

DEVRY EDUCATION GROUP INC.

Form 10-K

August 25, 2016

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Form 10-K**

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)**

**OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended: June 30, 2016**

**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: 1-13988

**DeVry Education Group Inc.**

*(Exact name of registrant as specified in its charter)*

**DELAWARE**

*(State or other jurisdiction of  
incorporation or organization)*

**36-3150143**

*(I.R.S. Employer  
Identification No.)*

**3005 HIGHLAND PARKWAY**

**60515**

**DOWNERS GROVE, ILLINOIS** (Zip Code)  
(Address of principal executive offices)

**Registrant's telephone number; including area code:**

**(630) 515-7700**

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

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered:</u>
Common Stock \$0.01 Par Value	NYSE, CSE

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

None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

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

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

State the aggregate market value of the voting and non-voting common equity held by nonaffiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the Registrant’s most recently completed second fiscal quarter. Shares of common stock held directly or controlled by each director and executive officer have been excluded.

December 31, 2015 - \$1,577,843,185

Indicate the number of shares outstanding of each of the registrant’s classes of common stock, as of the latest practicable date.

August 18, 2016 — 62,354,000 shares of Common Stock, \$0.01 par value

#### **DOCUMENTS INCORPORATED BY REFERENCE**

Certain portions of the Registrant’s definitive Proxy Statement for the Annual Meeting of Stockholders to be held on November 10, 2016, are incorporated into Part III of this Form 10-K to the extent stated herein.

**DEVRY EDUCATION GROUP INC.**

**ANNUAL REPORT ON FORM 10-K**

**FISCAL YEAR ENDED JUNE 30, 2016**

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## **FORWARD-LOOKING STATEMENTS**

Certain statements contained in this Annual Report on Form 10-K, including those that affect DeVry Education Group's ("DeVry Group") expectations or plans, may constitute forward-looking statements subject to the Safe Harbor Provision of the Private Securities Litigation Reform Act of 1995. These forward-looking statements generally can be identified by phrases such as DeVry Group or its management "anticipates," "believes," "estimates," "expects," "forecasts," "foresees," "plans," or other words or phrases of similar import. Actual results may differ materially from those projected or implied by these forward-looking statements. Potential risks and uncertainties that could affect DeVry Group's results are described more fully in "Item 1A – Risk Factors," in the subsections of "Item 1 – Business" entitled "Market Trends and Competition," "Student Admissions," "Accreditation," "Tuition and Fees," "Financial Aid and Financing Student Education," "Legislative and Regulatory Requirements," "Career Services," "Seasonality," and "Employees," and in the subsection of "Item 7 – Management Discussion and Analysis of Financial Condition and Results of Operations," entitled "Liquidity and Capital Resources." The forward-looking statements should be considered in the context of the risk factors referred to above and discussed elsewhere in this Form 10-K. Furthermore, forward-looking statements speak only as of the date they are made. Except as required under the federal securities laws or the rules and regulations of the Securities and Exchange Commission ("SEC"), we are not under any obligation to update any forward-looking information—whether as a result of new information, future events or otherwise. You should not place undue reliance on forward-looking statements.

## **PART I**

### **ITEM 1 – BUSINESS**

#### **OVERVIEW OF DEVRY EDUCATION GROUP INC.**

DeVry Group is incorporated under the laws of the State of Delaware. DeVry Group's executive offices are located at 3005 Highland Parkway, Downers Grove, Illinois, 60515, and the telephone number is (630) 515-7700. "DeVry Group" refers to DeVry Education Group Inc. alone or with its subsidiaries, as the context requires. When this report uses the words "we," "us" or "our," it refers to DeVry Group and its subsidiaries unless the context otherwise requires.

DeVry Group is a global provider of educational services. DeVry Group's purpose is to empower its students to achieve their educational and career goals. DeVry Group's institutions offer a wide array of programs in healthcare, technology, business, accounting, finance and law.

DeVry Group's vision is to become a leading global provider of career-oriented educational services. DeVry Group will create value for society and all of its stakeholders by offering superior, responsive educational programs that are supported by exceptional services to its students, and delivered with integrity and accountability. Towards this vision, DeVry Group is proud to play a vital role in expanding access to higher education along with other institutions in the public, independent and private sectors.

