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PRESENTATION

Operator

Good morning, ladies and gentlemen. Welcome to Apollo Group Inc. fiscal 2009 second quarter earnings conference call. At this time participants are in a listen-only mode. Later we will conduct a question-and-answer session and instructions will follow at that time. Please refrain from entering into the queue until instructions are given. (Operator Instructions). This conference call is being recorded today March 31, 2009. It may not be reproduced in whole or in part without permission from the Company. There will be a replay of this call available through April 10, 2009, beginning approximately two hours after we conclude today.

Additionally, this call will be broadcast over the Internet and can be accessed via the Company's website at www.apollogrp.edu. I would now like to turn the call over to Allyson Pooley, Vice President, Investor Relations of Apollo Group. Mrs. Pooley, please go ahead.

Allyson Pooley *- Apollo Group - VP, IR*

Thank you. Good afternoon. Thanks for joining us. Speaking today will be Chas Edelstein, Chief Executive Officer; Joe D'Amico, President and newly appointed Chief Operating Officer; and Greg Cappelli, Executive Vice President of Global Strategy, Assistant to the Chairman and Chairman of Apollo Global; additionally, Brian Swartz who was promoted today to Senior Vice President and Chief Financial Officer and Treasurer will be available during the Q&A period. During that time we ask you to be respectful of everyone's time and limit your questions. We expect to take the time necessary to answer all of them.

Before we begin we would like to remind you that as we discuss our results we note that unless otherwise stated we will be comparing our second quarter of fiscal 2009, the quarter ended February 28, 2009, to the second quarter of fiscal 2008. I'd also like to remind you that this conference call may contain forward-looking statements with respect to the future performance and financial condition of Apollo Group that involve risk and uncertainties. Various factors could cause actual results of the Company to be materially different from any future results expressed or implied by such forward-looking statements. These factors are discussed in item 1A and elsewhere in the Company's 10-K report and in subsequent 10-Q reports filed with the Securities and Exchange Commission. The Company does not undertake any obligation to update anyone with regard to the forward-looking statements made during the conference call. With that, I would like to turn the call over to Chas.

Chas Edelstein *- Apollo Group - CEO*

Good afternoon, everyone. Thanks for joining us to discuss our second quarter results today. I'd like to provide some highlights from the quarter and then spend some time discussing our focus on academic quality and assessment. Joe will then discuss our results in more detail from both a financial and operational perspective and finally Greg will update you on the investments we are making as well as our outlook.

Before I begin I'd like to address our recently announced management and Board changes. Today we announced a transition within our finance and operations department. Joe D'Amico who has been with Apollo since November of '06 when he was brought on board as interim CFO is relinquishing his role as CFO in order to focus his time on the operations side of the business. He will continue as President of Apollo Group and is taking on the newly created position of Chief Operating Officer. This promotion reflects the outstanding leadership that Joe has demonstrated and my confidence in his ability to further enhance our core operations.

We also announced today that Brian Swartz has been promoted to Chief Financial Officer and Treasurer. Brian joined Apollo in early '07 and has worked closely with Joe over the past two years. Together they have greatly enhanced our reporting, governance and corporate finance capabilities. Brian has earned the respect and trust of the Board and the senior management team and I'm confident that Brian will serve this Company well in this important role. Greg Iverson who joined Apollo in April of '07 as Controller has been promoted to Chief Accounting Officer. He will continue to serve as Controller as well and continue to work closely with Brian in this new position. And finally I want to welcome Fred Newton to Apollo. Fred started last week as our Senior Vice President of Human Resources. He brings over 20 years of human resources experience to Apollo which will serve our employees well. I'm very much looking forward to working with Fred in his new role.

On the Board front as we announced a couple days ago we added three new directors bringing the total to 13 from 10 previously. We are delighted to have Terri Bishop, Steve Giusto and Manny Rivelo joining the Board. Terri is currently Executive Vice President of External Affairs at Apollo Group. She has been with the Company for over 25 years and brings tremendous insight to the Board.

Steve Giusto who currently serves as CFO of Korn Ferry plans to step down from that role soon in favor of his new role as senior advisor to Korn Ferry's CEO. Steve brings decades of finance and accounting experience which will be invaluable to the audit committee which he will be joining replacing Dino DeConcini on that committee.

Manny Rivelo has been with Cisco Systems for 17 years. His vast knowledge and experience in the technology industry will be of great value as we continue to grow our student body and the systems to support them. Manny will join the compensation committee of the Board replacing Sue Redman on that committee.

Now let me turn to our earnings results. I'm pleased to share another record quarter with you. During the second quarter we continued to benefit from investments we are making in key academic and operating areas. For the second quarter our net income excluding a securities litigation charge a year ago increased 78% to $125 million resulting in diluted earnings per share of $0.77. Consolidated net revenues increased 26% to $876 million which resulted in operating income growth of nearly 90%. In round numbers that 26% revenue growth this quarter breaks down as follows.

Enrollment growth at University of Phoenix contributed about 20 points of that total revenue growth. Recent price increases at University of Phoenix contributed about 4 points. And the other 2 points came from increased revenues at Apollo Global and other schools. Total enrollment growth at University of Phoenix was driven by very strong new student enrollment growth of 23% as well as from continued year-over-year improvement in student retention.

Our students and the quality of their academic experience are the key drivers at Apollo. We are very mindful that we are in an economic downturn which has some state and local colleges capping attendance or even closing campuses. At the same time, President Obama in a recent speech addressing education reform specifically called out the need to prepare not only young people but older workers who need new skills to change careers. He called for life-long learning. This is very much in line with the vision on which University of Phoenix was founded over 30 years ago. We are just as committed today to our vision of providing access to high quality, affordable education as well as providing opportunity and choice to as many students as can benefit both here and abroad.

The quality of the educational experience can be measured in many ways. We are very focused on learning outcomes and we are committed to transparency in our academic operations. We have invested in the identification and measurement of student learning outcomes and have been a leader in the assessment movement from early on. This was a key objective behind publishing University of Phoenix's first ever academic annual report last summer. It provides a transparent look at issues such as academic quality including student performance and satisfaction as well as completion rates.

The results show that as compared with students entering college nationally, on average University of Phoenix students begin with lower levels of preparation in the general areas of critical thinking, reading, writing and math. But by the time they graduate they perform at comparable levels. We are very proud of the completion rates of our students in light of the fact that most of our students have several college risk factors such as holding down a job or raising children while going to school which lowers the statistical probability of completing college. Our programs incorporate services targeted at addressing these risk factors and related students needs in order to enhance their chances to graduate. Just a note, we do plan to publish our second academic annual report this fall which will provide you with an update on certain of these data points.

Our commitment to academic quality and excellence and our focus on the student experience is essential to University of Phoenix's success. We also believe our national scope is a service to the nation at a time when our country needs to expand rather than restrict enrollment in higher education. We take this responsibility seriously and feel honored that we are in a position to create long-term value for our shareholders, while serving this important societal need. And with that I will turn the call over to Joe.

