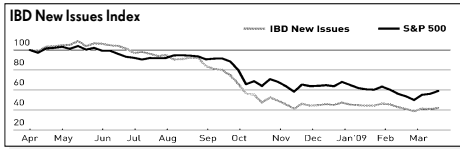


**AFTER MARKET**

**Blackstone Rallies On Treasury Plan**  
**Blackstone Group** jumped almost 18% in early trading Tuesday, later closing up 3.7% in heavy trading at 8.10. Private-equity stocks rallied after the Treasury Department unveiled a plan for buying up toxic assets. Blackstone, which debuted in June 2007, revived from an all-time low of 3.6 on Feb. 27.



Company	Symbol	Date	Offering Price	Current Price	% Change	EPS	ES Rating	Industry Group	Lead Underwriter
Grand Canyon Education	LOPE	1/10/08	12.00	16.24	35.3	77	96	Comm'l Svcs-Schools	Credit Suisse First Bos
Mead Johnson Nutrition	MJN	2/11/08	24.00	27.10	12.9	69	91	Food-Misc Preparation	Citigroup
China Distance Educ	DLNE	7/20/08	7.00	5.58	-20.3	66	97	Comm'l Svcs-Schools	Citigroup
Rackspace Hosting Inc	RAX	8/18/08	12.50	15.8	42.0	80	93	Internet-Network Stltns	Goldman Sachs & Co
Pansoft Co Ltd	PSOF	9/18/08	7.00	4.07	-42.1	38	72	Computer Sftwr-Enterprise	Anderson & Stroud
GT Solar International	SOLR	7/24/08	16.50	4.61	-72.1	75	67	Energy-Other	Credit Suisse First Bos
China Mass Media Intl	CMM	3/10/08	6.80	1.71	-74.8	29	21	Comm'l Svcs-Advertising	Merrill Lynch

# THE NEW AMERICA

AMERICAN PUBLIC EDUCATION *Charles Town, West Virginia*

## Commercial Online School Keeps Costs Low For Military Personnel

BY KEVIN HARLIN  
 INVESTOR'S BUSINESS DAILY

For active duty soldiers, the price can't be beat. **American Public Education's** courses are free to military personnel, thanks to government tuition benefits.

But the government doesn't pay that much, just \$750 per three-credit course. That forced the for-profit educator to keep its expenses low.

But those low prices, often half what some competitors charge, could give APE a leg up on the civilian side.

"Convenience and cost, that's what working adults are looking for," said Harry T. Wilkens, APE's executive vice president and chief financial officer.

The school saw revenue climb 55% last year. It has grown by double-digits in each quarter since APE went public in 2007. Enrollment jumped 50% in 2008 to 45,200 students.

**Civilian Surge**

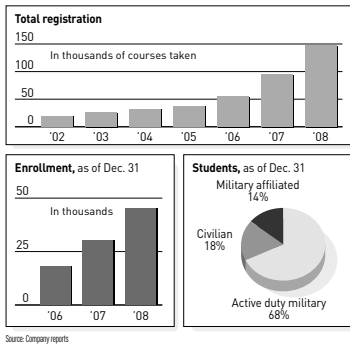
More than two-thirds of them are military personnel. But the civilian side is growing fast. Wilkens thinks teachers, police officers and other civilians could make up half or more of the student body in three or four years.

The recession has given the entire for-profit education sector a boost as workers scramble to update their skills and burnish resumes.

But the military side has legs, too. It grew faster than expected in the

### Learn — That's An Order

American Public Education has grown by providing online education to U.S. military personnel. But its ability to live within the government's tuition reimbursement rates means it can offer those same degrees to civilians at less cost than competitors.



fourth quarter in part due to an expanded partnership with the U.S. Navy.

The number of active duty and reserve personnel in the U.S. services has held relatively constant for decades at a little above 2.1 million. But there's a churn of about 300,000 new soldiers a year replacing retiring ones.

The DoD's tuition program has become a key Pentagon recruiting and retention tool. More soldiers are applying that tuition credit to online schools, APE thinks. It calculates that it now has about 12% of the military education market, up from 10% a year earlier.

Wilkens says the school is committed to keeping the course free to mili-

### American Public Education

Composite Rating	99
Relative Price Strength	93
Industry Group Rank	5
Sales/Profit Margins/ROE	A
Accumulation/Distribution	B-

itary personnel.

A typical three-credit undergraduate course costs about \$750. A graduate-level course costs \$850. The company throws in the books to make sure there are no out-of-pocket expenses for military personnel.

But with its DNA firmly rooted in that military cost structure, it can deliver that same cheap education to the civilian sector.

A full four-year degree totals about \$30,000, far less than a brick-and-mortar university.

And a masters in business administration costs about \$10,000 total, vs. \$20,000 to \$25,000 at other online institutions, such as **Capella Education**, **Apollo Group's** **SPOLC University**, **Phoenix**, and **Strayer Education**.

Those institutions instead push the quality of their education, support programs they offer and their longer histories.

"But in the end of the day, if consumers are unwilling to take on

more debt looking for a post-secondary education, then American Public wins," Barrington Research's Alexander Prair Jr. said. Barrington has done banking business with APE.

West Virginia-based American Public was formed in 1991 by retired Marine Corps Major Jim Etter. He had taught at the Corps' Amphibious Warfare School and wanted to help service personnel continue their educations.

The school, then known as American Military University, enrolled its first students in January 1993.

Over the years, it built up its course offerings and earned the accreditations necessary to grant degrees.

