

REFINITIV

## DELTA REPORT

### 10-K

STRA - STRATEGIC EDUCATION, INC.

10-K - DECEMBER 31, 2023 COMPARED TO 10-K - DECEMBER 31, 2022

The following comparison report has been automatically generated

TOTAL DELTAS 3987

 CHANGES 511

 DELETIONS 1455

 ADDITIONS 2021

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549  
**FORM 10-K**

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 2022** **December 31, 2023**

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: 0-21039

**STRATEGIC EDUCATION, INC.**

(Exact name of registrant as specified in its charter)

**Maryland**

**52-1975978**

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer Identification Number)

**2303 Dulles Station Boulevard Herndon, VA**  
(Address of principal executive offices)

**20171**  
(Zip Code)

**REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (703) 561-1600**

**SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:**

**COMMON STOCK, \$0.01 PAR VALUE**

(Title of each class)

**STRA**

(Trading symbol(s))

**Nasdaq Global Select Market**

(Name of each exchange on which registered)

**SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:**

**NON**

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

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

Indicate by check mark whether the **Registrant 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 registrant** was required to file such reports), and (2) has been subject to such filing requirements for the last 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (S232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

The aggregate market value of the voting and non-voting common stock held by non-affiliates (computed by reference to the price at which the common stock was last sold) as of **June 30, 2022** **June 30, 2023**, the last business day of the **Registrant's registrant's** most recently completed second fiscal quarter, was approximately **\$1.7 billion** **\$1.6 billion**.

The total number of shares of common stock outstanding as of **January 27, 2023** **January 26, 2024** was **24,402,891** **24,406,816**.

**DOCUMENTS INCORPORATED BY REFERENCE**

Certain portions of the registrant's Definitive Proxy Statement for its **2023** **2024** Annual Meeting of Stockholders (which is expected to be filed with the Commission within 120 days after the end of the registrant's **2022** **2023** fiscal year) are incorporated by reference into Part III of this Annual Report.

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**STRATEGIC EDUCATION, INC.**  
**FORM 10-K**  
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**PART I**

**CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS:**

This document and the documents incorporated by reference herein include "forward-looking statements," within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including, without limitation, the statements about our plans, strategies, and prospects under the headings "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business." We have typically used the words "expect," "estimate," "assume," "believe," "anticipate," "may," "will," "forecast," "outlook," "plan," "project," "potential" and similar expressions in this document and the documents incorporated by reference herein to identify forward-looking statements. We have based these forward-looking statements on our current views with respect to future events and financial performance. Actual results could differ materially from those projected in the forward-looking statements. These forward-looking statements are subject to many risks, uncertainties and assumptions, including, among other things:

- the pace of student enrollment;
- our continued compliance with Title IV of the Higher Education Act of 1965, as amended (the "Higher Education Act" or "HEA"), and the regulations thereunder, as well as other federal laws and regulations, institutional accreditation standards, and state regulatory requirements;
- rulemaking and other action by the U.S. Department of Education ("Department of Education" or the "Department") or other governmental entities, including without limitation action related to borrower defense to repayment applications, [gainful employment](#), [90/10](#), and increased focus by the U.S. Congress on for-profit education institutions;

- competitive factors;
- risks associated with the further spread of COVID-19, including the ultimate impact of COVID-19 on people and economies;
- the impact of regulatory measures or voluntary actions that may be put in place to limit the spread of COVID-19, including restrictions on business operations or social distancing requirements;
- risks associated with the opening of new campuses;
- risks associated with the offering of new educational programs and adapting to other changes;
- risks associated with the acquisition of existing educational institutions, including our acquisition of Torrens University and associated assets in Australia and New Zealand;
- the risk that the benefits of our acquisition of Torrens University and associated assets in Australia and New Zealand may not be fully realized or may take longer to realize than expected;
- the risk that our acquisition of Torrens University and associated assets in Australia and New Zealand may not advance our business strategy and growth strategy;
- risks related to the timing of regulatory approvals;
- our ability to implement our growth strategy;
- the risk that the combined company may experience difficulty integrating employees or operations;
- risks associated with the ability of our students to finance their education in a timely manner; and
- general economic and market conditions.

You should not put undue reliance on any forward-looking statements. You should understand that many important factors, including those discussed under the headings "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business," could cause our results to differ materially from those expressed or suggested in any forward-looking statements. Further information about these and other relevant risks and uncertainties may be found in *Item 1A. Risk Factors* below and elsewhere in this Annual Report on Form 10-K and in our other filings with the Securities and Exchange Commission ("SEC"). We undertake no obligation to update or revise forward-looking statements, except as required by law.

References to "we," "us," "our," "Strategic Education," "SEI" and the "Company" refer to Strategic Education, Inc., together with our consolidated subsidiaries, unless the context suggests otherwise.

## Item 1. Business

### Overview

Strategic Education, Inc. is an education services company that provides access to high-quality education through campus-based and online post-secondary education offerings, as well as through programs to develop job-ready skills for high-demand markets. We operate primarily through our wholly-owned subsidiaries, **Strayer Capella University** and **Capella Strayer University**, both accredited post-secondary institutions of higher education located in the United States, as well as **Torrens University**, an accredited post-secondary institution of higher education located in Australia. Our operations emphasize relationships through our Education Technology Services segment with employers to build employee education benefits programs that provide employees with access to affordable and industry relevant training, certificate, and degree programs.

We generated net revenue of \$1.1 billion in **2022** **2023**. For more information regarding our revenues, profits, and financial condition, please refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements included in this Annual Report on Form 10-K.

#### Acquisition of Torrens University and associated assets in Australia and New Zealand

On November 3, 2020, we completed the acquisition of Torrens University and associated assets in Australia and New Zealand ("ANZ"). ANZ includes Torrens University Australia, Think Education, and Media Design School, which together provide diversified student curricula to approximately 19,000 students.

As of **December 31, 2022** **December 31, 2023**, our three reportable segments consisted of U.S. Higher Education, Australia/New Zealand, and Education Technology Services.

#### U.S. Higher Education ("USHE") Segment

The USHE segment provides flexible and affordable certificate and degree programs to working adults primarily through **Strayer Capella University** and **Capella Strayer University** (the "USHE Universities"), including the Jack Welch Management Institute MBA, which is a unit of Strayer University. USHE also offers non-degree web and mobile application development courses through Hackbright Academy ("Hackbright") and Devmountain, which are units of Strayer University.