Joe D'Amico - ***Apollo Group - President, COO***

Thanks, Chas. Chas gave a great overview of the results and now I'd like to discuss some of the financial details and operational actions driving them. And then update you on a few of the current topics that we know are on your mind. Before I begin I would also like to congratulate Brian Swartz and Greg Iverson. Their efforts and support over the last two years has been a tremendous help to me. Their efforts have been critical as we advanced our accounting and finance organization and I have every confidence that under Brian's leadership we will continue to execute the vision we set two years ago.

Now for the results. We reported 26% revenue growth driven by increases in enrollment, retention and net tuition pricing. We are pleased with the continued growth in the student enrollment and retention across each degree level. We believe this is in large part due to the robust marketing initiatives we have been implementing which are producing better quality student inquiries resulting in students who are more seriously interested and ready to enroll in our programs. Additionally, we are pleased to report that due to our renewed focus on advertising in our local communities we have begun to see some incremental growth at our campuses particularly at the bachelor level. During the quarter we continue to see transfers from our associates program to our bachelor program and similar to last quarter we have seen even greater growth in our bachelor enrollment levels from our marketing efforts.

Now let me turn to operating expenses and their impact on income from operations and cash flow. As a reminder beginning this quarter, we have enhanced our disclosure to focus on revenue and operating income by business segment. Included in our press release today are our detailed cost tables to help in that transition. Going forward we will no longer be reporting expense detail in this format.

Income from operations excluding the securities litigation charge a year ago increased almost 90% to $206 million and our operating margin increased 780 basis points from 23.5% to 15.7% a year ago. This increase as a percent of revenue was driven by a 460 basis point improvement in instructional costs and services and a 330 basis point improvement in selling and promotional expenses partially offset by a 20 basis point increase in general and administrative expenses.

Now let's look at the key reasons for each of these changes. The significant improvement and instructional cost of services as a percent of revenue occurred as a result of the economies of scale associated with the 26% increase in revenues as well as some savings from lower negotiated contract costs with third party vendors particularly in the financial aid processing where costs have declined significantly year over year despite the increased volume.

During the quarter our variable costs at the University of Phoenix particularly in our academic and financial counselors and faculty wages grew at a lower rate than revenue also adding to the increased margin. It is important to note that we closely monitor our service levels to students especially during times of high growth to ensure our students receive the same high quality experience to which they have become accustomed. Should our growth continue at levels we have been experiencing these past few quarters we will likely need to increase hiring of not only academic counselors but also enrollment and finance counselors.

Offsetting the gains was higher bad debt expense which increased to 4.1% of revenues as compared to 3.8% a year ago, a 30 basis point increase. Bad debt expense also increased as compared to the first quarter of 2009. This was primarily due to the increased aging of receivables and the related risk of collecting them. This coupled with lower collection rates of older receivables caused the bad debt expense to trend upward. On an absolute dollar basis bad debt expense has also been trending up and while we continue to closely monitor and manage the collection process given the current economic climate it is possible that bad debt expense may continue to increase in the near term.

Consistent with past quarters our total allowance for doubtful accounts continues to exceed all receivables greater than 90 days old and it is important to note that bad debt as a percentage of revenue will vary from quarter to quarter due to seasonality. Selling and promotional expenses increased only 11.9% year over year and as a percentage of revenue declined 330 basis points to 25.8%. This is the first time in five quarters that we have seen a decline and it is mainly a result of more effective advertising spend as well as improved enrollment counselor effectiveness.

As you know the advertising market like most industries is feeling the effects of the economic downturn and as a result we are seeing lower ad rates in offline media channels as well as in some of our key online advertising channels like display advertising. However, ad rates in our primary channels such as search engine marketing are still competitive. We have begun to take advantage of these softening rates and are selectively shifting ad dollars to offline media. Many of you have seen our full page ad in the Wall Street Journal on inauguration day. The ad accompanied national television ads as we kicked off our new I Am A Phoenix marketing campaign. This campaign has been rolled out in several test markets and feedback has been very positive. We will be expanding the campaign nationally and adding additional local markets in the coming months as we believe it is having a positive effect in further strengthening the University of Phoenix brand.

With respect to enrollment counselors we continue to experience lower employee turnover which along with better quality student inquiries led to further improvement enrollment counselor effectiveness. While we continue to hire enrollment counselors in areas where we see particularly strong demand we are focused on providing better tools and support systems for our existing enrollment staff to further enhance their effectiveness.

Now to G&A. G&A expenses increased 29.3% as a percent of revenue and as a percent of revenue increased 20 basis points to 8.1% in the second quarter. The increase as a percentage for revenue is primarily due to the financial impact of an $8.4 million payment to the Department of Education relating to our inaccurate calculations over several years concerning students maintaining satisfactory academic progress or “SAP”.

Through our review we determined our SAP calculations were not always identifying students who were ineligible for Title IV loans and grants because they were not making satisfactory academic progress. We have since corrected these calculations, reported our findings to the Department of Education, and paid our best estimate of the actual loss amount in accordance with the regulations. We believe the matter is closed but it may be further reviewed by the Department. Excluding the impact of this one-time item, a portion of which was expensed this quarter and a portion in past quarters, G&A as a percent of revenue would have been slightly better than the prior year.

For the second quarter of 2009 our share based compensation expense was approximately $16 million. We now expect share based compensation to be approximately $70 million to $75 million for the full year depending on our stock price as well as the level of future equity grants. With respect to income taxes, during the second quarter our effective tax rate was 39.9%. Due to lower investments in tax exempt securities we now expect our tax rate for the full year to be between 40% and 40.5%, higher than previously estimated.

Now let's turn to highlights on the balance sheet and cash flows. Cash and marketable securities excluding restricted cash totaled $909 million versus $511 million at August 31, 2008. We generated approximately $297 million of adjusted free cash flow during the first half. A 56% increase versus a year ago. We define adjusted free cash flow as cash flow from operations less CapEx and changes in restricted cash. Excluding our Apollo Global operations, accounts receivable and the associated revenue, our DSO at February 28, 2009, declined to 25 days from 30 days a year ago and 29 days at August 31, 2008. This is primarily due to improvements in our processing time for receipt of student financial aid as well as increased revenue.

Before I turn the call over to Greg I'd like to update you on a couple of current topics. First our program review. And second, the current administration's proposed move to direct lending. First with respect to the program review.

During February the Department of Education performed an ordinary course focused program review of the University of Phoenix's policies and procedures involving Title IV programs. The Department's auditors spent about a week in Phoenix and reviewed selected files. Their review is not yet complete and we expect to have an exit conference with the Department prior to the issuance of their program review report. Once we have received that report we will be expected to respond and then the Department will issue a final program review determination. We have been transparent and cooperative with the Department and believe they were very appreciative of our efforts. Finally, we have been told informally that because of our size we along with other large universities will likely be subject to annual focused program reviews.

And now the federal direct lending program. President Obama has indicated his intent to simplify financial aid for students and to reduce government costs surrounding financial aid. To this end he has proposed a move to direct lending for all schools beginning in July of 2010. We have received many questions from you on where we stand with respect to direct lending so I would like to take a moment to update you on our progress.