To attain this vision, DeVry Group will continue to strive to achieve superior student outcomes by providing quality education and student services; grow and diversify into new program areas, levels and geographies; and build quality brands and the infrastructure necessary to compete in an increasingly competitive market.

DeVry Group operates three reporting segments. Financial and descriptive information about DeVry Group's operating segments is presented in "Note 15: Segment Information," to the Consolidated Financial Statements in Part II, Item 8 of this Form 10-K. Unless indicated, or the context requires otherwise, references to years refer to DeVry Group's fiscal years then ended. These segments are highlighted below.

### **Medical and Healthcare**

**DeVry Medical International ("DMI")** operates three institutions:

- American University of the Caribbean School of Medicine ("AUC") confers the Doctor of Medicine ("M.D.") degree;
- Ross University School of Medicine ("RUSM") confers the M.D. degree; and
- Ross University School of Veterinary Medicine ("RUSVM") confers the Doctor of Veterinary Medicine ("D.V.M.") degree.

Together, the three schools along with the Medical Education Readiness Program (“MERP”) and the Veterinary Preparation Program (“Vet Prep”) had 5,850 students enrolled in the May 2016 semester.

**AUC** was founded in 1978 and acquired by DeVry Group in August 2011. AUC is located in the country of St. Maarten and has graduated over 6,000 physicians now licensed and practicing medicine throughout the world. The mission of AUC is to provide an excellent medical education to qualified students of diverse backgrounds. This is to be accomplished within an atmosphere of academic integrity and scholarship, which fosters the highest standards in professional ethics and competence.

**RUSM**, which was founded in 1978, and acquired by DeVry Group in May 2003, is one of the world’s largest providers of medical education. RUSM is located in the Caribbean country of Dominica with the Internal Medicine Foundation program residing in Miramar, Florida. RUSM has graduated more than 12,000 physicians who practice medicine in the U.S., Canada and Puerto Rico. The mission of RUSM is to prepare highly dedicated students to become effective, successful physicians. RUSM accomplishes this by focusing on imparting the knowledge, skills and values required for its students to establish a successful and satisfying career as a physician.

AUC’s and RUSM’s respective medical education programs are comparable to the educational programs offered at U.S. medical schools. AUC’s and RUSM’s programs consist of three academic semesters per year — beginning in January, May and September — which allows students to complete their basic science instruction in less time than they would at a U.S. medical school. The programs prepare students for general medical practice and provide the foundation for postgraduate specialty training, which is primarily received in the U.S.

Initially, AUC and RUSM students complete a program of concentrated study of medical sciences in modern classrooms and laboratories at campuses located in St. Maarten and Dominica, respectively. AUC’s program runs five semesters and RUSM’s runs either four or five-semester (depending on the designated curriculum track). After students sit for Step 1 of the U.S. Medical Licensing Examination™ (“USMLE”), which assesses whether medical school students understand and can apply scientific concepts that are basic to the practice of medicine, they complete the remainder of their program by participating in clinical rotations under AUC and RUSM direction, and conducted at approximately 50 affiliated teaching hospitals or medical centers affiliated with accredited medical education programs in the U.S., Canada and the United Kingdom.

MERP assists prospective RUSM and AUC students in building the academic foundation they need to be successful in medical school and to achieve their goals of becoming physicians.



**RUSVM**, which was founded in 1982 and acquired by DeVry Group in May 2003, is one of the largest providers of veterinary education. RUSVM is located in the country of St. Kitts and has graduated more than 4,000 veterinarians who practice principally in the U.S.

The RUSVM program is structured to provide a veterinary education that is comparable to educational programs at U.S. veterinary schools. RUSVM students complete a seven-semester pre-clinical curriculum at a campus in St. Kitts. After completing their pre-clinical curriculum, RUSVM students enter a clinical clerkship lasting approximately 48 weeks under RUSVM direction at one of more than 20 affiliated U.S. Colleges of Veterinary Medicine as well as international affiliates in Canada, Australia, Ireland, New Zealand and the United Kingdom.

The RUSVM Vet Prep Program is designed to enhance the preclinical science knowledge and study skills that are critical to success in veterinary school. It is structured to prepare students for success at RUSVM.

