Adtalem Global Education Inc.
Form 10-K
August 24, 2018

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

þ	**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)** OF THE SECURITIES EXCHANGE ACT OF 1934 **For the fiscal year ended: June 30, 2018**
	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

Adtalem Global Education 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.)*
500 WEST MONROE STREET **CHICAGO, ILLINOIS**	**60661** *(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:

Title of Each Class	**Name of Each Exchange on Which Registered:**
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 þ 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 þ

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 þ 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 þ 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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer þ		Accelerated filer	¨
Non-accelerated filer ¨	(Do not check if a smaller reporting company)	Smaller reporting company	¨
		Emerging growth company	¨

If an emerging growth company, indicate by checkmark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the

Exchange Act. ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No þ

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, 2017 - $2,499,169,661

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. August 16, 2018 – 59,931,000 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 7, 2018, are incorporated into Part III of this Form 10-K to the extent stated herein.

ADTALEM GLOBAL EDUCATION INC.

ANNUAL REPORT ON FORM 10-K

FISCAL YEAR ENDED JUNE 30, 2018

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FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Report on Form 10-K, including those that affect Adtalem Global Education Inc.'s ("Adtalem") 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 Adtalem 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 Adtalem'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," "Financial Aid and Financing Student Education," "Legislative and Regulatory Requirements," "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 ADTALEM GLOBAL EDUCATION INC.

Adtalem was incorporated under the laws of the State of Delaware in August 1987. Adtalem's executive offices are located at 500 West Monroe Street, Chicago, Illinois, 60661, and the telephone number is (630) 515-7700. "Adtalem" refers to Adtalem Global Education Inc. alone or with its subsidiaries, as the context requires. When this report uses the words "we," "us" or "our," it refers to Adtalem and its subsidiaries unless the context otherwise requires.

Adtalem is a global provider of educational services. The purpose of Adtalem is to empower students to achieve their goals, find success and make inspiring contributions to our global community. Adtalem's institutions and companies offer a wide array of programs in healthcare, technology, business, accounting, finance and law.

Adtalem's vision is to create a dynamic global community of life-long learners who improve the world. Adtalem's goal is to create value for society and its stakeholders by offering responsive educational programs that are supported by exceptional services to its students, and delivered with integrity and accountability. Towards this vision, Adtalem is proud to play a vital role in expanding access to higher education along with other institutions in the public, independent and private sectors.

Adtalem will continue to strive to achieve superior student outcomes by providing quality education and student services; growing and diversifying into new program areas and geographies; and building quality brands and the infrastructure necessary to compete in an increasingly competitive global market.

On December 4, 2017, Adtalem entered into a Stock Purchase Agreement ("Purchase Agreement"), pursuant to which Adtalem agreed to sell DeVry University to Cogswell Education, LLC ("Cogswell"). Subject to the terms and conditions of the Purchase Agreement, Adtalem will sell all of the outstanding equity interests of DeVry University, Inc. and DeVry/New York Inc. (collectively "DeVry University") to Cogswell for de minimis consideration. To support DeVry University's future success, Adtalem has committed to transferring DeVry University with a minimum working capital balance of $7.5 million at the closing date. The Purchase Agreement includes an earn-out entitling Adtalem to payments of up to $20 million paid over a ten-year period based on DeVry University's free cash flow.

On June 28, 2018, Adtalem entered into a Membership Interest Purchase Agreement ("MIPA"), pursuant to which Adtalem agreed to sell U.S. Education Holdings LLC (d/b/a Carrington College ("Carrington")) to San Joaquin Valley College, Inc. ("SJVC"). Subject to the terms and conditions of the MIPA, Adtalem will sell all of the outstanding equity interests of U.S. Education Holdings LLC and its subsidiaries for de minimis consideration. To support Carrington's future success, Adtalem has agreed to make a capital contribution of $11.5 million to Carrington, subject to adjustment based on an agreed working capital balance at the closing date.

In accordance with U.S. Generally Accepted Accounting Principles ("GAAP"), we are classifying the DeVry University and Carrington entities as "Held for Sale" and "Discontinued Operations" as of June 30, 2018. As a result, all financial results, disclosures and discussions of continuing operations in this Annual Report on Form 10-K exclude DeVry University and Carrington operations unless the context requires continued disclosure.

Adtalem operates three reporting segments: Medical and Healthcare, Professional Education and Technology and Business. Financial and descriptive information about Adtalem's reporting segments is presented in "Note 16: Segment Information" to the Consolidated Financial Statements in Item 8 of this Form 10-K. These segments are highlighted below. Unless indicated, or the context requires otherwise, references to years refer to Adtalem's fiscal years.

Medical and Healthcare

Chamberlain University ("Chamberlain"), formerly Deaconess College of Nursing, was founded in 1889 and acquired by Adtalem in 2005. In May 2017, Chamberlain College of Nursing broadened its reach in healthcare education through the establishment of Chamberlain University, and now offers its programs through its College of Nursing and College of Health Professions. Nursing degree offerings include a 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")), an online Master of Science in Nursing ("MSN") degree, including Family Nurse Practitioner ("FNP"), and the Doctor of Nursing Practice ("DNP") degree, which is also offered online.

In fiscal year 2017, Chamberlain received approval to launch an online Master of Public Health ("MPH") degree program through its College of Health Professions. MPH classes started in July 2017.

Eleven of Chamberlain's 21 campuses are co-located with DeVry University and other Adtalem operations. The most recently established Chamberlain campus is located on the Ochsner Medical Center campus in New Orleans. Chamberlain had 28,037 students enrolled in the July 2018 term, an increase of 4.6% over the prior year.

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

Chamberlain College of Nursing's degree programs span the professional nursing spectrum, from the baccalaureate entry into nursing practice to the terminal practice doctorate. The baccalaureate program integrates 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 robust, hands-on instruction using sophisticated simulators and simulation scenarios along with clinical training at hospitals or other healthcare facilities. Post-licensure students develop advanced nursing practice knowledge and skills through classroom, simulation, project development and practicum experiences in a variety of healthcare settings. Chamberlain has developed numerous partnerships with hospitals and other healthcare facilities to insure that educational objectives can be met for its programs.

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 the typical four-year BSN program with summer breaks. During calendar year 2017, Chamberlain pre-licensure BSN students who completed the National Council Licensure Examination ("NCLEX") had an overall pass rate of 84%.

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 option in three semesters of full-time study, although most students enroll part-time while they continue working as nurses.

The online MSN degree program offers four non-direct-care specialty tracks: Educator, Executive, Informatics and Healthcare Policy. These programs require 36 credit hours and are designed to be completed in approximately two years of part-time study. Chamberlain also offers a direct-care FNP track. This program requires 45 credit hours along with 650 lab and clinical hours and is designed to be completed in two and a half 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 program is designed for nurses seeking a terminal degree in nursing and offers an alternative to research-focused Ph.D. programs. The Chamberlain DNP program offers a Healthcare Systems Leadership track. The program requires 32 to 40 credit hours along with 512 to 1,024 clinical practicum hours. The program can be completed in five to six semesters of study.

Chamberlain's College of Health Professions MPH degree program focuses on preparing students to become public health practitioners to work with communities and populations globally to promote healthy communities, and to prevent community health problems such as disease, poverty, health access disparities and violence through interdisciplinary coursework.

Medical and Veterinary Schools includes 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. Through its Postgraduate Studies Program, RUSVM also offers Master of Science ("MSc") and Doctoral ("Ph.D.") degrees.

Together, the three schools along with the Medical Education Readiness Program ("MERP") and the Veterinary Preparation Program had 5,556 students enrolled in the May 2018 semester, a 1.2% increase compared to the same term last year.

AUC was founded in 1978 and acquired by Adtalem in August 2011. AUC is located in St. Maarten and has graduated over 6,900 physicians since inception. The mission of AUC is to provide an excellent medical education to qualified students of diverse backgrounds. This is accomplished in 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 Adtalem in May 2003, provides medical education. As of June 30, 2018, RUSM is operating in Tennessee at facilities owned by Lincoln Memorial University ("LMU") and an additional facility on the island of St. Kitts. RUSM's original campus, located in the country of Dominica, was severely damaged by Hurricane Maria in September 2017, and RUSM was unable to continue operations on the island. RUSM's Internal Medicine Foundation program resides in Miramar, Florida. RUSM has graduated more than 13,000 physicians. The mission of RUSM is to prepare highly dedicated students to become effective, successful physicians. RUSM seeks to accomplish this by focusing on imparting the knowledge, skills and values required for its students to establish a successful and satisfying career as a physician.

On August 3, 2018, Adtalem announced plans to relocate RUSM to Barbados from its temporary location in Knoxville, Tennessee at facilities owned by LMU and a facility on St. Kitts. Academic facilities will be located in Bridgetown. Student housing will be located close to academic facilities in the parish of Christ Church at an existing housing community and will include amenities, student services and convenient transportation to campus. It is expected that students will begin the January 2019 semester in Barbados, pending final regulatory approval from the U.S. Department of Education ("ED").

AUC's and RUSM's respective medical education programs are comparable to the educational programs offered at U.S. medical schools as evidenced by student performance on the U.S. Medical Licensing Examination ("USMLE") tests and residency placement. AUC's and RUSM's programs consist of three academic semesters per year, which begin in January, May and September, allowing students to complete their basic science instruction in less time than they would in a U.S. medical school. The programs provide a generalist medical education and the foundation for post graduate specialty training, which is primarily completed in residencies in the U.S.

Initially, AUC and RUSM students complete a program of concentrated study of medical sciences in modern classrooms and laboratories, with AUC's campus located in St. Maarten and RUSM's campus located at LMU (until December 2018 and then in Barbados starting in January 2019, pending final regulatory approval from ED). After medical school students sit for Step 1 of the USMLE, which assesses whether 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 AUC and RUSM 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 Adtalem in May 2003, provides veterinary education. RUSVM is one of 49 American Veterinary Medical Association ("AVMA") accredited veterinary education institutions in the world. RUSVM is located on St. Kitts and has graduated more than 5,000 veterinarians to date. The mission of RUSVM is to provide the best learning environment to prepare students to become members and leaders of the worldwide public and professional healthcare team, advancing human and animal health through research and knowledge exchange.

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 on St. Kitts. After completing their pre-clinical curriculum, RUSVM students enter a clinical clerkship lasting approximately 45 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.

RUSVM offers a one semester Veterinary Preparatory program 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.

Professional Education

Association of Certified Anti-Money Laundering Specialists ("ACAMS"), founded in 2001 and acquired by Adtalem in July 2016, is the largest international membership organization dedicated to enhancing the knowledge, skills and expertise of anti-money laundering ("AML") and financial crime detection and prevention professionals. ACAMS has more than 65,000 members in 175 countries. Members include representatives from a wide range of financial institutions, regulatory bodies, law enforcement agencies and industry sectors. ACAMS further expands Adtalem's professional education offerings into AML and financial crimes prevention training, conferences and certification.

ACAMS' main products include membership service, Certified Anti-Money Laundering Specialist ("CAMS") certification, conferences, risk assessment, training and publications. The CAMS credential and ACAMS advanced certifications like CAMS-Audit and CAMS-FCI (Financial Crimes Investigation) are recognized as industry-leading in AML certifications worldwide.

Becker Professional Education ("Becker"), founded in 1957 as Becker CPA Review and acquired by Adtalem in 1996, is a global leader in professional education serving the accounting, finance and healthcare professions. Becker prepares candidates for the Certified Public Accountant ("CPA"), Certified Management Accountant ("CMA") and USMLE certification examinations and offers continuing professional education programs and seminars. Classes are taught online and live across the U.S. and in approximately 35 foreign countries; classes are taught directly by Becker and through licensed affiliates. Nearly one million candidates have prepared for the Uniform CPA Examination ("CPA exam") using Becker's CPA Exam Review Course.

The CPA exam is prepared and administered by the American Institute of Certified Public Accountants ("AICPA"). The CPA exam is only offered 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.

Through its CPA exam review courses, Becker served approximately 40,000 students in fiscal year 2018. Becker is the industry leader in providing CPA exam review services and has been preparing candidates to pass the CPA exam for over 60 years. Since 2005, when the AICPA began to share national results, 85 percent or more of Elijah Watt Sells Award winners, individuals who achieved the highest cumulative scores on the CPA exam, prepared with Becker.

To better meet the demands of today's busy professionals, Becker's classes are offered in two formats: live and self-study. The self-study 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.

Becker also offers continuing professional education and training programs in the fields of accounting and finance 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 in preparation for passing the USMLE, which is required for physicians with an M.D. degree to practice medicine in the U.S.

EduPristine was founded in 2008 and is based in Mumbai, India. Adtalem completed its acquisition of a 69 percent ownership interest in EduPristine in March 2018. EduPristine is a professional education provider in India in the areas of finance, accounting, analytics, marketing and healthcare. EduPristine furthers Adtalem's global growth strategy into professional education.

Technology and Business

Adtalem Education of Brazil ("Adtalem Brazil") was established in 2001 and is based in São Paulo. Adtalem completed its acquisition of a majority stake in Adtalem Brazil in April 2009 and currently maintains a 97.9 percent ownership interest in Adtalem Brazil. The vision of Adtalem Brazil is to become one of the leading Brazilian educational groups, recognized for high quality and innovation, offering international academic standards and focused on the professional success of its students. Adtalem Brazil is currently comprised of 15 institutions. These institutions operate under three brand names, Wyden Educational ("Wyden"), Ibmec and Damasio:

Wyden Institutions:

- Centro Universitário Unifanor ("UniFanor")
- Faculdade Ruy Barbosa ("Ruy Barbosa")
- Faculdade ÁREA1 ("AREA1")
- Centro Universitário Boa Viagem ("UniFBV")
- Centro Universitário Vale do Ipojuca ("UniFavip")
- Faculdade Diferencial Integral ("Facid")
- Faculdade Internacional de São Luis ("Sao Luis")
- Faculdade Boa Viagem ("Joao Pessoa")
- Faculdade Martha Falcão ("FMF")
- Faculdade Ideal ("Faci")
- Faculdade de Imperatriz ("Facimp")
- Centro Universitário Metrocamp ("UniMetrocamp")

Ibmec Institution:

- Grupo Ibmec Educacional S.A. ("Grupo Ibmec")

Damasio Institutions:

- Damásio Educacional ("Damasio")
- São Judas Tadeu ("SJT")

Adtalem Brazil's institutions offer undergraduate and graduate programs primarily focused in technology, engineering, business, management, medical, healthcare and law. In addition, Damasio offers legal bar exam review courses, review courses for tests required for diplomatic careers in Brazil and medical exam review courses. These institutions operate 22 locations located in 12 states in Northeast, North and Southeast Brazil. Adtalem Brazil also operates over

200 distance learning centers throughout Brazil under Damasio’s franchise agreements. Adtalem Brazil serves more than 75,000 students in undergraduate and graduate programs and also serves more than 30,000 test preparation students.

Adtalem Brazil has agreed to transfer ownership of the Sao Luis and Joao Pessoa institutions to third parties for minimal consideration. The transfers are expected to close in the first half of fiscal year 2019. Assets of both institutions have been written down to estimated fair value which resulted in a $1.2 million loss recorded in the fourth quarter of fiscal year 2018. These institutions each operated single campuses serving approximately 1,500 students in total.

DEGREE ENROLLMENTS

The following table provides the percentage of enrollment by degree for Adtalem’s postsecondary educational institutions, excluding DeVry University, Carrington and Adtalem Brazil.

	Percent of Enrollment by Degree	
	Fall 2017	Fall 2016
Bachelor's	57 %	59 %
Master's	27 %	23 %
Doctoral	16 %	18 %

MARKET TRENDS AND COMPETITION

Medical and Healthcare

Chamberlain

Chamberlain competes in the U.S. nursing education market, which has more than 1,800 programs leading to RN licensure. These include four-year educational institutions, two-year community colleges, and diploma schools of nursing. The market consists of two distinct segments: pre-licensure nursing programs that prepare students to take the NCLEX-RN licensure exam and post-licensure nursing programs that allow existing RNs to advance their education. Nursing constitutes the largest occupation in healthcare in the U.S., with 2.8 million RNs in 2016, according to the Bureau of Labor Statistics. The Bureau of Labor Statistics reports that employment of RNs is expected to grow 15% from 2016 to 2026, faster than the average employment growth rate for all occupations.

In the pre-licensure nursing market, enrollment caps and limited new student enrollment periods are common among traditional four-year education institutions and community colleges. Despite the long-term need for nurses, institutions are not increasing educational capacity to keep up with demand. According to AACN, U.S. nursing schools turned away 56,397 qualified applicants from baccalaureate nursing programs in 2017 due to budget constraints and an insufficient number of faculty, clinical sites, classroom space and clinical preceptors. In addition, demand for BSN degrees is impacted by the Institute of Medicine’s recommendation and the American Nurses Credentialing Center Magnet designation criteria that require hospitals to employ or have a plan to employ at least 80% BSN nurses.

In post-licensure nursing education, there are over 600 institutions offering RN-to-BSN programs and over 500 institutions offering master’s degrees in nursing. Chamberlain’s RN-to-BSN degree completion option has received two Quality Matters Certifications for Online Learning Support and Online Teaching Support. Chamberlain’s RN-to-BSN degree completion option is offered in 50 states. The MSN degree program is offered in 50 states and its FNP Specialty Track is offered in 44 states. As of July, 2018, Chamberlain offers its DNP and MPH programs in 48 states.

Medical and Veterinary Schools

AUC and RUSM compete with approximately 145 accredited U.S. schools of medicine, 33 U.S. colleges of osteopathic medicine and 40 Caribbean medical schools as well as with international medical schools recruiting U.S. students who may be eligible to receive funding from ED Title IV programs. RUSVM competes with AVMA accredited schools, of which 30 are U.S.-based, 5 are Canadian and 14 are other international veterinary schools.

The medical and veterinary schools 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, the medical and veterinary schools 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 2017-2018 academic year, the Association of American Medical Colleges (“AAMC”) reported 51,680 U.S. medical school applicants, a 2.6% decrease from the prior year. Of these applicants, 21,338 enrolled, a 1.5% increase over the prior year.

For the 2017-2018 academic year, the American Association of Colleges of Osteopathic Medicine Application Service (“AACOMAS”) reported 20,836 applicants to U.S. colleges of osteopathic medicine, a 0.6% increase over the prior year. The number of Commission on Osteopathic College Accreditation approved seats of 7,317 increased 11% over the prior year.

For the 2017-2018 academic year, the Association of American Veterinary Medicine Colleges ("AAVMC") received 7,507 applicants, a 6.1% increase over the prior year, for the approximately 4,200 seats available at AAVMC institutional members (U.S. and international). The number of available seats increased approximately 2% over the prior year.

According to the AAMC Center for Workforce Studies, in a March 2018 analysis, projected physician demand will continue to grow faster than supply, leading to a projected total physician shortfall of between 42,600 and 131,300 physicians by 2030. The shortfall ranges from 39,500 to 90,700 physicians in 2025, and it is projected to increase significantly by 2030.

There has been some recent expansion in the U.S. medical education and veterinary education enrollment capacities because of the growing supply/demand imbalance for medical doctors. Despite this expansion, management believes the imbalance will continue to spur demand for medical and veterinary education.

Professional Education

ACAMS

Money laundering and the financing of terrorism are financial crimes with significant economic effects. The United Nations Office on Drug and Crime estimates that in one year 2-5% of global GDP, or $1.6 to $4 trillion, is laundered globally. Money laundering can occur in various forms including corruption, drug trafficking, tax evasion and cybercrime. AML is the set of procedures, laws and regulations designed to combat the practice of generating income through illegal actions. Professionals who need effective AML procedures include financial institutions, insurers, asset managers, lawyers, broker-dealers, private equity firms, consultants, law enforcement and credit institutions. This training protects companies against various costs such as financial penalties from regulatory bodies, personal liability, financial action from shareholders or employees and reputational damage.

There are approximately 1.6 million AML industry individuals in the various market segments, with individuals outside of the U.S. representing approximately 1.1million, or 70 percent of the addressable market. Organizations training methods are met by third-party training, internally developed training or informal training. Regulators are pressuring companies to develop higher standards and to maintain these standards. Due to frequent regulatory changes, internal training is being supplemented with third-party developed training programs to meet higher regulatory standards. ACAMS is the largest AML certifier and is recognized as an industry leader in AML credentialing.

According to a survey completed by Dow Jones in 2015, the top three memberships with which professionals associate are ACAMS, American Bankers Association and Association of Certified Fraud Examiners. Over 38,000 professionals have received the CAMS designation, which is completed by passing the ACAMS CAMS certification examination as a qualified applicant. Two of the top read industry publications are ACAMS Today and ACAMS moneylaundering.com. ACAMS is also a leader in the industry in conference attendance. Conferences and seminars are held in 23 countries annually serving approximately 10,000 attendees.

Becker

In 2016, the AICPA reported that there were approximately 80,000 accounting graduates combined across bachelor’s and master’s degree candidates and in 2017, approximately 39,000 new candidates began the CPA exam. The number of accounting graduates and first-time CPA exam test takers has increased modestly (1-2% annually) on average over the last 10 years; the number of test-takers may fluctuate in specific years based on the timing of student demand and exam changes. Employment of accounting graduates at U.S. public accounting firms, a key driver of CPA demand, has been relatively flat over the same timeframe, although specific years have varied in line with overall U.S. economic cycles and recession periods.

Becker competes with other purveyors of exam preparation, including courses offered by colleges, universities and other public and private training companies. Consumer preference in exam preparation modality has increasingly evolved from live delivery to online and self-study, which has driven Becker to increase focus on stand-alone product quality, pricing, accessibility and service to students and partners.

Becker management believes that in addition to its 60-plus year history and track record of successful student achievement on the CPA exam, it has advantages over competitors that include:

- Extensive, continuously updated and fully integrated review and practice test materials;
- Experienced, highly qualified instructors for each of the areas of specialty included in the exam including industry renowned accounting experts;
- Courses available in live and self-study to meet candidate needs for flexibility and control; and
- Practice simulations and software functionality, similar to those used in the actual exam

Technology and Business

Adtalem Brazil

The Brazilian private postsecondary education market grew by 47% between 2005 and 2015 (onsite students), reaching approximately $17 billion in revenue and enrollment of 6.1 million students in 2015, according to Hoper Educational Consulting and the Ministry of Education (“MEC”). In addition, the goals defined by the Nacional Plan of Education (“NPE”) for the period from 2011 to 2023, indicate a continuing favorable scenario for the expansion of higher education in Brazil. NPE expects to increase enrollments by 50%, which would represent almost five million more higher education students in the next seven to eight years.

Brazil has the largest private higher education market in Latin America, which until recently was highly fragmented. Within the last several years, private equity firms and international educational groups have been investing in the country’s education institutions resulting in consolidation of the market. Private higher education institutions can be divided into three different segments:

- Mass market: fastest growing segment, with the highest regulatory risk;
- Superior quality market: growth is driven by gaining market share from competitors; increasing the accessibility of student financing should accelerate growth in this market; and
- Niche market: highly specialized, has limited growth potential.

Most Adtalem Brazil institutions compete in the superior quality market. Adtalem Brazil faces local competition at each location in which it operates. Nationwide there are also competitors such as: Laureate, Kroton Educacional, Anima, SER and UNIP.

According to the Brazilian Association of Distance Learning Education, the number of jobs requiring successful completion of a competency exam grew by 45% from 2013 to 2015. There are currently approximately 12 million applicants for these positions. The number of Order of Attorneys of Brazil Exam (the equivalent of the state bar exams in the U.S.) applicants has been steady at approximately 115,000 for the past two years.

STUDENT ADMISSIONS

Medical and Healthcare

Chamberlain

Marketing and Outreach

Chamberlain advertises through a variety of marketing channels to inform prospective students interested in entering or advancing their nursing careers about the university and the programs it offers. A mix of local and national tactics are utilized, including online display, paid search, email, paid social, online video and local radio advertising.