We expect to implement direct lending initially for the PLUS loans beginning in July of this year. We have a team addressing operational and technical issues and we believe we are in a position to meet our July target. The next step will be to offer Stafford loans via direct lending. We expect to be able to fully transition from the FFELP program to direct lending by the proposed 2010 phase-out date. Over the next year we will enhance our systems and processes to support the full migration to the direct lending platform. At this time we don't foresee any significant financial impact. However we are still early in the implementation process. With that I'll turn it over to Greg.

Greg Cappelli *- Apollo Group - EVP, Global Strategy, Asst. to the Chairman*

Thanks, Joe. Good afternoon, everyone. Today I'd just like to give you a brief update on the investments we made in our core business as well as our newer business areas then I will update you on our 2009 outlook. As a reminder when we evaluate investments we do so in a pyramid type priority structure. With the University of Phoenix on top because of its superior returns. In fact, we just recently went back to review the past ten-year period from 1998 through 2008. During that time the University of Phoenix actually increased its operating profits by $760 million while investing an additional $350 million in capital. That translates into an after-tax return on incremental invested capital of more than 130%. We then looked at the most recent five-year period from 2003 through 2008 where the University of Phoenix increased its operating profits by $440 million while incremental capital investment grew by $250 million. Generating a five-year return on incremental invested capital of 110%. To be conservative we did include the purchase of our headquarters building in 2008. That was about an extra $130 million of capital. Without that the return would have been even higher. So although these historical rates are not predictions of the future we think the underlying attractiveness of our core business remains strong today. Which is why we continue to invest all we can in the University of Phoenix.

The next slice of the pyramid is our other owned assets. We are consistently evaluating the identities which include Apollo Group, Insight, Western International University, IPD and CFP. We have decided to more aggressively invest in WIU at this time. In fact, we've just hired a new President as well as a Senior Vice President of Strategy and Development for WIU. We think they are going to be outstanding additions to the organization and will help formulate and execute WIUs strategy and future growth plan which you will be hearing more about on future calls.

In terms of the final slice of the pyramid we constantly evaluate partnerships and acquisitions in our pursuit of opportunities that are strategically consistent with our long-term goals and of course are value creative. Our share repurchases are always considered when we evaluate our uses of capital. Similar to most high return service businesses at Apollo investments and our operating expenses that run through the income statement in addition to capital statements and acquisitions. Economic quality and student success will always be our primary focus and we continue to invest aggressively and broadly in our students.

We consistently talk about these important areas because they drive retention and we know that maintaining or even further improving retention going forward will be a major factor in how we define our success both internally and externally. As you know we have already seen significant improvement in retention over the past couple of years so the next level of improvement will surely be tougher. That being said we are going to continue our best efforts in this area and if we continue to have success it has the potential to result in meaningful additional value creation for all of our stakeholders. We also continue to invest in marketing. As Joe mentioned we are beginning to see the benefits of the investments we made and the new strategies we put in place over the past year. But we think incremental opportunities still exist.

In fact, we have learned so much in the market area since acquiring Aptimus that our expectations of what is possible are much greater today as compared to when we actually acquired the Company in late 2007. Reaching these goals will require further investment particularly in the area of human capital. But we think this is justified by the returns. Not just at the University of Phoenix but also as we leverage our knowledge and expertise to our other educational entities. Finally, this will be a year of more significant investment in technology and specifically our learning management systems are on this platform. This will include additional personnel as we've increased our second half budget to reflect these investments.

We have already made some significant and very talented hires from leading Internet and technology based companies. These individuals bring vast knowledge of Internet technology and advertising as well as other capabilities we have not yet had at Apollo which should be of great value as we develop our technology platform for the 21st century.

Let me just quickly update you on Apollo Global where we continue to build the foundation in order to leverage our domestic strengths and capabilities. During the second quarter Apollo Global generated $14 million in revenue and operating loss of $2 million. This is a decline from the $17 million of revenue and slight profit generated in the first quarter due to foreign exchange fluctuation, seasonality at UNIACC, our school in Chile, as well as some economic weakness at ULA, our school in Mexico. Integration of the two schools continues and we are building out the teams in key areas including hiring of a new CEO and CFO at UNIACC as well as rolling new online based programs in Chile.

At ULA we also recently enhanced the senior management team and although they are working through a very difficult economic time down there we continue to expect solid returns over time. Our long-term goal in both countries is to target both traditional and adult learner markets and continue to build out our online offerings.

We also recently launched our Apollo Global website. It can be found at www.apolloglobal.us . It provides a good overview of our key goals and objectives and includes bios on the entire global and corporate development team. The website was developed using the inhouse expertise at UNIACC, our arts and communications school in Chile.

Overall I'm pleased with the base of operations where building at global as we are taking the time to build a solid foundation, add talented individuals to the team and maintain patience as we evaluate businesses and valuations around the globe. As I look at the activity levels around global I do think this will be a year of more significant investment into certain key markets that we have been actively pursuing for the past couple of years.

Now on to our high school initiative. Insight Schools continues to be an area of investment. For the second quarter they generated $6.6 million in revenue and had an operating loss of $6 million. We have increased the number of schools we are serving relative to a year ago and enrollment in existing schools has increased as well. Insight schools grew very rapidly over the past year and because of that we are intentionally holding back new school growth for the next school year to ensure that the school's quality, compliance and student services meets our demanding expectations.

So in conclusion we had a very solid first half of the fiscal year. We are pleased with the fact that we experienced strong growth in enrollments, revenue, retention of cash flow. We have identified additional areas of investment we think will be important to make as we look to take the University of Phoenix and Apollo Group to an even higher level. We are fortunate to be in a financial position that will allow us to make these investments as we have well over a $1 billion in liquidity.

During the first half of fiscal 2009 we experienced a significant expansion of our operating margin. Some due to the incremental growth we just discussed. But this was also due in part to the timing of certain investments. On that note we do expect to make significant investments in both the third and fourth quarters, particularly in areas of technology, our education platform, personnel and marketing. All this being done with the intent of further enhancing the student experience and strengthening our brand. While we still expect that our operating margin for the full fiscal year will be higher than the previous year we don't expect the same kind of expansion in the second half of the year that we experienced in the first half.

Finally, during the second quarter we didn't repurchase any of our shares under our repurchase program. So we still have $500 million authorized and available to us. We will of course continue to evaluate all of our future investments, investment opportunities, utilizing our cash flow based valuation framework that I mentioned earlier.

In closing on behalf of all the senior management team we want to thank the thousands of employees and faculty who worked so hard to deliver high quality education to all of our students every day. As we travel around the country to meet with our many talented employees throughout our campus system the passion we see for helping students improve their lives is truly an inspiration for all of us at Apollo Group. With that, I'll turn the call back to the operator so we can take your questions.

QUESTION AND ANSWER

Operator

Thank you. (Operator Instructions). One moment, please, for the first question. Your first question comes from Gary Bisbee. Your line is open.

Gary Bisbee - ***Barclays Capital - Analyst***

Hey, guys. Congratulations on the quarter.

Chas Edelstein - ***Apollo Group - CEO***

Hey, Gary.