**Chamberlain College of Nursing (“Chamberlain”)**, formerly Deaconess College of Nursing, was founded in 1889 and acquired by DeVry Group in 2005. Chamberlain offers programs in nursing education leading to one of four degrees: Associate Degree in Nursing (“ADN”) (no longer accepting new enrollment and available only at the Columbus, Ohio campus), Bachelor of Science in Nursing (“BSN”) degree (including both the onsite three-year BSN and the online Registered Nurse (“RN”) to BSN Degree Completion Option (“RN to BSN”)), Master of Science in Nursing (“MSN”) degree, including Family Nurse Practitioner (“FNP”), which is offered online, or the Doctor of Nursing Practice (“DNP”) degree which is also offered online. Eleven of Chamberlain’s 20 campuses are co-located with DeVry University locations, which allows for efficiencies in shared resources. Chamberlain had 25,229 students enrolled in the July 2016 term, an increase of 15.9% over the prior year.

Chamberlain provides a nursing education experience distinguished by a high level of care for students, academic excellence, innovation and integrity. Chamberlain is committed to graduating nurses who are empowered to transform healthcare worldwide.

Chamberlain's degree programs integrate theoretical knowledge of general education and nursing content, psychomotor skills development and development of clinical judgment/reasoning to help students develop the education and skills necessary for a lifetime of personal and professional growth. Pre-licensure students apply theoretical knowledge through clinical training at hospitals or other healthcare facilities. Chamberlain has developed numerous partnerships with hospitals and other healthcare facilities for this purpose. In addition, Chamberlain provides robust, hands-on instruction utilizing high-fidelity human simulators and medical scenarios enacted in a simulated hospital environment.

Chamberlain's pre-licensure BSN degree is an onsite baccalaureate program. The BSN program enables students to complete their BSN degree in three years of full-time study as opposed to typical four-year BSN programs containing summer breaks. Students who already have achieved RN designation through a diploma or associate degree can complete their BSN degree online through Chamberlain's RN to BSN completion program in three semesters of full-time study. The ADN program, which is currently in teach-out and is no longer accepting new students, is a six-semester year-round program offered onsite at the Columbus, Ohio, campus only.

The online master's degree program offers four non direct-care specialty tracks: Educator Specialty track, Executive Specialty track, Informatics Specialty track and Healthcare Policy Specialty track. These programs require 36 credit hours and are designed to be completed in approximately two years of part-time study. In September 2013, Chamberlain launched a direct-care master's degree FNP program. This program requires 45 credit hours along with 650 lab and clinical hours and is designed to be completed in 2-1/2 years of part-time study.

The online DNP degree program is based on the eight essentials of doctoral education outlined by the American Association of Colleges of Nursing ("AACN"). The DNP is designed for nurses seeking a terminal degree in nursing and offers an alternative to research-focused PhD programs. Chamberlain offers two DNP specialty tracks: Advanced Practice Leadership (no longer accepting new students) and Healthcare Systems Leadership (launched in January 2014). The programs require 30 to 40 credit hours along with 500 to 1,000 clinical practicum hours. The programs can be completed in five to six semesters of study.

During calendar year 2015, Chamberlain students that completed the National Council Licensure Examination (NCLEX) had an overall pass rate of 82 percent, which was 5 percentage points lower than the national BSN average pass rate.

In June 2016, Chamberlain received approval from the Illinois Board of Higher Education to offer a Masters of Public Health ("MPH") degree. The MPH degree is designed to prepare students (nurses and non-nurses) to become public health practitioners to work with communities and populations throughout the world to promote healthy communities, and to prevent community health problems such as disease, poverty, health access disparities and violence. The coursework is interdisciplinary and draws on systems thinking knowledge and skills from a variety of disciplines. The

purpose of the MPH program is to prepare graduates to become leadership change agents in working with communities to improve health outcomes at the population and community level. Pending approval from the Higher Learning Commission, Chamberlain plans to launch this program in 2017.

**Carrington College (“Carrington”)**, headquartered in Sacramento, California and formerly comprised of Apollo College, founded in 1976, and Western Career College, founded in 1967, prepares students for careers primarily in healthcare through certificate and associate degree programs at 21 locations. DeVry Group acquired the parent organization of Carrington College in September 2008. Carrington currently serves more than 6,400 students.