To inform prospective students about the pre-licensure program offered at its 21 campus locations, Chamberlain representatives visit high schools, cultivate referrals and participate in career fairs. Chamberlain campuses hold open house events for prospective students and Experience Nursing Days for high school students to inform them about the requirements for nursing school.

Post-licensure programs rely primarily on digital marketing, referrals from current students and alumni, and strategic healthcare partnerships to reach prospective students. A variety of highly targeted internet advertising tactics are used to reach RNs who are considering advancing their careers. A team of healthcare development specialists establishes partnerships with healthcare institutions, other large employers of nurses and community colleges.

Student Admissions and Admissions Standards

Pre-Licensure BSN Program

The Chamberlain undergraduate pre-licensure admission process is made up of two phases: Academic Eligibility and Clinical Clearance. Applicants must meet both sets of requirements to be eligible for admission. Academic eligibility requires proof of graduation with a minimum grade point average of 2.75 from a recognized high school or other college, along with a minimum custom score on the A2 Admission Assessment test. The admissions committee reviews each application and selects the most qualified candidates. Applicants who are deemed Academically Eligible must receive Clinical Clearance, which includes a background check, fingerprint screen and drug screen, in order for acceptance to be granted. Chamberlain enrolls students in its pre-licensure program three times per year.

RN-to-BSN Option

Admission to the RN-to-BSN option requires a nursing diploma or Associate Degree in Nursing from an accredited institution, a minimum grade point average of 2.0 and a current, active, unrestricted RN license in the U.S. or other jurisdiction that is an associate member of the National Council of State Boards of Nursing (“NCSBN”). Chamberlain enrolls students in its RN-to-BSN program six times per year.

Graduate Programs

To enroll in the MSN program, a prospective student must possess a degree in nursing at the bachelor’s level or higher from an accredited institution, a minimum grade point average of 3.0 and a current, active, unrestricted RN license in the U.S. or other jurisdiction that is an associate member of the NCSBN.

Enrollment in the MPH program requires a bachelor’s level degree or higher from an accredited institution and a minimum grade point average of 3.0.

The DNP program requires a degree at the master’s level or higher from an accredited institution, a minimum grade point average of 3.0 and a current, active, unrestricted RN license in the U.S. or other jurisdiction that is an associate member of the NCSBN.

Chamberlain enrolls students in its graduate programs six times per year.

Medical and Veterinary Schools

Marketing and Outreach

AUC, RUSM and RUSVM focus their marketing efforts on attracting primarily U.S. and Canadian qualified applicants, with the motivation and requisite academic ability to complete their educational programs and pass the USMLE and the North American Veterinary Licensure Examination, respectively. Each institution's marketing effort includes visits to undergraduate campuses to meet students and their pre-med/pre-vet advisors, direct e-mail marketing, webinars, targeted direct mail campaigns, information seminars in major markets throughout the U.S., Canada and Puerto Rico, alumni referrals, a national undergraduate poster campaign, radio advertisements in select markets, digital and social media and print ads in major magazines and newspapers.

Student Admissions and Admissions Standards

AUC, RUSM and RUSVM each employ regional admissions representatives in locations throughout the U.S. and in Ontario, Canada, who seek out students interested in their respective programs. A successful applicant must have received a bachelor's degree and for AUC and RUSM taken the Medical College Admission Test. Candidates for admission must interview with an admissions representative and all admission decisions are made by the admissions committees of the medical and veterinary schools.

Professional Education

ACAMS

Marketing and Outreach

ACAMS markets its training programs to selected AML and financial crime professionals from a wide range of industries, including large financial institutions, brokerage and consulting firms. Direct mail, print advertising, e-mail, digital and social media advertising are used to enhance program awareness, distribute relevant content and to attract new members and program participants. The ACAMS website is another source of information for prospective members and event attendees.

Becker

Marketing and Outreach

Becker markets its courses directly to potential students and to selected employers, including the large global, national and regional public accounting firms. Alumni referrals, print advertising, e-mail, digital and social media advertising and a network of student representatives at colleges and universities across the country also generate new students for Becker's review courses. The Becker website is another source of information for interested applicants.

Becker is the preferred provider of CPA review for most of the country's largest public accounting firms and has relationships with all of the top 100 public accounting firms, including each of the "Big 4" public accounting firms. In total, Becker has relationships with more than 1,500 public accounting firms, professional societies and universities. Becker also delivers its CPA exam review courses on college campuses and recruits students attending those institutions.

Technology and Business

Adtalem Brazil

Marketing and Outreach

Adtalem Brazil advertises on various internet sites, at special events, on television and radio, and utilizes a variety of methods to reach prospective students. Each Adtalem Brazil institution and campus has a specific media plan based on the local market. Damasio is marketed through the more than 200 franchises that offer test preparation instruction.

Adtalem Brazil's high school program representatives visit high schools throughout the Northeast, North and Southeast regions of Brazil, providing workshops on career choices, the importance of a college education and the international benefits offered by Adtalem Brazil.

Adtalem Brazil's Corporate Training Services organization is designed to meet the educational needs of corporate clients and their employees with tailor-made program offerings. A national network of corporate account supervisors directs the student recruiting efforts primarily at the country's more prominent companies, leveraging relationships with these clients and offering undergraduate, graduate and customized educational programs.

Student Admissions and Admission Standards

Adtalem Brazil provides admissions services, and employs salaried, full-time admissions advisors at each Adtalem Brazil institution to support those candidates interested in enrolling in any of Adtalem Brazil's institutions. Applicants to undergraduate programs can use one of the four methods for entrance to Wyden's and Ibmec's programs: (1) entrance examination or "Vestibular", (2) ENEM grade (standardized government exam for public universities and government financing), (3) a former higher education degree, or (4) transfer from another institution. There are two sessions per year for undergraduate admissions, January and July, for both onsite and distance learning modalities. Graduate admissions criteria include verification of an undergraduate degree and personal interviews. The admissions services at each institution are supported by a central admissions center for the Wyden and Ibmec brands.

Adtalem Brazil offers the “CASA” program (Student Support), which aims to help students achieve better academic results through educational and psychological support and monitoring. CASA program advisors provide professional guidance to current students and alumni. The main objective of this support is to facilitate access to labor markets and to help students in planning their professional careers.

ACCREDITATION

Educational institutions and their individual programs are awarded accreditation by achieving a level of quality that entitles them to the confidence of the educational community and the public they serve. Accredited institutions are subject to periodic review by accrediting bodies to ensure continued high performance and institutional and program improvement and integrity, and to confirm that accreditation requirements continue to be satisfied. College and university administrators depend on the accredited status of an institution when evaluating transfer credit and applicants to their schools; employers rely on the accredited status of an institution when evaluating a candidate’s credentials; and parents and high school counselors look to accreditation for assurance that an institution meets quality educational standards. Moreover, in the U.S., accreditation is necessary for students to qualify for federal financial assistance, and most scholarship commissions restrict their awards to students attending accredited institutions.

Medical and Healthcare

Chamberlain

Chamberlain is accredited by the Higher Learning Commission (“HLC”).The BSN, MSN and DNP programs at Chamberlain are accredited by the Commission on Collegiate Nursing Education. Chamberlain’s MPH program has begun the accreditation process with the Council on Education for Public Health, which accepted Chamberlain’s application in October 2017.

Medical and Veterinary Schools

The Government of St. Maarten authorizes AUC to confer the M.D. degree. AUC is accredited by the Accreditation Commission on Colleges of Medicine (“ACCM”). The ACCM is an international medical school accrediting organization for countries that do not have a national medical school accreditation body. The National Committee on Foreign Medical Education and Accreditation of ED (“NCFMEA”) has affirmed that the ACCM has established and enforces standards of educational accreditation that are comparable to those promulgated by the U.S. Liaison

Committee on Medical Education ("LCME"). In addition, AUC is approved to place students in clinical rotations in the majority of states, including California, Florida and New York, where robust processes are in place to evaluate and approve an international medical school's programs. AUC students can join residency training programs in all 50 states.

RUSM's primary accreditor will become the Caribbean Accreditation Authority for Education in Medicine and other Health Professions ("CAAM-HP") upon the start of the January 2019 semester, pending final regulatory approval from ED. CAAM-HP is authorized to accredit medical programs by the government of Barbados. On July 26, 2018, Barbados authorized RUSM to confer the M.D. degree. RUSM will continue to be recognized and accredited by the Dominica Medical Board ("DMB"), which is authorized to accredit medical programs by the government of Dominica until the end of the September 2018 semester (in December 2018). The Commonwealth of Dominica currently authorizes RUSM to confer the M.D. degree. The NCFMEA has affirmed that the country of Dominica and CAAM-HP for Barbados, have established and enforce standards of educational accreditation that are comparable to those promulgated by the LCME. In addition, RUSM is approved to place students in clinical rotations in the majority of states, including California, Florida, New Jersey and New York, where robust processes are in place to evaluate and accredit an international medical school's programs. RUSM students can join residency training programs in all 50 states.

RUSVM has been recognized and accredited by the government of the Federation of St. Christopher and Nevis ("St. Kitts") and is chartered to confer the D.V.M. degree. RUSVM confers a D.V.M. degree that is accredited by the American Veterinary Medical Association Council on Education ("AVMA COE"). RUSVM has affiliations with more than 20 AVMA-accredited U.S. and international colleges of veterinary medicine so that RUSVM students can complete their final three semesters of study in the U.S. or abroad. RUSVM has received accreditation for its Postgraduate Studies program from the St. Christopher & Nevis Accreditation Board. The Postgraduate Studies program offers Master of Science and Ph.D. degrees in all research areas supported by RUSVM. Areas of emphasis are guided by RUSVM's themed Research Centers.

Professional Education

Becker

Becker's accreditation from the Accrediting Council for Continuing Education & Training ("ACCET") allows it to extend its accredited programs to international students that desire to attend a live course in the U.S., and issue the required Form I-20 "Certificate of Eligibility for Nonimmigrant Student Status" to international students accepted into the program.

Technology and Business

Adtalem Brazil

The Brazilian MEC controls and regulates postsecondary education at all levels in Brazil. The MEC also controls the issuance of licenses and permits.

The MEC licensing process occurs on two levels: institutional and programmatic. Each institution is required to obtain a license, which must be renewed every three to five years. An Indice Geral de Cursos ("IGC") or "General Programs Index" score above 2, within a range of 1 to 5 (with 5 being the maximum grade possible) is considered satisfactory. The current ICG score of all Adtalem Brazil institutions, excluding Joao Pessoa and Sao Luis, is 3 or greater. Joao Pessoa and Sao Luis have not yet received a score.

The IGC score is calculated using the average of all the "Conceito Preliminar de Curso" or "Preliminary Program Grade" ("CPC") of the institution, weighted by the number of students. The CPC is an academic quality metric composed of:

55% Results of the ENADE - the national end-of-program exam organized by MEC;
30% Faculty credentials and part or full-time faculty status; and
15% Student satisfaction.

MEC also licenses programs at each institution. The regulations are different for undergraduate and graduate programs. For undergraduate programs, MEC must grant "authorization" status before classes may commence. After a program is 50% to 75% complete, MEC auditors visit the program to grant the definitive license, which can be automatically renewed every three years, unless the program presents an unsatisfactory CPC below 3 within a range of 1 to 5 (with 5 being the maximum grade). Currently, Adtalem Brazil has approximately 490 authorized undergraduate programs; 223 of which have received the definitive license.

Programs leading to Master of Science and Doctorate degrees are strictly regulated at the graduate level in Brazil by MEC. Other types of graduate programs are loosely regulated and do not have licenses issued by MEC. Adtalem Brazil has one Master of Science program at UniFBV and two at Grupo Ibmec. All three of these programs had their licenses renewed in 2017.

FINANCIAL AID AND FINANCING STUDENT EDUCATION

Students attending Chamberlain, AUC, RUSM, RUSVM, Adtalem Brazil, DeVry University and Carrington pay for their education through a variety of sources. These sources include government-sponsored financial aid, private and university-provided scholarships, employer-provided tuition assistance, veteran's benefits, private loans and cash payments. Students attending Becker review courses and ACAMS programs are not eligible for federal or state financial aid, but may receive partial or full tuition or fee reimbursement from their employers. In addition, Becker's CPA Exam Review Course can be financed through Becker under an 18-month term loan program.

The following table summarizes Adtalem's cash receipts from tuition and related fee payments by fund source as a percentage of total revenue for fiscal years 2017 and 2016. Final data for fiscal year 2018 is not yet available.

	Fiscal Year	
	2017	2016
Funding Source:		
Federal Assistance (Title IV) Program Funding (Grants and Loans)	53 %	58 %
Brazil FIES Public Loan Program	4 %	4 %
State Grants	0 %	1 %
Private Loans	1 %	1 %
Student accounts, cash payments, private scholarships, employer and military provided tuition assistance and other	42 %	36 %
Total	100 %	100 %

The table above includes DeVry University and Carrington revenue. The increase in the "Student accounts, cash payments, private scholarships, employer and military provided tuition assistance and other" funding source is the result of management's efforts to reduce Adtalem's funding provided by U.S. federal and Brazilian FIES sources.

All financial aid and assistance programs are subject to political and governmental budgetary considerations. In the U.S., the Higher Education Act (as reauthorized, the "HEA") guides the federal government's support of postsecondary education. The HEA was last reauthorized by the U.S. Congress in July 2008 and was signed into law in August 2008. Committee leadership of the U.S. House of Representatives has put forth a comprehensive HEA reauthorization proposal; however, the Senate has not put forth a comprehensive HEA proposal, and reauthorization activities have not begun in earnest. When HEA is reauthorized, existing programs and participation requirements are subject to change. Among the issues that management believes may be addressed in a final reauthorization bill are college access and affordability, funding for student financial assistance programs, additional reporting requirements and transparent information for consumers, and accreditation and oversight.

Information about Particular U.S. Government Financial Aid Programs

Chamberlain, AUC, RUSM, RUSVM, DeVry University and Carrington students participate in many U.S. and Canadian financial aid programs. Each of these programs is briefly described below.

U.S. Federal Financial Aid Programs

Students in the U.S. rely on three types of ED student financial aid programs under Title IV of the HEA.

1. *Grants.* Chamberlain, DeVry University and Carrington undergraduate students may participate in the Federal Pell Grant and Federal Supplemental Education Opportunity Grant programs.

- *Federal Pell Grants:* These funds do not have to be repaid and are available to eligible undergraduate students who demonstrate financial need and who have not already received a baccalaureate degree. For the 2017-2018 school year, eligible students could receive Federal Pell Grants ranging from $975 to $8,880.

- *Federal Supplemental Educational Opportunity Grant ("FSEOG"):* This is a supplement to the Federal Pell Grant, and is only available to the neediest undergraduate students. Federal rules restrict the amount of FSEOG funds that may go to a single institution. The maximum individual FSEOG award is established by the institution but cannot exceed $4,000 per academic year. Educational institutions are required to supplement federal funds with a 25% matching contribution. Institutional matching contributions may be satisfied, in whole or in part, by state grants, scholarship funds (discussed below) or by externally provided scholarship grants.

2. *Loans.* Chamberlain, AUC, RUSM, RUSVM, DeVry University and Carrington students may participate in the Direct Unsubsidized and PLUS programs within the Federal Direct Student Loan Program. Chamberlain, DeVry University and Carrington undergraduate students may also be eligible for Subsidized Loans within the Federal Direct Student Loan Program.

- *Direct Subsidized Loan:* Awarded on the basis of student financial need, it is a low-interest loan (a portion of the interest is subsidized by the Federal government) available to undergraduate students with interest charges and principal repayment deferred until six months after a student no longer attends school on at least a half-time basis (the student is responsible for paying the interest charges during the six months after no longer attending school on at least a half-time basis for those loans with a first disbursement between July 1, 2012 and July 1, 2014). First time borrowers after July 1, 2013 are eligible for Direct Subsidized Loans only for 150% of the published length of their academic program. Loan limits per academic year range from $3,500 for students in their first academic year to $5,500 for students in their third or higher undergraduate academic year.

- *Direct Unsubsidized Loan: A*warded to students who do not meet the needs test or as an additional supplement to the Direct Subsidized Loan. These loans incur interest from the time funds are disbursed, but actual principal and interest payments may be deferred until six months after a student no longer attends school on at least a half-time basis. Unsubsidized Loan limits per academic year range from $2,000 for students in their first and second academic year to $7,000 in later undergraduate years and increasing to $20,500 per academic year for graduate and professional program students. Additionally, a student without financial need may borrow an additional amount of Unsubsidized Loans up to the limit of the Direct Subsidized Loan at their respective academic grade level. The total Direct Subsidized and/or Unsubsidized Loan aggregate borrowing limit for undergraduate students is $57,500 and $138,500 for graduate students, which is inclusive of Direct Subsidized and Unsubsidized Loan amounts borrowed as an undergraduate.

- *Direct Parent PLUS and Direct Grad PLUS Loans*: Enables a graduate student or parents of a dependent undergraduate student to borrow additional funds to meet the cost of the student's education. These loans are not based on financial need, nor are they subsidized. Interest begins to accrue, and repayment obligations begin, immediately after the loan is fully disbursed, but may be deferred until a student no longer attends school on at least a half-time basis. Graduate students and parents may borrow funds up to the cost of attendance, which includes allowances for tuition, fees and living expenses. Both Parent PLUS and Grad PLUS are subject to credit approval, which generally requires the borrower to be free of any current adverse credit conditions. A co-borrower may be used to meet the credit requirements.

3. *Federal Work-study.* This program offers work opportunities, both on or off campus, on a part-time basis to students who demonstrate financial need. Federal Work-study wages are paid partly from federal funds and partly from qualified employer funds.

State Financial Aid Programs

Certain states, including Arizona, California, Colorado, Florida, Georgia, Illinois, Indiana, Minnesota, New Jersey, New York, Ohio, Oklahoma, Pennsylvania, Rhode Island and Vermont, offer state grant or loan assistance to eligible undergraduate students attending Adtalem institutions.

Canadian Government Financial Aid Programs

Canadian citizens or permanent residents of Canada (other than students from the Northwest Territories, Nunavet or Quebec) are eligible for loans under the Canada Student Loans Program, which is financed by the Canadian government. Eligibility and amount of funding vary by province. Students attending Chamberlain or DeVry University online while in the U.S., or attending AUC, RUSM or RUSVM may be eligible for the Canada Student Loan Program. The loans are interest-free while the student is in school, and repayment begins six months after the student leaves school. Qualified students also may benefit from Canada Study Grants (designed for students whose financial needs and special circumstances cannot otherwise be met), tax-free withdrawals from retirement savings plans, tax-free education savings plans, loan repayment extensions and interest relief on loans.

Information about Other Financial Aid Programs

Private Loan Programs

Some Chamberlain, AUC, RUSM, RUSVM, DeVry University and Carrington students rely on private (non-federal) loan programs for financial assistance. These programs are used to finance the gap between a student's educational and living costs and their financial aid awards. The amount of the typical loan varies significantly according to the student's enrollment and financial aid awards.

Most private loans are approved using the student's or a co-borrower's credit history. The cost of these loans varies, but in almost all cases will be more expensive than the federal programs. The application process is separate from the traditional financial aid process. Student finance personnel at Adtalem's degree-granting institutions coordinate these processes so that students generally receive assistance from the federal and state programs before utilizing private loans.

Adtalem does not maintain a preferred lender list, but does list all of the lenders that made private loans to Adtalem students in the previous year and still offer loans to Adtalem students.

Tax-favored Programs

The U.S. has a number of tax-favored programs aimed at promoting savings for future college expenses. These include state-sponsored “529” college savings plans, state-sponsored prepaid tuition plans, education savings accounts (formerly known as education IRAs), custodial accounts for minors, Hope and Lifetime Learning credits and tax deductions for interest on student loans.

Brazilian Government Financial Aid Programs

Adtalem Brazil students are eligible for loans under Brazil’s FIES public loan program (“*Fundo de Financiamento Estudantil*” or “Students Financing Fund”), which is financed by the Brazilian government. Adtalem Brazil also participates in PROUNI (“*Programa Universidade para Todos*” or “University for All Program”), a Brazilian governmental program, which provides federal tax incentives to educational institutions in exchange for providing scholarships to lower income undergraduate students.

FIES targets students from low socio-economic backgrounds enrolled at private postsecondary institutions. Eligible students receive loans with below market interest rates. For contracts signed prior to calendar year 2018, the students are required to begin repaying after an 18-month grace period upon graduation. For contracts signed beginning in calendar year 2018, there is no grace period and the students start repaying small installments during the first month after borrowing. FIES pays participating educational institutions tax credits, which can be used to pay certain federal taxes and social contributions. FIES repurchases excess credits for cash. For contracts signed before 2017, FIES deducts from periodic payments to Adtalem Brazil an average amount of 5.81% to cover administrative expenses (5.63%) and student defaults (0.18%). For contracts signed beginning in calendar year 2018, FIES deducts from periodic payments to Adtalem Brazil an average amount of 15% to cover administrative expenses (2%) and student defaults (13%). There is no additional cost to Adtalem Brazil if students fail to pay their loans under the applicable rules. In fiscal year 2018, approximately 21% of Adtalem Brazil’s degree-seeking students were financing their education under the FIES program, and approximately 20% of Adtalem Brazil revenue was associated with the program.

PROUNI promotes the offering of tuition discounts in private postsecondary education schools by granting federal tax incentives for the participating institutions. Discounts reduce tuition by either 50% or 100%. The percentage is driven by rules defined by the Brazilian government based on family monthly earnings. Neither Adtalem Brazil nor its students receive direct funding from the federal government for the tuition discounts granted. Instead, Adtalem Brazil reduces its income tax expense and its income tax liability for the amount of the discounts issued. As of June 30, 2018, approximately 23% of Adtalem Brazil's undergraduate students have obtained scholarships under the PROUNI program.

The FIES and PROUNI programs are required to be managed in accordance with government standards. Any regulatory violation can be the basis for disciplinary action, including suspension, limitation or termination of rights under the financial assistance program.

In addition to the requirements that educational institutions must meet, student recipients of FIES and PROUNI must maintain satisfactory academic progress towards completion of their programs of study and an appropriate grade point average every semester.

The Brazilian government has stated that it is supportive of the FIES program, which is important in helping achieve the national goal of increasing the number of college graduates; however, changes enacted in recent years to the FIES regulations added restrictions limiting student eligibility for FIES funding and extending the government's time to disburse funding to participating institutions. These changes include reducing the number of new FIES contracts and adding minimum required entrance test scores in order to qualify for a FIES loan. In addition, the annual interest rate borrowers are charged increased from 3.4% to 6.5%.

Adtalem-Provided Financial Assistance

Chamberlain students are eligible for numerous institutional scholarships with awards up to $2,500 per semester.

Students at AUC may be eligible for an institutional scholarship, ranging from $5,000 to $47,500 to cover expenses incurred from tuition and fees. Students at RUSM may be eligible for an institutional scholarship, ranging from $3,000 up to a full semester of tuition to cover expenses incurred from tuition and fees. Students at RUSVM may be eligible for an institutional scholarship, ranging from $600 to $24,000 to cover expenses incurred from tuition and fees.

DeVry University undergraduate students are eligible for numerous institutional scholarships, grants and tuition savings opportunities. Scholarship and grant programs generally are designed to help make the degree more affordable for students. Besides various scholarship offerings, DeVry University also provides tuition discounts for employer partners' employees as well as military students and their spouses, which range from 10% to 60%.

Carrington students are eligible for numerous institutional scholarships. Scholarship programs generally are designed to attract recent high school graduates, friends and family of current students and alumni, and to assist students' access to key high demand fields, with awards up to $1,500 for certificate programs.