Gary Bisbee - ***Barclays Capital - Analyst***

I guess I'll go to those last couple comments, Greg, on the level of investment. What you mentioned that I heard was a couple of countries or areas of global that you would like to increase investment, some more hiring in the marketing side of things. And spend on the IT platform. I would assume that maybe some of that would be capitalized. But I guess can you give us any sense as to how we should think about the level of costs in aggregate? Those things just the way you mention them doesn't sound to me like it will be an enormous number that's going to derail what's been a terrifically positive margin story. Any more color you can give to us on timing and level of those investments?

Greg Cappelli - ***Apollo Group - EVP, Global Strategy, Asst. to the Chairman***

Sure, Gary. Timing is involved here in terms of the investments. I would say probably one of the areas that we are more focused on is the technology platform so we know there will be investment dollars going into that. There has already been dollars going into it. But they will ramp up in 3 and 4Q. And the reason they will is because we are going to expect to get a terrific return off of the human capital we are bringing on. You're right that some of it will be capitalized as well.

The other thing is, keep in mind that we will start to have harder comps towards the back half of the year as well. So we look at that and say well we had tremendous leverage this quarter. We are not going to see that level of leverage in the third and fourth quarters. Although we still expect it to be positive. So some of that is going to depend on where enrollments come out and revenues ultimately but you're right. We are not trying to signal anything other than the fact that it's going to be a higher amount of investment and therefore not, we don't think as much margin expansion as we have had.

Gary Bisbee - ***Barclays Capital - Analyst***

Obviously a lot of the margin expansion is just that the revenue growth has accelerated so dramatically the last six months so as you said with comps that will ease. But if you think year-over-year change in absolute costs, is that likely to reaccelerate or are you thinking more it is going to be harder to get margins because the revenue growth is probably going to decelerate somewhat as you move forward?

Joe D'Amico - ***Apollo Group - President, COO***

This is Joe. We expect our costs to grow just in accordance with our growth or hopefully somewhat less. We are not looking for a step cost increase. Or a step function increase in our cost here. We don't foresee anything today anyway that would cause us to give you that warning.

Gary Bisbee - ***Barclays Capital - Analyst***

Okay. Then just one last one on the marketing costs. Obviously it was a terrific turn around there. And the growth in advertising dollars slowed quite a bit. Is there some timing involved with that? I understand what you're saying on people costs and stuff? Or are you just getting enough benefit from lower pricing and your increased efficiency that that can be a lot slower growth going forward?

Joe D'Amico - ***Apollo Group - President, COO***

Well, it's a combination of things. First of all, we did postpone some of the investment or at least haven't made all of the investment that we intend to make on the advertising front. Secondly, we have done some reallocation of dollars. Thirdly, we are managing growth to be more on a consistent basis from as best we can from quarter to quarter and we are getting good returns on the investment spending that we are making in advertising. So I think all of those were factors in this quarter and in the future quarters we have, I think as Greg alluded to, we see greater opportunities and other things that we can do and we want as we have said many, many times, we want to invest for the long time. So on a brand front we will be doing some things and as I said we will be rolling out our, I Am A Phoenix program nationally and the like. And we will try other avenues in terms of the marketing front, in terms of how we get to our students and how we enhance our brand image.

Chas Edelstein - ***Apollo Group - CEO***

We know that our enrollment growth on the new enrollments was obviously -- as we talked about last quarter -- was slightly below last quarters. You also have to look at the advertising dollars on that as well.

Joe D'Amico - ***Apollo Group - President, COO***

They were down somewhere in the 200 basis points year-over-year as a percent.

Operator

The next question comes from Kelly Flynn. Your line is open.

Kelly Flynn - ***Credit Suisse - Analyst***

Thanks. First of all, my question is on bad debt. Can you just give us a little more color on the magnitude of an increase that you might be expecting there?

Brian Swartz - ***Apollo Group - SVP-Fin., CFO, Treasurer***

Hi, Kelly . It is Brian. It is hard to predict that given the current environment. We ticked up to 4.1 this quarter, it's principally because of the economic conditions and because we are seeing older receivables age longer it is harder to collect those receivables. In terms of where it can cap out at we don't know but we are trying to manage it as best we can and stay in front of it as best we

Kelly Flynn - ***Credit Suisse - Analyst***

Could you just spend a second on that why the weak economy has such an impact? I mean, generally a lot of your bad debt tied in with the timing of receiving Title IV versus when people drop out?

Brian Swartz - ***Apollo Group - SVP-Fin., CFO, Treasurer***

Well, our bad debt is principally triggered when a student drops or leaves school and then it either forces us into a situation where we need to collect from them directly. Since most of our funds are funded by Title IV. So when that happens a student particularly when that is in the collection cycle and dropped out some time ago I think generally in the economy that profile student, that individual is having a harder time paying their bills today than they did say a year or two ago and we are seeing that in lower collection rates on those receivables. So the economy is driving their ability to pay those bills and those bills are being generated because they left school or they dropped out of school without completing their courses.

Kelly Flynn - ***Credit Suisse - Analyst***

Okay.

Brian Swartz - ***Apollo Group - SVP-Fin., CFO, Treasurer***

Hopefully that makes sense.

Kelly Flynn - ***Credit Suisse - Analyst***

It does, thank you. Just a second topic on the program review. I know you mentioned that in your last 10-Q as well. First of all, what does the focused program review mean? You said it's through a normal course but then it also says focused. What does that mean? What is the focus? And then also any update on kind of the month-to-month Title IV approval and where that stands and why? Thanks.

Joe D'Amico - ***Apollo Group - President, COO***

Sure. Kelly, the focused program review is a limited scope review. The auditors asked for certain files from us, certain student files and then they looked at all elements of Title IV related to those files. Rather than coming in and doing a complete review that would go well beyond student files. And in terms of the participation agreement, we have continued to stay in contact with the Department on that. In their last discussions they indicated they would like to update since it's been awhile now since we have provided them with our list of schools -- with list of locations they asked us to update that in our system. It actually, believe it or not takes some time to put that information because we are so large and there are so many locations. So we are going to be providing them with that information. Once that happens then we hope that we will be at the end of that road and that they will issue their -- sign off on the PPA.

I will say that nothing has come to our attention that causes us to believe that this is anything but ordinary course of business. We just happen to be so large that it takes them a lot of time and they have a lot of other schools in exactly the same position. I have actually told them that this is asked on every conference call we have and to be a bit sensitive to that and they said well, just tell them. All the other schools are in the same position as you are or many of them are. So I don't expect there is going to be -- I hope it is not a significant delay from here but it will still be probably a matter of months anyway, before that is finalized.

Kelly Flynn - ***Credit Suisse - Analyst***

Okay. And then finally just on the annual program reviews. Can anyone provide a little color on what any other schools are going to face it too? Is it other for profit schools or other large schools in general? How do you think about that? Is that a good thing or bad thing?

Joe D'Amico - ***Apollo Group - President, COO***

Yes, I would say that that first of all comes in discussions, not anything formal. But since I was told that I thought it would be appropriate to let you know. Actually -- and who else is going to be involved in an annual focused review I really don't know whether it is for profit, traditional, et cetera. What was alluded to me was large schools, large universities. Because of the way they look at how they are measuring risks related to the funding which to me makes sense.

