunder, and the Participant shall at all times remain a general creditor of the Company with respect to any amount that becomes payable pursuant to this Agreement. However, the Participant's right to any portion of the Award that vests but otherwise remains unpaid at the time of the Participant's death may be transferred pursuant to the provisions of the 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 Company.

2. **Payment of Bonus Amount.**

(a) Each installment of the Award that vests and becomes payable to the Participant under this Agreement shall be paid within thirty (30) days following the applicable vesting date. The payment shall be subject to the Company's collection of the applicable Withholding Taxes, and the

Participant shall only receive the net amount of the Award remaining after such Withholding Taxes have been collected.

(b) Except as otherwise provided in Paragraphs 3 and 4, no portion of the Award shall be paid prior to the applicable vesting date for that portion of the Award.

3. **Change in Control.** Should a Change in Control of the Company occur prior to September 15, 2014, any unvested portion of the Award will vest in full on an accelerated basis on the date the Change in Control is consummated and shall be paid to Participant on the effective date of the Change in Control, or as soon thereafter as administratively practicable, but in no event later than the fifteenth (15th) day of the third (3rd) calendar month following the effective date of that Change in Control. The payment shall be subject to the Company's collection of the applicable Withholding Taxes, and the Participant shall only receive the net amount of the Award remaining after such Withholding Taxes have been collected.

4. **Termination of Service**

(a) If the Participant's Service with the Company is terminated as a result of an Involuntary Termination, then the Participant shall, upon satisfaction of the Release Condition set forth in Paragraph 4(b) below, vest in any unvested portion of the Award. The portion of the Award that vests on such accelerated basis will be paid to the Participant within the sixty (60)-day period following the date of Participant's Involuntary Termination; provided, however, that should such sixty (60)-day period span two taxable years, the issuance shall be effected during the portion of that period that occurs in the second taxable year.

(b) The accelerated vesting of the unvested portion of the Award at the time of Participant's Involuntary Termination shall be contingent upon Participant's satisfaction of the following requirements (collectively the " **Release Condition**"): (i) Participant must execute and deliver to the Company, within twenty-one (21) days (or forty-five (45) days to the extent such longer period is required under applicable law) after the effective date of such Involuntary Termination, a comprehensive general release (in the form provided by the Company at the time of such Involuntary Termination) releasing the Company and its officers, directors, employees, stockholders, subsidiaries, affiliates, representatives and other related parties from all claims that the Participant may have with respect to such parties relating to or arising from Participant's employment with the Company and the termination of that employment relationship and containing such confidentiality, non-solicitation, non-disparagement and non-competition covenants as the Company deems satisfactory under the circumstances and (ii) such release must become effective and enforceable under applicable law after the expiration of any applicable revocation periods under federal or state law.

(c) If the Participant's Service with the Company terminates for any reason other than an Involuntary Termination, any portion of the Award that is unvested as of the date of such termination of Service will be forfeited.

5. **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:

(i) No amount which becomes payable under this Agreement by reason of Participant's cessation of Service shall actually be paid to the Participant until the date of the 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.

(ii) No amount which becomes payable under this Agreement by reason of the Participant's Separation from Service shall actually be paid or distributed to the Participant prior to the earlier of: (A) the first day of the seventh (7th) month following the date of such Separation from Service or (B) the date of the Participant's death, if the 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 Company in accordance with consistent and uniform standards applied to all other Code Section 409A arrangements of the Company, and such delayed commencement is otherwise required in order to avoid a prohibited distribution under Code Section 409A(a)(2). The deferred amount shall be paid in a lump sum on the first day of the seventh (7th) month following the date of the Participant's Separation from Service or, if earlier, the first day of the month immediately following the date the Company receives proof of the Participant's death.

(iii) No amount to which the Participant becomes entitled under Paragraph 3 of this Agreement by reason of a Change in Control of the Company shall be paid to the Participant at the time of the applicable Change in Control event unless that transaction also as to 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 payment or distribution of such amount shall not be made until 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.

6. **Compliance with Laws and Regulations**. The payment of any portion of the Award to which the Participant becomes entitled under this Agreement shall be subject to compliance by the Company and Participant with all applicable requirements of law relating thereto.

7. **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 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 Company. 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.

8. **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 Participant and the legal representatives, heirs and legatees of Participant's estate and any beneficiaries of the Award designated by Participant.

9. **Construction**. All decisions of the Company 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.

10. **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.

11. **Employment at Will**. Nothing in this Agreement 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 Company 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, subject to applicable law and the terms of any employment agreement.

12. **Nature of Award; No Entitlement; No Claim for Compensation**. In accepting this Award, Participant acknowledges the following:

    (a) The grant of this Award is voluntary and occasional and does not create any contractual or other right to receive future grants of awards, or benefits in lieu of awards, even if awards have been granted repeatedly in the past.