In 2002, it formed a second university, American Public University, to better appeal to the civilian market. It created American Public Education as the parent over the two institutions.

With shared faculty and administration, the two universities have a combined 74 degree and 51 certificate programs in areas such as national security, military studies, criminal justice, technology, business administration, education and liberal arts.

It went public in 2005. Now, it's actively reaching out to police, teachers and other civilian-sector groups, where education can bolster careers, but costs are still a concern.

The programs became eligible for federal Title IV loans in late 2006, opening the doors wider to the civil-

ian students.

But to keep costs under the DoD reimbursement rate, American Public Education has had to watch costs. It pays its professors based on the number of students enrolled, for instance. So if enrollment dips, so do expenses.

**Word Of Mouth**

It's also very modest in its market expenses. It relies instead on word-of-mouth marketing. About 55% of students heard about the school from another student, which analysts say is tops in the industry.

One challenge will be keeping that cost of acquiring students down as it expands beyond the civilian market. So far, though, analysts note it's succeeding there.

And the DoD hasn't raised its tuition reimbursement rate in years. Should it do so, that would allow APE to raise tuitions.

The company reported earnings per share of 86 cents in 2008, up from 64 cents the year before. The company says it expects 2009 EPS to come in between \$1.16 and \$1.20. Analysts surveyed by Thomson Reuters expect \$1.21 per share.

American Public's low-cost model could give it traction against its civilian-focused competitors, analysts think.

"It's pretty interesting and potentially disruptive in that market place," said Trace Urdan, an analyst with Signal Hill. "But we haven't really seen it take off yet. I guess it's still in the category of promising."

## As Foreclosures Take Longer, Shadows Lengthen

SHADOW SUPPLY FROM A1 called "toxic assets." It's as-yet-unclear if these purchases will include actual foreclosed properties — these programs tend to morph as they get rolled out.

"Why take a loss today that there's any chance that loss could be less (due to changes in government programs)," said Terry McEvoy, a banking analyst with Oppenheimer & Co. in New York.

Some shadow inventory may not be listed publicly because some lenders sell foreclosures via in-house divisions, says Bedard. Or, lenders may be selling the defaulted paper to investors. But these gray market sales can't account for all unlisted foreclosed properties.

And the stalling is getting worse. "What we're seeing is slowdowns in the processing of properties throughout the foreclosure cycle... it's tak-

ing longer to file (default) notices, taking longer to actually foreclose and taking longer to get the properties on the market," said Sharga.

"The lenders ease their way into the losses," said Jeff Davis, senior vice president and director of research at Howe Barnes Hofer & Arnett Inc., Chicago. "If the economy would pick up, a lot of the issues wouldn't be as problematic. But that's not happening and these issues are just compounding."

If banks dump their properties at once, it could cause dramatic price erosion in already hard-hit areas. Home prices, which have fallen 30% or more in some areas, still have more to go, many experts say. In some areas they need to drop "another 20% to get down to 1998 normalized levels," Barrack says.

Lenders have argued before Capitol Hill to relax or suspend mark-to-market rules for valuing mortgage-

backed securities. Lawmakers, in turn, have leaned heavily on the private-sector Financial Accounting Standards Board to make changes. FASB has signaled it'll modify the rule in cases where markets are illiquid. It met Tuesday to discuss the issue.

Barrack, who opposes changing the mark-to-market rules, said: "When real estate and securities were booming, the lenders were booking unbelievable earnings. Now the market is going the other way. 'They can't have it both ways,' Barrack said.

Other analysts disagree. "When you mark to the market and there is no market, you're recognizing an economic loss and a loss of liquidity," but instead of an actual loss, said Davis.

But he said if the underlying assets — the homes — "are collapsing in value, then there's a problem."

### IPO Filings Soon To Be Priced

Company	Symbol/Exchange	Share	Offered	Estimated Price	Mid Year (\$MM)	Industry Group	P/E Ratio: G/Exp	Lead Underwriter
Changyou.com Limited	CYOU/NDD	7,500	14.00 - 16.00	820.0	Internet-Content	8/18	Credit Suisse First Bos	

### Prices Of Recent IPOs

Company	Symbol/Exchange	Share	Offered	High Price	Low Price	% Chg From Offer	Current Price	% Chg From Offer	Industry Group	Lead Underwriter
Mead Johnson Nutrition	MJN/NSE	2/11	24.00	24.00	0.00	27.10	12.92	Food-Misc Preparation	Citigroup	
Grand Canyon Education	LOPE/NDD	1/10/08	12.00	16.24	14.29	16.24	35.33	Comm'l Svcs-Schools	Credit Suisse First Bos	
Pansoft Co Ltd	PSOF/NDD	9/18	7.00	7.00	0.00	2.02	-71.14	Computer Sftwr-Enterprise	Anderson & Stroud	
Rackspace Hosting Inc	RAX/NSE	8/18	16.00	12.50	-21.88	7.50	-40.00	Internet-Network Stltns	Goldman Sachs & Co	
China Mass Media Intl	CMM/NSE	8/3	7.80	6.80	-12.82	1.71	-74.85	Comm'l Svcs-Advertising	Merrill Lynch	
China Distance Educ	DLNE	7/30	8.00	7.00	-12.50	5.58	-20.29	Comm'l Svcs-Schools	Credit Suisse First Bos	
GT Solar International	SOLR/NDD	7/24	17.50	16.50	-5.71	4.61	-72.06	Energy-Other	Credit Suisse First Bos	

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