Carrington currently offers career specific certificate or associate degree programs through campus-based courses in the following areas:

**Medical**

Health Care Administration  
Medical Assisting  
Medical Billing and Coding  
Medical Laboratory Technology  
Medical Office Management  
Medical Radiography  
Respiratory Care  
Surgical Technology

**Nursing**

Practical Nursing  
Registered Nursing  
Vocational Nursing

**Dental**

Dental Assisting  
Dental Hygiene

**Health & Fitness/Massage**

Massage Therapy  
Physical Therapy Technology  
Physical Therapist Assistant

**Veterinary**

Veterinary Assisting  
Veterinary Technology

**Pharmacy**

Pharmacy Technology

**Criminal Justice**

Criminal Justice

**International and Professional Education**

**DeVry Brasil** was established in 2001 and is based in the city of Fortaleza, State of Ceará, in the Northeast region of Brazil. DeVry Group completed its acquisition of a majority stake in DeVry Brasil in April 2009. As part of DeVry Group's diversification strategy, ten acquisitions have since been completed in Brazil. DeVry Brasil is currently comprised of 13 institutions:

- Faculdades Nordeste ("Fanor"),
- Faculdade Ruy Barbosa ("Ruy Barbosa"),
- Faculdade ÁREA1 ("ÁREA1"),
- Faculdade Boa Viagem ("FBV"),
- Centro Universitário Vale do Ipojuca ("UniFavip"),
- Faculdade Diferencial Integral ("Facid"),
- Faculdade DeVry São Luis ("Sao Luis"),
- Faculdade DeVry Joao Pessoa ("Joao Pessoa"),
- Faculdade Martha Falcão ("FMF"),
- Faculdade Ideal ("Faci"),
- Damásio Educacional ("Damasio"),
- Grupo Ibmecc Educacional S.A. ("Grupo Ibmecc") and
- Faculdade de Imperatriz ("Facimp").

DeVry Brasil's institutions offer undergraduate and graduate programs mainly focused in business, management, medical, healthcare, law and engineering. In addition, Damasio offers legal bar exam review courses and review courses for tests required for diplomatic careers in Brazil. These institutions operate 22 academic sites located in 12

states in Northeast, North and Southeast Brazil. Damasio also has franchise agreements with approximately 220 distance learning centers throughout Brazil. DeVry Brasil serves more than 79,000 students in undergraduate and graduate programs and also serves more than 30,000 test preparation students.

The vision of DeVry Brasil is to become one of the leading Brazilian educational groups, recognized for high quality and innovation, offering international academic standards and focused on professional success of its students.

**Becker Professional Education (“Becker”)**, founded in 1957 as Becker CPA Review and acquired by DeVry Group in 1996, is a global leader in professional education serving the accounting, finance, project management and healthcare professions. Becker prepares candidates for the Certified Public Accountant (“CPA”), Association of Chartered Certified Accountants (“ACCA”), Project Management Professional (“PMP”), and USMLE certification examinations and offers continuing professional education programs and seminars. Classes are taught in more than 300 locations, including sites in 55 foreign countries, directly by Becker and through licensed affiliates and DeVry University teaching sites. Nearly one million candidates have prepared for the Uniform CPA Examination (“CPA exam”) using Becker’s CPA exam review course.

Through its CPA exam review courses, Becker served over 45,000 students in fiscal year 2016. Becker is the industry leader in providing CPA exam review services and has been preparing candidates to pass the CPA exam for over 50 years. For calendar year 2015, 68 of the 75 Elijah Watt Sells Award winners, individuals who achieved the highest cumulative scores on the CPA exam, prepared with Becker. For 2014, 53 of 59 Elijah Watt Sells Award winners prepared with Becker. Since 2005, when the American Institute of Certified Public Accountants (“AICPA”) began to share national results, 90 percent or more of the exam’s top scorers have prepared with Becker.

To better meet the demands of today’s busy professionals, Becker’s classes are offered in two formats: live and online. The online product is interactive, and offers the same instructor-led lectures and materials available in the live classroom courses. Becker provides access to online academic support with highly targeted answers to specific questions.

Based on surveys of Becker CPA exam review course students who took the CPA exam, and published exam pass rate statistics supplied by the AICPA, Becker CPA Review students pass at twice the rate of all CPA exam candidates who did not take a Becker review course.