    (b) The amount of the Award paid to the Participant in any year will not create any contractual or other right for the Participant to receive the same or similar amounts in any future years under the Plan.

    (c) All decisions with respect to future awards, if any, will be at the sole discretion of the Compensation Committee of the Board.

    (d) Participant is voluntarily participating in the Award.

    (e) This Award and any amount paid pursuant to this Award shall not be treated as part of the Participant's normal or expected compensation or salary for any purpose, including, but not limited to, calculating any severance, resignation, termination, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments.

13. **Entire Agreement.** Except as otherwise specifically referenced herein, this Agreement constitutes the sole and entire agreement between the parties hereto with regard to the Award and supersedes any and all understandings and agreements made prior hereto, if any. No provision of this Agreement shall be amended, waived or modified except by an instrument in writing, signed by the parties hereto.

14. **Participant Acceptance**. The Participant must accept the terms and conditions of this Agreement either electronically through the electronic acceptance procedure established by the Company or through

a written acceptance delivered to the Company in a form satisfactory to the Company. In no event shall any cash bonus amount be paid 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

____

APPENDIX A

DEFINITIONS

The following definitions shall be in effect under the Agreement:

A. **Agreement** shall mean this Cash Retention Award Agreement.

B. **Apollo Group, Inc.** shall mean Apollo Group, Inc., an Arizona corporation, and any successor corporation to Apollo Group, Inc. which shall by appropriate action adopt this Agreement.

C. **Award** shall mean the cash amount that the Participant is eligible to earn under the terms of this Agreement through his or her continued Service.

D. **Change in Control** shall, with respect to a Change in Control of the Company, have the meaning assigned to such term in Section 3.1(e) of the Apollo Group, Inc. 2000 Stock Incentive Plan.

E. **Code** shall mean the Internal Revenue Code of 1986, as amended.

F. **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 Company. The Company may require such medical or other evidence as it may deem necessary in order to judge the nature and permanency of Participant's condition.

G. **Employee** shall mean an individual who is in the employ of the Company, 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.

H. **Involuntary Termination** shall mean the unilateral termination of the Participant's employment by the Company 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 employment terminates by reason of his or her death or Disability. In addition, an Involuntary Termination shall not be deemed to occur if a Participant's employment is terminated by the Company by reason of the Participant's failure to accept an alternate position offered by the Company if (i) the principal place of employment for such alternate position is less than 25 miles from his former principal place of employment with the Company; (ii) the Participant's base pay in the alternate position is not less than ninety (90%) of the Participant's base pay in the former position; or (iii) the Company has determined, in its sole discretion prior to the time the Participant is offered the alternate position, that the alternate position will not result in a material reduction in the Participant's duties and responsibilities. The Company shall determine, in its sole discretion, all of the terms and conditions of a Participant's alternate position, the time at which the alternate position is offered (which may be after the Participant's employment has been severed), and the period the Participant has to consider the alternate position.

I. **Participant** shall mean the person to whom the Award is made pursuant to the Agreement.

J. **Service** shall mean the Participant's performance of services for Apollo Group, Inc. (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 Apollo Group, Inc. (or any Subsidiary) or (ii) the entity for which the Participant performs services in an Employee capacity ceases to remain a Subsidiary of Apollo Group, Inc., 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 Company; ***provided, however***, that except to the extent otherwise required by law or expressly authorized by the Company or by the Company'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.

K. **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.

L. **Subsidiary** shall, with respect to Apollo Group, Inc., mean any corporation (other than Apollo Group, Inc.) in an unbroken chain of corporations beginning with Apollo Group, Inc., 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.

M. **Termination for Cause** shall mean the termination of the Participant's Service by the Company (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 Company (or any Subsidiary);

(ii) misconduct, insubordination or failure to comply with the policies of the Company (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 Company (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 Company (or any Subsidiary); or

(viii) a material breach of any agreement Participant may have at the time with the Company (or any Subsidiary employing Participant), including (without limitation) any proprietary information, non-disclosure or confidentiality agreement.

N. **<u>Withholding Taxes</u>** shall mean income taxes, employment taxes, social insurance, payroll taxes, contributions, payment on account obligations or other amounts required to be withheld by the Company in connection with the vesting and payment of the Award.

EXHIBIT 31.1

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-Q 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: January 8, 2013

/s/ Gregory W. Cappelli

Gregory W. Cappelli
Chief Executive Officer and Director
(Principal Executive Officer)

EXHIBIT 31.2

**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-Q 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: January 8, 2013

/s/ Brian L. Swartz

Brian L. Swartz
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

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 Quarterly Report of Apollo Group, Inc. (the “Company”) on Form 10-Q for the three months ended November 30, 2012, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Gregory W. Cappelli, 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: January 8, 2013

/s/ Gregory W. Cappelli

Gregory W. Cappelli
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.

EXHIBIT 32.2

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-Q for the three months ended November 30, 2012, 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: January 8, 2013

/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.