Secondly, in terms of how we would look at it, I look at it actually positively. I think it is good to -- first of all, we have had lots of discussions, I have, with the Department around our -- the fact that we certainly respect their position and we feel that we have a responsibility to handle Title IV funds in the best way we can. We want to be world class in the way we do that and the more they understand of what we do and how we do it I think the better off everybody is. And so having them here once a year, I think, does a lot of things for us including mitigate any risk of large impacts that might affect multi years, for example. If by chance we happen to be doing something wrong. So I view it as being a positive.

Kelly Flynn *- Credit Suisse - Analyst*

Thank you.

Joe D'Amico *- Apollo Group - President, COO*

Thanks, Kelly.

Operator

Your next question comes from the line of Mark Marostica. Your line is open.

Mark Marostica *- Piper Jaffray - Analyst*

My first question is a follow-up on the selling and promotion spending plans. I think, Joe, you drew attention to and alluded to the idea of adding more enrollment counselors in the back half of the year. Perhaps more financial aid counselors in the back half of the year. I wonder if you can give us a sense in terms of where you stand right now in terms of number of enrollment counselors and where you expect to be by the end of the year?

Joe D'Amico *- Apollo Group - President, COO*

Mark, that's information that we have not been giving out. As I have said in past calls, I think what's really important is that we are working on, first of all, having student inquiries that are more likely to convert into University of Phoenix students. We look at the effectiveness of that. We are doing a lot of content advertising, if you will, or providing more content. So people are coming to us really in a different way. And those who are more interested in coming to school here are those inquiries we are getting. So the conversion rates if you will, are higher.

And I think that we are also looking at tools and have been providing more support for enrollment counselors through our websites in other ways so that they can be more effective. And the idea here is to continue to be as effective as we can to improve the results and as we -- if growth continues at the levels that they are, all I'm saying is that will be adding -- we will have to add at some point we need to add because the effectiveness of the enrollment counselors, the service they provide, for example, or the academic or finance counselors may go down and if that starts to happen and we are looking at it in anticipation of that, so we won't let that happen, but if it were to start to happen we obviously find ourselves behind the eight-ball in terms of hiring. So we are going to look at that an manage it appropriately.

Mark Marostica *- Piper Jaffray - Analyst*

Joe, on that point, with your comments that you don't expect selling and promotion to behave like a step function cost item should we continue to see leverage on the selling promotion line in the back half of the year?

Joe D'Amico *- Apollo Group - President, COO*

We may see some increase in the absolute dollars. I hope that as a percent of revenue I don't know it will be the same as this quarter because this quarter was particularly low and we said we would be investing in marketing and the like. But I don't see it as making one large investment in one quarter, for example. That's not the way I would try to manage it anyway.

Mark Marostica - ***Piper Jaffray - Analyst***

Okay, but just to reiterate you do think we will see continued leverage on the back half of that line?

Greg Cappelli - ***Apollo Group - EVP, Global Strategy, Asst. to the Chairman***

Yes, Mark, this is Greg. What we said is we expect the year to be higher at the total.

Joe D'Amico - ***Apollo Group - President, COO***

Total margin.

Greg Cappelli - ***Apollo Group - EVP, Global Strategy, Asst. to the Chairman***

And less so in the back half than the front half of the year. And if you just think about it in the first half expansion I think it was 550 basis points overall, we talked about the timing of the investments, we talked about the increased technology, the marketing, things like the, I Am A Phoenix campaign which you have seen rolled out, continuing to roll out and support that. Brian mentioned the bad debt which we have to take into consideration. So there are enough things for us here to be more cautious on the second half than on the first.

Mark Marostica - ***Piper Jaffray - Analyst***

Okay. Okay. Fair enough. Then one follow-up question on the bad debt. I think it was mentioned that one item to consider is seasonality of bad debt. Could you walk us through the seasonality issue as it will play out -- as you think it will play out in the balance of the year?

Brian Swartz - ***Apollo Group - SVP-Fin., CFO, Treasurer***

Yes, Mark, it is Brian. I only mentioned the seasonality because we focus on sequential bad debts as a percentage of revenue and I was only pointing out that there is seasonality there and that can vary, obviously, on a sequential basis. You can look at it both year-over-year in addition to just sequentially.

Mark Marostica - ***Piper Jaffray - Analyst***

So as we look at Q3 and Q4 is there anything from a seasonal perspective that we should consider in looking at that particular spend item?

Brian Swartz - ***Apollo Group - SVP-Fin., CFO, Treasurer***

Nothing out of the ordinary that we haven't -- that you wouldn't have seen in historical numbers in Q3 or Q4.

Mark Marostica - ***Piper Jaffray - Analyst***

Fair enough. I will turn it over. Thanks.

Greg Cappelli - ***Apollo Group - EVP, Global Strategy, Asst. to the Chairman***

Thank you, Mark.

Operator

Your next question comes from the line of Andrew Steinerman. Your line is open.

Andrew Steinerman - ***JPMorgan - Analyst***

Hi there, gentlemen. The revenue for student growth has been similar to the tuition increases. Are there anything else influencing revenue per student? Do you think it is going to continue at this level of increase over the next couple of quarters?

Brian Swartz - ***Apollo Group - SVP-Fin., CFO, Treasurer***

Hi, Andrew, it is Brian. I mean the revenue, as you know we changed our refund policy in March of last year so just over a year ago that we are lapping that now. So there is clearly various things that impact the revenue per student. One of them is the number of refunds in a particular quarter. There is also obviously some seasonality in revenue that impacts it. In general we have seen some of the price increases come through net of the change in that refund policy and that's going forward we would expect to see similar kind of numbers.

Andrew Steinerman - ***JPMorgan - Analyst***

Okay. And then just a second question, again, it is on the investments end. I just want to make sure. Did the Company accomplish all of the investments that they were trying to do in the first half of the year and so this decision to step up investments in the second half is sort of independent of that?

Greg Cappelli - ***Apollo Group - EVP, Global Strategy, Asst. to the Chairman***

I don't think we accomplished all of our investment goals in the first half. I think to your question, Andrew, we do see as we look at the business and evaluate things there is just more opportunities that come up. We are not looking to just invest in anything that sounds interesting. And there are some specific areas and specific places we will be putting the investments in dollars that I mentioned. So when I say timing, timing can mean, look the availability of the personnel you are putting on from various companies or the technology or a number of things. Or the condition of the marketplace. So it's really a combination of those that are driving our decisions in 3Q and 4Q.

Chas Edelstein - ***Apollo Group - CEO***

This is Chas. One thing I would add. There were some questions about how the economy is affecting bad debt and as Greg talks about, availability of people I would say one way that the economy has been impacting us is that we do see that the marketplace for talent is more robust than it has been for a while. And that is driving some of our thinking as well, that we do see opportunities out there on the people front.

Andrew Steinerman - ***JPMorgan - Analyst***

But it is also tied to the strong revenue and enrollment momentum that you have as well. it sounds like, of course, there is more room to invest and you're taking the opportunity?

Chas Edelstein - ***Apollo Group - CEO***

That is a part of it, yes. That's fair.

Andrew Steinerman - ***JPMorgan - Analyst***

Okay. Thank you so much.