#### Student Profile

The following is a breakdown of students by program level enrolled in the USHE Universities as of the **2022** **2023** fall term:

Program	Program	Strayer University				Capella University				Strayer University				Total USHE		Percentage of USHE students
		students	Capella University students	Total USHE students	Percentage of USHE students	Program	students	Strayer University students	Total USHE students	Percentage of USHE students	students	Capella University students	Total USHE students	students	Capella University students	Total USHE students
Bachelor's	Bachelor's	28,722	14,321	43,043	55 %	Bachelor's	17,658	31,964	31,964	49,622	31,964	49,622	49,622	57	57 %	

Master's	Master's	5,661	18,844	24,505	31	% Master's	20,307	5,622	5,622	25,929	25,929	30	30 %
Doctoral	Doctoral	—	7,340	7,340	10	% Doctoral	7,476	—	—	7,476	7,476	9	9 %
Associate's	Associate's	2,200	—	2,200	3	% Associate's	—	2,253	2,253	2,253	2,253	3	3 %
Certificate/Other	Certificate/Other	78	896	974	1	% Certificate/Other	869	84	84	953	953	1	1 %
<b>Total Students</b>		<b>36,661</b>	<b>41,401</b>	<b>78,062</b>	<b>100</b>	<b>%</b>							
<b>Total students</b>					<b>Total students</b>		<b>46,310</b>		<b>39,923</b>		<b>86,233</b>		<b>100 %</b>

The USHE segment has a very diverse student population. Of the students enrolled in the USHE Universities programs as of the 2022/2023 fall term, approximately 69% 72% were age 31 or older, approximately 79% were engaged in part-time study, approximately 77% 78% of students self-reporting their gender were female, and approximately 58% of students self-reporting their ethnicity were minorities.

The USHE business is seasonal, and as a result, its quarterly results of operations tend to vary within the year due to student enrollment patterns. Enrollment generally is lowest in the third quarter, or summer term.

#### Capella University

Founded in 1993, Capella University is an online accredited institution of higher education offering a variety of undergraduate and graduate degree programs, as well as certificate programs, in business, information technology, health care administration, counseling, psychology, human services, education, social work, nursing, and health sciences, primarily delivered to working adults. Capella University primarily focuses on master's and doctoral degree offerings, with approximately 60% of its students enrolled in such programs.

Capella University is accredited by the Higher Learning Commission (the "Higher Learning Commission" or "HLC"), a higher education institutional accrediting agency recognized by the Department of Education.

#### Curriculum

Capella University's educational offerings are competency-based and delivered in two online, convenient, and flexible formats known as GuidedPath and FlexPath. Capella University designs its curricula to help working adult students develop specific competencies they can apply in their workplace. Capella University's GuidedPath delivery model consists of credit-hour courses offered on a quarterly academic schedule, which coincide with calendar quarters. Capella University provides new students in most GuidedPath programs the flexibility to begin the first course in their program of study at the beginning of any month. These students then enroll in subsequent courses on a regular quarterly course schedule. Students enroll in one to two courses per quarter depending on the program. Each course has a designated start date, and most courses last for ten weeks.

Capella University develops GuidedPath courses to be asynchronous, allowing students to attend each course according to their weekly schedule. GuidedPath students demonstrate their mastery of competencies through authentic assessments. They must participate weekly in discussions and/or respond to questions posed by the instructor and other students' comments. This format provides an interactive experience in which each student is encouraged and required to be actively engaged. Faculty are also required to have substantive engagement in courses each week. Capella University's online format provides a digital record of student interactions for the course instructor to assess students' engagement levels and demonstrate required competencies. The course design also includes an assessment of course competencies.

Capella University also offers courses in a second format called FlexPath. The FlexPath delivery model is a form of competency-based education untethered from the traditional credit hour, called direct assessment. In FlexPath, faculty assess students' mastery of competencies through authentic assessments upon student submission. FlexPath students set their own deadlines, demonstrate competencies via authentic assessment, and move through courses at their speed, allowing them to accelerate or slow down to meet their learning needs and schedule demands.

The primary exception to Capella University's online format is for specific doctoral and master's degree programs related to professional licensure. These students participate in periodic residencies, year-in-residencies, and supervised practica and internships as part of their programs. Residencies typically last four to 12 days and are required, on average, yearly for students in applicable programs. The program in which the student is enrolled determines the length of the supervised practica and internships.

Capella University also offers certificate programs, consisting of a series of courses focused on a particular area of study, for students who seek to enhance their skills and knowledge. Online certificate courses can be taken to prepare for an undergraduate degree program, graduate degree program or on a stand-alone basis. The duration of certificate programs ranges from two quarters to approximately two years.

#### Faculty

Capella University hires faculty with teaching and/or practitioner experience in their discipline and appropriate academic credentials. The faculty consists of full-time academic administrators as well as core, part-time, and adjunct faculty. The primary responsibilities of full-time academic administrators are to monitor the quality and relevance of curricula, recruit and manage teaching faculty, and maintain accreditation standards. School academic leaders supervise faculty. Core, part-time, and adjunct faculty teach courses, serve on curriculum or other relevant committees, work on curriculum development in their areas of expertise, and serve as comprehensive exam readers and dissertation mentors to doctoral students in addition to other responsibilities.

None of Capella University's employees are a party to any collective bargaining or similar agreement with Capella University. Before offering a teaching assignment, Capella University provides significant training to new faculty members, including an online development program focused on the Capella University way of effective online teaching, its educational philosophy, teaching expectations and its online platform. In addition, the university provides all faculty members with professional development and training opportunities on an ongoing basis.

#### Organization of Capella University

Overall academic and business decisions of Capella University, including review and approval of the annual financial budget, are directed by its Board of Trustees. Capella University's By-Laws prescribe that a majority of members be independent from Capella University and the Company to assure independent oversight of all academic programs and services. Within the academic, strategic, and financial parameters set by the Board of Trustees, Capella University is managed daily by the Capella University President. The President is responsible for overseeing the implementation of the policies established by the Board of Trustees and is supported in this function by senior administrative officers. The Boards of Trustees of Capella

University and Strayer University are independent of each other and from the Board of Directors of Torrens University, and have no overlapping members.