Adtalem's institutional loan programs are available to students at its Chamberlain, AUC, RUSM, RUSVM, DeVry University and Carrington institutions. These loan programs are designed to assist students who are unable to completely cover educational costs consisting of tuition, books and fees and are available only after all other student financial assistance has been applied toward those purposes. In addition, AUC, RUSM and RUSVM loans may be used for students' living expenses. Repayment plans for institutional loan program balances are developed to address the financial circumstances of the particular student. Interest charges accrue each month on the unpaid balance. Students begin repaying loans while they are still in school with a minimum payment level designed to demonstrate their capability to repay and reduce the possibility of over borrowing and to minimize interest being accrued on the loan balance. Payments may increase upon completing or departing the program. After a student leaves school, the student typically will have a monthly installment repayment plan.

The institutional loans do not impose any origination fees, in general have a fixed rate of interest, and most carry annual and aggregate maximums that ensure that they are only a supplemental source of funding and not relied on as the main source. Borrowers must be current in their payments in order to be eligible for subsequent disbursements. Borrowers are advised about the terms of the loans and counseled to utilize all federal funding options. FICO credit scores of 620 and above are required for eligibility for institutional loans for DeVry University students.

Adtalem institutional loans are carried on our balance sheet, net of related reserves, and there are no relationships with external parties that shift the risk away from Adtalem.

Employer-Provided Tuition Assistance

Chamberlain and DeVry University students who receive employer tuition assistance may choose from several deferred tuition payment plans. Students eligible for tuition reimbursement plans may have their tuition billed directly to their employers or payment may be deferred until after the end of the session. Educational expenses paid by an employer on behalf of an employee generally are excludable from the employee's income if provided under a qualified educational assistance plan. At present, the maximum annual exclusion is $5,250.

Becker

Students taking the Becker review courses are not eligible for federal or state financial aid, but many receive partial or full tuition reimbursement from their employers. Private loans are also available to students to help meet the program costs. In addition, Becker's CPA Exam Review Course can be financed through Becker under an 18-month term loan program.

LEGISLATIVE AND REGULATORY REQUIREMENTS

Government-funded financial assistance programs are governed by extensive and complex regulations in the U.S. and Brazil. Like other educational institutions, Adtalem's administration of these programs is periodically reviewed by various regulatory agencies and is subject to audit or investigation by other governmental authorities. Any violation could be the basis for penalties or other disciplinary action, including initiation of a suspension, limitation or termination proceeding.

U.S. Federal Regulations

Our domestic postsecondary institutions are subject to extensive federal and state regulations. The HEA and the related ED regulations govern all higher education institutions participating in Title IV programs, and provide for a regulatory triad by mandating specific regulatory responsibilities for each of the following:

- The federal government through ED;
- The accrediting agencies recognized by ED; and
- State higher education regulatory bodies.

To be eligible to participate in Title IV programs, a postsecondary institution must be accredited by an accrediting body recognized by ED, must comply with the HEA and all applicable regulations thereunder, and must be authorized to operate by the appropriate postsecondary regulatory authority in each state in which the institution operates, as applicable.

In addition to governance by the regulatory triad, there has been focus in recent years by members of the U.S. Congress and federal agencies, including ED, the Consumer Financial Protection Bureau ("CFPB") and the Federal Trade Commission ("FTC"), on the role that proprietary educational institutions play in higher education. We expect that this challenging regulatory environment will continue for the foreseeable future.

Changes in or new interpretations of applicable laws, rules, or regulations could have a material adverse effect on our eligibility to participate in Title IV programs, accreditation, authorization to operate in various states, permissible activities, and operating costs. The failure to maintain or renew any required regulatory approvals, accreditation, or state authorizations could have a material adverse effect on us. ED regulations regarding financial responsibility provide that, if any one of our Title IV-eligible institutions is unable to pay its obligations under its program participation agreement as a result of operational issues and/or an enforcement action, our other Title IV institutions, regardless of their compliance with applicable laws and regulations, would not be able to maintain their Title IV eligibility without assisting in the repayment of the first institution's Title IV obligations. As a result, even though Adtalem's Title IV institutions are operated through independent entities, an enforcement action against one of our institutions could also have a material adverse effect on the businesses, financial condition, results of operations and cash flows of Adtalem's other institutions and Adtalem as a whole and could result in the imposition of significant restrictions on the ability of Adtalem's other institutions and Adtalem as a whole to operate. For further information, see "*A bankruptcy filing by us or by any of our Title IV institutions, or a closure of one of our Title IV institutions, would lead to an immediate loss of eligibility to participate in Title IV programs*" under subsection "Risks Related to Adtalem's Highly Regulated Industry" in "Item 1A – Risk Factors" of this Form 10-K.

We have summarized the most significant regulatory requirements applicable to our domestic postsecondary operations. Adtalem and DeVry University have been impacted by these regulations and enforcement efforts and are currently facing multiple related lawsuits arising from the enhanced scrutiny facing the proprietary education sector. For information regarding such pending investigations and litigation, and the potential impact such matters could have on our institutions or on Adtalem, see in this Form 10-K: (1) "Note 15: Commitments and Contingencies" to the Consolidated Financial Statements in Item 8, (2) the subsection of "Item 1A – Risk Factors" entitled "Risks Related to Adtalem's Highly Regulated Industry," and (3) the subsection of "Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations" entitled "Liquidity and Capital Resources."

Eligibility and Certification Procedures

The HEA specifies the manner in which ED reviews institutions for eligibility and certification to participate in Title IV programs. Every educational institution participating in the Title IV programs must be certified to participate and is required to periodically renew this certification. Institutions that violate certain ED Title IV regulations, including its financial responsibility and administrative capability regulations, may lose their eligibility to participate in Title IV programs or may only continue participation under provisional certification. Schools that do not meet financial responsibility requirements are required to submit a letter of credit equal to at least 10% of their prior fiscal year Title IV disbursements and submit to ED’s heightened cash monitoring process. Provisional certification status also carries fewer due process protections than full certification. As a result, ED may withdraw an institution’s provisional certification more easily than if it is fully certified. Provisional certification does not otherwise limit access to Title IV program funds by students attending the institution.

Defense to Repayment Regulations

Under the HEA, ED is authorized to specify in regulations, which acts or omissions of an institution of higher education a borrower may assert as a defense to repayment of a loan (“Direct Loan”) made under the Federal Direct Loan Program (“Direct Loan Program”). ED’s current defense to repayment regulations (“Defense to Repayment Regulations”) permit a borrower to assert a borrower defense to repayment of a Direct Loan if the institution’s acts or omissions give rise to a cause of action against the institution under state law. On October 28, 2016, ED published final regulations (the “2016 DtR Regulations”) expanding defenses and addressing other related matters, including certain circumstances under which ED may impose a fine, or limit, suspend, or terminate an institution’s participation in Title IV programs. The 2016 DtR Regulations create a new federal standard for borrower defenses to repayment of Direct Loans, new limitation periods for such claims, and new processes for resolution of such claims. On June 14, 2017, ED announced that, due to pending litigation, it is indefinitely postponing implementing the majority of 2016 DtR Regulations, which were due to take effect on July 1, 2017. On June 16, 2017, ED announced its intention to establish a negotiated rulemaking committee to renegotiate the Defense to Repayment regulations. A committee was formed and held three negotiating sessions between November and February 2018. ED submitted proposed regulations to the Office of Management and Budget (“OMB”) for review, and on July 25, 2018, ED published proposed new Defense to Repayment regulations. ED’s proposal includes a higher threshold for establishing misrepresentation, provides for a statute of limitation for claims submission, narrows the current triggers allowed for letter of credit requirements and eliminates provisions for group discharges. ED has provided a comment period of 30 days, and is expected to publish final rules in the late fall of 2018; if implemented, the proposed rules would become effective with claims on loans disbursed on or after July 1, 2019. Management is unable to predict what any revised regulations may contain, the result of any other current or future rulemakings, or the impact of such rulemakings on our business.

Gainful Employment

ED regulations known as "gainful employment" regulations ("GE"), which became effective July 1, 2015, define which private-sector programs prepare students for gainful employment in a recognized profession and are therefore eligible for Title IV funding. ED announced a negotiated rulemaking process on June 16, 2017 to substantially revise the GE regulations and held rulemaking sessions beginning December 2017 through March 2018. Draft regulations rescinding the GE regulations have been published by ED; ED has allowed for a 30-day comment period and intends to publish final, revised GE rules in the late fall of 2018.

Current GE regulations have three components:

Certification: Institutions must certify that each of their GE programs meet applicable state licensure and accreditation requirements and satisfy applicable educational prerequisites for professional licensure and certification.

Accountability Measures: To maintain Title IV eligibility, GE programs must meet minimum standards for limiting the debt burden versus the earnings of their graduates. GE programs will be considered passing, in the zone, or failing for each year in which the accountability measures are calculated, described as follows:

Pass: Programs whose graduates have an assumed annual loan repayment burden of 8% or less of total earnings or 20% or less of discretionary income.

Zone: Programs that are not passing and whose graduates have an assumed annual loan repayment burden greater than 8% and less than or equal to 12% of total earnings or greater than 20% and less than or equal to 30% of discretionary income.

Fail: Programs whose graduates have an assumed annual loan repayment burden greater than 12% of total earnings and greater than 30% of discretionary income.

Programs that fail in two out of any three consecutive years or do not pass in any four consecutive years will be disqualified from participation in the Title IV programs for a period of three years, and an institution is prohibited from establishing Title IV eligibility for any substantially similar program during that period.

Transparency: Institutions are required to make annual public disclosures regarding the performance and outcomes of their GE programs. The disclosures include information regarding program costs, median debt of all graduates and completion and placement rates and may include additional disclosure items in future periods.

The accountability measures typically weigh a calculated debt burden from graduates who completed their studies three and four years prior to the measuring academic year against the mean or median earnings of these graduates during the most recent calendar year prior to the conclusion of the measuring academic year. Thus, for the 2014-2015 academic year (the first measurement year under these regulations), the cohort includes graduates from the 2010-2011 and 2011-2012 academic years and earnings for these graduates from calendar year 2014. ED obtained its graduate earnings data from the Social Security Administration. Debt burdens for students enrolled in programs that require an internship or residency prior to licensure, such as the medical doctor degrees offered by AUC and RUSM, are calculated from cohorts who completed their studies six and seven years prior to the measuring academic year.

“90/10 Rule”

An ED regulation known as the “90/10 Rule” affects only proprietary postsecondary institutions, such as Chamberlain, AUC, RUSM, RUSVM, DeVry University and Carrington. Under this regulation, an institution that derives more than 90% of its revenue on a cash basis from Title IV student financial assistance programs in two consecutive fiscal years loses eligibility to participate in these programs for at least two fiscal years. The following table details the percentage of revenue on a cash basis from federal financial assistance programs (excluding the U.S. Department of Veterans Affairs and military tuition assistance benefits) for each of Adtalem’s Title IV-eligible institutions for fiscal years 2017 and 2016. Final data for fiscal year 2018 is not yet available.

	Fiscal Year	
	2017	2016
Chamberlain University	63 %	64 %
American University of the Caribbean School of Medicine	80 %	79 %
Ross University School of Medicine	82 %	82 %
Ross University School of Veterinary Medicine	83 %	83 %
DeVry University	62 %	63 %
Carrington College:		
California	75 %	78 %
Boise	66 %	69 %
Portland	81 %	77 %
Phoenix	80 %	80 %

In September 2016, Adtalem committed to voluntarily limit to 85% the amount of revenue that each of its six Title IV-eligible institutions derive from federal funding, including the U.S. Department of Veterans Affairs and military tuition assistance benefits. As disclosed in the third party review report that has been made publicly available, Adtalem’s institutions met this lower threshold for fiscal year 2017. Final data for fiscal year 2018 is not yet available. Adtalem is committed to implementing measures to promote responsible recruitment and enrollment, successful student outcomes, and informed student choice. Management believes students deserve greater transparency to make informed choices about their education. This commitment builds upon a solid foundation and brings Adtalem to a new self-imposed level of public accountability and transparency.

Incentive Compensation

An educational institution participating in Title IV programs may not pay any commission, bonus or other incentive payments to any person involved in student recruitment or admissions or awarding of Title IV program funds, if such payments are based directly or indirectly in any part on success in enrolling students or obtaining student financial aid. The law and regulations governing this requirement have not established clear criteria for compliance in all circumstances, but, prior to 2011, there were 12 safe harbors that defined specific types of compensation that were deemed to constitute permissible incentive compensation. New rules effective in 2011 eliminated the 12 safe harbors. These changes increased the uncertainty about what constitutes incentive compensation and which employees are covered by the regulation. This makes the development of effective and compliant performance metrics more difficult to establish. As such, these changes have limited and are expected to continue to limit Adtalem's ability to compensate our employees based on their performance of their job responsibilities, which could make it more difficult to attract and retain highly-qualified employees. Management believes that Adtalem has not been, nor is currently, involved in any activities that violate the restrictions on commissions, bonuses or other incentive payments to any person involved in student recruitment, admissions or awarding of Title IV program funds.

Standards of Financial Responsibility

A financial responsibility test is required for continued participation by an institution's students in U.S. federal financial assistance programs. For Adtalem's participating institutions, this test is calculated at the consolidated Adtalem level. The test is based upon a composite score of three ratios: an equity ratio that measures the institution's capital resources; a primary reserve ratio that measures an institution's ability to fund its operations from current resources; and a net income ratio that measures an institution's ability to operate profitably. A minimum score of 1.5 is necessary to meet ED's financial standards. Institutions with scores of less than 1.5 but greater than or equal to 1.0 are considered financially responsible, but require additional oversight. These schools are subject to heightened cash monitoring and other participation requirements. An institution with a score of less than 1.0 is considered not financially responsible. However, a school with a score of less than 1.0 may continue to participate in the Title IV programs under provisional certification. In addition, this lower score typically requires that the school be subject to heightened cash monitoring requirements and post a letter of credit (equal to a minimum of 10% of the Title IV aid it received in the institution's most recent fiscal year).

For the past several years, Adtalem's composite score has exceeded the required minimum of 1.5. If Adtalem becomes unable to meet requisite financial responsibility standards or otherwise demonstrate, within the regulations, its ability to continue to provide educational services, then Adtalem could be subject to heightened cash monitoring or be required to post a letter of credit to enable its students to continue to participate in federal financial assistance programs.

Administrative Capability

The HEA directs ED to assess the administrative capability of each institution to participate in Title IV programs. The failure of an institution to satisfy any of the criteria used to assess administrative capability may cause ED to determine that the institution lacks administrative capability and, therefore, subject the institution to additional scrutiny or deny its eligibility for Title IV programs.

State Authorization

Institutions that participate in Title IV programs must be authorized to operate by the appropriate postsecondary regulatory authority in each state where the institution has a physical presence. Chamberlain, DeVry University and Carrington are specifically authorized to operate in all of the domestic jurisdictions that require such authorizations. Some states assert authority to regulate all degree-granting institutions if their educational programs are available to their residents, whether or not the institutions maintain a physical presence within those states. Chamberlain, DeVry

University and Carrington have obtained licensure in states which require such licensure and where their students are enrolled.

On December 19, 2016, ED published new rules concerning requirements for institutional eligibility to participate in Title IV programs. The regulations, which would have become effective beginning July 1, 2018, but which have been delayed until July 1, 2020, require an institution offering distance education or correspondence courses to be authorized by each state from which the institution enrolls students, if such authorization is required by the state. If an institution offers postsecondary education through distance education or correspondence courses in a state that participates in a state authorization reciprocity agreement, and the institution offering the program is located in a state where it is also covered by such an agreement, the institution would be considered legally authorized to offer postsecondary distance or correspondence education in the state where courses are offered via distance education, subject to any limitations in that agreement. The regulations also require an institution to document the state processes for resolving complaints from students enrolled in programs offered through distance education or correspondence courses. With regard to additional locations or branch campuses located in foreign countries, the regulations require that such campuses be authorized by an appropriate government agency of the country where the additional location or branch campus is located and, if at least half of an educational program can be completed at the location or branch campus, be approved by the institution's accrediting agency and be reported to the state where the institution's main campus is located. Lastly, the regulations require that an institution provide certain disclosures to enrolled and prospective students regarding its programs offered solely through distance education or correspondence courses. ED has announced its intention to renegotiate these rules, but we cannot predict the timing and effective date of any future final regulations.

Cohort Default Rates

ED has instituted strict regulations that penalize institutions whose students have high default rates on federal student loans. Depending on the type of loan, a loan is considered in default after the borrower becomes at least 270 or 360 days past due. For a variety of reasons, higher default rates are often found in private-sector institutions and community colleges — many of which tend to have a higher percentage of low-income students enrolled than do four-year publicly supported and independent colleges and universities.

Educational institutions are penalized to varying degrees under the Federal Direct Student Loan Program, depending on the default rate for the "cohort" defined in the statute. An institution with a cohort default rate that exceeds 20% for the year is required to develop a plan to reduce defaults, but the institution's operations and its students' ability to utilize student loans are not restricted. An institution with a cohort default rate of 30% or more for three consecutive years is ineligible to participate in these loan programs and cannot offer student loans administered by ED for the fiscal year in which the ineligibility determination is made and for the next two fiscal years. Students attending an institution whose cohort default rate has exceeded 30% for three consecutive years also are ineligible for Pell Grants. Any institution with a cohort default rate of 40% or more in any year is subject to immediate limitation, suspension or termination proceedings from all federal aid programs.

According to ED, the three-year cohort default rate for all colleges and universities eligible for federal financial aid increased to 11.5% in fiscal year 2014 (the latest period for which data are available) from 11.3% in fiscal year 2013.

Default rates for Chamberlain, AUC, RUSM, RUSVM, DeVry University and Carrington students follow. The latest period for which final three-year data is available is fiscal year 2014.

	Cohort Default Rate			
	2014		2013	
Chamberlain University	3.4	%	3.6	%
American University of the Caribbean School of Medicine	1.2	%	0.5	%
Ross University School of Medicine	0.7	%	0.7	%
Ross University School of Veterinary Medicine	0.2	%	0.7	%
Carrington College:				
California	15.2	%	13.6	%
Boise	11.1	%	13.1	%
Portland	17.2	%	11.1	%
Phoenix	19.0	%	17.9	%
DeVry University	12.5	%	10.6	%

The three-year cohort default rates for Carrington College-California, Carrington College-Portland and Carrington College-Phoenix were in excess of 15% for the most recent year (fiscal year 2014). In accordance with ED regulations, disbursement of Title IV Stafford Loans for new students is delayed for a thirty day period for any institution with a cohort default rate in excess of 15%. Management believes that the delay in the related cash receipts for this Adtalem institution will not materially affect its operations or cash flow.

Satisfactory Academic Progress

In addition to the requirements that educational institutions must meet, student recipients of financial aid must maintain satisfactory academic progress toward completion of their program of study and an appropriate grade point average.

Change of Ownership or Control

Any material change of ownership or change of control of Adtalem, depending on the type of change, may have significant regulatory consequences for each of Adtalem's Title IV-eligible institutions. Such a change of ownership or control could require recertification by ED, the reevaluation of accreditation by our institutions' accreditors and/or reauthorization by state licensing agencies. If we experience a material change of ownership or change of control, then Chamberlain, AUC, RUSM, RUSVM, DeVry University and Carrington may cease to be eligible to participate in Title IV programs until recertified by ED. There is no assurance that such recertification would be obtained on a timely basis. After a material change in ownership or change of control, most institutions will participate in Title IV programs on a provisional basis for a period of one to three years.

In addition, most institutions would be required to report any material change in stock ownership to their principal institutional accrediting body, including in the case of Chamberlain and DeVry University, the HLC, and would be required to obtain approval prior to undergoing any transaction that affects, or may affect, its corporate control or governance. In the event of any such change, the applicable accreditor may undertake an evaluation of the effect of the change on the continuing operations of the affected institution for purposes of determining if continued accreditation is appropriate, which evaluation may include a comprehensive review.

In addition, some states in which our institutions are licensed require approval (in some cases, advance approval) of material changes in ownership or changes of control in order to remain authorized to operate in those states, and participation in grant programs in some states may be interrupted or otherwise affected by such a change in ownership or control.

Refer to "*If regulators do not approve, or delay their approval, of transactions involving a material change of ownership or change of control of our company, the eligibility of our institutions to participate in Title IV programs, our institutions' accreditation and our institutions' state licenses may be impaired in a manner that materially and adversely affects our business"* under subsection "Risks Related to Adtalem's Highly Regulated Industry" in "Item 1A – Risk Factors" of this Form 10-K.

Brazil Regulations

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

State Approvals and Licensing

Adtalem institutions require authorizations from many state higher education authorities or Canadian ministries to recruit students, operate schools, conduct exam preparation courses and grant degrees. Generally, the addition of any new program of study or new operating location also requires approval by the appropriate licensing and regulatory agencies. In the U.S., each Chamberlain, DeVry University and Carrington location is approved to grant certificates, diplomas, associate, bachelor's, master's and/or doctorate degrees by the respective state in which it is located. Additionally, many states require approval for out-of-state institutions to recruit within their state or offer instruction through online modalities to residents of their states. Adtalem believes it is in compliance with all state requirements as an out-of-state institution. AUC and RUSM clinical programs are accredited as part of their programs of medical education by their respective accrediting bodies, approved by the appropriate boards in those states that have a formal process to do so, and are reported to ED as required.

Many states and Canadian provinces require private-sector postsecondary education institutions to post surety bonds for licensure. In the U.S., Adtalem has posted approximately $18.0 million of surety bonds with regulatory authorities on behalf of Chamberlain, AUC, RUSM, RUSVM, Becker, DeVry University and Carrington.

Certain states have set standards of financial responsibility that differ from those prescribed by federal regulation. Adtalem believes it is in material compliance with state and Canadian provincial regulations. If Adtalem were unable to meet the tests of financial responsibility for a specific jurisdiction, and could not otherwise demonstrate financial responsibility, Adtalem could be required to cease operations in that state. To date, Adtalem has successfully demonstrated its financial responsibility where required.

SEASONALITY

Adtalem's quarterly revenue and net income fluctuate primarily as a result of the pattern of student enrollments. Generally, the schools' highest enrollment and revenue typically occur in the fall, which corresponds to the second and third quarters of Adtalem's fiscal year. Enrollment is slightly lower in the spring except in Brazil, and the lowest enrollment generally occurs during the summer months. Adtalem's operating costs do not fluctuate as significantly on a quarterly basis.

Results of operations reflect both this seasonal enrollment pattern and the pattern of student recruiting activity costs that precede the start of every term. Revenue, operating income and net income by quarter for each of the past two fiscal years are included in "Note 17: Quarterly Financial Data" to the Consolidated Financial Statements in Item 8 of this Form 10-K.

EMPLOYEES

As of June 30, 2018, Adtalem had the following number of employees:

	Faculty and Staff		Temporary and Student	
	Full-time	Part-time	Employees	Total
Chamberlain University	1,513	15	907	2,435
Medical and Veterinary Schools	1,059	23	51	1,133
Professional Education	350	5	40	395
Adtalem Brazil	2,871	2,293	148	5,312
DeVry University	1,413	16	172	1,601
Carrington College	560	81	28	669
Home Office	746	8	19	773
Total	8,512	2,441	1,365	12,318

Adtalem also utilizes approximately 3,700 independent contractors who teach as adjunct faculty and instructors. Approximately 2,000 Adtalem Brazil independent contractors were reclassified to part-time faculty in fiscal year 2018, after refining the definition of the categorizations used in this disclosure. These independent contractors are not included in the above table. Approximately 150 administrative and support employees of RUSM's medical school campus in Dominica and approximately 5,200 employees at Adtalem Brazil are covered by respective collective bargaining agreements with local unions. During fiscal year 2018, Adtalem implemented workforce reductions that reduced its workforce by 408 positions, primarily at RUSM, DeVry University, Carrington and Adtalem's home office.