Becker also offers continuing professional education and training programs in the fields of accounting, finance and project management to help individuals and organizations achieve superior performance through professional development. In addition, Becker Healthcare provides comprehensive review programs for today’s physicians in training.

#### CPA Exam Review

The CPA exam is prepared and administered by the AICPA. The CPA exam is offered only in a computer-based, on-demand, four-part format for eight months of the year. In addition to successfully passing the four-part exam, CPA candidates must also meet educational, work experience, and other requirements specific to the state or jurisdiction in which they intend to be licensed to practice.

#### Association of Certified Anti-Money Laundering Specialists (“ACAMS”)

In July 2016, Becker acquired ACAMS, further expanding its professional education offerings into anti-money laundering and financial crimes prevention training, conferences, consulting and certification.

**Business, Technology and Management**

**DeVry University** and its Keller Graduate School of Management (“Keller”), which comprise this segment’s operations were founded by Dr. Herman DeVry in 1931. DeVry University provides quality, career-oriented master’s, bachelor’s and associate degree programs and certificate programs in technology, science, business and the arts. DeVry University is one of the largest private, degree-granting, regionally accredited higher education systems in the U.S. with undergraduate and graduate degree programs offered on campus and online. Graduate degree programs in management are offered through Keller.

The mission of DeVry University is to foster student learning through high-quality, career-oriented education integrating technology, science, business and the arts. DeVry University strives to produce successful student learning outcomes while providing exceptional student care and attention. The university delivers degrees with speed and flexibility by offering career-oriented undergraduate and graduate programs onsite and online to meet the needs of a diverse and geographically dispersed student population.

DeVry University’s academic structure is organized within five colleges. This structure provides flexibility for future curricula. Degree programs and concentrations are offered in the following areas:

**College of Liberal Arts & Sciences**

*Bachelor's Degree*

Communications

Justice Administration

*Master's Degree (School of Education)*

Education

**College of Health Sciences**

*Associate Degree*

Neurodiagnostic Technology

Health Information Technology

*Bachelor's Degree*

Clinical Laboratory Science

Healthcare Administration

**College of Media Arts & Technology**

*Associate Degree*

Web Graphic Design

*Bachelor's Degree*

Multimedia Design & Development

**College of Business & Management**

*Associate Degree*

Accounting

*Bachelor's Degree*

Accounting

Business Administration

Management

Technical Management

**Keller Graduate School of Management**

*Master's Degree*

Accounting

Accounting & Financial Management

Business Administration

Human Resource Management

Information Systems Management

Network and Communications Management

Project Management

Public Administration

**College of Engineering  
& Information Sciences**

*Associate Degree*

Electronics & Computer Technology

Network & Communications Mgt.

Network Systems Administration

*Bachelor's Degree*

Biomedical Engineering Technology

Computer Engineering Technology

Computer Information Systems

Electronics Engineering Technology

Game & Simulation Programming

Network and Communications

Management

*Master's Degree*

Electrical Engineering

Students access these programs through a system of 60 locations in the U.S., as of June 30, 2016, as well as through DeVry University's online delivery platform. DeVry University's campus footprint has been reduced by 21 locations since June 30, 2015. To facilitate transfers from one DeVry University location to another without disrupting studies, our graduate and undergraduate curricula generally are consistent at all locations (with some content variations to meet local employment market and/or regulatory or accreditation requirements).

DeVry University offers all of its graduate programs and nearly all of its undergraduate programs online, making these programs available to qualified students in most states and internationally without regard to their location or daily schedule. The majority of DeVry University's students are non-traditional learners and/or working adults attracted by the quality, inherent flexibility and convenience of the program delivery format. Non-traditional learners are considered to be those other than recent high-school graduates. We also have many students who "mix and match" onsite and online courses to best meet their individual needs and schedules.



DeVry University operates on a uniform academic calendar for both the undergraduate and graduate degree programs across both the onsite and online methods of educational delivery. The calendar consists of three 16-week semesters comprised of two 8-week sessions.

Laboratory courses throughout many curricula prepare students for the workplace by integrating classroom learning with a practical, hands-on experience and applied learning activities that enhance technical skills. For some courses, laboratory activities are delivered in a specialized classroom featuring specialized equipment and software. In addition, some laboratory activities take place in a lecture-lab classroom, using computers and various software packages.

