



# News Release

## APOLLO GROUP COMMENTS ON DEPARTMENT OF EDUCATION REPORT

**Apollo Group, Inc.**  
**4615 E. Elwood St.**  
**Phoenix, AZ 85040**  
**(800) 990-APOL**  
**(480) 929-7499 fax**  
**Internet:**  
**www.apollogrp.edu**  
**www.phoenix.edu**  
**www.online.phoenix.edu**  
**www.ipd.org**  
**www.fp.edu**  
**www.wintu.edu**

Phoenix, Arizona, May 18, 2001-- Apollo Group, Inc. (APOL) today provided comments on a report issued by the U.S. Department of Education Office of Inspector General (OIG). In Apollo's quarterly conference call on March 27, 2001, we indicated that, prior to the next conference call, the OIG would issue an audit report concerning Apollo's subsidiary Institute for Professional Development (IPD) and its contract educational institutions. That report has now been issued. The issuance of the audit report sets in motion the process within the Department of Education to resolve the audit. The audit report is the OIG's recommendation to the U.S. Department of Education.

In its audit report, the Office of Inspector General asserts that the contract institution violated the statutory prohibition on the use of incentive payments for recruiting by paying IPD a percentage of tuition revenue. The report further suggests that IPD paid its employees in a manner that included incentive-based compensation even though IPD based its compensation plans for recruiters on factors or qualities that were not solely related to the success in securing enrollments.

Apollo's immediate observations are the following:

The institution, with IPD assistance, will work with the U.S. Department of Education to eliminate or settle the issues raised in the audit report.

The audit report does not question whether funds were used by eligible students for their lawful and intended purpose; *however*, the OIG has recommended to the U.S. Department of Education that the contract institution be required to return to lenders all loan funds disbursed. Both IPD and the contract institution believe that the matters in question do not relate to student, program, or institutional eligibility and therefore a repayment of federal funds is not appropriate.

The current audit report raises issues that OIG could assert in audits of other IPD clients. During the first quarter of 2001, IPD established a reserve of \$1.4 million to provide for its share of any settlement obligations relating to all of its contract institutions under audit. Although we believe that the U.S. Department of Education's resolution of these issues will not have any material effect on our financial position, results of operation, or cash flows, and will not require any material change in IPD's business strategy, as with any program review or audit, no assurance can be given as to the final outcome.

**Company Contact**  
Kenda B. Gonzales  
Chief Financial Officer  
(800) 990-APOL  
Email:  
kenda.gonzales@apollogrp.edu

**Investor Relations Contact:**  
Janess Pasinski  
Apollo Group, Inc.  
(800) 990-APOL  
Email:  
janess.pasinski@apollogrp.edu

**Press Contact:**  
Leigh Parrish  
Morgen-Walke Associates, Inc  
(415) 439-4521

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Apollo Group, Inc. has been providing higher education programs to working adults for over 25 years. Apollo Group, Inc., operates through its subsidiaries The University of Phoenix, Inc., Institute for Professional Development, The College for Financial Planning Institutes Corporation, Western International University, Inc. and Apollo Learning Group, Inc. The consolidated enrollment in its educational programs makes it the largest private institution of higher education in the United States. It offers educational programs and services at 56 campuses and 101 learning centers in 35 states, Puerto Rico and Vancouver, British Columbia. Combined degree enrollment was 111,300 students as of February 28, 2001.

For more information about Apollo Group, Inc. and its subsidiaries, call (800) 990-APOL or visit Apollo on the World Wide Web at <http://www.apollogrp.edu>.

This press release includes statements that constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 (the “Reform Act”). Apollo Group, Inc. claims the protection of the safe-harbor for forward-looking statements contained in the Reform Act. These forward-looking statements are often characterized by the terms “may,” “believes,” “projects,” “expects,” or “anticipates,” and do not reflect historical facts. Specific forward-looking statements contained in this press release relate to the resolution of the issues raised in the audit report. The ultimate outcome of the matters described above will depend on the positions ultimately taken by the U.S. Department of Education.

Forward-looking statements involve risks, uncertainties and other factors which may cause actual results, performance or achievements of Apollo Group, Inc. to be materially different from those expressed or implied by such forward-looking statements.

These forward-looking statements are based on estimates, projections, beliefs, and assumptions of us and our management and speak only as of the date made and are not guarantees of future performance. We undertake no obligation to publicly update or revise any forward-looking statements, or any facts, events or circumstances after the date hereof that may bear upon forward-looking statements. You are advised, however, to consult any further disclosures we make in our reports filed with the Securities and Exchange Commission.