Medical and Healthcare

Chamberlain

Chamberlain campuses are led by campus presidents who are doctorally-prepared nurses. Campus presidents report to a regional director of campus operations and are supported by the director of the baccalaureate nursing program who is responsible for standardized delivery of curricula on each campus. Chamberlain nursing faculty have MSN degrees and include instructors, professors, and clinical skills specialists. Other campus staff include professional tutors, clinical coordinators, admissions advisors and student services.

Each of Chamberlain's online programs is led by a dean or director who has a doctorate degree. All online students are supported by centralized admissions and student services teams. Additional administrative and management staff are located in Downers Grove, Illinois.

In general, Chamberlain's faculty members have a master's degree in nursing or other appropriate field and many have terminal degrees. Undergraduate liberal arts and sciences courses are taught by Chamberlain faculty. Chamberlain faculty members are not tenured.

Medical and Veterinary Schools

AUC is managed by a dean with appropriate department chairs to oversee the educational programs and clinical rotations. In addition, the school has student services staff to assist with student financial aid, housing and other student-related matters. The AUC campus is supported by administrative staff located in Pembroke Pines, Florida and North Brunswick, New Jersey.

RUSM and RUSVM are managed by deans with appropriate department chairs and course directors to oversee the educational operations. In addition, each campus has student services staff to assist with financial aid, housing and other student-related matters. Both the RUSM and RUSVM campuses are also supported by administrative staff located in Miramar, Florida and North Brunswick, New Jersey.

Faculty members at AUC and RUSM have either a Ph.D. and/or an M.D. degree. Full-time faculty are supplemented by visiting or part-time instructors who are engaged to lecture on very specialized or emerging subjects. Each veterinary faculty member has either a Ph.D. and/or D.V.M. degree. Faculty members at AUC, RUSM and RUSVM are not tenured.

Professional Education

ACAMS

CAMS prep courses, advanced certification courses, certificate courses, and other purchased training products are developed by a centralized product development team of instructional designers in partnership with specialized subject matter experts in the field. ACAMS's instructors consist primarily of contracted, practicing professionals with the appropriate expertise in the subject of the course. Conference presenters are primarily established practicing experts, including compliance professionals, regulators and thought leaders who are selected by a collaborative group of ACAMS employees responsible for developing conference programming. ACAMS is managed by a staff based primarily in Miami, Florida. Certain regional operations and other administrative functions are managed and located in New York, New York, the United Kingdom and Hong Kong.

Becker

Becker's faculty consists primarily of leading accounting industry experts, practicing professionals and university professors who teach the review and professional education courses on a part-time, course-by-course basis. Becker is managed and operated by a staff based primarily in Chicago and Downers Grove, Illinois. Certain regional operations are supported throughout the U.S. Becker's learning software and curriculum development are supported through Adtalem home office employees located throughout the U.S. and Portugal.

Technology and Business

Adtalem Brazil

Most of Adtalem Brazil's campuses are led by a general director with some smaller center locations led by a general manager. Damasio operations are led by a president. Most Adtalem Brazil faculty members work part-time (less than 40 hours weekly). Because part-time faculty teach pursuant to a contract with their institution, they are accorded the same rights and benefits as full-time employees in accordance with Brazilian employment laws. Adtalem Brazil's management team, along with support service functions, including academics, curriculum development, regulatory compliance, marketing and recruiting management, legal, licensing and accreditation, financial aid processing, finance, information technology and human resources are based in Fortaleza and São Paulo, Brazil. More than 80% of Adtalem Brazil faculty members hold master and/or doctorate degrees.

Home Office

Adtalem's home office staff is located in Downers Grove and Chicago, Illinois. The home office staff supports all of Adtalem's educational programs and locations by providing a broad range of services. Among the centrally provided support services are licensing and accreditation, marketing, information technology, innovation, financial aid processing, regulatory compliance, government relations, communications, internal audit, legal, tax, payroll, finance and accounting. Among the centrally located services, each institution's home office staff provides services in curriculum development, academic management, marketing and recruiting management. Additionally, Adtalem's online operations and student finance administrative staff are located in offices in Naperville, Illinois.

Discontinued Operations

DeVry University

Each DeVry University campus and center is managed by a campus president or center dean and has a staff of academic deans and faculty, as well as academic support staff, admissions advisors, student service personnel and other professionals. A group president oversees a number of the campuses and centers in a defined region.

DeVry University hires academic deans and faculty members in accordance with internal criteria, accrediting standards and applicable state law. All of DeVry University's full-time faculty members hold advanced academic degrees and most faculty members teaching in technical areas have related industry experience. Over 50% of DeVry University's full-time faculty hold doctorate degrees. In addition to its regular faculty, DeVry University engages visiting professors who teach on a part-time basis while continuing to work in their technical field or specialty. Faculty members are evaluated based on student comments and observations by an academic dean. DeVry University faculty members are not tenured.

The DeVry University campuses and online program offerings are also supported by a central administrative and management staff based primarily in Naperville, Illinois.

Carrington

Carrington campuses are managed by two regional teams overseeing operations, academics, student finance and career services. Enrollment services are overseen by three regional leaders. These regional management teams are supported by campus-based support staff in the functional areas just described. Further support and oversight in the areas of academics, student finance, student and career services, enrollment services, human resources, marketing and information technology are provided by administrative staff located in Sacramento, California.

All Carrington faculty members must meet the minimum academic credentialing requirements as set forth by their respective institutional and programmatic accreditation bodies and state authorizing agencies, as applicable.

TRADEMARKS AND SERVICE MARKS

Adtalem owns and uses numerous trademarks and service marks, such as "Adtalem Global Education," "Adtalem," "DeVry," "DeVry University," "DeVry Shield Design," "Keller Graduate School of Management," "Becker Professional Education," "Becker CPA Review," "Ross University," "Chamberlain College of Nursing," "Chamberlain University," "Carrington College," "Carrington College California," "American University of the Caribbean," "Association of Anti-Money Laundering Specialists," "ACAMS" and others. All trademarks, service marks and copyrights associated with its businesses are owned in the name of Adtalem Global Education Inc. or a subsidiary of Adtalem Global Education Inc. Adtalem vigorously defends against infringements of its trademarks, service marks and copyrights.

ADDITIONAL INFORMATION

Adtalem's website address is http://www.adtalem.com.

Through its website, Adtalem offers its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)) (the "Exchange Act") as soon as reasonably practicable after it electronically files such material with, or furnishes such material to, the SEC. The website also includes copies of the following:

Academic Quality Committee Charter

Audit and Finance Committee Charter

Code of Conduct and Ethics

Compensation Committee Charter

Director Nominating Process

External Relations Committee Charter

Governance Principles

Nominating and Governance Committee Charter

Policy for Communicating Allegations Related to Accounting Complaints

Policy for Shareholder Communication with Directors

Information contained on the website is not incorporated by reference into this report.

Copies of the Adtalem's filings with the SEC and the above-listed policies and charters also may be obtained by written request to Investor Relations at Adtalem's executive offices. In addition, Adtalem's filings with the SEC can be read or copied at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Information on the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains a website that contains reports, proxy and information statements, and other information regarding issuers, including Adtalem, that file electronically with the SEC; the website address is http://www.sec.gov.

ITEM 1A — RISK FACTORS

Adtalem's business operations are subject to numerous risks and uncertainties, some of which are not entirely within our control. Investors should carefully consider the risk factors described below and all other information contained in this Annual Report on Form 10-K before making an investment decision with respect to Adtalem's common stock. If any of the following risks are realized, Adtalem's business, results of operations, financial condition and cash flows could be materially and adversely affected, and as a result, the price of Adtalem's common stock could be materially and adversely affected. Management cannot predict all the possible risks and uncertainties that may arise. Risks and uncertainties that may affect Adtalem's business include, but are not limited to:

Risks Related to Adtalem's Highly Regulated Industry

We are subject to regulatory audits, investigations, lawsuits or other proceedings relating to compliance by the institutions in the Adtalem portfolio with the numerous laws and regulations applicable to the postsecondary education industry

Due to the highly regulated nature of proprietary postsecondary institutions, we are subject to audits, compliance reviews, inquiries, complaints, investigations, claims of non-compliance and lawsuits by federal and state governmental agencies, regulatory agencies, accrediting agencies, present and former students and employees, shareholders and other third parties, any of whom may allege violations of any of the legal and regulatory requirements applicable to us. If the results of any such claims or actions are unfavorable to us or one or more of our institutions, we may be required to pay monetary fines or penalties, be required to repay funds received under Title IV programs or state financial aid programs, have restrictions placed on or terminate our schools' or programs' eligibility to participate in Title IV programs or state financial aid programs, have limitations placed on or terminate our schools' operations or ability to grant degrees and certificates, have our schools' accreditations restricted or revoked or be subject to civil or criminal penalties. U.S. Department of Education ("ED") regulations regarding financial responsibility provide that, if any one of our Title IV-participating institutions ("Title IV Institutions") is unable to pay its obligations under its Program Participation Agreement ("PPA") as a result of operational issues and/or an enforcement action, our other Title IV Institutions, regardless of their compliance with applicable laws and regulations, would not be able to maintain their Title IV eligibility without assisting in the repayment of the non-compliant institution's Title IV obligations. As a result, even though Adtalem's Title IV Institutions are operated through independent entities, an enforcement action against one of our institutions could also have a material adverse effect on the businesses, financial condition, results of operations and cash flows of Adtalem's other Title IV Institutions and Adtalem as a whole and could result in the imposition of significant restrictions on the ability for Adtalem's other Title IV Institutions and for Adtalem as a whole to operate.

The ongoing regulatory effort aimed at proprietary postsecondary institutions of higher education could be a catalyst for additional legislative or regulatory restrictions, investigations, enforcement actions and claims.

The proprietary postsecondary education sector is experiencing scrutiny in the form of investigations and enforcement actions. Various federal agencies, including the Consumer Financial Protection Bureau ("CFPB"), the Securities and Exchange Commission ("SEC") and the Federal Trade Commission ("FTC"), are actively investigating or suing members of the proprietary postsecondary education industry, and at least 30 state attorneys general have joined an examination of potential abuses within the proprietary postsecondary education industry. An adverse disposition of these existing inquiries, administrative actions or claims or the initiation of other inquiries, administrative actions or claims, could, directly or indirectly, have a material adverse effect on our business, financial condition, result of operations and cash flows and result in significant restrictions on us and our ability to operate.

Adverse publicity arising from investigations, claims or actions brought against us or other proprietary higher education institutions may negatively affect our reputation, business or stock price, or attract additional investigations, lawsuits or regulatory action.

Adverse publicity regarding any past, pending or future investigations, claims, settlements and/or actions against us or other proprietary postsecondary education institutions could negatively affect our reputation, student enrollment levels, revenue, profit and/or the market price of our common stock. Unresolved investigations, claims and actions, or adverse resolutions or settlements thereof, could also result in additional inquiries, administrative actions or lawsuits, increased scrutiny, the withholding of authorizations and/or the imposition of other sanctions by state education and professional licensing authorities, taxing authorities, our accreditors and other regulatory agencies governing us, which, individually or in the aggregate, could have a material adverse effect on our business, financial condition, results of operations and cash flows and result in the imposition of significant restrictions on us and our ability to operate.

Government and regulatory agencies and third parties have initiated, and could initiate additional investigations, claims or actions against us, which could require us to pay monetary damages, halt certain business practices or receive other sanctions. The defense and resolution of these matters could require us to expend significant resources.

As described in “Note 15: Commitments and Contingencies,” to the Consolidated Financial Statements in Item 8 of this Form 10-K, Adtalem, DeVry University, Inc., and DeVry/New York Inc. are the subject of numerous consumer lawsuits alleging facts similar to those alleged by the FTC and ED in previously resolved actions. Due to the regulatory and enforcement efforts directed at us and other proprietary postsecondary higher education institutions and adverse publicity arising from such efforts, we may face additional government and regulatory investigations and actions, lawsuits from private plaintiffs and shareholder derivative claims. We may incur significant costs and other expenses in connection with our response to, and defense, resolution or settlement of, investigations, claims or actions, or group of related investigations, claims or actions, which, individually or in the aggregate, could be outside the scope of, or in excess of, our existing insurance coverage and could have a material adverse effect on our financial condition, results of operations and cash flows. As part of our resolution of any such matter, or group of related matters, we may be required to comply with certain forms of injunctive relief, including altering certain business practices, or pay substantial damages, settlement costs, fines and/or penalties. In addition, findings or claims or settlements thereof could serve as a basis for additional lawsuits or governmental inquiries or enforcement actions, including actions under ED’s defense to repayment Regulations (“Defense to Repayment Regulations”). Such actions, individually or combined with other proceedings, could have a material adverse effect on our business, financial condition, results of operations and cash flows and result in the imposition of significant restrictions on us and our ability to operate. Additionally, an adverse allegation, finding or outcome in any of these matters could also materially and adversely affect our ability to maintain, obtain or renew licenses, approvals or accreditation and maintain eligibility to participate in Title IV, Department of Defense and Veterans Affairs programs or serve as a basis for ED to discharge certain Title IV student loans and seek recovery for some or all of its resulting losses from us under future Defense to Repayment Regulations, any of which could have a material adverse effect on our business, financial condition, results of operations and cash flows and result in the imposition of significant restrictions on us and our ability to operate.

ED has issued regulations setting forth new standards and procedures related to borrower defenses to repayment of Title IV loan obligations, ED's right of recoveries against institutions following a successful borrower defense and institutional financial responsibility. It is possible that a finding or allegation arising from current or future legal proceedings or governmental administrative actions may create significant liability under the proposed regulations.

On October 28, 2016, ED published final rules concerning the acts or omissions of an institution of higher education that a student borrower may assert as a defense to repayment of a loan made under the Direct Loan Program and certain other matters (the "2016 DtR Regulations"). The 2016 DtR Regulations created a new federal standard for borrower defenses, new limitation periods for borrower defense claims and new processes for resolution of such claims. On June 14, 2017, ED announced that it would indefinitely postpone the implementation of the majority of the 2016 DtR Regulations, which were due to take effect on July 1, 2017. ED also announced its intention to reassess and revise these rules, and ED published new draft Defense to Repayment Regulations on July 25, 2018. ED has allowed for a 30-day comment period and intends to publish final, revised Defense to Repayment Regulations in the late fall of 2018. Management is unable to predict the result of any current or future rulemakings or the impact of such rulemakings on our business. If ED does not adopt the new rules that modify the Defense to Repayment Regulations, the outcome of any legal proceeding instituted by a private party or governmental authority, facts asserted in pending or future lawsuits and/or the outcome of any future governmental inquiry, lawsuit or enforcement action (including matters described in described in "Note 15: Commitments and Contingencies" to the Consolidated Financial Statements in Item 8 of this Form 10-K and in the subsection of Item 7 of this Form 10-K entitled "Liquidity and Capital Resources") could serve as the basis for claims by students or ED under the Defense to Repayment Regulations, the posting of substantial letters of credit or the termination of eligibility of our institutions to participate in the Title IV program based on ED's institutional capability assessment, any of which could, individually or in the aggregate, have a material adverse effect on our business, financial condition, results of operations and cash flows and result in the imposition of significant restrictions on us and our ability to operate.

Regardless of the merits of our actions, while we intend to defend ourselves vigorously in all pending and future legal proceedings, we may settle certain matters for strategic reasons, as a part of a resolution of other matters or in order to avoid potentially worse consequences arising from inherently uncertain judicial or administrative processes. Moreover, regardless of the merits of our defenses, if we are unable to resolve certain legal proceedings or regulatory actions, indirect consequences arising from unproven allegations or appealable regulatory findings may have adverse consequences to us.

While the future of the Defense to Repayment Regulations remains uncertain, certain constituencies are advocating to maintain and/or create standards and processes that would afford holders of federal student loans the broadest relief possible, which could potentially arise as a consequence of certain findings in pending or future governmental inquiries, lawsuits or enforcement actions against us. Despite the merits of our actions and defense, we may settle certain matters for strategic reasons, as a part of a resolution of other matters or in order to avoid potentially worse consequences in inherently uncertain judicial or administrative processes. The terms of any such settlement could have a material adverse effect on our business, financial condition, operations and cash flows and result in the imposition of significant restrictions on us and our ability to operate. Additionally, although inconsistent with its usual practices, ED has broad discretion to impose significant limitations on us and our business operations arising from acts it determines are in violation of their regulations, including the Defense to Repayment Regulations to the extent they are revised and re-issued. As a result, foreseeable and unforeseeable consequences of prior and prospective adjudicated or settled legal proceedings and regulatory matters could have a material adverse effect on our business, financial condition, results of operations and cash flows and result in the imposition of significant restrictions on us and our ability to operate.

If the Defense to Repayment Regulations are not significantly modified through upcoming rulemaking, pending or future lawsuits, investigations, program reviews and other events could each trigger, automatically or in some cases at ED's discretion, the posting of letters of credit or other security.

The Defense to Repayment Regulations, if they are not significantly modified in connection with ED's announced new rulemaking and recent July 25, 2018 draft rules, ED could require Adtalem to post multiple and substantial letters of credit or other security in connection with, among other things, certain pending and future claims, investigations and program reviews, regardless of the merits of our actions or available defenses, or, potentially, the severity of any findings or facts stipulated. The aggregate amount of these letters of credit or other required security could materially and adversely limit our borrowing capacity under our credit agreement and our ability to make capital expenditures and other investments aimed at growing and diversifying our operations, sustain and fund our operations and make dividend payments to shareholders. Adtalem's credit agreement allows Adtalem to post up to $100 million in letters of credit. In the event Adtalem is required to post letters of credit in excess of the $100 million limit, Adtalem would be required to seek an amendment to its credit agreement or seek an alternative means of providing security required by ED. Adtalem may not be able to obtain the excess letters of credit or security or may only be able to obtain such excess letters of credit or security at significant cost.

We are subject to risks relating to regulatory matters. If we fail to comply with the extensive regulatory requirements for our operations, we could face fines and penalties, including loss of access to federal and state student financial aid for our students as well as significant civil liability.

As a provider of higher education, we are subject to extensive regulation. These regulatory requirements cover virtually all phases and aspects of our U.S. postsecondary operations, including educational program offerings, facilities, civil rights, safety, privacy, instructional and administrative staff, administrative procedures, marketing and recruiting, financial operations, payment of refunds to students who withdraw, acquisitions or openings of new schools or programs, addition of new educational programs and changes in our corporate structure and ownership.

In particular, in the U.S., the Higher Education Act (“HEA”) subjects schools that participate in the various federal student financial aid programs under Title IV of the HEA (“Title IV”), which includes Chamberlain, AUC, RUSM, RUSVM, DeVry University and Carrington, to significant regulatory scrutiny. Adtalem’s Title IV Institutions collectively receive 69% of their revenue from students under Title IV programs. As a result, the suspension, limitation or termination of the eligibility of any of our institutions to participate in Title IV programs could have a material adverse effect on our business, financial condition, results of operations and cash flows and result in the imposition of significant restrictions on us and our ability to operate.

To participate in Title IV programs, an institution must receive and maintain authorization by the appropriate state education agencies, be accredited by an accrediting commission recognized by ED and be certified by ED as an eligible institution, which ultimately is accomplished through the execution of a PPA.

Our institutions that participate in Title IV programs each do so pursuant to a PPA that, among other things, includes commitments to abide by all applicable laws and regulations, such as the Incentive Compensation, Substantial Misrepresentation and Gainful Employment regulations (“GE”). Alleged violations of such laws or regulations may form the basis of civil actions for violation of state and/or federal false claims statutes predicated on violations of a PPA, including pursuant to lawsuits brought by private plaintiffs on behalf of governments (qui tam actions), that have the potential to generate very significant damages linked to our receipt of Title IV funding from the government over a period of several years.

As described in “Note 15: Commitments and Contingencies” to the Consolidated Financial Statements in Item 8 of this Form 10-K, on January 27, 2016, DeVry University received a Notice of Intent to Limit from ED (the “ED January 2016 Notice”) informing DeVry University of ED’s intention to impose certain limitations on the participation of DeVry University in programs authorized pursuant to Title IV. DeVry University requested a hearing regarding ED’s proposed limitations and, on October 13, 2016, reached a negotiated settlement agreement with ED regarding the ED January 2016 Notice (the “ED Settlement”). Under the terms of the ED Settlement, among other things, without admitting wrongdoing, DeVry University (1) may no longer make representations regarding the graduate employment outcomes of DeVry University graduates from 1975 to October 1980, including advertising regarding the cumulative graduate employment outcomes since 1975 (the “Since 1975 Representation”); (2) will maintain or undertake certain recordkeeping and compliance practices to support future representations regarding graduate employment rates; and (3) will post a notice on its website and in its enrollment agreements regarding the Since 1975 Representation. The ED Settlement also provides that, except for heightened cash monitoring requirements, ED will not impose conditions on the timing of, or documentation requirements for, disbursement of aid due to matters relating to lack of substantiation for the Since 1975 Representation. As a result of the ED Settlement, DeVry University’s participation in Title IV programs will be subject to provisional certification for five years from the date of the ED Settlement, and DeVry University is required to post a letter of credit equal to the greater of 10% of DeVry University’s annual Title IV disbursements in its most recent fiscal year or $68.4 million for a five-year period. An institution under provisional certification must obtain ED approval before it may award or disburse Title IV funds based on a substantial change, including the establishment of a new location or the addition of an educational program. Provisional certification status also carries fewer due process protections than full certification. As a result, ED may withdraw an institution’s provisional certification more easily than if an institution is fully certified. Provisional certification does not otherwise limit access to Title IV program funds by students attending the institution.

GE regulations became effective on July 1, 2015. The GE regulations measure programs according to several debt-to-income categories: passing, zone and failing. Programs that fail GE accountability metrics in two out of any three consecutive years or do not pass in any four consecutive years will be disqualified from participation in Title IV programs for a period of three years, and an institution is prohibited from establishing Title IV eligibility for any substantially similar program during that period. The GE regulations also require institutions to make certain public disclosures and report additional information to ED, which requirements management believes are administratively burdensome and could result in increased compliance costs. Draft regulations rescinding the GE regulations have been published by ED; ED has allowed for a 30-day comment period and intends to publish final, revised GE rules in the late fall of 2018.

Approximately 11% of Adtalem's 2014-2015 academic year programs fell into the failing category, and approximately 15% of Adtalem's programs fell into the zone category, including RUSVM's veterinary medicine program. Adtalem provided required warnings to enrolled and prospective students with respect to programs considered under the GE regulations to be in jeopardy of losing Title IV eligibility in February 2017. Management expects that certain programs will be able to avoid falling into the zone or failing categories in future years through adjustments to the price, or, if appropriate and consistent with programmatic standards, the duration of such programs. For programs where such adjustments or initiatives are not feasible, which may include RUSVM's veterinary medicine program, we may discontinue such programs or direct students to third-party lenders for financial support of student tuition and other expenses. These adjustments or initiatives, or any requirement to issue warnings to enrolled and prospective students, could have a significant impact on our business, financial condition, results of operations and cash flows and result in the imposition of significant restrictions on us and our ability to operate. Management expects RUSVM will continue to be in the zone category for the 2015-2016 and 2016-2017 academic years, as well as, if potential initiatives to improve graduate incomes are not executable, are not executed or are unsuccessful, the 2017-2018 academic year. This is possible notwithstanding strong student outcomes and very low Cohort Default Rates for RUSVM graduates (0.2% as for fiscal year 2014, the latest 3-year cohort period for which official data is available). In March 2017, ED delayed implementation of some portions of the GE reporting regulations until July 1, 2017. ED indicated in the delay announcement that its action was taken to allow ED to further review the GE regulations and their implementation. On June 16, 2017, ED then announced its intention to revise these rules. The timing and effective date of any future final regulations cannot be determined at this time. If the GE regulations and guidance are not changed prior to 2019 and RUSVM's veterinary program is determined by ED to be the zone category for the 2015-2016 and 2016-2017 academic years, RUSVM would be required to issue warnings to students in 2019 that Title IV funding may no longer be available to students attending RUSVM. Further, if RUSVM's veterinary program is determined to be in the zone category for the 2017-2018 academic year, RUSVM students would no longer have access to Title IV student aid as early as the beginning of 2020, which could have a material adverse effect on the business, financial condition, results of operations and cash flows.