DeVry University also invests in resources for libraries and academic support services that can assist students in any phase of their educational program. DeVry University offers undergraduate students an array of social and professional activities including student organizations closely linked to students' professional aspirations. Faculty members serve as mentors for student chapters of professional associations and sponsor a wide range of student co-curricular projects. Students are required to study practical strategies and methods for realizing success to help instill individual responsibility for learning and growth.

Keller has a continued and sustained focus on excellence in teaching, student mastery of practical management skills and service to working adults. The curricula, like the undergraduate curricula, are subject to regular review for relevance to both students and employers. Keller offers classes in the evening, on weekends and online, which enables students to complete their degrees using whatever combination of online and onsite coursework suits their needs. To broaden the scope and appeal of its master's degree programs, Keller has developed concentrations and graduate certificates. Many faculty members are practicing professionals who bring their expertise to the classroom, emphasizing theory and practices that will best serve students in their critical competencies in areas such as business communications, electronic commerce, technology, ethics, quality and international matters are woven throughout the curricula.

Keller’s Master of Project Management program abides by the operational and educational criteria established by the Project Management Institute and has earned the highest level of accreditation and the elite designation of Global Accreditation Center. Coursework within Keller’s Master of Human Resource Management program is in alignment with the HR Curriculum Guidelines and Templates established by the Society for Human Resource Management. The Master of Public Administration program offers students a choice of three tracks: Government Management, Nonprofit Management and Health Management.

## **DEGREE AND PROGRAM ENROLLMENTS**

The following tables provide the percentage of enrollment by degree and program for DeVry Group’s postsecondary educational institutions.

<b>Percent of Enrollment</b>					<b>Percent of Enrollment</b>				
<b>by Degree</b>					<b>by Program</b>				
	Fall 2015	%	Fall 2014	%	Fall 2015	%	Fall 2014	%	
Doctoral	8.0	%	7.0	%	54.3	%	45.3	%	
Master's	21.0	%	19.5	%	28.9	%	33.6	%	
Bachelor's	53.1	%	54.9	%	15.0	%	18.8	%	
Associate	10.0	%	12.1	%	1.8	%	2.3	%	
Certificate	8.0	%	6.5	%					

## **MARKET TRENDS AND COMPETITION**

### **Medical and Healthcare**

#### **DeVry Medical International**

AUC and RUSM compete with 145 accredited U.S. schools of medicine, 33 U.S. colleges of osteopathic medicine and approximately 40 Caribbean medical schools as well as with international medical schools recruiting U.S. students who may be eligible to receive funding from U.S. Department of Education (“ED”) Title IV programs. RUSVM competes with American Veterinary Medical Association (“AVMA”) accredited schools, of which 30 are U.S.-based, 5 are Canadian and 13 are other international veterinary schools.

DMI's educational institutions attract potential students for several reasons. Some applied to U.S.-based medical or veterinary schools but were not admitted or were wait-listed. Some students elected not to apply to U.S. schools because of self-perceived chances of gaining acceptance. For some students, DMI's education institutions are their first or only choice of schools because of their commitment to and focus on quality and on practitioner-oriented teaching.

For the 2015-2016 academic year, the Association of American Medical Colleges ("AAMC") reported 52,550 U.S. medical school applicants, a 9.4% increase over the prior year. Of these applicants, 20,631 enrolled, a 2.9% increase over the prior year.

For the 2015-2016 academic year, the American Association of Colleges of Osteopathic Medicine Application Service ("AACOMAS") reported 20,447 applicants to U.S. colleges of osteopathic medicine, a 13.9% increase over the prior year. The number of Commission on Osteopathic College Accreditation approved seats of 6,392 increased only 3.2% over the prior year.

For the 2015-2016 academic year, the Association of American Veterinary Medicine Colleges ("AAVMC") received 6,667 applicants, a 1% increase over the prior year, for the 4,227 seats available at AAVMC institutional members (U.S. and international). The number of available seats increased less than 1% over the prior year.

Medical and veterinary school applicants who were denied admission or wait-listed at U.S. schools constitute a large segment of prospective students for DMI's educational institutions. Based upon the number of Medical College Admission Test ("MCAT") attempts, which increased to approximately 95,000 in 2013, up from approximately 89,000 in 2012, management believes the potential market for medical school students is much larger than the denied applicant pool alone.