#### **Outreach**

Capella University engages in a range of relationship-based marketing activities to build the Capella brand, differentiate it from other educational providers, increase awareness and consideration with prospective students, generate inquiries for enrollment, and stimulate referrals from current students and graduates. These marketing activities include online advertising (display, social, mobile, search, and through aggregators), television, print, radio, email, and direct mail advertising campaigns. Other marketing activities include supportive outreach to current students, participation in seminars and trade shows, and developing key marketing relationships with corporate, healthcare, armed forces, government, and educational organizations.

#### **Student Admissions**

Capella University designs its admission process to offer access to prospective students seeking the benefits of post-secondary education while providing feedback to students regarding their ability to complete their chosen program successfully. Generally, students must complete an orientation to online education and a skills assessment before the first course of their program of study, which helps the university understand each students' specific needs and readiness. Students must complete the first course in their program of study to continue their education.

Students enrolling in bachelor's programs must have a high school diploma or a General Educational Development ("GED") and demonstrate competence in writing and logical reasoning during the first course of their program of study. Additionally, applicants to undergraduate programs who do not have transferable credits from an accredited higher education institution must pass assessments in writing and reading before acceptance into the program. Students enrolling in graduate programs must have the requisite undergraduate academic degree from an accredited institution and a specified minimum grade point average. In addition to standard admission requirements, Capella University requires applicants to some programs to provide additional application material and information and/or interview with and be approved by faculty.

#### **Tuition and Fees**

Capella University's overall tuition rates vary by discipline, length of program, and degree level. Students in the GuidedPath credit hour programs are charged tuition on a per course or per term basis. Students in select doctoral programs are charged tuition at a fixed quarterly amount, regardless of the number of courses for which the student registers. Tuition for FlexPath doctoral, master's and bachelor's programs is priced at a flat, fixed amount for each 12-week subscription period. There is no maximum course load during each subscription period; however, a maximum of two FlexPath courses can be taken at any one time. Students in credit hour certificate programs are charged tuition on a per course basis. Tuition rates are reviewed at least annually. Year-over-year tuition adjustments are specific to the program or specialization and depend on market conditions, program differentiation or changes in operating costs that have an impact on price adjustments of individual programs or specializations.

Capella University offers scholarships and tuition discounts, under a variety of different programs, to members of the armed forces and in connection with various corporate, healthcare, federal and educational marketing relationships. Throughout the past several years, Capella University has expanded and refined its offering of student success scholarships under various programs to promote affordability and encourage students to remain enrolled. Students must meet admission requirements, enroll, and apply within certain timeframes to receive the scholarships, which are generally awarded over a period of four to eight consecutive quarters.

#### **Career Development Services**

Capella University provides all students and alumni career counseling, job search advising, and career management support. Career counselors interact with students and alumni via email, telephone, and online seminars to assist with career-related activities such as resume development; curriculum vitae and cover letter development; interview preparation; effective job search strategies; and career advancement efforts. The Career Center's online iGuide resources help students gather occupational information and trends, access job postings and view sample job search documents. Enrollment counselors also assist prospective students in selecting the Capella University program and specialization that best suits their professional aspirations.

#### **Strayer University**

Founded in 1892, Strayer University is an accredited institution of higher education that offers undergraduate and graduate degree programs in business, criminal justice, education, health services, information technology, and public administration, at physical campuses, predominantly located in the eastern United States, and online. By offering its programs both online and in physical classrooms, Strayer University provides its working adult students with flexibility and convenience. Strayer University also offers an MBA online through the Jack Welch Management Institute ("JWMI"), which was acquired in December 2011.

JWMI is a Top-10 Princeton Review-ranked online MBA program. Strayer University also offers non-degree web and mobile application development courses through Hackbright and Devmountain.

Strayer University is accredited by the Middle States Commission on Higher Education ("Middle States" or "Middle States Commission"), a higher education institutional accrediting agency recognized by the Department of Education.

#### **Curriculum**

Strayer University offers business, information technology, and professional curricula to equip students with specialized and practical knowledge and skills for careers in business, industry, and government. Academic leaders regularly review and revise Strayer University's course offerings to improve its educational programs and respond to competitive changes in job markets. Strayer University **regularly** evaluates new programs and degrees to stay current with the needs of students and their employers.

Strayer University's academic programs are primarily offered on a quarterly academic schedule, which **generally** coincides with calendar quarters. Although most of its programs are offered at campuses and online, Strayer University adapts its course offerings to the demands of the student population at each location. Strayer University students may enroll in courses at more than one campus and take some or all of their courses online. All course modalities have the same academic requirements and content, and are taught by Strayer University faculty. Throughout a course, faculty assess students **performance**, respond to inquiries, and interact with students to support their learning efforts.

Strayer University structures its curricula to allow students to advance sequentially from one learning level to another by applying credits earned in one program toward attainment of a more advanced degree. For example, a student originally pursuing an associate's degree in information systems can extend his or her original educational objective by taking additional courses leading to a bachelor's degree in information systems, and ultimately a master's degree in information systems. This curriculum design provides students a level of competency and a measure of attainment in the event they interrupt their education or choose to work in their field of concentration prior to obtaining their final degree.

#### **Faculty**

Strayer University **appoints** **hires** faculty who hold appropriate academic credentials, are dedicated, active professionals in their fields, and are enthusiastic and committed to teaching working adults. Strayer University's faculty includes both full-time and part-time faculty members. In accordance with Strayer University's educational mission, Strayer University faculty members focus their efforts only on teaching and student support, and not on research and/or publishing. The normal course load for a full-time faculty member is five courses per quarter for each of three quarters, or 15 courses per academic year. Certain high-performing faculty have been promoted into what we call "10x" teaching roles where they are provided with **new** technology and support resources that enable them to teach much larger class cohorts than was previously possible.

None of Strayer University's employees are a party to any collective bargaining or similar agreement. Strayer University provides financial support for faculty members seeking to enhance their skills and knowledge through a professional development funding program that reimburses eligible faculty and deans for continuing their education and completing courses, seminars, and various programs that enhance their current credentials and knowledge base to improve their content expertise. Strayer University also conducts annual in-house faculty workshops in each discipline.