Chas Edelstein - ***Apollo Group - CEO***

Absolutely. Thank you.

Operator

Your next question comes from the line of Andrew Fones. Your line is open.

Andrew Fones - ***UBS - Analyst***

I wanted to ask about your philosophy around stock growth. Obviously in the history of the Company you've seen very strong stock growth over long periods of time. We have come off of a period of seeing less robust stock growth and it now starts to kind of reaccelerate. What are your thoughts about the overall level of stock growth that we've seen over the first half of this year, the sustainability of that and whether or not you have capacity to be able to absorb, perhaps even higher growth in starts in the future. Thanks.

Greg Cappelli - ***Apollo Group - EVP, Global Strategy, Asst. to the Chairman***

Andrew, it is Greg. Last quarter we talked about certainly being aware of the fact that we hit a recent record for the growth rate in our starts or as we call them now students that retain. And we talked about the fact that that would not -- that level of growth would likely not last for the Company. One of the reasons is because of the way we are managing the business. And the investments we are making into other areas not just marketing. So one of the things Joe mentioned is our level of marketing spend. And our -- I guess our start growth or our new start growth came down a little bit this quarter but we didn't spend as much either. And there's a variety of reasons for that. Where we are positioning the marketing dollars, what we are seeing in the marketplace at any one time. Our comfort level with growth. Our ability to influence retention as we grow so rapidly. So we know what comfort zone that we are in in terms of being able to control the quality of the starts. And the retention of that. And that's a major factor in how we manage the business going forward. Absolutely the investment in the student comes first and the quality of their experience at the University comes first. And that does get taken into consideration when you think about start growth as well.

Chas Edelstein - ***Apollo Group - CEO***

Andrew, I think the other thing that just is relevant to that consideration is that we do see value in having more consistency in our growth rates and it's just one of the factors that we think about.

Andrew Fones - ***UBS - Analyst***

Okay. Thanks. So, Greg, if I understand correctly what you're saying is that you were mindful of the amount of selling and promotion expense or advertising expense in the period. And obviously we saw a deceleration there.

Brian Swartz - ***Apollo Group - SVP-Fin., CFO, Treasurer***

Yes, that was a substantial deceleration relative to the past.

Andrew Fones - ***UBS - Analyst***

Also, I just wanted to clarify on margins. It sounded obviously as though you are going to be spending in several different areas. How I should think about instructional expense as a percentage of revenue over the balance of the year or as a growth rate relative to revenue if you like? Would you expect the investing you're going to make could cause the instructional expense to accelerate and grow a little bit faster than revenue over the second half of the year or should it remain about in line or below?

Brian Swartz - *Apollo Group - SVP-Fin., CFO, Treasurer*

Hi, Andrew, it is Brian. First of all, a couple of things. One, the instructional line item, a lot of those costs, not all of them but a portion of those costs are variable in nature, number one. And number two, we are not talking to individual line item guidance, so to speak. So we have talked generally about the margin in the first half and where we expect the margin on a relative basis to be in the second half but we are not commenting any further than that.

Andrew Fones - *UBS - Analyst*

Okay. The $8 million payment can you tell us whether that arose as part of the review or it's just as part of your own internal review?

Chas Edelstein - *Apollo Group - CEO*

Yes, Andrew, that was not part of the review. In fact, it was self-reported meaning that we identified it and then we brought it to the DOE's attention and then provided them with the data and documentation and the payments. And they were, obviously very pleased to see that we stepped up to the plate and did that and I think it is consistent with the way we intend to deal with the Department.

Andrew Fones - *UBS - Analyst*

Okay. Thanks. And then one final one. In terms of some of the students' success metrics that you mentioned earlier in the call that you have kind of been somewhat of a pioneer in the space so you have a lot of data to go back over a long period of time. Can you talk about some of the trend and the history of those metrics. Perhaps student satisfaction or completion rates, things like that that you have over time and how those have trended? If you could that would be great, thanks.

Chas Edelstein - *Apollo Group - CEO*

Andrew, it is Chas. I think that the focus on those quality metrics are really on student outcomes. And those are things like completion rate and what we are seeing in student satisfaction surveys and some third party data that, where ETS is helping us audit and measure the delta or the change in cognitive learning functions for our students. So the first public disclosure we have made of that where it has been audited by third parties in a more formal way is the annual academic report. And we do expect to publish again this fall the second one. So you'll be seeing more trend data at that time. But we haven't -- this past year was the first year we actually published that data. So I think the most -- the best comparisons you can do at this point is with national data which is available in there as well.

Joe D'Amico - *Apollo Group - President, COO*

I just wanted to comment on success factors. I think you also have to look at that in terms of retention and we have seen steady improvement and retention over the last several quarters. So I think that's another way to think about are we succeeding as we look at the student experience?

Allyson Pooley - *Apollo Group - VP, IR*

Andrew, we need to move on. Move to the next person, please, operator.

Operator

Your next question comes from Kevin Dougherty. Your line is open.

Kevin Dougherty - *Bank of America - Analyst*

Thanks, guys. I know you talked a bit about a renewed marketing focus on the local level and some improvements in your bachelor programs. Could you start the capacity there of the on ground campuses? You mentioned a number of investments. Just kind of curious if there is any real estate needs to kind of increase that capacity going forward?

Joe D'Amico - ***Apollo Group - President, COO***

There's no substantial needs from a real estate perspective that I can think of.

Greg Cappelli - ***Apollo Group - EVP, Global Strategy, Asst. to the Chairman***

We are building out our super research centers.

Joe D'Amico - ***Apollo Group - President, COO***

A lot of those are being done in existing locations. There could be some leases that we will enter into for the resource centers but other than that there isn't any large -- there are no large expansion plans.

Greg Cappelli - ***Apollo Group - EVP, Global Strategy, Asst. to the Chairman***

Outside of ordinary growth there is nothing there that is planned today, Kevin.

Kevin Dougherty - ***Bank of America - Analyst***

Okay. Could you just give us a sense then on the mix of the online versus the on ground enrollment in terms of your bachelor programs and the masters?

Joe D'Amico - ***Apollo Group - President, COO***

That's information we don't disclose.

Kevin Dougherty - ***Bank of America - Analyst***

Okay. Then maybe if I could just get one last question. The transition to the direct lending program. You recently renegotiated some of your vendor contracts. Could you just talk about any changes that might have in terms of some of those financial aid processing relationships?

Joe D'Amico - ***Apollo Group - President, COO***

I don't think that there will be any changes there because of direct lending.

Greg Cappelli - ***Apollo Group - EVP, Global Strategy, Asst. to the Chairman***

We extended the relationship last year and there's nothing changing as a result of that.

Kevin Dougherty - ***Bank of America - Analyst***

So the same vendors would be in place whether it is FFELP or direct and no material difference in the costs of one versus another?

Greg Cappelli - ***Apollo Group - EVP, Global Strategy, Asst. to the Chairman***

No, our vendor is very important to us strategically. We would intend to use them under the terms of the current contract to help us implement direct lending and other required lending sources.

Kevin Dougherty - ***Bank of America - Analyst***

Okay. Thanks, guys.