According to the AAMC Center for Workforce Studies, in a June 2010 analysis, the demand for physicians will outpace supply by approximately 12% in 2020 and by almost 17% by 2025. There has been some recent expansion in the U.S. medical education enrollment capacity because of the growing supply/demand imbalance for medical doctors. According to an AAMC March 2014 study, medical school first-year enrollment as of the 2013-2014 academic year increased by 22% over the 2002 level. The current 145 accredited U.S. schools are projected to produce a 30% increase in enrollment by 2018-19 (over 2002 levels). Despite these increases, management believes the imbalance will continue to spur demand for medical education. Management also believes the veterinary medical education market is subject to some of the same forces.

AUC, RUSM and RUSVM competitive strengths include:

### **AUC**

- International focus
  - State of the art basic science campus on a developed island
  - Wide range of options for clinical rotations in different types of health care systems

### **RUSM**

- Integrated, systems-based curriculum that is comparable to many top U.S. medical schools
  - Students are able to complete all core rotations in a single geographical area

### **RUSVM**

- Large alumni network provides strong brand recognition and opportunities for mentorship
  - Clinical network, including international clinical rotations
  - Training relevant to both developing and developed countries
  - Research program emphasizing tropical region study

Moreover, management believes that in the last five years, RUSM graduates obtained more first-year residency positions at U.S. teaching hospitals than graduates from any other medical school in the world, including those schools in the U.S. This data is based on an internal study of the maximum possible U.S. residencies with the largest medical schools in the world. RUSM's residency appointments have been in virtually every medical specialty and subspecialty.

### **Chamberlain College of Nursing**

Nationally, Chamberlain competes in the nursing education market which has more than 1,800 programs leading to RN licensure. These include both four-year educational institutions and two-year community colleges. For pre-licensure, Chamberlain has an advantage over many of its competitors because it offers a three-year, year-round BSN program as opposed to typical four-year BSN programs where students take the summer off. Chamberlain also has the ability to add capacity to meet demand due to its standardized program and operational efficiency. In post-licensure nursing education, there are over 600 programs offering RN to BSN programs and over 500 programs offering master's degrees in nursing. Chamberlain has an advantage in the post-licensure market over many of its competitors because it offers eight-week sessions, with multiple start dates per year; there are no onsite coursework requirements and the programs have a shorter time to completion. Chamberlain's FNP program is approved in 41 states and can be completed almost entirely online.

Nursing constitutes the largest occupation in healthcare in the U.S., with 2.7 million RNs in 2015, according to the Bureau of Labor Statistics. The Bureau of Labor Statistics reports that employment of RNs is expected to grow 16% from 2014 to 2024, faster than the average employment growth rate for all occupations.

Despite the long-term need for nurses, demand has not yet produced a sufficient increase in educational capacity. According to ACCN's report on 2015-2016 Enrollment and Graduations in Baccalaureate and Graduate Programs in Nursing, U.S. nursing schools turned away 47,341 qualified applicants from baccalaureate nursing programs in 2015 due to an insufficient number of faculty, clinical sites, classroom space, clinical preceptors and budget constraints. In addition, demand for BSN degrees is expected to be impacted by certain hospital accreditation standards of the percentage of nurses requiring this degree or higher.

### **Carrington College**

The career college segment of the postsecondary education market is highly fragmented and competitive. No single institution has a significant market share. Most students will not relocate or travel long distances to attend a career college, so competition is primarily at the local level. Competitors range from large public community colleges to professionally operated multi-campus institutions to single campus family owned institutions. In general, community colleges offer the lowest tuition prices and have the largest enrollments.

A prospective career college student in most markets will have a choice of institutions offering similar programs. Carrington distinguishes itself by focusing primarily on healthcare programs. Carrington campuses offer students:

- A wide range of healthcare program offerings;
  - Attractive and conveniently located facilities;
  - Learning methodologies that blend didactic instruction with experiential laboratory exercises;
  - Faculty that have relevant work experience;
  - Small class sizes;
  - High levels of service to students; and
  - Accelerated programs with a choice of class schedules.

### **International and Professional Education**

#### **DeVry Brasil**