#### **Organization of Strayer Capella University**

Overall academic and business decisions of Strayer Capella University, including review and approval of the annual financial budget, are directed by its Board of Trustees. Strayer Capella University's By-Laws prescribe that a majority of members be independent from Strayer Capella University and the Company to assure independent oversight of all academic programs and services. Within the academic, strategic, and financial parameters set by the Board of Trustees, Strayer Capella University is managed **on a daily basis** by the Strayer Capella University President. The President is charged with the responsibility of **responsible** for overseeing the implementation of the policies established by the Board of Trustees and is supported in this function by senior administrative officers. The Boards of Trustees of Strayer Capella

University and Capella Strayer University are independent of each other **as well as** **and** from the Board of Directors of Torrens University, and have no overlapping members.

#### **Outreach**

To identify potential students, Strayer Capella University engages in a **broad** range of **relationship-based marketing** activities to **inform working adults** **build the Capella brand**, **differentiate it from other educational providers**, **increase awareness** and **their employers** **about the programs offered**, **consideration** with prospective students, **generate inquiries** for enrollment, and **stimulate referrals** from current students and graduates. These **marketing** activities include **online advertising** (display, social, mobile, search, and through **aggregators**), **television**, **print**, **radio**, **email**, and **direct digital** **mail** advertising campaigns. Other **marketing** activities include **supportive outreach** to current students, **participation** in **seminars** and **social media** **trade shows**, and **developing key marketing** **marketing** to existing students **relationships** with **corporate**, **healthcare**, **armed forces**, **government**, and **graduates**, **print** and **broadcast advertising**, **student referrals**, and **corporate and government outreach activities**. **Direct response methods** (direct, digital, and social media **marketing**) are used to generate inquiries from potential students.

Strayer University maintains booths and information tables at various conferences and expos, as well as at transfer days at community colleges. Recommendations from its alumni **network** also **maintain** and **enhance** Strayer University's reputation and promote its quality education. Its business-to-business outreach efforts include personal telephone calls, distribution of information through corporate intranets and human resource departments, and on-site information meetings. Strayer University records inquiries in its database and tracks them through to application and registration. Additionally, information about new programs is provided to students and alumni to encourage them to return for further **education**, **educational organizations**.

#### **Student Admissions**

Capella University designs its admission process to offer access to prospective students seeking the benefits of post-secondary education while providing feedback to students regarding their ability to complete their chosen program successfully. Generally, students must complete an orientation to online education and a skills assessment before the first

course of their program of study, which helps the university understand each students' specific needs and readiness. Students attending Strayer University's undergraduate must complete the first course in their program of study to continue their education.

Students enrolling in bachelor's programs must possess have a high school diploma or a General Educational Development ("GED") Certificate, and demonstrate competence in writing and logical reasoning during the first course of their program of study. Additionally, applicants to undergraduate programs who do not have transferable credits from an accredited higher education institution must pass assessments in writing and reading before acceptance into the program. Students attending Strayer University's enrolling in graduate programs must have a bachelor's the requisite undergraduate academic degree from an accredited institution and meet certain other requirements. If a student's undergraduate major varies widely from the student's proposed graduate course of study, certain undergraduate prerequisite courses may also be necessary for admission. To maximize undergraduate students' chances for academic success and specified minimum grade point average. In addition to give them the support they need, Strayer University evaluates incoming students' proficiency in fundamental English and math prior to the first quarter's registration.

International students applying for admission must meet the same standard admission requirements, as other students. Those students whose native language is not English must Capella University requires applicants to some programs to provide evidence that they are able to use the English language additional application material and information and/or interview with sufficient facility to perform college-level work in an English-speaking institution. and be approved by faculty.

#### Tuition and Fees

Strayer University charges Capella University's overall tuition by the course. Tuition rates vary based by discipline, length of program, and degree level. Students in the GuidedPath credit hour programs are charged tuition on degree level a per course or per term basis. Students in select doctoral programs are charged tuition at a fixed quarterly amount, regardless of the number of courses for which the student registers. Tuition for FlexPath doctoral, master's and program. In addition, bachelor's programs is priced at a flat, fixed amount for each 12-week subscription period. There is no maximum course load during each subscription period; however, a maximum of two FlexPath courses can be taken at any one time. Students in credit hour certificate programs are charged tuition rates may vary in states with specific regulations governing tuition costs. on a per course basis. Tuition rates are reviewed at least annually. Year-over-year tuition adjustments are specific to the degree level program or program specialization and depend on market conditions, program differentiation or changes in operating costs associated with the degree level that have an impact on price adjustments of individual programs or program specializations.

Strayer Capella University offers scholarships and tuition discounts, to students under a variety of different programs, to members of the armed forces and in connection with various corporate, healthcare, federal and government sponsorship educational marketing relationships. Throughout the past several years, Capella University has expanded and tuition reimbursement arrangements. One such program is refined its offering of student success scholarships under various programs to promote affordability and encourage students to remain enrolled. Students must meet admission requirements, enroll, and apply within certain timeframes to receive the Graduation Fund, whereby qualifying students earn tuition credits that scholarships, which are redeemable in the final year generally awarded over a period of a student's course of study if he or she successfully remains enrolled in the program. In their final academic year, qualifying students will receive one free course for every three courses that the student successfully completed in prior years. four to eight consecutive quarters.

#### Career Development Services

Although most of Strayer University's students are already employed, Strayer Capella University actively assists its provides all students and alumni career counseling, job search advising, and career management support. Career counselors interact with students and alumni via email, telephone, and online seminars to assist with career-related matters. activities such as resume development; curriculum vitae and cover letter development; interview preparation; effective job search strategies; and career advancement efforts. The focus for Career Services at Center's online iGuide resources help students gather occupational information and trends, access job postings and view sample job search documents. Enrollment counselors also assist prospective students in selecting the Capella University program and specialization that best suits their professional aspirations.

#### Strayer University

Founded in 1892, Strayer University is to provide career guidance and resources to assist students and alumni in reaching their educational and professional goals. Services are delivered through various media including online, in person, recorded video, books, periodicals, and by telephone. The services provided include career webinars, recorded seminars, career teleconferences, career advising, and resume review.