Chas Edelstein - ***Apollo Group - CEO***

Thank you, Kevin.

Operator

Your next question comes from Trace Urdan.

Trace Urdan - ***Signal Hill Group - Analyst***

Just picking up on the lease point, it seems like this is a pretty good time if you're in a position of renegotiating a lease and I'm wondering how much real estate you have to be renegotiated over the next 12 to 24 months?

Joe D'Amico - ***Apollo Group - President, COO***

That's a great question, Trace. We have, as a matter of fact, as one of our initiatives has been looking at all leases that go out at least two years and have been renegotiating many of those. Our intent is to take advantage of the market today with a prime lessor like us.

Trace Urdan - ***Signal Hill Group - Analyst***

So part of your ongoing cost saving efforts?

Joe D'Amico - ***Apollo Group - President, COO***

Yes, absolutely.

Trace Urdan - ***Signal Hill Group - Analyst***

I can't believe we are this late in the call and no one has asked this. I feel obliged. Can you comment on what you're seeing in terms of corporate tuition reimbursement programs and whether you have seen any kind of impact in terms of layoffs in terms of your enrolled students in your population or their ability to pay?

Joe D'Amico - ***Apollo Group - President, COO***

On the front of corporate reimbursement we are seeing, I think what's been generally been reported by some of the analysts and some of the research they have done and which are not seeing any significant cutbacks in corporate reimbursements from our perspective. And -- what was the second part of your question?

Trace Urdan - ***Signal Hill Group - Analyst***

Whether layoffs has been something that has affected your students' ability to attend?

Joe D'Amico - ***Apollo Group - President, COO***

I don't have any specific knowledge of that. I've got to believe that there is some of that happening every day here. But it's not anything that has at least at this point popped up as an issue that we are concerned with.

Trace Urdan - ***Signal Hill Group - Analyst***

Okay. And then last question you added -- I'm going to mispronounce his name. But Stephen Giusto from Korn Ferry to your Board recently.

Chas Edelstein - ***Apollo Group - CEO***

Right.

Trace Urdan - ***Signal Hill Group - Analyst***

Does that signify maybe an increased amount of attention on your part to the issue of placement? Are you starting to think more actively about that in your role in placement for your students?

Chas Edelstein - ***Apollo Group - CEO***

No, not really. Our thought there was more what intrigued us there was his extensive, extensive financial experience and background and that's what we were focused on more so than the industry that he was engaged in.

Joe D'Amico - ***Apollo Group - President, COO***

And global experience that he's got.

Chas Edelstein - ***Apollo Group - CEO***

Absolutely.

Trace Urdan - ***Signal Hill Group - Analyst***

Very good. Thank you.

Chas Edelstein - ***Apollo Group - CEO***

Thanks, Trace.

Operator

Your next question comes from Jeff Silber. Your line is over.

Jeff Silber - ***BMO Capital Markets - Analyst***

Thanks so much. I know it's late. I'll be quick. Just going back to the payment of the Department of Education. You mentioned that some of that had occurred in the prior quarter. Can you tell us roughly how much that was and are there any future payments along those lines?

Brian Swartz - ***Apollo Group - SVP-Fin., CFO, Treasurer***

Jeff, it is Brian. The payment occurred this quarter, what we were referring to was some of it was expensed in the current quarter and some of it was expensed in prior quarters when we knew about it. But it was paid this quarter. It was $8.4 million. And as far as we believe it is a resolved matter but the Department can certainly come back to us and we can talk about it.

Jeff Silber - ***BMO Capital Markets - Analyst***

I'm sorry, I misspoke. How much was expensed this quarter versus last quarter?

Brian Swartz - ***Apollo Group - SVP-Fin., CFO, Treasurer***

About half of it was expensed in the first half of the year in the first two -- in the first two quarters of fiscal '09. What we did, it is all in classified and general and administrative and if you look at G&A as a percentage of revenue excluding the accrual related to the SAP matter, G&A as a percentage of revenue would have been down slightly from the prior year.

Jeff Silber - ***BMO Capital Markets - Analyst***

Great. Any update on the [Keitan] lawsuit? I know there has been a lot of noise in the marketplace but from your perspective if you can just give us an update on that.

Brian Swartz - ***Apollo Group - SVP-Fin., CFO, Treasurer***

Not really. We really don't really comment on active litigation.

Jeff Silber - ***BMO Capital Markets - Analyst***

Can you remind us when that is expected to come to trial?

Chas Edelstein - ***Apollo Group - CEO***

March of 2010.

Jeff Silber - ***BMO Capital Markets - Analyst***

Great. Then just one final one. Greg, in your comments you mentioned WIU, I know you guys don't talk about that that much and again, I don't want you to disclose anything you're not planning on just yet but just roughly along those lines what's the competitive advantage of WIU right now? What do you think you will be doing with this in the future?

Greg Cappelli - ***Apollo Group - EVP, Global Strategy, Asst. to the Chairman***

Well, WIU has an excellent foundation in place right now with some very good people. There just haven't been any investment dollars put into it in the past and we are starting to do that now as I mentioned in my previous remarks. They have capabilities they can take people with I20 visas and obviously a global flare to the brand. So we are looking to enhance everything about it. Bringing in additional talent along with the supporting cast that's there now that we are excited about and think that there is really a tremendous opportunity for for WIU going forward.

Jeff Silber - ***BMO Capital Markets - Analyst***

Okay, great. Thanks so much.

Greg Cappelli - ***Apollo Group - EVP, Global Strategy, Asst. to the Chairman***

Sure.

Operator

Your next question comes from Jerry Herman. Your line is open.

Jerry Herman - ***Stifel Nicolaus - Analyst***

I'm just going to ask one. The question about growth, guys, the metrics have been really strong the last handful of quarters and I know in previous times you've talked about your targeted enrollment growth being in the high single digits. Is that still the target and how do you think about managing the growth in the business relative to those targets? I guess by definition that means things are going to slow down. I guess how do you think about that? Or are you thinking about maybe those targets being too conservative?

Greg Cappelli - ***Apollo Group - EVP, Global Strategy, Asst. to the Chairman***

Well, it wasn't enrollment, we said -- remember what we said. We said long-term. So when you look out over five years, high single digit organic domestic growth, low double digit profit growth. And perhaps those are two conservative now at this time with what we are seeing. At the time that we made that statement obviously the world was a little bit different. And we have been really pleased with the initiatives that have been put in place and what they are driving. I don't think we have updated that to this point because, again, we are talking about that as a domestic organic long-term goal internally of revenues. And as I said before the profit number. So that's a little bit of the color around that.

Jerry Herman - ***Stifel Nicolaus - Analyst***

Great. Thanks, guys.

Greg Cappelli - ***Apollo Group - EVP, Global Strategy, Asst. to the Chairman***

Thank you.

Operator

Your next question comes from [Amy Yunker]. Your line is open.

Amy Yunker ***Analyst***

Thanks. I just had a quick one. Just going back to the revenue per student. Want to make sure I understand, given the 10% increase in tuition at Axia. We were surprised to see that revenue for student in that segment was only up 5%. Looks like discounts as a whole were down both sequentially and year-over-year. What's offsetting that tuition and should we expect that to stay at that level particularly for Axia going forward?