The U.S. Congress may change laws governing federal financial aid programs in ways that could reduce our student enrollment.

Action by the U.S. Congress to revise the laws governing the federal student financial aid programs or reduce funding for those programs could reduce Adtalem's student enrollment and/or increase its costs of operation. Political and budgetary concerns significantly affect Title IV programs. The U.S. Congress enacted the HEA to be reauthorized on a periodic basis, which most recently occurred in August 2008. The 2008 reauthorization of the HEA made significant changes to the requirements governing Title IV programs, including changes that, among other things:

- Regulated non-federal, private education loans;
- Regulated the relationship between institutions and lenders that make education loans;
- Revised the calculation of the student default rate attributed to an institution and the threshold rate at which sanctions will be imposed against an institution (as discussed above);
- Adjusted the types of revenue that an institution is deemed to have derived from Title IV programs and the sanctions imposed on an institution that derives too much revenue from Title IV programs;
- Increased the types and amount of information that an institution must disclose to current and prospective students and the public; and
- Increased the types of policies and practices that an institution must adopt and follow.

Committee leadership of the U.S. House of Representatives has put forth a comprehensive HEA proposal. However, the Senate has not put forth a comprehensive HEA reauthorization proposal, and reauthorization activities have not begun in earnest. When HEA is reauthorized, existing programs and participation requirements are subject to change. Additionally, funding for student financial assistance programs may be impacted during appropriations and budget actions.

The U.S. Congress can change the laws affecting Title IV programs in annual federal appropriations bills and other laws it enacts between the HEA reauthorizations. At this time, Adtalem cannot predict any or all of the changes that the U.S. Congress may ultimately make. Since a significant percentage of Adtalem's revenue is tied to Title IV programs, any action by the U.S. Congress that significantly reduces Title IV program funding or the ability of Adtalem's degree-granting institutions or students to participate in Title IV programs could have a material adverse effect on Adtalem's business, financial condition, results of operations and cash flows and result in the imposition of significant restrictions on us and our ability to operate. Recently proposed legislation that, if enacted, could have a material adverse effect on our business includes:

- Limitations on the enrollment of U.S. citizens in foreign medical schools;
- Institution sharing of cost of defaulted federal student loans; and
- Extending Title IV eligibility to low-cost, non-traditional, non-accredited programs.

Our ability to comply with some ED regulations is affected by economic forces affecting our students and graduates that are not entirely within our control.

Our ability to comply with several ED regulations is not entirely within our control. In particular, our ability to participate in federal Title IV programs is dependent on the ability of our past students to avoid default on student loans, obtain employment and pay for a portion of their education with private funds. These factors are heavily influenced by broader economic drivers, including the personal or family wealth of our students, the overall employment outlook for their area of study and the availability of private financing sources. An economic downturn, or a worsening economic outlook, could impact these factors, which could have a material adverse effect on our business, financial condition, results of operation and cash flows and result in the imposition of significant restrictions on us and our ability to operate.

ED rules prohibiting "substantial misrepresentation" are very broad. As a result, we face increased exposure to litigation arising from student and prospective student complaints and enforcement actions by ED that could restrict or eliminate our eligibility to participate in Title IV programs.

ED regulations prohibit any "substantial misrepresentation" by our Title IV Institutions, employees and agents regarding the nature of the institution's educational programs, its financial charges or the employability of its graduates. These regulations may, among other things, subject us to sanctions for statements containing errors made to non-students, including any member of the public, impose liability on us for the conduct of others and expose us to liability even when no actual harm occurs. A "substantial misrepresentation" is any misrepresentation on which the person to whom it was made could reasonably be expected to rely, or has reasonably relied, to that person's detriment. It is possible that despite our efforts to prevent misrepresentations, our employees or service providers may make statements that could be construed as substantial misrepresentations. As a result, we may face complaints from students and prospective students over statements made by us and our agents in advertising and marketing, during the enrollment, admissions and financial aid process and throughout attendance at any of our Title IV Institutions, which would expose us to increased risk of enforcement action and applicable sanctions or other penalties, including potential Defense to Repayment liabilities, and increased risk of private qui tam actions under the Federal False Claims Act. Further, our historically-disclosed graduate employment statistics, or advertising regarding such statistics, which ED is investigating, could be found to be in violation of the substantial misrepresentation regulations. If ED determines that an institution has engaged in substantial misrepresentation, ED may (1) fine the institution; (2) discharge students' debt and hold the institution liable for the discharged debt under the HEA and the Defense to Repayment Regulations; and/or (3) suspend or terminate an institution's participation in Title IV programs. Alternatively, ED may impose certain other limitations on the institution's participation in Title IV programs, which could include the denial of applications for approval of new programs or locations, a requirement to post a substantial letter of credit or the imposition of one of ED's heightened cash monitoring processes. Any of the forgoing actions could have a material adverse effect on our business, financial condition, results of operations and cash flows and result in the imposition of significant restrictions on us and our ability to operate.

Regulations governing the eligibility of our U.S. degree-granting institutions to participate in Title IV programs preclude us from compensating any employee or third-party involved in student recruitment, admissions or the awarding of financial aid based on their success in those areas. These regulations could limit our ability to attract and retain highly-qualified employees, to sustain and grow our business or to develop or acquire businesses that would not otherwise be subject to such regulations.

An educational institution participating in Title IV programs may not pay any commission, bonus or other incentive payments to any person involved in student recruitment or admissions or the awarding of Title IV program funds, if such payments are based directly or indirectly in any part on success in enrolling students or obtaining student financial aid. We cannot be sure that the compensation that we have paid our employees will not be determined to violate these regulations. Our limited ability to compensate our employees based on their performance of their job responsibilities could make it more difficult for us to attract and retain highly-qualified employees. These regulations may also impair our ability to sustain and grow our business, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

A failure to demonstrate financial responsibility or administrative capability may result in the loss of eligibility to participate in Title IV programs.

All Title IV Institutions are subject to meeting financial and administrative standards. These standards are assessed through annual compliance audits, periodic renewal of institutional PPAs, periodic program reviews and ad hoc events which may lead ED to evaluate an institution's financial responsibility or administrative capability. The administrative capability criteria require, among other things, that our institutions (1) have an adequate number of qualified personnel to administer Title IV programs, (2) have adequate procedures for disbursing and safeguarding Title IV funds and for maintaining records, (3) submit all required reports and consolidated financial statements in a timely manner, and (4) not have significant problems that affect the institution's ability to administer Title IV programs. If ED determines, in its judgment, that one of our institutions has failed to demonstrate either financial responsibility or administrative capability, we could be subject to sanctions, including, among other things, a requirement to post a letter of credit, fines, suspension or termination of our eligibility to participate in Title IV programs or repayment of funds received under Title IV programs, any of which could have a material adverse effect on our business, financial condition, results of operation and cash flows and result in the imposition of significant restrictions on us and our ability to operate. ED has considerable discretion under the regulations to impose the foregoing sanctions and, in some cases, such sanctions could be imposed without advance notice or any prior right of review or appeal.

If ED does not recertify any one of our institutions to continue participating in Title IV programs, students at that institution would lose their access to Title IV program funds. Alternatively, ED could recertify our institutions but require our institutions to accept significant limitations as a condition of their continued participation in Title IV programs.

ED certification to participate in Title IV programs lasts a maximum of six years, and institutions are thus required to seek recertification from ED on a regular basis in order to continue their participation in Title IV programs. An institution must also apply for recertification by ED if it undergoes a change in control, as defined by ED regulations.

Each of our Title IV Institutions operates under a PPA. There can be no assurance that ED will recertify an institution after its PPA expires or that ED will not limit the period of recertification to participate in Title IV programs to less than six years, place the institution on provisional certification or impose conditions or other restrictions on the institution as a condition of granting our application for recertification. If ED does not renew or withdraws the certification to participate in Title IV programs for one or more of our institutions at any time, students at such institution would no longer be able to receive Title IV program funds. Alternatively, ED could (1) renew the certifications for an institution, but restrict or delay receipt of Title IV funds, limit the number of students to whom an institution could disburse such funds or place other restrictions on that institution, or (2) delay recertification after an institution’s PPA expires, in which case the institution’s certification would continue on a month-to-month basis, any of which could have a material adverse effect on the businesses, financial condition, results of operations and cash flows of the institution or Adtalem as a whole and could result in the imposition of significant restrictions on the ability of the institution or Adtalem as a whole to operate.

If we fail to maintain our institutional accreditation or if our institutional accrediting body loses recognition by ED, we would lose our ability to participate in Title IV programs.

The loss of institutional accreditation by any of our schools would leave the affected school ineligible to participate in Title IV programs and would have a material adverse effect on our business, financial condition, results of operation and cash flows and result in the imposition of significant restrictions on us and our ability to operate. In addition, an adverse action by any of our institutional accreditors other than loss of accreditation, such as issuance of a warning, could have a material adverse effect on our business. Increased scrutiny of accreditors by the Secretary of Education in connection with ED’s recognition process may result in increased scrutiny of institutions by accreditors or have other consequences.

If regulators do not approve, or delay their approval of, transactions involving a material change of ownership or change of control of our company, the eligibility of our institutions to participate in Title IV programs, our institutions’ accreditations and our institutions’ state licenses may be impaired in a manner that materially and adversely affects our business.

A material change of ownership or change of control of Adtalem, depending on the type of change, may have significant regulatory consequences for Chamberlain, AUC, RUSM, RUSVM, DeVry University and Carrington. Such a change of ownership or control could require recertification by ED, the reevaluation of accreditation by each institution’s accreditors and/or reauthorization by each institutions’ state licensing agencies. If Adtalem experiences a material change of ownership or change of control, then Chamberlain, AUC, RUSM, RUSVM, DeVry University and Carrington may cease to be eligible to participate in Title IV programs until recertified by ED. The continuing participation of each of Chamberlain, AUC, RUSM, RUSVM, DeVry University and Carrington in Title IV programs is critical to our business. Any disruption in an institution’s eligibility to participate in Title IV programs would materially and adversely impact our business, financial condition, results of operations and cash flow.

In addition, each Title IV Institution is required to report any material change in stock ownership to its principal institutional accrediting body and would generally be required to obtain approval prior to undergoing any transaction that affects, or may affect, its corporate control or governance. In the event of any such change, each of our institution’s accreditors may undertake an evaluation of the effect of the change on the continuing operations of our institution for purposes of determining if continued accreditation is appropriate, which evaluation may include a comprehensive review. If our accreditors determine that the change is such that prior approval was required, but was not obtained, many of our accreditors’ policies require the accreditor to consider withdrawal of accreditation. If accreditation is suspended or withdrawn with respect to any of our Title IV Institutions, they would not be eligible to participate in Title IV programs until the accreditation is reinstated or is obtained from another appropriate accrediting body. There is no assurance that reinstatement of accreditation could be obtained on a timely basis, if at all, and accreditation from a different qualified accrediting authority, if available, would require a significant amount of time. Any material disruption in accreditation would materially and adversely impact our business, financial condition, results of operations and cash flow.

In addition, some states in which Chamberlain, AUC, RUSM, RUSVM, DeVry University and Carrington are licensed require approval (in some cases, advance approval) of changes in ownership or control in order to remain authorized to operate in those states, and participation in grant programs in some states may be interrupted or otherwise affected by a change in ownership or control.

As of June 30, 2018, a substantial portion of our outstanding capital stock is owned by a small group of institutional shareholders. We cannot prevent a material change of ownership or change of control that could arise from a transfer of voting stock by any combination of those shareholders.

A bankruptcy filing by us or by any of our Title IV Institutions, or a closure of one of our Title IV Institutions, would lead to an immediate loss of eligibility to participate in Title IV programs.

In the event of a bankruptcy filing by Adtalem, all of our Title IV Institutions would lose their eligibility to participate in Title IV programs, pursuant to statutory provisions of the HEA, notwithstanding the automatic stay provisions of federal bankruptcy law, which would make any reorganization difficult to implement. Similarly, in the event of a bankruptcy filing by any of Adtalem’s subsidiaries that own a Title IV Institution, such institution would lose its eligibility to participate in Title IV programs. In the event of any bankruptcy affecting one or more of our Title IV Institutions, ED could hold our other Title IV Institutions jointly liable for any Title IV program liabilities, whether asserted or unasserted at the time of such bankruptcy, of the institution whose Title IV program eligibility was terminated.

Further, in the event that an institution closes and fails to pay liabilities or other amounts owed to ED, ED can attribute the liabilities of that institution to other institutions under common ownership. If any one of our Title IV Institutions were to close or have unpaid ED liabilities, ED could seek to have those liabilities repaid by one of our other Title IV Institutions.

Student loan defaults could result in the loss of eligibility to participate in Title IV programs.

Our U.S. degree-granting institutions may lose their eligibility to participate in Title IV programs if their student loan default rates are greater than standards set by ED. An educational institution may lose its eligibility to participate in some or all Title IV programs, if, for three consecutive federal fiscal years, 30% or more of its students who were required to begin repaying their student loans in the relevant federal fiscal year default on their payment by the end of the next two federal fiscal years. In addition, an institution may lose its eligibility to participate in some or all Title IV programs if its default rate for a federal fiscal year was greater than 40%. If any of our U.S. degree-granting institutions lose eligibility to participate in Title IV programs because of high student loan default rates, it would have a material adverse effect on our business, financial condition, results of operation and cash flows and result in the imposition of significant restrictions on us and our ability to operate.

Our schools could lose their eligibility to participate in federal student financial aid programs if the percentage of their revenue derived from those programs were too high.

Our U.S. degree-granting institutions may lose eligibility to participate in Title IV programs if, on a cash basis, the percentage of the institution's revenue derived from Title IV programs for two consecutive fiscal years is greater than 90% (the "90/10 Rule"). Further, if an institution exceeds the 90% threshold for any single fiscal year, ED could place that institution on provisional certification status for the institution's following two fiscal years. If any of our U.S. degree-granting institutions lose eligibility to participate in Title IV programs because they are unable to comply with ED's 90/10 Rule, it could have a material adverse effect on our business, financial condition, results of operation and cash flows and result in the imposition of significant restrictions on us and our ability to operate.

Our failure to comply with ED's credit hour rule could result in sanctions and other liability.

In 2009 and 2010, ED's Office of Inspector General criticized three accreditors, including the Higher Learning Commission ("HLC"), which is the accreditor for Chamberlain and DeVry University, for deficiency in their oversight of institutions' credit hour allocations. In June 2010, the House Education and Labor Committee held a hearing concerning accrediting agencies' standards for assessing institutions' credit hour policies. The 2010 Program Integrity Regulations defined the term "credit hour" for the first time and required accrediting agencies to review the reliability and accuracy of an institution's credit hour assignments. If an accreditor does not comply with this requirement, its recognition by ED could be jeopardized. If an accreditor identifies systematic or significant noncompliance in one or more of an institution's programs, the accreditor must notify the Secretary of Education. If ED determines that an institution is out of compliance with the credit hour definition, ED could impose liabilities or other sanctions, which could have a material adverse effect on our business, financial conditions, results of operation and cash flows and result in the imposition of significant restrictions on us and our ability to operate.

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

Institutions that participate in Title IV programs must be authorized to operate by the appropriate postsecondary regulatory authority in each state in which the institution is located. Campuses of our U.S. degree-granting institutions are authorized to operate and grant degrees, diplomas or certificates by the applicable education agency of the state in which each such campus is located. Many states are currently reevaluating and revising their authorization regulations, especially as applied to distance education. The loss of state authorization would, among other things, render the affected school ineligible to participate in Title IV programs, at least at those state campus locations, and otherwise limit that school's ability to operate in that state. Loss of authorization in one or more states could increase the likelihood of additional scrutiny and potential loss of operating and/or degree-granting authority in other states in which we operate, which would further impact our business. If these pressures and uncertainty continue in the future, or if one or more of our institutions are unable to offer programs in one or more states, it could have a material adverse impact on our enrollment, revenue, results of operations and cash flows and result in the imposition of significant restrictions on us and our ability to operate.

Our ability to place our medical schools' students in hospitals in the U.S. may be limited by efforts of certain state government regulatory bodies, which may limit the growth potential of our medical schools, put our medical schools at a competitive disadvantage to other medical schools or force our medical schools to substantially reduce their class sizes.

Each of AUC and RUSM enter into affiliation agreements with hospitals across the U.S. to place their third and fourth year students in clinical programs at such hospitals. Certain states with regulatory programs that require state approval of clinical education programs have in recent years precluded, limited or imposed onerous requirements on Adtalem's entry into affiliation agreements with hospitals in their states. If these or other states continue to limit access to affiliation arrangements, our medical schools may be at a competitive disadvantage to other medical schools, and our medical schools may be required to substantially restrict their enrollment due to limited clinical opportunities for enrolled students. The impact on enrollment, and the potential for enrollment growth, of such restrictions on our medical schools' clinical placements could have a material adverse effect on our business, financial conditions, results of operation and cash flows and result in the imposition of significant restrictions on us and our ability to operate.

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

Some states are experiencing budget deficits and constraints. Some of these states have reduced or eliminated various student financial assistance programs or established minimum performance measures as a condition of participation, and additional states may do so in the future. If our students who receive this type of assistance cannot secure alternate sources of funding, they may be forced to withdraw, reduce the rate at which they seek to complete their education or replace the source with more expensive forms of funding, such as private loans, which will have a negative impact on debt measurements such as our GE disclosures and cohort default rate. Other students who would otherwise have been eligible for state financial assistance may not be able to enroll without such aid. This reduced funding could decrease our enrollment and adversely affect our business, financial condition, results of operations and cash flows.

In addition, the reduction or elimination of these non-Title IV sources of student funding may adversely affect our 90/10 Rule measurement.

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

The HEA and ED regulations require us to calculate refunds of unearned Title IV program funds disbursed to students who withdraw from their educational program. If refunds are not properly calculated or timely paid, we may be required to post a letter of credit with ED or be subject to sanctions or other adverse actions by ED, which could have a material adverse effect on our financial condition, results of operation and cash flows.

A failure of our vendors to comply with applicable regulations in the servicing of our students and institutions could subject us to fines or restrictions on or loss of our ability to participate in Title IV programs.

We contract with unaffiliated entities for student software systems and services related to the administration of portions of our Title IV and institutional loan programs. Because each of our schools is jointly and severally liable for the actions of third-party servicers and vendors, failure of such servicers to comply with applicable regulations could have a material adverse effect on our schools, including fines and the loss of eligibility to participate in Title IV programs, which could have a material adverse effect on our enrollment, revenue and results of operations and cash flows and result in the imposition of significant restrictions on us and our ability to operate. If any of our third party servicers discontinues providing such services to us, we may not be able to replace such third party servicer in a timely, cost-efficient or effective manner, or at all, and we could lose our ability to comply with collection, lending and Title IV requirements, which could have a material adverse effect our enrollment, revenue and results of operations and cash flows and result in the imposition of significant restrictions on us and our ability to operate.

We provide financing programs to assist some of our students in affording our educational offerings. These programs are subject to various federal and state rules and regulations. Failure to comply with these regulations could subject us to fines, penalties, obligations to discharge loans and other injunctive requirements.

If we, or one of the companies that service our loans, do not comply with laws applicable to the financing programs that assist our students in affording our educational offerings, including Truth in Lending and Fair Debt Collections Practices laws and the Unfair, Deceptive or Abusive Acts or Practices provisions of Title X of the Dodd-Frank Act, we could be subject to fines, penalties, obligations to discharge loans and other injunctive requirements, which could have a material adverse effect on our financial condition, results of operation and cash flows and result in the imposition of significant restrictions on us and our ability to operate. Additionally, an adverse allegation, finding or outcome in any of these matters could also materially and adversely affect our ability to maintain, obtain or renew licenses, approvals or accreditation and maintain eligibility to participate in Title IV programs or serve as a basis for ED to discharge certain Title IV student loans and seek recovery for some or all of its resulting losses from us, any of which could have a material adverse effect on our business, financial condition, results of operations and cash flows and result in the imposition of significant restrictions on us and our ability to operate.

Release of confidential information could subject us to civil penalties or cause us to lose our eligibility to participate in Title IV programs.

As an educational institution participating in federal and state student assistance programs and collecting financial receipts from enrollees or their sponsors, we collect and retain certain confidential information. Such information is subject to federal and state privacy and security rules, including the Family Education Right to Privacy Act, the Health Insurance Portability and Accountability Act and the Fair and Accurate Credit Transactions Act. Release or failure to secure confidential information or other noncompliance with these rules could subject us to fines, loss of our capacity to conduct electronic commerce and loss of eligibility to participate in Title IV programs, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We are subject to sanctions if we fail to accurately and timely report sponsored students' tuition, fees and enrollment to the sponsoring agency.

A significant portion of our enrollment is sponsored through various federal and state supported agencies and programs, including the Department of Defense, the U. S. Department of Labor and the Department of Veterans Affairs. We are required to periodically report tuition, fees and enrollment to the sponsoring agencies. As a recipient of funds, we are subject to periodic reviews and audits. Inaccurate or untimely reporting could result in suspension or termination of our eligibility to participate in these federal and state programs and have a material adverse impact on enrollment and revenue, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Adtalem's enrollment may be adversely affected by presentations of data that are not representative of actual educational costs for our prospective students.

ED and other public policy organizations are concerned with the affordability of higher education and have developed various tools and resources to help students find low-cost educational alternatives. These resources primarily rely on and present data for first-time, full-time residential students, which is not representative of most prospective Adtalem students. These presentations may influence some prospective students to exclude Adtalem institutions from their consideration, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Restrictions or limitations on the government-supported student loan and scholarship programs in Brazil could have a material and adverse impact on Adtalem Brazil's ability to attract and retain students and execute its plans for organic and inorganic growth.

Adtalem Brazil students are eligible for loans under Brazil's FIES public loan program ("Fundo de Financiamento Estudantil" or "Students Financing Fund"), which is financed by the Brazilian government. Adtalem Brazil also participates in PROUNI ("Programa Universidade para Todos" or "University for All Program"), a Brazilian governmental program, which provides scholarships to a portion of its undergraduate students under certain conditions. As of June 30, 2018, approximately 21% of Adtalem Brazil's degree-seeking students have obtained financing under the FIES program while approximately 23% have obtained scholarships under the PROUNI program. Without prior notice, during fiscal year 2015, the Brazilian government enacted changes to the FIES regulations limiting student eligibility for FIES funding and extending the government's time to pay participating institutions. Restrictions or limitations on the FIES public loan program or student scholarships under the PROUNI program could have a material and adverse impact on Adtalem Brazil's ability to attract and retain students and execute its plans for organic and inorganic growth, which could have a material adverse effect on our financial condition, results of operations and cash flows.

Risks Related to Adtalem's Business

Student enrollment at our schools is affected by legislative, regulatory and economic factors that may change in ways we cannot predict. These factors outside our control limit our ability to assess our future enrollment effectively.

Adtalem's future revenue and growth depend on a number of factors, including many of the regulatory risks discussed above and business risks discussed below. DeVry University and Carrington have experienced reduced new student enrollment in recent periods. Despite ongoing efforts to provide more scholarships to prospective students, and to increase quality and build our reputation, negative perceptions of the value of a college degree from one of our institutions, increased reluctance to take on debt and the resulting lower student consumer confidence may continue to impact enrollment in the future. In addition, technological innovations in the delivery of low-cost education alternatives and increased competition continue to negatively affect enrollment. Until legislative, regulatory and market uncertainty are resolved, it may be difficult to assess whether and to what extent our long-term revenue and growth prospects may be impacted.