#### Capella University

Founded in 1993, Capella University is an online accredited institution of higher education that offers a variety of offering undergraduate and graduate degree programs as well as certificate programs, in business, criminal justice, education, health services, information technology, health care and public administration, counseling, psychology, human services, education, social work, nursing, at physical campuses, predominantly located in the eastern United States, and health sciences, primarily delivered to online. By offering its programs both online and in physical classrooms, Strayer University provides its working adults. Capella adult students with flexibility and convenience. Strayer University primarily focuses on master's also offers an MBA online through the Jack Welch Management Institute ("JWMI"). JWMI is a Top-10 Princeton Review-ranked online MBA program. Strayer University also offers non-degree web and doctoral degree offerings, with approximately 64% of its students enrolled in such programs, mobile application development courses through Hackbright and Devmountain.

Capella Strayer University is accredited by the Middle States Commission on Higher Learning Commission (the "Higher Learning Education ("Middle States" or "Middle States Commission" or "HLC"), a higher education institutional accrediting agency recognized by the Department of Education.

#### Curriculum

Capella Strayer University offers business, information technology, and professional curricula to equip students with specialized and practical knowledge and skills for careers in business, industry, and government. Academic leaders regularly review and revise Strayer University's course offerings to improve its educational programs and respond to competitive changes in job markets. Strayer University evaluates new programs and degrees to stay current with the needs of students and their employers.

Strayer University's academic offerings programs are built with competency-based curricula and are delivered in an online format that is convenient and flexible. Capella University designs its offerings to help working adult students develop specific competencies they can apply in their workplace. Capella University's GuidedPath credit-hour courses

are primarily offered on a quarterly academic schedule, which generally coincides with calendar quarters. Capella Although most of its programs are offered at campuses and online, Strayer University offers new adapts its course offerings to the demands of the student population at each location. Strayer University students may enroll in most GuidedPath programs courses at more than one campus and take some or all of their courses online. All course modalities have the flexibility same academic requirements and content, and are taught by Strayer University faculty. Throughout a course, faculty assess students performance, respond to begin inquiries, and interact with students to support their learning efforts.

Strayer University structures its curricula to allow students to advance sequentially from one learning level to another by applying credits earned in one program toward attainment of a more advanced degree. For example, a student originally pursuing an associate's degree in information systems can extend his or her original educational objective by taking additional courses leading to a bachelor's degree in information systems, and ultimately a master's degree in information systems. This curriculum design provides students a level of competency and a measure of attainment in the first course event they interrupt their education or choose to work in their program field of study at the beginning of any month. These

students then enroll in subsequent courses on a regular quarterly course schedule. Depending on the program, students generally enroll in one concentration prior to two courses per quarter. Each course has a designated start date, and the majority of courses last for ten weeks.

GuidedPath courses are developed to be taken asynchronously, so that students can attend each course as it fits obtaining their weekly schedule. GuidedPath students are required to participate weekly in discussions and/or respond to questions posed by the instructor, as well as comments made by other students. This format provides for an interactive experience in which each student is both encouraged and required to be actively engaged. Faculty are also required to have substantive engagement in each course each week. Capella University's online format provides a digital record of student interactions for the course instructor to assess students' levels of engagement and demonstration of required competencies. The course design also includes assessment of course competencies.

Capella University also offers courses in the FlexPath model. In the FlexPath model, students' demonstration of competencies is directly assessed by faculty when the student submits an assessment. FlexPath students set their own deadlines, demonstrate competencies via authentic assessment, and move through courses at their own speed, giving them an opportunity to accelerate or slow down to meet their learning needs and schedule demands.

The primary exception to Capella University's online format is for certain doctoral and master's degree programs related to professional licensure. These students participate in periodic residencies, year-in-residencies, and supervised practica and internships as part of their programs. Residencies typically last from four to 12 days and are required, on average, once per year for students in applicable programs. The supervised practica and internships vary in length based on the program in which the student is enrolled.

Capella University also offers certificate programs, which consist of a series of courses focused on a particular area of study, for students who seek to enhance their skills and knowledge. Online certificate courses can be taken to prepare for an undergraduate degree program, graduate degree program or on a stand-alone basis. The duration of certificate programs ranges from two quarters to approximately two years. final degree.

## Faculty

Capella Strayer University hires faculty who have teaching and/or practitioner experience hold appropriate academic credentials, are dedicated, active professionals in their particular discipline fields, and possess significant are enthusiastic and appropriate academic credentials. The committed to teaching working adults. Strayer University's faculty consists of includes both full-time academic administrators, core faculty and part-time faculty. The full-time academic administrators' primary responsibilities are to monitor the quality and relevance of curricula, to recruit and manage teaching faculty, and to maintain standards of accreditation. Faculty are supervised by academic leaders within their schools. Core faculty and part-time faculty members. In accordance with Strayer University's educational mission, Strayer University faculty members focus their efforts only on teaching and student support, and not on research and/or publishing. The normal course load for a full-time faculty member is five courses per quarter for each of three quarters, or 15 courses per academic year. Certain high-performing faculty have been promoted into what we call "10x" teaching roles where they are provided with technology and support resources that enable them to teach courses, serve on curriculum or other relevant committees, work on curriculum development in their areas of expertise, and serve as comprehensive exam readers and dissertation mentors to doctoral students in addition to other responsibilities. much larger class cohorts than was previously possible.

None of Capella Strayer University's employees are a party to any collective bargaining or similar agreement with Capella University. Prior to offering a teaching assignment, Capella agreement. Strayer University provides significant training to new financial support for faculty members including an online development program focused on the Capella University way of effective online teaching, its educational philosophy, teaching expectations seeking to enhance their skills and its online platform. In addition, knowledge through a professional development funding program that reimburses eligible faculty and training is provided deans for all continuing their education and completing courses, seminars, and various programs that enhance their current credentials and knowledge base to improve their content expertise. Strayer University also conducts annual in-house faculty members on an ongoing basis, workshops in each discipline.