Brian Swartz - ***Apollo Group - SVP-Fin., CFO, Treasurer***

Amy, it is Brian. The tuition price increase we announced was 10% at the associate's level. What happens is we also changed our refund policy in March of last year. So we are just lapping that now. As a result of that the way the refunds are recorded it is actually against revenue directly. It doesn't show up as a discount. That's why discounts as a percentage of gross revenues are actually down year over year. So the 5.3% which is the growth in the revenue per student year over year is net of those refunds. So hopefully that answers your question in terms of why it is less than the price increase we announced.

Amy Yunker ***Analyst***

That sounds like it is just an accounting issue and shifting.

Brian Swartz ***- Apollo Group - SVP-Fin., CFO, Treasurer***

And the impact of our refund policy we changed in March of last year.

Amy Yunker ***Analyst***

Great. That's all I had. Thanks.

Chas Edelstein ***- Apollo Group - CEO***

Amy, I would say that that is -- it is not a result of retention coming down. As we said, the retention continues to trend in the right direction.

Amy Yunker ***Analyst***

Great. Thanks.

Operator

Your next question comes from Brandon Dobell. Your line is open.

Brandon Dobell ***- William Blair & Co. - Analyst***

Thanks. In relation to the spending of the technology platform I'm assuming there was some IRR analysis, return analysis behind that thought process. Wondering if you could give us some color on what kinds of -- not numerical returns, but where should we see the returns? Should it be an improvement in -- let's call it class size productivity or (inaudible) productivity or EC productivity. Just trying to get a feel for what the qualitative return commentary might be relative to your announcement of why it makes sense to spend that money?

Chas Edelstein ***- Apollo Group - CEO***

First off, happy 40th birthday, Brandon. You're getting old.

Brandon Dobell ***- William Blair & Co. - Analyst***

Thank you.

Greg Cappelli ***- Apollo Group - EVP, Global Strategy, Asst. to the Chairman***

It is really the way you phrased that question it is all of the above. I mean, you should see -- because the technology affects all parts of the business. Right. It affects the student, it affects everybody on our end. The employees and how we deal with our students. It affects the marketing. So to us data is power and knowledge and we want more of it. We want it faster. We want to be able to put analytics around the tremendous gold mine of data we have around the University of Phoenix. Just one example. Think of the number of students we have had online studying for years and years and years and every one of those students we have the ability to see how they learned, what worked, what didn't, how they interacted with one each other. If we put analytics around that and we learn from it we can get better and better and better. That's one example. We are ready to tap into that.

Brandon Dobell - ***William Blair & Co. - Analyst***

So it doesn't sound like this -- it is not a CRM or an ERP, it is just more building out the internal systems to capture the learning data, the outcome data maybe and to learn better from it but it is not going to be some major technology shift in terms of how you're going to run your internal systems, for example?

Greg Cappelli - ***Apollo Group - EVP, Global Strategy, Asst. to the Chairman***

We obviously -- we have capabilities there already. I think some of the larger expenses in that area come into play when you think about the technology platform of the LMS because there's a lot that goes into that. You want to build it the right way. It takes time, it takes very talented people and we are doing things globally now. So obviously, obviously we feel like we are ready to make that investment.

Brandon Dobell - ***William Blair & Co. - Analyst***

Okay. Thanks a lot, guys.

Greg Cappelli - ***Apollo Group - EVP, Global Strategy, Asst. to the Chairman***

Absolutely.

Joe D'Amico - ***Apollo Group - President, COO***

Thanks, Brandon.

Operator

Your next question comes from Corey Greendale. Your line is open.

Corey Greendale - ***First Analysis Securities - Analyst***

Hi, good afternoon.

Chas Edelstein - ***Apollo Group - CEO***

Hi, Corey.

Corey Greendale - ***First Analysis Securities - Analyst***

Also a question on the investments but a different angle. Looking at the Q that you just put out, there's a comment about the effect of the economic downturn and how that is probably helping enrollment growth and just seeing that you're aware of the fact that there's this potential challenge of not building over capacity and the economy starts to go in the other direction so you don't end up with over capacity. How are you including that in your thought process around these investments and how are you making sure that doesn't end up happening?

Joe D'Amico - ***Apollo Group - President, COO***

I think the way we look at that is to have platforms and other systems that are expandable. And not limited by the way we develop the code or the way we -- the architecture of the system. Kind of like modular. You add another server. You add another server. You add another server. You know. Just build onto the existing architecture.

Chas Edelstein *- Apollo Group - CEO*

That is one of the things Joe was referring to when we don't see a major step cost. These are modular and incremental costs.

Corey Greendale *- First Analysis Securities - Analyst*

So the comment about the potential for excess capacity, that doesn't mean that you think that when you start to anniversary some of these tougher comps that you could actually see a negative start or a negative enrollment number?

Joe D'Amico *- Apollo Group - President, COO*

No, we haven't made any such forecasts.

Chas Edelstein *- Apollo Group - CEO*

I don't believe so.

Corey Greendale *- First Analysis Securities - Analyst*

Okay. I will turn it over. Thank you.

Operator

Your next question comes from Scott Schneeberger.

Scott Schneeberger *Analyst*

Hi, this is (inaudible) here for Scott. Just another question on the enrollment advisors. You have been very clear that you're going to continue investing in enrollment advisors, however, for the first time in quite some time quarter over quarter your spend was flat. I was just curious what -- I'm interpreting that that's a temporary pause but what exactly drove that this quarter?

Brian Swartz *- Apollo Group - SVP-Fin., CFO, Treasurer*

Scott, it's Brian. There was some growth, modest growth in the enrollment counselor numbers in compensation. In the first quarter we had a couple of one-time items related to some internal changes in policies that were recorded during that quarter. So even though it shows flat quarter to quarter there was some modest growth there.

Scott Schneeberger *Analyst*

Okay. And I guess another question on the -- you continue to build cash and obviously you have plenty to invest in your current growth. But what exactly would trigger you incorporating that share repurchase into your spend?

Greg Cappelli *- Apollo Group - EVP, Global Strategy, Asst. to the Chairman*

Yes, Scott. It is incorporated into our thinking every quarter. We obviously have to deal with blackout periods and whatnot and we run our intrinsic value models that we keep very current. And there's a priority structure for capital and we have to look at that, what's going on globally, domestically. We take the capital markets into consideration, how -- we are going through some extraordinary times here in the US. So how easy would it be to tap the capital markets if we needed to so we take all them into consideration. It is definitely something we look at. We will continue to consider them going forward. To take advantage of share repurchases when we think it is right. So you may see them going forward.

Scott Schneeberger ***Analyst***

Okay, thank you.

Greg Cappelli ***- Apollo Group - EVP, Global Strategy, Asst. to the Chairman***

Thank you.

Operator

We are out of time for questions today. I'd like to turn the call back to Chas Edelstein for closing comments.

Chas Edelstein ***- Apollo Group - CEO***

Thank you, operator, and thank you all very much for joining us today. We appreciate your interest and support and look forward to speaking with you going forward. Take care.

Operator

This concludes your conference call for today. You may now disconnect.