Adtalem is subject to risks relating to enrollment of students. If Adtalem is not able to continue to successfully recruit and retain its students, it will not be able to sustain or grow revenue.

Adtalem's undergraduate and graduate educational programs are concentrated in selected areas of technology, healthcare, law and business. If applicant career interests or employer needs shift away from these fields, and we do not anticipate or adequately respond to that trend, future enrollment and revenue may decline and the rates at which our graduates obtain jobs involving their fields of study could fall.

If our graduates are unable to find appropriate employment opportunities, we may not be able to recruit new students.

If employment opportunities for Adtalem graduates in fields related to their educational programs decline, future enrollment and revenue may decline as potential applicants choose to enroll at other educational institutions or providers offering different courses of study.

We face heightened competition in the postsecondary education market from both public and private educational institutions.

Postsecondary education in our existing and new market areas is highly competitive and is becoming increasingly so. We compete with traditional public and private two-year and four-year colleges, other proprietary schools and alternatives to higher education. Some of our competitors, both public and private, have greater financial and nonfinancial resources than us. Some of our competitors, both public and private, are able to offer programs similar to ours at a lower tuition level for a variety of reasons, including the availability of direct and indirect government subsidies, government and foundation grants, large endowments, tax-deductible contributions and other financial resources not available to proprietary institutions, or by providing fewer student services or larger class sizes. An increasing number of traditional colleges and community colleges are offering distance learning and other online education programs, including programs that are geared towards the needs of working adults. This trend has been accelerated by private companies that provide and/or manage online learning platforms for traditional colleges and community colleges. 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 reputations for excellence. As the online and distance learning segment of the postsecondary education market matures, we believe that the intensity of the competition we face will continue to increase. This intense competition could make it more challenging for us to enroll students who are likely to succeed in our educational programs, which could adversely affect our new student enrollment levels and student persistence and put downward pressure on our tuition rates, any of which could materially and adversely affect our business, financial condition, results of operations and cash flows.

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

Possession and use of personal information in our operations subjects us to risks and costs that could harm our business. We collect, use and retain large amounts of personal information regarding our students and their families, including social security numbers, tax return information, personal and family financial data and credit card numbers. We also collect and maintain personal information of our employees and contractors in the ordinary course of our business. Some of this personal information is held and managed by certain of our vendors. Confidential information also may become available to third parties inadvertently when we integrate or convert computer networks into our network following an acquisition of a school or in connection with system upgrades from time to time.

Due to the sensitive nature of the information contained on our networks, such as students' financial information and grades, our networks may be targeted by hackers. Anyone who circumvents security measures could misappropriate proprietary or confidential information or cause interruptions or malfunctions in our operations. Although we use security and business controls to limit access and use of personal information, a third party may be able to circumvent those security and business controls, which could result in a breach of privacy. In addition, errors in the storage, use or transmission of personal information could result in a breach of privacy. Possession and use of personal information in our operations also subjects us to legislative and regulatory burdens that could require notification of data breaches and restrict our use of personal information. We cannot assure that a breach, loss or theft of personal information will not occur. A breach, theft or loss of personal information regarding our students and their families or our employees or contractors that is held by us or our vendors could have a material adverse effect on our reputation and results of operations and result in liability under state and federal privacy statutes and legal actions by federal or state authorities and private litigants, any of which could have a material adverse effect on our business and result in the imposition of significant restrictions on us and our ability to operate.

System disruptions and vulnerability from security risks to our computer network or information systems could severely impact our ability to serve our existing students and attract new students.

The performance and reliability of our computer networks and system applications, especially online educational platforms and student operational and financial aid packaging applications, are critical to our reputation and ability to attract and retain students. System errors, disruptions or failures, including those arising from unauthorized access, computer hackers, computer viruses, denial of service attacks and other security threats, could adversely impact Adtalem's delivery of educational content to its online students or result in delays and/or errors in processing student financial aid and related disbursements. Such events could have a material adverse effect on the reputation of our institutions, our financial conditions, results of operation and cash flows. We may be required to expend significant resources to protect against system errors, failures or disruptions, or the threat of security breaches, or to repair or otherwise mitigate problems caused by any actual errors, disruptions, failures or breaches. We cannot ensure that these efforts will protect our computer networks, or fully mitigate the resulting impact of interruptions or malfunctions in our operations, despite our regular monitoring of our technology infrastructure security and business continuity plans.

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

The use of the internet and other online services has led to and may lead to the adoption of new laws and regulations in the U.S. or foreign countries and to new interpretations of existing laws and regulations. These new laws, regulations and interpretations may relate to issues such as online privacy, copyrights, trademarks and service marks, sales taxes, value-added taxes, withholding taxes, cost of internet access and services, allocation and apportionment of income amongst various state, local and foreign jurisdictions, fair business practices and the requirement that online education institutions qualify to do business as foreign corporations or be licensed in one or more jurisdictions where they have no physical location or other presence. New laws, regulations or interpretations related to doing business over the internet could increase our costs and materially and adversely affect our enrollment, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

***Natural disasters or other extraordinary events or political disruptions may cause us to close some of our schools*.**

Adtalem may experience business interruptions resulting from natural disasters, inclement weather, transit disruptions, political disruptions or other events in one or more of the geographic areas in which it operates, particularly in the West Coast and Gulf States of the U.S., the Caribbean and Brazil. These events could cause Adtalem to close schools — temporarily or permanently — and could affect student recruiting opportunities in those locations, causing enrollment and revenue to decline, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Adtalem's ability to open new campuses, offer new programs and add capacity is dependent on regulatory approvals and requires financial and human resources.

As part of its strategy, Adtalem intends to open new campuses, offer new educational programs and add capacity to certain existing locations. Such actions require Adtalem to obtain appropriate federal, state and accrediting agency approvals. In addition, adding new locations, programs and capacity may require significant financial investments and human resource capabilities. The failure to obtain appropriate approvals or to properly allocate financial and human resources could adversely impact Adtalem's future growth.

***We may not be able to attract, retain and develop key employees necessary for our operations and the successful execution of our strategic plans*.**

Adtalem may be unable to attract, retain and develop key employees with appropriate educational qualifications and experience. Regulatory and other legal actions and the claims contained in these actions may have diminished our reputation, and these actions and the resulting negative publicity may have decreased interest by potential employees. In addition, Adtalem may be unable to effectively plan and prepare for changes in key employees. Such matters may cause Adtalem to incur higher wage expense and/or provide less student support and customer service, which could adversely affect enrollment, revenue and expense. A significant amount of our compensation for key employees is tied to our financial performance. We may require new employees in order to execute some of our strategic plans. Uncertainty regarding our future financial performance may limit our ability to attract new employees with competitive compensation or increase our cost of recruiting and retaining such new employees.

Adtalem may not be able to successfully identify, pursue or integrate acquisitions.

As part of its strategy, Adtalem is actively considering acquisition opportunities in the U.S. and globally. Adtalem has acquired and expects to acquire additional education institutions or education related businesses that complement our strategic direction, some of which could be material to our operations. Any acquisition involves significant risks and uncertainties, including, but not limited to:

- Inability to successfully integrate the acquired operations and personnel into our institutions and maintain uniform standards, controls, policies and procedures;
- Failure to secure applicable regulatory approvals;
- Assumption of known and unknown liabilities;
- Diversion of significant attention of our senior management from day-to-day operations;
- Issues not discovered in our due diligence process, including compliance issues, commitments and/or contingencies; and
- Financial commitments, investments in foreign countries and compliance with debt covenants and ED financial responsibility scores.

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Proposed changes in, or lapses of, U.S. tax laws regarding earnings from international operations could adversely affect our financial results.

Our effective tax rate could be subject to volatility or be adversely impacted by changes to federal tax laws governing the taxation of foreign earnings of U.S. based companies. For example, as a consequence of the newly enacted Tax Cuts and Jobs Act of 2017 (the “Tax Act”), the cumulative foreign earnings are now deemed to be repatriated, resulting in a higher effective tax rate for our fiscal year ended June 30, 2018. In addition, recent changes to U.S. tax laws will significantly impact how U.S. multinational corporations are taxed on foreign earnings. Numerous countries are evaluating their existing tax laws, due in part to recommendations made by the Organization for Economic Co-operation and Development’s (“OECD’s”) Base Erosion and Profit Shifting (“BEPS”) project. To address the impact of the recent U.S. tax law changes, we recorded a provisional tax amount of $96.3 million for the one-time transition tax on the deemed repatriation of foreign earnings; $4.9 million to record the impact of the reduction in tax rates on our net deferred tax asset position; and $2.7 million for state income and foreign withholding taxes on undistributed foreign earnings that are no longer intended to be indefinitely reinvested in foreign operations. We are still evaluating the tax provisions related to Global Intangible Low-Taxed Income (“GILTI”), and we have not made a policy election on how to account for the GILTI provisions of the Tax Act as allowed by the U.S. Generally Accepted Accounting Principles. Our selection of an accounting policy with respect to the new GILTI tax rules will depend, in part, on analyzing our global income to determine whether we expect to have future U.S. inclusions in taxable income related to GILTI and, if so, what the impact is expected to be. In addition, the recent U.S. tax law changes are subject to further interpretations from U.S. federal and state governments and regulatory organizations, such as the Treasury Department and/or Internal Revenue Service, and this could change the provisional tax liability or the accounting treatment of the provisional tax liability based on updated guidance and interpretations. A significant portion of the additional provisions for income taxes we have made due to the enactment of the Tax Act is payable by us over a period of up to eight years. As a result, our cash flows from operating activities will be adversely impacted until the additional tax provisions are paid in full. In addition, Adtalem has benefitted from the ability to enter into international intercompany arrangements without incurring U.S. taxation due to a law, which expires in fiscal year 2020, deferring U.S. taxation of “foreign personal holding company income” such as foreign income from dividends, interest, rents and royalties. If this law is not extended, or a similar law adopted, our consolidated tax provision would be impacted beginning in our fiscal year 2021, and we may not be able to allocate international capital optimally without realizing U.S. income taxes, which would increase our effective income tax rate and adversely impact our earnings and cash flows.

Changes in effective tax rates or adverse outcomes resulting from examination of our income or other tax returns could adversely affect our results.

Our future effective tax rates could be subject to volatility or adversely affected by: earnings being lower than anticipated in countries where we have lower statutory rates and higher than anticipated earnings in countries where we have higher statutory rates; changes in the valuation of our deferred tax assets and liabilities; expiration of or lapses in various tax law provisions; tax treatment of stock-based compensation; costs related to intercompany or other restructurings; or other changes in tax rates, laws, regulations, accounting principles or interpretations thereof. In addition, we are subject to examination of our income tax returns by the Internal Revenue Service and other tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes. Although we have accrued tax and related interest for potential adjustments to tax liabilities for prior years, there can be no assurance that the outcomes from these continuous examinations will not have a material effect, either positive or negative, on our business, financial condition and results of operation.

Adtalem may experience movements in foreign currency exchange rates that could adversely affect our operating results.

As Adtalem expands internationally, Adtalem will conduct more transactions in currencies other than the U.S. dollar. The volume of transactions in the various foreign currencies could continue to increase, thus increasing Adtalem’s exposure to foreign currency exchange rate fluctuations. The financial position and results of operations of Adtalem’s investment in Adtalem Brazil are measured using the Brazilian Real as the functional currency. Brazilian-based assets constitute a material portion of Adtalem’s overall assets, and Brazilian-based liabilities constitute a material portion of Adtalem’s overall liabilities. Significant devaluations in the Brazilian Real will result in a significant devaluation in relation to the U.S. dollar. Fluctuations in foreign currency exchange rates could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Expansion into new international markets will subject Adtalem to risks inherent in international operations.

As part of its strategy, Adtalem has acquired and intends to acquire or establish additional educational operations outside of the U.S. To the extent that Adtalem expands internationally, Adtalem will face risks that are inherent in international operations including, but not limited to:

- Compliance with foreign laws and regulations;
- Management of internal operations;
- Currency exchange rate fluctuations;
- Ability to protect intellectual property;
- Monetary policy risks, such as inflation, hyperinflation and deflation;
- Price controls or restrictions on exchange of foreign currencies;

- Political and economic instability in the countries in which Adtalem operates;
- Potential unionization of employees under local labor laws;
- Multiple and possibly overlapping and conflicting tax laws;
- Inability to cost effectively repatriate cash balances; and
- Compliance with U.S. laws and regulations such as the Foreign Corrupt Practices Act.

A delayed or unsuccessful sale of DeVry University could have a material adverse effect on the stock valuation of Adtalem or may impact the growth prospects or financial resources of Adtalem.

Adtalem has entered into a binding stock purchase agreement (the "SPA") to sell DeVry University to Cogswell Education, LLC ("Cogswell" and such sale, the "DeVry Transaction"). Adtalem's transfer of ownership of DeVry University to Cogswell is subject to numerous customary and other closing conditions, including the absence of certain conditions or restrictions in ED's response to the pre-acquisition review application filed by DeVry University and the receipt of approvals or consents from regulators and accrediting bodies, including the HLC. There is no assurance that the conditions to closing will be satisfied in a timely manner or at all.

Additionally, Cogswell may terminate the SPA prior to the closing of the DeVry Transaction in certain circumstances, including in the event that ED's response to the pre-acquisition review application filed by DeVry University contains certain conditions or restrictions, DeVry University's enrollment declines below a certain threshold, claims of former DeVry University students under ED's Defense to Repayment Regulations exceed a certain threshold, HLC fails or declines to take action to approve the DeVry Transaction prior to June 30, 2018 or the conditions to closing have not been met prior to January 19, 2019 (subject to each party's right to extend such date for an additional 90 days under certain conditions). As of June 30, 2018, HLC did not take action to approve the DeVry Transaction.

If the DeVry Transaction is not completed, the valuation of Adtalem common stock may materially and adversely decline.

In addition, the separation of DeVry University from Adtalem is a substantial undertaking that requires, among other things, hiring employees and contracting for services for DeVry University in replacement of previously shared resources prior to closing the DeVry Transaction. In the event that the DeVry Transaction is delayed, the expenses of the separation, including additional personnel costs, may materially increase, which could materially impact Adtalem's available cash.

A delayed or unsuccessful sale of Carrington could have a material adverse effect on the stock valuation of Adtalem or may impact the growth prospects or financial resources of Adtalem.

Adtalem has entered into a binding Membership Interest Purchase Agreement (the "MIPA") to sell Carrington to San Joaquin Valley College, Inc. ("SJVC") (the "Carrington Transaction"). Adtalem's transfer of ownership of Carrington to SJVC is subject to certain customary and other closing conditions, including the absence of certain conditions or restrictions in ED's response to the pre-acquisition review application filed by Carrington and the receipt of approvals or consents from regulators and accrediting bodies, including the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges ("ACCJC"). There is no assurance that the conditions to closing will be satisfied in a timely manner or at all.

Additionally, SJVC may terminate the MIPA prior to the closing of the Carrington Transaction in certain circumstances, including in the event that ED's response to the pre-acquisition review application filed by Carrington contains certain conditions or restrictions or the conditions to closing have not been met prior to December 31, 2018 (subject to each party's right to extend such date for an additional 90 days under certain conditions).

If the Carrington Transaction is not completed, the valuation of Adtalem common stock may materially and adversely decline.

Adtalem's goodwill and intangible assets potentially could be impaired if our business results and financial condition were materially and adversely impacted by risks and uncertainties.

Adtalem's market capitalization can be affected by, among other things, changes in industry or market conditions, changes in results of operations and changes in forecasts or market expectations related to future results. If Adtalem's market capitalization were to remain below its carrying value for a sustained period of time or if such a decline becomes indicative that the fair values of the Adtalem reporting units have declined below their carrying values, an impairment test may result in a non-cash impairment charge. At June 30, 2018, intangible assets from business combinations totaled $362.9 million and goodwill totaled $813.9 million. Together, these assets equaled 50% of total assets as of such date. If Adtalem's business results and financial condition were materially and adversely impacted, then such intangible assets and goodwill could be impaired, requiring a possible write-off of up to $362.9 million of intangible assets and up to $813.9 million of goodwill.

ITEM 1B – UNRESOLVED STAFF COMMENTS

There are no unresolved SEC staff comments.

ITEM 2 – PROPERTIES

Medical and Healthcare

Chamberlain

Chamberlain's home office is located in Downers Grove, Illinois. Chamberlain currently operates 21 campuses, of which 11 are co-located with DeVry University and other Adtalem operations in owned and leased facilities. The others are located in leased facilities. Chamberlain's total portfolio of academic and administrative operations comprise approximately 0.9 million square feet.

AUC

AUC's nine-acre campus is located in St. Maarten. The campus is owned and includes approximately 218,500 square feet of academic, student-life and student residence facilities. In addition to classrooms and auditoriums, educational facilities include a gross anatomy lab, a multi-purpose learning lab, library and learning resource centers, offices, cafeteria, recreational space and student residence facilities. Classrooms and laboratories are furnished with modern audio-visual equipment.

RUSM

RUSM's foundations of medicine facilities of approximately 273,000 total square feet was located on an approximately 33-acre campus in Dominica, of which approximately 22-acres are occupied under lease and 11-acres are owned. In addition to classrooms and auditoriums, educational facilities include a gross anatomy lab, a multi-purpose learning lab, library and learning resource centers, offices, cafeteria, recreational space and student residence facilities. Classrooms and laboratories are furnished with modern audio-visual equipment. Due to damage to the Dominica campus from Hurricane Maria in September 2017, RUSM currently operates out of 111,000 square feet of leased space in Knoxville, Tennessee and an additional facility on St. Kitts. See Hurricane Maria discussion in Part II, Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations of this Form 10-K.

In January 2019, RUSM plans to relocate from its temporary locations in Tennessee and St. Kitts to Barbados. RUSM will lease approximately 102,000 square feet for its academic facilities in Barbados.

RUSVM

RUSVM's pre-clinical instructional facilities of approximately 224,000 total square feet are located on a 50-acre site in St. Kitts which is owned. Educational facilities include an anatomy/clinical building, pathology building, research building with state of the art necropsy lab, classroom buildings, administration building, bookstore, cafeteria and a library/learning resource center. Animal care facilities include kennels, an aviary and livestock barns. Student-life and student residence facilities are also located on the campus.

Medical and Veterinary Schools

RUSM’s administrative office and clinical administrative center is located in Miramar, Florida, with a satellite operation in North Brunswick, New Jersey, both of which are co-located with Chamberlain and DeVry University. Also, an administrative office in Pembroke Pines, Florida supports AUC. These three facilities total approximately 70,000 square feet.

Professional Education

ACAMS leases approximately 13,500 square feet for its headquarters in Miami, Florida. In addition to this main administrative office, ACAMS leases approximately 3,500 square feet of space in New York, New York for executive administrative staff. ACAMS also leases space in fewer than 10 locations globally, including 7,400 square feet in London England, for sales and administrative staff.

Becker is headquartered within Adtalem’s home offices in Chicago and Downers Grove, Illinois. Becker also leases space in fewer than 10 locations globally for sales and administrative staff.

Becker classes are conducted in leased facilities, fewer than 10 of which are leased on a full-time basis. The remaining classes are conducted in facilities, which are leased on an as-needed basis, allowing classes to be added, expanded, relocated or closed as current enrollments require. Becker classes are also offered at AUC and RUSM locations.

Technology and Business

Adtalem Brazil

Adtalem Brazil operates 22 locations in Brazil. Adtalem Brazil’s administrative operations are located within campuses located in Fortaleza and São Paulo as well as in two additional non-campus locations in Salvador and Rio de Janeiro. All these locations comprise approximately 2.5 million square feet of space, of which approximately 2.0 million square feet are under lease agreements and approximately 0.5 million square feet are owned real estate.

Home Office

Adtalem's home office staff is located in two leased facilities in Chicago and Downers Grove, Illinois utilizing 191,000 square feet of office space. In addition to these main administrative centers, Adtalem leases approximately 12,000 square feet of space in Chatsworth, California and 9,500 square feet in Porto, Portugal for staff devoted to curriculum and other development efforts.

Adtalem also owns a 108,000 square foot building in Naperville, Illinois. This site houses Adtalem's online support operations and student finance administrative staff.

Adtalem's leased facilities are occupied under leases whose remaining terms range from 1 to 10 years. A majority of these leases contain provisions giving Adtalem the right to terminate early or renew its lease for additional periods at various rental rates, although generally at rates higher than are currently being paid. Adtalem's owned facilities total approximately 1.86 million square feet worldwide. No facility that is owned by Adtalem is subject to a mortgage or other indebtedness.

Discontinued Operations

DeVry University

DeVry University operates in 51 locations and maintains a home office within Adtalem's owned site in Naperville, Illinois. These 52 locations comprise approximately 1.08 million square feet, of which, 700,000 square feet are under lease and approximately 383,000 square feet are owned. After closing the sale of DeVry University, Adtalem plans to lease or sublease to DeVry University 23 sites totaling 711,000 square feet, including the Naperville, Illinois owned office building, and assign leases on an additional 27 sites totaling 365,000 square feet to DeVry University. A contingent liability will remain with Adtalem for the assigned sites.

Carrington

Carrington operates in 20 locations and maintains a home office presence within its Sacramento, California campus. Carrington's locations comprise approximately 544,000 square feet. After closing Carrington Transaction, Adtalem plans to sublease 8 sites totaling 218,000 square feet and assign leases on an additional 12 sites totaling 326,000 square feet to Carrington. A contingent liability will remain with Adtalem for the assigned sites.

ITEM 3 – LEGAL PROCEEDINGS

For a discussion of legal proceedings, see "Note 15: Commitments and Contingencies" to the Consolidated Financial Statements in Item 8 of this Form 10-K.

SUPPLEMENTARY ITEM-EXECUTIVE OFFICERS OF THE REGISTRANT

The name, age and current position of each executive officer of Adtalem are:

Name, Age and Office		Business Experience
Lisa W. Wardell President and Chief Executive Officer, Adtalem Global Education	48	Ms. Wardell joined Adtalem in May 2016 as President and Chief Executive Officer. Previously, Ms. Wardell served on the Adtalem Board of Directors since 2008 and also chaired the audit and finance committee. Prior to joining Adtalem, Ms. Wardell was Executive Vice President and Chief Operating Officer of The RLJ Companies from 2004 through 2016.
Kathy Boden Holland Group President, Medical and Healthcare, Adtalem Global Education	51	Ms. Boden Holland joined Adtalem in May 2018 as Group President, Medical and Healthcare. Previously, Ms. Boden Holland served on the Adtalem Board of Directors since January 2017. Prior to joining Adtalem, Ms. Boden Holland was Executive Vice President, Bank Products and in other executive leadership roles at Elevate Credit from 2014 through 2018. Previously, Ms. Boden Holland was Executive Vice President, Corporate Development at Think Finance Incorporated from 2012 to 2014 and President of RLJ Financial LLC from 2010 to 2012.
Mehul Patel Group President, Professional Education, Adtalem Global Education	44	Mr. Patel joined Adtalem in September 2017 as Group President, Professional Education. Prior to joining Adtalem, Mr. Patel was President of Apollo Global (a subsidiary of Apollo Education Group) where he also held other executive leadership roles from 2009 through 2017. Previously, Mr. Patel held a variety of leadership roles at Kaplan Professional (a division of Kaplan Inc.) from 2005 through 2009.
Carlos Degas Filgueiras Group President, Technology and Business, Adtalem Global Education	44	Mr. Filgueiras joined Adtalem in 2009, as President of Adtalem Brazil, upon the acquisition of Fanor, where he had been a partner and President since 2004. In June 2016, Mr. Filgueiras was promoted to President, Technology and Business to oversee this vertical internationally, in addition to Adtalem Brazil.