## Organization of Capella University

Overall academic and business decisions of Capella University, including review and approval of the annual financial budget, are directed by its Board of Trustees. Capella University's By-Laws prescribe that a majority of members be independent from Capella University and the Company to provide assure independent oversight of all academic programs and services. Within the academic, strategic, and financial parameters set by the Board of Trustees, Capella University is managed on a daily basis by the Capella University President. The President is charged with the responsibility of responsible for overseeing the implementation of the policies established by the Board of Trustees and is supported in this function by senior administrative officers. The Boards of Trustees of Strayer Capella

University and Capella Strayer University are independent of each other as well as and from the Board of Directors of Torrens University, and have no overlapping members.

## Outreach

Capella University engages in a range of relationship-based marketing activities to build the Capella brand, differentiate it from other educational providers, increase awareness and consideration with prospective students, generate inquiries for enrollment, and stimulate referrals from current students and graduates. These marketing activities include online advertising (display, social, mobile, search, and through aggregators), television, print, radio, email, and direct mail advertising campaigns.

Other marketing activities include supportive outreach to current students, participation in seminars and trade shows, and development of developing key marketing relationships with corporate, healthcare, armed forces, government, and educational organizations.

#### **Student Admissions**

Capella University's admission process is designed to offer access to prospective students who seek seeking the benefits of a post-secondary education while providing feedback to students regarding their ability to complete their chosen program successfully. Prior to the first course in their program of study, Generally, students are generally required to must complete an orientation to online education and a skills assessment before the results first course of their program of study, which help develop an understanding of helps the university understand each students' specific needs and readiness of each individual student. Students must successfully complete the first course in their program of study to continue their education.

Students enrolling in bachelor's programs must have a high school diploma or a GED General Educational Development ("GED") and demonstrate competence in writing and logical reasoning during the first course of their program of study. Additionally, applicants to undergraduate programs who do not have transferable credits from an accredited higher education institution are required to must pass assessments in writing and reading prior to before acceptance into the program. Students enrolling in graduate programs must have the requisite undergraduate academic degree from an accredited institution and a specified minimum grade point average. In addition to standard admission requirements, Capella University requires applicants to some programs to provide additional application material and information and/or interview with and be approved by faculty.

#### **Tuition and Fees**

Capella University's overall tuition rates vary by discipline, length of program, and degree level. Students in the GuidedPath credit hour programs are charged tuition on a per course or per term basis. Students in select doctoral programs are charged tuition at a fixed quarterly amount, regardless of the number of courses for which the student registers. Tuition for FlexPath doctoral, master's and bachelor's programs is priced at a flat, fixed amount for each 12-week subscription period. There is no maximum course load during each subscription period; however, a maximum of two FlexPath courses can be taken at any one time. Students in credit hour certificate programs are charged tuition on a per course basis. Tuition rates are reviewed at least annually. Year-over-year tuition adjustments are specific to the program or specialization and depend on market conditions, program differentiation or changes in operating costs that have an impact on price adjustments of individual programs or specializations.

Capella University offers scholarships and tuition discounts, under a variety of different programs, to members of the armed forces and in connection with various corporate, healthcare, federal and educational marketing relationships. Throughout the past several years, Capella University has expanded and refined its offering of student success scholarships under a variety of different various programs to promote affordability and encourage students to remain enrolled. Students must meet admission requirements, enroll, and apply within certain timeframes to receive the scholarships, which are generally awarded over a period of four to eight consecutive quarters.

#### **Career Development Services**

Career Capella University provides all students and alumni career counseling, job search advising, and career management support is provided by staff to all Capella University students and alumni. support. Career counselors interact with students and alumni via email, telephone, and online seminars to assist with career-related activities such as resume development; curriculum vitae and cover letter development; interview preparation; effective job search strategies; and career advancement efforts. The Career Center's online iGuide resources help students gather occupational information and trends, access job postings and view sample job search documents. Enrollment counselors also assist with prospective students' selection of students in selecting the Capella University program and specialization that best suits their professional aspirations.

#### **Strayer University**

Founded in 1892, Strayer University is an accredited institution of higher education offering undergraduate and graduate degree programs in business, criminal justice, education, health services, information technology, and public administration, at physical campuses, predominantly located in the eastern United States, and online. By offering its programs both online and in physical classrooms, Strayer University provides its working adult students with flexibility and convenience. Strayer University also offers an MBA online through the Jack Welch Management Institute ("JWMI"). JWMI is a Top-10 Princeton Review-ranked online MBA program. Strayer University also offers non-degree web and mobile application development courses through Hackbright and Devmountain.

Strayer University is accredited by the Middle States Commission on Higher Education ("Middle States" or "Middle States Commission"), a higher education institutional accrediting agency recognized by the Department of Education.

#### **Curriculum**

Strayer University offers business, information technology, and professional curricula to equip students with specialized and practical knowledge and skills for careers in business, industry, and government. Academic leaders regularly review and revise Strayer University's course offerings to improve its educational programs and respond to competitive changes in job markets. Strayer University evaluates new programs and degrees to stay current with the needs of students and their employers.

Strayer University's academic programs are primarily offered on a quarterly academic schedule, which coincides with calendar quarters. Although most of its programs are offered at campuses and online, Strayer University adapts its course offerings to the demands of the student population at each location. Strayer University students may enroll in courses at more than one campus and take some or all of their courses online. All course modalities have the same academic requirements and content, and are taught by Strayer University faculty. Throughout a course, faculty assess students performance, respond to inquiries, and interact with students to support their learning efforts.

Strayer University structures its curricula to allow students to advance sequentially from one learning level to another by applying credits earned in one program toward attainment of a more advanced degree. For example, a student originally pursuing an associate's degree in information systems can extend his or her original educational objective by taking additional courses leading to a bachelor's degree in information systems, and ultimately a master's degree in information systems. This curriculum design provides students a level of competency and a measure of attainment in the event they interrupt their education or choose to work in their field of concentration prior to obtaining their final degree.

#### Faculty

Strayer University hires faculty who hold appropriate academic credentials, are dedicated, active professionals in their fields, and are enthusiastic and committed to teaching working adults. Strayer University's faculty includes both full-time and part-time faculty members. In accordance with Strayer University's educational mission, Strayer University faculty members focus their efforts only on teaching and student support, and not on research and/or publishing. The normal course load for a full-time faculty member is five courses per quarter for each of three quarters, or 15 courses per academic year. Certain high-performing faculty have been promoted into what we call "10x" teaching roles where they are provided with technology and support resources that enable them to teach much larger class cohorts than was previously possible.