Dr. Karen Cox President, Chamberlain University	58	Dr. Cox joined Adtalem in August 2018 as President of Chamberlain University. Prior to joining Adtalem, Dr. Cox served as Executive Vice President and Chief Operating Officer of Children's Mercy – Kansas City, an independent, academic medical center in Missouri, from 2006 through August 2018. Prior to that role, Dr. Cox was Senior Vice President for Patient Care Services and Chief Nursing Officer from 2004 through 2006.
Dr. Susan L. Groenwald President Emeritus, Chamberlain University	69	Dr. Groenwald joined Adtalem in January 2006 as President of Chamberlain College of Nursing. Prior to joining Adtalem, Dr. Groenwald served as the director of operations for Focused Health Solutions, Inc., a disease management services firm for large self-insured employers. Dr. Groenwald retired as President of Chamberlain University in July 2018.

Name, Age and Office		Business Experience
James R. Bartholomew President, DeVry University	51	Mr. Bartholomew joined Adtalem in January 2014 as Chief Operating Officer at DeVry University. In September 2017, Mr. Bartholomew was promoted to President, DeVry University. Prior to joining Adtalem, Mr. Bartholomew was President at Le Cordon Bleu for 2013 and served in a variety of leadership roles at Universal Technical Institute from 2010 through 2012.
Donna Loraine President, Carrington College	65	Dr. Loraine joined Adtalem in 1993. Dr. Loraine held positions of increasing responsibility at DeVry University. Since 2007, Dr. Loraine served as Chief Academic Officer at DeVry University. In May 2016, Dr. Loraine was appointed President of Carrington College.
Patrick J. Unzicker Senior Vice President, Chief Financial Officer and Treasurer, Adtalem Global Education	47	Mr. Unzicker joined Adtalem in March 2006 as its Controller. In March 2012, Mr. Unzicker was appointed Vice President, Finance and Chief Accounting Officer and in March 2015, Mr. Unzicker assumed the Treasurer role. In June 2016, Mr. Unzicker was appointed Senior Vice President and Chief Financial Officer and maintains the Treasurer role. Prior to joining Adtalem, Mr. Unzicker was Vice President — Controller at Whitehall Jewelers, Inc., a mall-based retail jeweler, from July 2003 to March 2006.
Stephen W. Beard Senior Vice President, General Counsel, and Secretary, Adtalem Global Education	47	Mr. Beard joined Adtalem in February 2018 as Senior Vice President, Secretary and General Counsel. Prior to joining Adtalem, Mr. Beard held a variety of leadership roles at Heidrick & Struggles, International from 2003 through 2018 and was most recently Executive Vice President, Chief Administrative Officer and General Counsel.
Donna N. Jennings Senior Vice President, Human Resources, Adtalem Global Education	56	Ms. Jennings joined Adtalem in October 2006 as Senior Vice President of Human Resources. Prior to joining Adtalem, Ms. Jennings was Vice President, Human Resources and Communications, of Velsicol Chemical Corporation, a global chemical products manufacturer, from 1994 to 2006.
Fernando Lau	42	Mr. Lau joined Adtalem in January 2010 as Vice President of Marketing and Admissions at Adtalem Brazil. In October 2016, Mr. Lau was appointed Senior Vice President and Chief Marketing Officer. Prior to joining Adtalem, Mr. Lau led the Trade Marketing departments of Motorola and Nokia in Brazil from 2007 to 2009.

Senior Vice President,
Chief Marketing Officer,
Adtalem Global
Education

47

Name, Age and Office		Business Experience
Christopher C. Nash Senior Vice President, Chief Information Officer, Adtalem Global Education	51	Mr. Nash joined Adtalem in 2010 as Chief Technology Officer and was promoted to Senior Vice President, Chief Information Officer in 2013. Prior to joining Adtalem, Mr. Nash was Chief Technology Officer at Millward Brown Group, a global market research organization and division of Kantar Group. Previously, Mr. Nash held technical leadership roles at Kraft Foods, Inc., Greenbrier & Russel, and Rand McNally.
Lisa M. Sodeika Senior Vice President, Corporate Relations, Adtalem Global Education	54	Ms. Sodeika joined Adtalem in March 2015 as Senior Vice President, External Relations and Regulatory Affairs (now, Corporate Relations). Prior to joining Adtalem, Ms. Sodeika served as Executive Vice President of Corporate Affairs at HSBC North America Holdings, Inc. from 2003 to 2014.
Kathleen Carroll Vice President, Controller, Adtalem Global Education	59	Ms. Carroll joined Adtalem in 2014 as Controller and was promoted to Vice President, Controller in July, 2016. Prior to joining Adtalem, Ms. Carroll served in a number of finance leadership roles for PepsiCo Beverages and Foods (formerly The Quaker Oats Company), most recently as Vice President, Finance for PepsiCo's U.S. Foods division.

PART II

ITEM 5 – MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Adtalem’s common stock is listed on the New York Stock Exchange and the Chicago Stock Exchange under the symbol “ATGE.” The stock transfer agent and registrar is Computershare Investor Services, L.L.C.

The following table sets forth the high and low sales price and dividends paid per share of common stock by quarter for the past two fiscal years.

	Fiscal Year 2018			Fiscal Year 2017		
	Dividends Paid	High	Low	Dividends Paid	High	Low
First Quarter	$-	38.35	30.15	$-	26.38	17.76
Second Quarter	-	46.00	30.71	0.18	32.85	21.97
Third Quarter	-	50.00	41.76	-	35.90	30.80
Fourth Quarter	-	50.15	43.50	-	40.70	33.85

Approximate Number of Security Holders

There were 414 current active holders of record of Adtalem’s common stock as of August 1, 2018. The number of holders of record does not include beneficial owners of its securities whose shares are held by various brokerage firms, other financial institutions, Adtalem’s 401(k) and profit sharing plan and its Colleague Stock Purchase Plan. Adtalem believes that there are more than 10,000 beneficial holders of its common stock, including employees who own stock through the exercise of stock options, who own stock through participation in the Colleague Stock Purchase Plan, or who own stock through their investment election in Adtalem’s 401(k) and profit sharing plan.

Dividends

Adtalem is dependent on the earnings of its subsidiaries for funds to pay cash dividends. Cash flow from Adtalem's subsidiaries may be restricted by law. Cash flow also is subject to certain restrictions by covenants in Adtalem's credit facility, including maintaining fixed charge coverage and leverage at or above specified levels. Adtalem generated sufficient cash flow in fiscal year 2018 to fund its current operations, reinvest in capital equipment as appropriate and remain in full compliance with the covenants in its credit facility. The Adtalem Board of Directors (the "Board") declared an $0.18 per share dividend in fiscal year 2017. This dividend was declared in November 2016 and paid in December 2016. On February 16, 2017, the Board determined to discontinue cash dividend payments for the foreseeable future. Any future payment of dividends will be at the discretion of the Board and will be dependent on projections of future earnings, cash flow, financial requirements of Adtalem and other factors as the Board deems relevant. See "Note 8: Dividends and Stock Repurchase Programs" to the Consolidated Financial Statements in Item 8 of this Form 10-K for historical dividend declaration information.

Recent Sales of Unregistered Securities - None

Securities Authorized for Issuance under Equity Compensation Plans

See "Item 12 – Security Ownership of Certain Beneficial Owners and Management Related Stockholder Matters" in Part III of this Form 10-K.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publically Announced Plans or Programs (1)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1)
April 2018	169,299	$ 48.44	169,299	$ 152,172,728
May 2018	188,308	$ 46.74	188,308	$ 143,371,787
June 2018	173,082	$ 48.53	173,082	$ 134,972,017
Total	530,689	$ 47.87	530,689	$ 134,972,017

(1) On February 16, 2017, the Board of Directors of Adtalem authorized a share repurchase program to buy back up to $300 million of Adtalem common stock through December 31, 2020. The total remaining authorization under this share repurchase program was $134,972,017 as of June 30, 2018.

Other Purchases of Equity Securities

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publically Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
April 2018	5,122	$ 47.69	NA	NA
May 2018	7,277	$ 46.84	NA	NA
June 2018	-	$ -	NA	NA
Total	12,399	$ 47.19	NA	NA

(1) Represents shares delivered back to Adtalem for payment of withholding taxes from employees for vesting restricted stock units and shares swapped for payment on exercise of incentive stock options pursuant to the terms of Adtalem's stock incentive plans.

Performance Graph

The following graph and chart compares the total cumulative return (assuming dividend reinvestment) on Adtalem’s common stock during the period from June 30, 2013, through June 30, 2018, with the cumulative return on the NYSE Composite Index (U.S. Companies) and the Peer Group (as defined below).

COMPARISON OF CUMULATIVE TOTAL RETURN SINCE JUNE 30, 2013

AMONG ADTALEM GLOBAL EDUCATION INC., NYSE COMPOSITE INDEX AND A PEER GROUP

	June 30,					
	2013	2014	2015	2016	2017	2018
Adtalem Global Education Inc.	100.0	137.7	98.4	59.6	127.5	161.6
NYSE Composite Index (U.S. Companies)	100.0	123.6	124.7	124.5	143.3	156.3
Peer Group (1)	100.0	128.2	110.2	106.6	199.6	261.1

Data for this graph were provided by Zacks Investment Research.

Assumes $100 was invested on June 30, 2013 in Adtalem Global Education Inc. common stock, the NYSE Composite Index (U.S. Companies) and the Peer Group, and that all dividends were reinvested.

(1) The "Peer Group" consists of the following companies selected on the basis of similarity in nature of their businesses: Bridgepoint Education, Inc., Capella Education Co., Career Education Corp., Grand Canyon Education, Inc., Lincoln Educational Services, Strayer Education, Inc., and Universal Technical Institute, Inc. Adtalem believes that, including itself, these companies represent the majority of the market value of publicly traded companies whose primary business is education.

ITEM 6 – SELECTED FINANCIAL DATA

Selected financial data for Adtalem for the last five years are included in the exhibit, "Five-Year Summary — Operating, Financial and Other Data," on page 139 of this Form 10-K.

ITEM 7 – MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of Adtalem Global Education Inc.'s ("Adtalem") results of operations and financial condition should be read in conjunction with Adtalem's Consolidated Financial Statements and the related Notes thereto in Item 8 in this Annual Report on Form 10-K.

The seasonal pattern of Adtalem's enrollments and its educational programs' starting dates affect the results of operations and the timing of cash flows. Therefore, management believes that comparisons of its results of operations should primarily be made to the corresponding period in the preceding year. Comparisons of financial position should be made to both the end of the previous fiscal year and to the end of the corresponding quarterly period in the preceding year.

As described further below, on December 4, 2017, Adtalem announced the signing of a definitive agreement to divest the outstanding equity interests of DeVry University, Inc. and DeVry/New York Inc. (collectively, "DeVry University"), with an expected closing date occurring in early fiscal year 2019. In addition, on June 28, 2018, Adtalem signed a definitive agreement to divest U.S. Education Holdings LLC (d/b/a Carrington College ("Carrington")), with an expected closing date occurring by mid-fiscal year 2019. Accordingly, the results of DeVry University and Carrington are presented as discontinued operations within this Annual Report on Form 10-K. Also see "Note 2: Discontinued Operations and Assets Held for Sale" to the Consolidated Financial Statements in Item 8 for further discussion.

OVERVIEW

Adtalem's financial results for fiscal year 2018 reflect revenue growth of $23.3 million, or 1.9%, compared to the prior year, driven by increased revenue in the Medical and Healthcare and Professional Education segments. These increases were partially offset by a decrease in revenue in the Technology and Business segment. Pre-tax income from continuing operations, excluding regulatory settlements, increased 8.3%, or $15.3 million, compared to the prior year, primarily as a result of the increased revenue and improved operating leverage as a result of cost control measures implemented across all Adtalem institutions and the home office. Net income in fiscal year 2018 includes an increase in income tax expense of $103.9 million related to tax reform legislation signed into law in December 2017. This increase was partially offset by a net tax benefit of $48.9 million recognized for the loss on Adtalem's investment in Carrington. Operational and financial highlights for fiscal year 2018 include:

- Chamberlain University ("Chamberlain") revenue grew by 2.4% in fiscal year 2018 compared to the prior year. For the May 2018 session, total student enrollment at Chamberlain increased 4.7% to 30,309 students compared to the same term last year. Chamberlain continues to invest in its programs, student services and campus locations. In May 2018, Chamberlain opened its twenty-first location in New Orleans, Louisiana on the Ochsner Medical Center campus. Chamberlain's Master of Public Health ("MPH") program began classes in July 2017.

- Despite the serious business interruptions and property damage caused by Hurricanes Irma and Maria, both American University of the Caribbean School of Medicine ("AUC") and Ross University School of Medicine ("RUSM") were able to complete the September 2017 basic science semesters by January 5, 2018, at alternative teaching sites. No instruction time was lost in the January and May 2018 semesters as most AUC students moved back to the St. Maarten campus and RUSM students were relocated to other facilities.

- The Association of Certified Anti-Money Laundering Specialists ("ACAMS") reached over 65,000 members worldwide.

- On December 4, 2017, Adtalem entered into a Stock Purchase Agreement (the "Purchase Agreement"), pursuant to which Adtalem agreed to sell DeVry University to Cogswell Education, LLC ("Cogswell") for de minimis consideration. Divesting this operating segment will reduce the organization's dependence on government Title IV funds for its revenue, which is one of Adtalem's strategic goals.

- On June 28, 2018, Adtalem entered into a Membership Interest Purchase Agreement ("MIPA"), pursuant to which Adtalem agreed to sell Carrington to San Joaquin Valley College, Inc. ("SJVC") for de minimis consideration. Divesting this operating segment will reduce the organization's dependence on government Title IV funds for its revenue, which is one of Adtalem's strategic goals.

- On April 13, 2018, Adtalem refinanced its existing $400 million revolving credit agreement by entering into a new $300 million, five-year term revolving credit agreement and a $300 million, seven-year term loan facility.

- Adtalem continued its tenth share repurchase program by repurchasing a total of 3,544,845 shares of Adtalem's common stock at an average cost of $38.66 per share during fiscal year 2018.

- Adtalem's financial position remained strong, generating $239.2 million of operating cash flow during fiscal year 2018. As of June 30, 2018, cash and cash equivalents totaled $430.7 million and outstanding borrowings totaled $300.0 million.

- On August 3, 2018, Adtalem announced plans to relocate RUSM to Barbados from its temporary location in Knoxville, Tennessee at facilities owned by Lincoln Memorial University ("LMU") and a facility on St. Kitts. Academic facilities will be located in Bridgetown. Student housing will be located close to academic facilities in the parish of Christ Church at an existing housing community that will include amenities, student services and convenient transportation to campus. It is expected that students will begin the January 2019 semester in Barbados, pending final regulatory approval from the U.S. Department of Education ("ED").

HURRICANES

Hurricane Irma

On September 6, 2017, Category 5 Hurricane Irma ("Irma") caused widespread damage to a large section of the islands of the Caribbean Sea. Irma forced the temporary shut-down of basic science academic instruction of AUC and caused significant damage to AUC's physical property on the island of St. Maarten. All AUC facilities on the island suffered some degree of damage and could not sustain educational operations. The island's infrastructure was severely incapacitated. Adtalem evacuated all students and faculty, and some staff from the island following the storm. Classes for AUC's September 2017 semester had not commenced as of the date the hurricane struck St. Maarten. AUC management determined that repairs to its facilities and the island infrastructure could not be completed in time to teach the September 2017 basic science semester in St. Maarten; thus, an alternative teaching site was identified. AUC contracted with University of Central Lancashire ("UCLAN"), a public university in Preston, United Kingdom to provide classroom facilities, housing and student support for AUC educational operations. All appropriate accreditation and regulatory approvals to teach in Preston were obtained and on September 29, 2017, AUC students began basic science academic instruction on the UCLAN campus. Beginning with the January 2018 semester, new AUC students, along with students in their second and third semesters were back on the island of St. Maarten, while those in their fourth and fifth semesters continued their studies in Preston. Beginning with the May 2018 semester, fourth semester students also returned to St. Maarten, while those in their fifth semester continued their studies in Preston.

As of June 30, 2018, AUC recorded expenses of $18.7 million associated with the evacuation process, temporary housing and transportation of students, faculty and staff, and incremental costs of teaching at UCLAN. Based upon preliminary damage assessments of the AUC facilities, impairment write-downs of building, building improvements, furniture and equipment of $15.3 million were recorded as of June 30, 2018. Management estimates that total costs to repair and replace damaged facilities and equipment will be in the range of $15 to $20 million. Costs and damage repairs are expected to be covered under AUC's insurance policies, subject to deductibles. AUC has received insurance proceeds of $20 million as of June 30, 2018, for partial payment of insurance settlements. As of June 30, 2018, insurance proceeds of $17.2 million were recorded as an offset to the $18.7 million of evacuation expenses and incremental instructional costs incurred, less insurance deductibles of $1.5 million. Received and expected insurance proceeds of $11.6 million were recorded as an offset to the $15.3 million asset write-downs recorded through June 30, 2018, less insurance deductibles of $3.8 million. Management does not believe at this time that AUC has incurred significant uninsured costs associated with hurricane losses.

The effects of starting the semester late in September 2017 reduced revenue in the first quarter of fiscal year 2018 by approximately $3.4 million, of which $2.0 million and $1.4 million were recognized in the second and third quarters of fiscal year 2018, respectively. Of the students originally registered for the September 2017 semester, approximately 94% continued the semester in Preston. Approximately half of the students who took a leave of absence in September 2017 resumed attendance in the January 2018 or May 2018 semesters.

Management does not believe the effects of Irma have created a triggering event that would require an impairment analysis of AUC's indefinite-lived intangible assets and goodwill. Damage to physical property has been repaired with the majority of costs expected to be reimbursable by insurance proceeds. The September 2017 semester was completed with minimal lost students and revenue and commencement of future semesters was not impacted. Management believes its response to the crisis and its ability to continue providing educational services demonstrates AUC's ability to generate future revenue and operating results sufficient to maintain fair values of AUC's assets in excess of their carrying values.

Hurricane Maria

On September 19, 2017, Category 5 Hurricane Maria ("Maria") caused widespread damage to a large section of the islands of the Caribbean Sea. Maria forced the temporary shut-down of basic science academic instruction of RUSM and caused significant damage to RUSM's physical property on the island of Dominica. All RUSM facilities on the island suffered some degree of damage and could not sustain educational operations. The island's infrastructure was severely incapacitated. Adtalem evacuated all students and most faculty, and some staff from the island following the storm. RUSM basic science students had completed two weeks of classes in the September 2017 semester before the hurricane struck Dominica. Due to the significant damage on the island, repairs to the island infrastructure could not be completed in time to resume teaching the September 2017 semester in Dominica; thus, an alternative teaching site was identified. RUSM contracted with a cruise ship operator to provide a vessel, which was docked off of the island of St. Kitts and used for classroom facilities and housing for RUSM basic science educational operations. All appropriate accreditation and regulatory approvals to teach on the vessel in St. Kitts were obtained and on October 23, 2017, RUSM basic science students began completion of the September 2017 semester instruction on the ship. Beginning with the January 2018 semester and continuing for the May 2018 semester, RUSM students are temporarily relocated to LMU and to an additional facility on St. Kitts. Appropriate regulatory and accreditor approvals have been obtained for these temporary locations. RUSM is using its own medical sciences curriculum and faculty while making use of the LMU teaching and office facilities, including an anatomy lab. RUSM students are expected to remain in Tennessee through the end of the September 2018 semester.

As of June 30, 2018, RUSM recorded expenses of $44.5 million associated with the evacuation process, temporary housing and transportation of students, faculty and staff, and incremental additional costs of teaching on the ship in St. Kitts and at LMU. Based upon preliminary damage assessments of the RUSM facilities, impairment write-downs of building, building improvements, furniture and equipment of $15.7 million were recorded as of June 30, 2018. Management estimates that total costs to repair and replace damaged facilities and equipment will be in the range of $30 to $40 million. Costs and damage repairs are expected to be covered under RUSM's insurance policies, subject to deductibles. RUSM has received insurance proceeds of $40 million as of June 30, 2018, and received a commitment in June 2018 authorizing an additional $10 million partial payment of insurance settlements. As of June 30, 2018, insurance proceeds of $41.8 million were recorded as an offset to the $44.5 million of evacuation expenses and incremental instructional costs incurred, less insurance deductibles of $2.7 million. Expected insurance proceeds of $10.3 million were recorded as an offset to the $15.7 million asset write-downs recorded through June 30, 2018, less insurance deductibles of $5.4 million. Management does not believe at this time that RUSM has incurred significant uninsured costs associated with hurricane losses.

The effect of interrupting the September 2017 semester, along with losing some students due to the transition from Dominica to the temporary locations in St. Kitts and Tennessee, reduced revenue in fiscal year 2018 by approximately $4.6 million. Of the students originally registered for the September 2017 semester, approximately 78% continued the semester in St. Kitts. Of those not continuing the September 2017 semester, almost 90% returned for the January 2018 and May 2018 semesters.

Management does not believe the effects of Maria have created a triggering event that would require an impairment analysis of RUSM's indefinite-lived intangible assets and goodwill. Damage to physical property is repairable with the majority of costs expected to be reimbursable by insurance proceeds. The September 2017 semester was completed with minimal lost students and management does not expect future extraordinary revenue loss or delays commencing classes. Management believes its response to the crisis and its ability to continue providing educational services demonstrates RUSM's ability to generate future revenue and operating results sufficient to maintain fair values of RUSM's assets in excess of their carrying values. As described above, on August 3, 2018, management announced its decision to not return to the Dominica campus. Since the Dominica facilities will no longer be used by RUSM, management will evaluate the net realizable value of the land, buildings and equipment, which had a net book value of $35.2 million at June 30, 2018, in the first quarter of fiscal year 2019. This may require write-down of all or a portion of these assets.

DIVESTITURE OF DEVRY UNIVERSITY

On December 4, 2017, Adtalem, entered into the Purchase Agreement, pursuant to which Adtalem agreed to sell DeVry University to Cogswell for de minimis consideration. To support DeVry University's future success, Adtalem has committed to transferring DeVry University with a minimum working capital balance of $7.5 million at the closing date. The Purchase Agreement includes an earn-out entitling Adtalem to payments of up to $20 million paid over a ten-year period based on DeVry University's free cash flow.

DeVry University is an operating segment and was previously included in our former U.S. Traditional Postsecondary reporting segment. Subject to the terms and conditions of the Purchase Agreement it will be sold in its entirety. Divesting DeVry University is a strategic shift in the operations of Adtalem. This segment offers principally bachelor's and master's degrees in technology and business in the U.S., and Adtalem will be exiting this market with this disposition. Adtalem's only other operating segment that grants primarily bachelor's and master's degrees is Chamberlain, and these degrees are in nursing and related medical fields. Selling the DeVry University operating segment will reduce the organization's dependence on government Title IV funds for its revenue, which is one of Adtalem's important strategic goals. DeVry University is the legacy business of Adtalem and at one time accounted for the majority of its consolidated revenue and operating income. Disposal of this operating segment will have a significant effect on the operations and financial results of Adtalem. DeVry University employs approximately 1,400 full-time faculty and staff and requires significant home office administrative support, absorbing approximately 30% of all home office administrative costs.

In accordance with U.S. Generally Accepted Accounting Principles ("GAAP"), we are classifying the DeVry University entity as "Held for Sale" and "Discontinued Operations" as of June 30, 2018. As a result, all financial results, disclosures and discussions of continuing operations in this Annual Report on Form 10-K exclude DeVry University operations, unless otherwise noted.

DIVESTITURE OF CARRINGTON COLLEGE

On June 28, 2018, Adtalem entered into the MIPA, pursuant to which Adtalem agreed to sell Carrington to SJVC for de minimis consideration. To support Carrington's future success, Adtalem has agreed to make a capital contribution of $11.5 million to Carrington, subject to adjustment based on an agreed working capital balance at the closing date.

Carrington is an operating segment and was previously included in our former U.S. Traditional Postsecondary reporting segment. Subject to the terms and conditions of the MIPA it will be sold in its entirety. Divesting Carrington is a strategic shift in the operations of Adtalem. This segment offers principally career specific certificate or associate degree programs in the U.S., and Adtalem will be exiting this market with this disposition. Selling the Carrington operating segment will reduce the organization's dependence on government Title IV funds for its revenue, which is one of Adtalem's important strategic goals. Disposal of this operating segment will have a significant effect on the operations and financial results of Adtalem. Carrington employs approximately 550 full-time faculty and staff and requires home office administrative support, absorbing approximately 5% of all home office administrative costs.

In accordance with GAAP, we are classifying the Carrington entity as "Held for Sale" and "Discontinued Operations" as of June 30, 2018. As a result, all financial results, disclosures and discussions of continuing operations in this Annual Report on Form 10-K exclude Carrington operations, unless otherwise noted.

USE OF NON-GAAP FINANCIAL INFORMATION AND SUPPLEMENTAL RECONCILIATION SCHEDULE

During fiscal year 2018, Adtalem classified the operating results of DeVry University and Carrington as discontinued operations, and recorded special items related to the following:

- Restructuring charges related to severance for workforce reductions and real estate consolidations at the medical and veterinary schools, Becker and Adtalem's home office in order to align its cost structure with operating changes, and asset impairment charges at Adtalem Education of Brazil ("Adtalem Brazil") related to the expected fiscal year 2019 dispositions of the Sao Luis and Joao Pessoa institutions.
- Income tax charges related to implementation of the Tax Cuts and Jobs Act of 2017.
- A net tax benefit for the loss on Adtalem's investment in Carrington.

During fiscal year 2017, Adtalem classified the operating results of DeVry University and Carrington as discontinued operations, and recorded special items related to the following:

- Restructuring charges related to severance for workforce reductions and real estate consolidations at the administrative support operations of the medical and veterinary schools and Adtalem's home office in order to align its cost structure with enrollment.

- Charges arising from the settlement agreements with the Federal Trade Commission ("FTC") and the Office of the Attorney General of the State of New York ("NYAG").

During fiscal year 2016, Adtalem classified the operating results of DeVry University and Carrington as discontinued operations, and recorded special items related to the following:

- Restructuring charges related to real estate consolidations at Chamberlain and severance for workforce reductions at Adtalem's home office in order to align its cost structure with enrollment.
- An asset fair value write-down at Becker, classified below as restructuring.

The following table illustrates the effects of the discontinued operations and special items on Adtalem's net income. Management believes that the non-GAAP disclosure of adjusted net income and adjusted earnings per share excluding the discontinued operations and special items provides investors with useful supplemental information regarding the underlying business trends and performance of Adtalem's ongoing operations and is useful for period-over-period comparisons of such operations given the nature of discontinued operations, restructuring charges, regulatory settlements and certain income tax charges and deductions. Adtalem uses these supplemental financial measures internally in its management and budgeting process. However, these non-GAAP financial measures should be viewed in addition to, and not as a substitute for, Adtalem's reported results prepared in accordance with GAAP. The following table reconciles these non-GAAP measures to the most directly comparable GAAP information (in thousands, except per share amounts):

	Fiscal Year		
	2018	2017	2016
Net Income (Loss)	$33,769	$122,283	$(3,166)
Earnings (Loss) per Share (diluted)	$0.54	$1.91	$(0.05)
Continuing Operations:			
Restructuring Expense	$5,067	$12,973	$2,389
Effect on Earnings per Share (diluted)	$0.08	$0.20	$0.04
Tax Cuts and Jobs Act of 2017	$103,878	$-	$-
Effect on Earnings per Share (diluted)	$1.67	$-	$-
Net Tax Benefit on Carrington Loss	$(48,903)	$-	$-
Effect on Earnings per Share (diluted)	$(0.79)	$-	$-
Regulatory Settlements	$-	$52,150	$-
Effect on Earnings per Share (diluted)	$-	$0.81	$-
Income Tax Impact on Non-GAAP Adjustments (1)	$(1,083)	$(24,666)	$(469)
Effect on Earnings per Share (diluted)	$(0.02)	$(0.39)	$(0.01)
Discontinued Operations, net of tax	$80,146	$(2,309)	$128,252
Effect on Earnings per Share (diluted)	$1.29	$(0.04)	$1.99
Net Income from Continuing Operations Excluding Special Items, net of tax	$172,874	$160,431	$127,006
Earnings per Share from Continuing Operations Excluding Special Items (diluted)	$2.78	$2.51	$1.97
Diluted Shares used in EPS calculation	62,280	64,019	64,371

(1) Represents the income tax impact of non-GAAP continuing operations adjustments that is recognized in our GAAP financial statements.

RESULTS OF OPERATIONS

The following table presents information with respect to the relative size to revenue of each item in the Consolidated Statements of Income (Loss) for fiscal years 2018, 2017 and 2016. Percentages may not add because of rounding.

	Fiscal Year		
	2018	2017	2016
Revenue	100.0%	100.0%	100.0%
Cost of Educational Services	52.4 %	52.8 %	52.7 %
Student Services and Administrative Expense	30.3 %	30.6 %	32.7 %
Restructuring Expense	0.4 %	1.1 %	0.2 %
Regulatory Settlements	0.0 %	4.3 %	0.0 %
Total Operating Cost and Expense	83.1 %	88.8 %	85.5 %
Operating Income from Continuing Operations	16.9 %	11.2 %	14.5 %
Net Interest Expense	(0.7)%	(0.4)%	(0.5)%
Income from Continuing Operations Before Income Taxes	16.1 %	10.9 %	14.0 %
Income Tax Provision	(6.8)%	(0.8)%	(2.3)%
Equity Method Investment Loss	(0.0)%	(0.1)%	0.0 %
Income from Continuing Operations	9.3 %	10.0 %	11.6 %
(Loss) Income on Discontinued Operations, Net of Tax	(6.5)%	0.2 %	(11.9)%
Net Income (Loss)	2.8 %	10.2 %	(0.3)%
Net Income Attributable to Noncontrolling Interest	(0.0)%	(0.1)%	(0.0)%
Net Income (Loss) Attributable to Adtalem Global Education	2.7 %	10.1 %	(0.3)%

FISCAL YEAR ENDED JUNE 30, 2018 VS. FISCAL YEAR ENDED JUNE 30, 2017

REVENUE

All discussions of the results of operations exclude the results of DeVry University and Carrington, which are included in the discontinued operations section of the Consolidated Statements of Income (Loss) for all periods presented.

The following table presents revenue by segment detailing the changes from the prior year including disclosures of the effect of Hurricanes Irma and Maria, acquisitions and changes in the value of the Brazilian Real compared to the U.S. dollar. Total consolidated revenue for fiscal year 2018 of $1,231.2 million increased 1.9%, or $23.3 million, compared to the prior year. Revenue results by segment are discussed in more detail in the sections below:

	Year Ended June 30, 2018 (in thousands)				
	Medical and Healthcare	Professional Education	Technology and Business	Home Office and Other	Consolidated
Revenue:					
Fiscal Year 2017 as Reported	$802,462	$ 131,769	$ 276,341	$ (2,663)	$ 1,207,909
Organic Growth	17,779	14,198	1,929	71	33,977
Effect of Acquisitions	-	1,228	1,734	-	2,962
Hurricane Impact	(4,567)	-	-	-	(4,567)
Effect of Currency Change	-	-	(9,070)	-	(9,070)
Fiscal Year 2018 as Reported	$815,674	$ 147,195	$ 270,934	$ (2,592)	$ 1,231,211
Fiscal Year 2018 % Change:					
Organic Growth	2.2 %	10.8 %	0.7 %	NM	2.8 %
Effect of Acquisitions	-	0.9 %	0.6 %	NM	0.2 %
Hurricane Impact	(0.6)%	-	-	NM	(0.4)%
Constant Currency Change	1.6 %	11.7 %	1.3 %	NM	2.7 %
Effect of Currency Change	-	-	(3.3)%	NM	(0.8)%
Fiscal Year 2018 % Change as Reported	1.6 %	11.7 %	(2.0)%	NM	1.9 %

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Medical and Healthcare

Revenue in the Medical and Healthcare segment increased 1.6%, or $13.2 million, to $815.7 million in fiscal year 2018 compared to the prior year. Revenue in fiscal year 2018 increased at Chamberlain driven primarily by increasing student enrollment and at the medical and veterinary schools driven primarily by tuition increases, which were partially offset by enrollment declines related to the hurricanes. Key trends for Chamberlain and the medical and veterinary schools are set forth below.

Chamberlain

Chamberlain Undergraduate and Graduate Student Enrollment:

	Fiscal Year 2018					
Term	July 2017	Sept. 2017	Nov. 2017	Jan. 2018	Mar. 2018	May 2018
New Students	2,497	4,962	2,806	4,472	2,830	3,896
% Change from Prior Year	16.5 %	(0.8)%	5.5 %	6.9 %	4.3 %	3.1 %
Total Students	26,811	30,062	29,719	31,333	31,053	30,309
% Change from Prior Year	6.3 %	4.5 %	5.1 %	5.2 %	4.5 %	4.7 %

	Fiscal Year 2017					
Term	July 2016	Sept. 2016	Nov. 2016	Jan. 2017	Mar. 2017	May 2017
New Students	2,144	5,003	2,660	4,185	2,713	3,779
% Change from Prior Year	(1.7)%	1.2 %	3.2 %	(3.0)%	11.7 %	4.0 %
Total Students	25,229	28,781	28,268	29,789	29,726	28,961
% Change from Prior Year	15.9 %	11.5 %	10.2 %	6.6 %	7.3 %	5.7 %

Chamberlain revenue increased 2.4%, or $11.2 million, to $472.8 million in fiscal year 2018 compared to the prior year, driven primarily by total enrollment increases. The improved new and total student enrollment in fiscal year 2018 was primarily the result of higher enrollment in all tracks of the Master of Science in Nursing ("MSN") degree and improved new student enrollment and retention in the campus-based Bachelor of Science of Nursing ("BSN") program. The new MPH program, which was first offered in July 2017, also added to the new and total student enrollment increases. These were partially offset by a modest decline in total student enrollment for the Registered Nurse to Bachelor of Science in Nursing ("RN-to-BSN") completion option.

Chamberlain currently operates 21 campuses in 15 states. Chamberlain's newest campus in New Orleans, Louisiana, began instruction in May 2018.

Tuition Rates:

Effective for sessions beginning in July 2017, tuition is $675 per credit hour for students enrolling in the BSN onsite program. Tuition for the RN-to-BSN online degree program is $590 per credit hour. Tuition for the online MSN program is $650 per credit hour. For students enrolled in the Family Nurse Practitioner ("FNP") track, tuition is $665 per credit hour for the ten FNP specialty courses. Tuition for the online Doctor of Nursing Practice ("DNP") program is $750 per credit hour. Tuition for the MPH program is $550 per credit hour. All of these rates are unchanged from the prior year. These tuition rates do not include the cost of books, supplies, transportation or living expenses.

Medical and Veterinary Schools

Medical and Veterinary Schools Student Enrollment:

	Fiscal Year 2018		
Term	Sept. 2017	Jan. 2018	May 2018
New Students	812	515	499
% Change from Prior Year	0.7 %	11.5 %	9.0 %
Total Students	5,744	5,938	5,556
% Change from Prior Year	(6.9)%	1.3 %	1.2 %

	Fiscal Year 2017		
Term	Sept. 2016	Jan. 2017	May 2017
New Students	806	462	458
% Change from Prior Year	(18.7)%	(10.8)%	(14.4)%
Total Students	6,168	5,863	5,491
% Change from Prior Year	(5.8)%	(8.0)%	(6.1)%

Hurricanes Irma and Maria affected student enrollment in fiscal year 2018 at AUC and RUSM (collectively the “medical schools”). The medical schools experienced combined decreases in new student and total student enrollment of 3.8% and 10.4%, respectively, in the September 2017 semester compared to the September 2016 semester. These decreases were offset by increases in new student and total student enrollment of 4.4% and 1.4%, respectively, at Ross University School of Veterinary Medicine (“RUSVM”). The principal driver of the decrease in medical school enrollment in the September 2017 semester was the disruption caused by the hurricanes. Some new students delayed entry and a number of returning students took a leave of absence in this semester. A significant number of these students then returned for the January 2018 semester, in which the medical schools’ combined new and total enrollment increased 26.0% and 1.2%, respectively, compared to the January 2017 semester. The medical schools’ new student enrollment for the first two semesters of fiscal year 2018 increased 5.7% compared to the first two semesters of fiscal year 2017. The new enrollment increase at the medical schools in the January 2018 semester was partially offset by a decrease in new student enrollment of 4.3% at RUSVM compared to the January 2017 semester. New and total student enrollment increased at both the combined medical schools and RUSVM in the May 2018 semester compared to the prior year. Management believes the demand for medical and veterinary education remains strong and can support management’s longer-term expectations to grow new enrollments in the low-single digit range; however, heightened competition may adversely affect the medical and veterinary schools’ ability to continue to attract qualified students to its programs.

The medical and veterinary schools' revenue increased 0.6%, or $2.0 million, to $342.8 million in fiscal year 2018 compared to the prior year. The main drivers of this increase were tuition price increases at the medical schools and enrollment increases at RUSVM. These increases were partially offset by $4.6 million in lost revenue at the medical schools as a result of students taking a leave of absence due to the hurricanes. The hurricanes forced postponement of the September 2017 semester basic science academic instruction at the medical schools, along with students withdrawing due to these disruptions. These disruptions also resulted in lower average total student enrollment at the medical schools in fiscal year 2018 compared to the prior year. In addition, enrollment declines at the medical schools in the May 2017 semester, which contributed revenue for the first two months of fiscal year 2018, resulted in decreased revenue. Management is executing its plan to differentiate the medical and veterinary schools from the competition, with a core goal of increasing international students, and improving the effectiveness of marketing strategies by restructuring the marketing organization, and shifting from traditional media and event-driven marketing to greater use of digital and social media channels to drive awareness throughout the year. Management believes that these strategies were primarily responsible for the 5.8% increase in new student enrollment in the combined September 2017, January 2018 and May 2018 semesters compared to the prior year.

Tuition Rates:

- Effective for semesters beginning in September 2017, tuition rates for the beginning basic sciences and final clinical rotation portions of AUC's medical program are $21,695 and $24,272, respectively, per semester. These tuition rates represent a 3.5% increase over the prior academic year.

- Effective for semesters beginning in September 2017, tuition rates for the beginning basic sciences and Internal Medicine Foundations/final clinical portion of the programs at RUSM are $22,345 and $24,660, respectively, per semester. These tuition rates represent a 4.8% increase over the prior academic year.

- Effective for semesters beginning in September 2017, tuition rates for the basic sciences and final clinical portion of the programs at RUSVM are $18,310 and $22,985, respectively, per semester. These tuition rates are unchanged from the prior academic year.

The respective tuition rates for AUC, RUSM and RUSVM do not include the cost of transportation, living expenses or health insurance.

Professional Education

Revenue in the Professional Education segment increased 11.7%, or $15.4 million, to $147.2 million in fiscal year 2018 compared to the prior year. The increase is driven by revenue growth at ACAMS of 51.0% in fiscal year 2018 compared to the prior year. This increase was partially offset by a decline in the number of CPA exam candidates taking the Becker CPA Exam Review Course compared to the prior year resulting in a revenue decrease at Becker of 6.4% in fiscal year 2018 compared to the prior year. ACAMS's membership has increased to over 65,000, which is an increase of approximately 80% since July 2016, driven by strong growth in the Asia Pacific region as well as expansion in the business-to-business partnerships in Europe.

Technology and Business

Revenue in the Technology and Business segment, which is composed solely of Adtalem Brazil, decreased 2.0%, or $5.4 million, to $270.9 million in fiscal year 2018 compared to the prior year. The change in value of the Brazilian Real compared to the U.S. dollar decreased reported revenue in fiscal year 2018 by $9.1 million compared to the prior year. Constant currency calculations assume conversions of local currency amounts at exchange rates in effect in the prior year compared to those conversions at exchange rates in effect during the current fiscal year. On a constant currency basis, revenue increased 1.3% in fiscal year 2018 compared to the prior year. The increase in revenue was driven by the acquisition of São Judas Tadeu ("SJT") in November 2017 and an increase in total student enrollment across several of the higher education institutions. These increases were partially offset by the impacts of process delays in the "Programa Universidade para Todos" or "University for All Program" ("PROUNI") and the "Fundo de Financiamento Estudantil" or "Students Financing Fund" ("FIES") programs, along with increased competition. The process delays included a change in the granting calendar that delayed entry of students in the first semester of calendar year 2018. See below for further discussion of the changes in the FIES program. Also, partially offsetting revenue increases was a decline in the number of students enrolled in law exam test preparation courses. This decline is related to changes in the exam resulting in lower pass rates for the first level of the exam, which lowered demand for preparation courses for the subsequent level.

Brazil's economy continues to present challenges for enrollment growth and is creating pricing pressures in the education sector. Adtalem Brazil's new student enrollment has been negatively impacted by these conditions as well as reductions in the FIES program. Should economic conditions continue to weaken and additional austerity measures be instituted by the Brazilian government, Adtalem Brazil's ability to grow its student enrollment may be further impacted.

Key trends for Adtalem Brazil are set forth below.

<u>Adtalem Brazil Student Enrollment:</u>

	Fiscal Year 2018		Fiscal Year 2017	
Term	Sept. 2017	Mar. 2018	Sept. 2016	Mar. 2017
New Students	14,507	23,367	15,892	22,531
% Change over Prior Year	(8.7)%	3.7%	10.4%	(9.0)%
Total Students	78,340	75,700	76,862	79,564
% Change over Prior Year	1.9%	(4.9)%	32.9%	0.4%

These enrollment figures include students enrolled in degree-granting programs and exclude students enrolled in the test preparation programs at Damásio Educacional ("Damasio"). The November 2017 acquisition of SJT did not affect the fiscal year 2018 enrollment figures because these test preparation students are also excluded from reported enrollment. The effect of acquisitions on the fiscal year 2017 enrollment figures are as follows:

- The acquisition of Faculdade de Imperatriz ("Facimp"), which occurred in the fourth quarter of fiscal year 2016, added 622 new student enrollments and 2,050 total student enrollments to the March 2017 semester totals. Excluding the effect of this acquisition, new enrollment decreased 11.5% and total enrollment decreased 2.2% in the March 2017 semester compared to the March 2016 semester.

- The acquisitions of Grupo Ibmec Educacional S.A. ("Grupo Ibmec"), which occurred in the second quarter of fiscal year 2016, and Facimp added 3,322 new student enrollments and 16,688 total student enrollment to the September 2016 semester totals. Excluding the effect of these acquisitions, new enrollment decreased 12.7% and total enrollment increased 4.1% in the September 2016 semester compared to the September 2015 semester.

Adtalem Brazil students are eligible for loans under Brazil's FIES public loan program, which is financed by the Brazilian government. As noted above, management believes the decrease in new student enrollment in the September 2017 semester and the decrease in total student enrollment in the March 2018 semester are primarily the result of the country's economic challenges, changes in the FIES program and increased competition. As of June 30, 2018, approximately 21% of Adtalem Brazil's degree-seeking students have obtained financing under the FIES program. This represents approximately 20% of Adtalem Brazil's revenue. The Brazilian government has stated that it is supportive of the FIES program, which is an important factor in helping to increase the number of college graduates. However, the changes enacted in fiscal year 2018 reducing the number of FIES contracts available for grant by approximately 31% to all higher education institutions in Brazil, have impacted Adtalem Brazil's growth. Adtalem Brazil institutions have increased efforts to attract more non-FIES students in order to diversify their payer mix. Also, Adtalem Brazil is working with private lenders to increase funding sources for prospective students. Management believes Adtalem Brazil institutions offer programs of study and operate in areas of the country that the Brazilian government favors in issuing FIES loans.

The Brazilian government recently changed regulations on opening and operating distance learning in the country. The approval process for launching online facilities was streamlined, making this segment more economically attractive to larger institutions. Adtalem Brazil began offering several bachelor's and associate degree programs via distance learning in February 2018. These programs are offered under the Damasio-Unifavip brand. They are delivered through the Damasio network of over 200 learning centers, which currently has the infrastructure and staff necessary to support distance learning degrees. These online programs are not currently a significant contributor to Adtalem Brazil's revenue.

COSTS AND EXPENSES

Cost of Educational Services

The largest component of Cost of Educational Services is the cost of faculty and staff who support educational operations. This expense category also includes the costs of facilities, adjunct faculty, supplies, bookstore and other educational materials, student education-related support activities and the provision for uncollectible accounts.

	Year Ended June 30, 2018 (in thousands) Medical and Healthcare	Professional Education	Technology and Business	Home Office and Other	Consolidated
Cost of Educational Services:					
Fiscal Year 2017 as Reported	$417,615	$ 24,834	$ 189,470	$ 6,326	$ 638,245
Cost Increase (Reduction)	(1,091)	434	(1,162)	(801)	(2,620)
Effect of Acquisitions	-	868	954	-	1,822
Hurricane Impact	13,372	-	-	-	13,372
Effect of Currency Change	-	-	(5,215)	-	(5,215)
Fiscal Year 2018 as Reported	$429,896	$ 26,136	$ 184,047	$ 5,525	$ 645,604
Fiscal Year 2018 % Change:					
Cost Increase (Reduction)	(0.3)%	1.7 %	(0.6)%	NM	(0.4)%
Hurricane Impact	3.2 %	-	-	NM	2.1 %
Effect of Acquisitions	-	3.5 %	0.5 %	NM	0.3 %
Constant Currency Change	2.9 %	5.2 %	(0.1)%	NM	2.0 %
Effect of Currency Change	-	-	(2.8)%	NM	(0.8)%
Fiscal Year 2018 % Change as Reported	2.9 %	5.2 %	(2.9)%	NM	1.2 %

Cost of Educational Services increased 1.2%, or $7.4 million, to $645.6 million in fiscal year 2018 compared to the prior year. Excluding the change in value of the Brazilian Real compared to the U.S. dollar, total consolidated Cost of Educational Services increased 2.0%, or $12.6 million, in fiscal year 2018 compared to the prior year. The increase in costs in fiscal year 2018 was the result of $13.4 million in charges representing the deductibles under insurance policies, incurred for facility and equipment impairment write-offs and the evacuations of AUC and RUSM students, faculty and staff in the wakes of Hurricanes Irma and Maria. This increase was partially offset by cost savings primarily as a result of cost reduction measures across all segments.

As a percentage of revenue, Cost of Educational Services was 52.4% in fiscal year 2018 compared to 52.8% in the prior year. The decrease in the ratio in fiscal year 2018 was primarily the result of the cost reduction efforts across all institutions and the increased contribution of ACAMS higher gross margin results.

Student Services and Administrative Expense

The Student Services and Administrative Expense category includes expenses related to student admissions, marketing and advertising, general and administrative, curriculum development and amortization expense of finite-lived intangible assets related to acquisitions of businesses.

	Year Ended June 30, 2018 (in thousands)				
	Medical and Healthcare	Professional Education	Technology and Business	Home Office and Other	Consolidated
<u>Student Services and Administrative Expense:</u>					
Fiscal Year 2017 as Reported	$195,126	$ 87,069	$ 50,666	$ 36,182	$ 369,043
Cost Increase (Reduction)	178	5,938	6,808	(7,670)	5,254
Effect of Acquisitions	-	-	188	-	188
Effect of Currency Change	-	-	(1,421)		