None of Strayer University's employees are a party to any collective bargaining or similar agreement. Strayer University provides financial support for faculty members seeking to enhance their skills and knowledge through a professional development funding program that reimburses eligible faculty and deans for continuing their education and completing courses, seminars, and various programs that enhance their current credentials and knowledge base to improve their content expertise. Strayer University also conducts annual in-house faculty workshops in each discipline.

#### Organization of Strayer University

Overall academic and business decisions of Strayer University, including review and approval of the annual financial budget, are directed by its Board of Trustees. Strayer University's By-Laws prescribe that a majority of members be independent from Strayer University and the Company to assure independent oversight of all academic programs and services. Within the academic, strategic, and financial parameters set by the Board of Trustees, Strayer University is managed daily by the Strayer University President. The President is responsible for overseeing the implementation of the policies established by the Board of Trustees and is supported in this function by senior administrative officers. The Boards of Trustees of Capella University and Strayer University are independent of each other and from the Board of Directors of Torrens University, and have no overlapping members.

#### Outreach

Strayer University engages in a broad range of activities to inform working adults and their employers about the programs offered to identify potential students. These activities include direct, digital, and social media marketing, marketing to existing students and graduates, print and broadcast advertising, student referrals, and corporate and government outreach activities. Direct response methods (direct, digital, and social media marketing) are used to generate inquiries from potential students. Strayer University maintains booths and information tables at various conferences and expos, as well as at transfer days at community colleges. Recommendations from its alumni network also maintain and enhance Strayer University's reputation and promote its quality education. Its business-to-business outreach efforts include personal telephone calls, distribution of information through corporate intranets and human resource departments, and on-site information meetings. Strayer University records inquiries in its database and tracks them through to application and registration. Additionally, information about new programs is provided to students and alumni to encourage them to return for further education.

#### Student Admissions

Students attending Strayer University's undergraduate programs must possess a high school diploma or a GED. Students attending Strayer University's graduate programs must have a bachelor's degree from an accredited institution and meet certain other requirements. If a student's undergraduate major varies widely from the student's proposed graduate course of study, certain undergraduate prerequisite courses may also be necessary for admission. To maximize undergraduate students' chances for academic success and to give them the support they need, Strayer University evaluates incoming students' proficiency in fundamental English and math prior to the first quarter's registration.

International students applying for admission must meet the same admission requirements as other students. Those students whose native language is not English must provide evidence that they are able to use the English language with sufficient proficiency to perform college-level work in an English-speaking institution.

#### Tuition and Fees

Strayer University charges tuition by the course. Tuition rates vary based on degree level and program. In addition, tuition rates may vary in states with specific regulations governing tuition costs. Tuition rates are reviewed at least annually. Year-over-year tuition adjustments are specific to the degree level or program and depend on market conditions, program differentiation or changes in operating costs associated with the degree level or program.

Strayer University offers scholarships and tuition discounts to students under a variety of different programs and in connection with various corporate and government sponsorship and tuition reimbursement arrangements. One such program is the Graduation Fund, whereby qualifying students earn tuition credits that are redeemable in the final year of a student's course of study if he or she successfully remains enrolled in the program. In their final academic year, qualifying students will receive one free course for every three courses that the student successfully completed in prior years. However, students who have more than one consecutive term of non-attendance lose any Graduation Fund credits earned to date, but may earn and accumulate new credits if the student is reinstated or readmitted by Strayer University in the future.

#### Career Development Services

Although most of Strayer University's students are already employed, Strayer University actively assists its students and alumni with career-related matters. The focus for Career Services at Strayer University is to provide career guidance and resources to assist students and alumni in reaching their educational and professional goals. Services are delivered through various media including online, in person, recorded video, books, periodicals, and by telephone. The services provided include career webinars, recorded seminars, career teleconferences, career advising, and resume review.

#### Australia/New Zealand Segment

The Australia/New Zealand ("ANZ") segment is comprised of Torrens University, Think Education, and Media Design School (collectively the "ANZ institutions").

Founded in 2013, Torrens University is the only investor-funded University in Australia. Torrens University offers undergraduate, graduate, higher degree by research, and specialized degree courses primarily in five fields of study: business, design and creative technology, health, hospitality, and education. Courses are offered both online and at physical campuses. Torrens University is registered with the Tertiary Education Quality and Standards Agency ("TEQSA"), the regulator for higher education providers and universities throughout Australia, as an Australian University that is authorized to self-accredit its courses.

Think Education is a vocational registered training organization and accredited higher education provider in Australia. Think Education delivers education services at several campuses in Sydney, Melbourne, Brisbane, and Adelaide as well as through online study. Think Education and its colleges are accredited in Australia by TEQSA and the Australian Skills Quality Authority ("ASQA"), the regulator for vocational education and training organizations that operate in Australia.

Media Design School is a globally recognized private tertiary institution for creative and technology qualifications in New Zealand. Media Design School offers industry-endorsed courses in 3D animation and visual effects, game art, game programming, graphic and motion design, digital media artificial intelligence, and creative advertising. Media Design School is accredited in New Zealand by the New Zealand Qualifications Authority ("NZQA"), the organization responsible for the quality assurance of non-university tertiary training providers.

#### Student Profile

The following is a breakdown of students by program level enrolled in the ANZ institutions as of December 31, 2022 December 31, 2023:

Program	Program	Total			Total ANZ students	Percentage of ANZ students
		ANZ students	Percentage of ANZ students	Program		
Bachelor's	Bachelor's	8,709	44	% Bachelor's	8,959	47
Master's	Master's	4,952	25	% Master's	4,846	25
Doctoral	Doctoral	93		* Doctoral	97	1
Associate's	Associate's	44		* Associate's	74	*
Certificate/Other	Certificate/Other	5,853	30	% Certificate/Other	5,276	27
Total Students	Total Students	19,651	100	%	19,252	100
				Total Students		

\* Represents less than 1%.

The ANZ institutions have a diverse student population. Of the students enrolled at the end of 2022, 2023, approximately 32% were age 31 or older, approximately 24% 20% were engaged in part-time study, approximately 64% of students self-reporting their gender were female, and approximately 1% were Aboriginal or Torres Strait Islanders.

Students attending the ANZ institutions primarily consist of recent high school graduates as well as working and non-working adults. The student population includes domestic students, representing citizens or permanent residents of Australia and New Zealand, and international students. Of the students enrolled at the end of 2022, 2023, approximately 48% 52% were domestic students, and approximately 52% 48% were international students attending classes in person (typically on a student visa), at a foreign partner campus, or online.

#### Curriculum

The ANZ institutions offer undergraduate, graduate, higher degree by research, and specialized degree courses as well as vocational programs. The variety of educational programs offered include both accredited and non-accredited courses that are offered online, in person at physical campuses, or a combination of online and in person. The ANZ institutions have strong industry partnerships and design the majority of their courses in collaboration with these industry partners. Further, a significant portion of the teaching staff also work in the industry related to the subject/discipline in which they teach and are therefore industry-connected subject matter experts.

The majority of students enrolled in ANZ institutions enroll in trimesters, lasting 12 weeks and commencing at approximately mid-February, late May/early June and mid-September. Students generally enroll in one to three subjects per trimester, depending on their mode of study, and for international students, depending on minimum load requirements attached to their visa. Students are assessed in full each trimester, and will re-enroll into further subjects in subsequent trimesters.

Courses are offered either in person or online, and students may elect to take a combination thereof. International students are subject to government regulation with respect to the proportion of their study that must be taken face-to-face. Both modes of study are priced consistently, subject to the same admission requirements, policies and procedures and receive the same level of service and support.

The structure of curricula allows students to apply credits earned in one program toward attainment of more advanced qualifications, with an ability to progress from vocational to higher education, from diplomas to bachelor's and then into post-graduate programs. Within Australia this academic credit is transferable across institutions.

#### Faculty

The faculty at ANZ institutions consists of both full-time and part-time faculty members. In Australia and New Zealand, the primary qualification faculty members must have to teach at an institution of higher education is a degree that is at least one level higher than the relevant discipline they are teaching, in order to demonstrate their advanced skills, knowledge and understanding of the subject matter.

Torrens University is required to maintain a robust and active research agenda in order to maintain its registration as a University. As such, all faculty are expected to be involved in scholarship and/or research programs. Torrens University has an outstanding group of senior research leaders in the disciplines of artificial intelligence and health, and are forming new research groups in business, design, education, and disability. To be accredited as a University in Australia, Torrens University must ensure three of its research areas are at a world class standard and must report regularly on its research outcomes.

All new faculty are required to complete an academic on-boarding program, which includes an introduction to the institution they are joining. The on-boarding program is followed by a rolling schedule of training sessions and symposiums during the year addressing key topics relating to teaching and learning, thus enabling staff to continuously develop their skills and remain up-to-date with new developments. In addition, an Academic Professional Development program is available to all academic staff, which provides opportunities from core competency development to advanced teaching methodologies. These programs are delivered as formal trainings, national symposiums, online facilitated seminars, informal community-based professional learning events and access to a learning and teaching resource repository and network.

#### **Organization of the ANZ Institutions**

Each ANZ institution has a local Governing Board, as well as an Academic Board that oversees all three institutions. The Governing Board meets at least quarterly and provides oversight of the management of the institutions, which includes providing input into strategic direction, risk management, academic governance, reporting and disclosure, performance, corporate governance and delegations. The Academic Board, on delegated authority from the Governing Boards, has principal responsibility for quality assurance of all academic activities of the institutions, including the maintenance of high standards in teaching and scholarship. The Executive Leadership team oversees the operational leadership and strategic direction of the institutions with clear delegations and direction from each of the institution's Governing Boards.

#### **Outreach**

Marketing and sales initiatives vary depending on the type of prospective students being targeted. Marketing to international students is primarily delivered through international agents and events that are largely relationship-based while marketing to domestic students is primarily delivered **digitally, digitally and in high schools**. These marketing activities include digital paid campaigns, social media engagement as well as events such as open days for students to come learn about the institutions, seminars or webinars that are offered both in person and virtual, as well as through high school career fairs or agents' career fairs for international students.

#### **Student Admissions**

##### *Torrens University and Think Education (Australia)*

Students enrolling in higher education undergraduate courses must satisfy minimum admission criteria and any course prerequisites. The admission requirements vary based on an applicant's current level of education and work experience. Students enrolling in higher education graduate courses must demonstrate their ability to undertake postgraduate studies in the proposed field. The admission criteria are course-specific and may include formal educational qualifications, a combination of formal educational qualifications and relevant professional experience, or extensive high-level relevant professional experience. All applications for postgraduate courses are assessed on an individual basis. In addition, when applying for **undergraduate or postgraduate study**, applicants may be considered under the guidelines of Special Entry and Educational Access Schemes designed to broaden access to the university, address perceived **disadvantage disadvantages** or encourage studies in particular disciplines. This group includes, but is not limited to, applicants with physical disabilities, applicants from geographically isolated areas, applicants with economically disadvantaged backgrounds and applicants that are **Aboriginal or Torres Strait Islander applicants, Islander**.

Students enrolling in a vocational education and training program must meet minimum requirements for admission including any course specific requirements and English language requirements. In addition, domestic applicants who wish to access vocational education and training ("VET") student loans will be assessed to establish if they have the aptitude to complete the qualification. Evidence to demonstrate this aptitude includes a completed Australian secondary education or equivalent, or a qualification at the level or below an applicant's desired course.

##### *Media Design School (New Zealand)*

Students enrolling in undergraduate courses at Media Design School must have formal academic qualifications from a secondary or tertiary-level school. The specific entry requirements are program-specific and may include interviews, portfolios, work and life experience, informal and non-formal learning, or a combination of these methods. Students enrolling in graduate level courses must demonstrate their capacity to undertake postgraduate studies in their proposed field. The admission requirements are program-specific and may include formal qualifications, extensive relevant professional experience, or a combination of formal qualifications and relevant professional experience. In addition, applicants must provide evidence of meeting the English language proficiency level required by each program.

#### **Tuition and Fees**

The ANZ institutions set tuition by course and the tuition is billed by enrolled subject, which varies depending on the discipline, award level, and length of program. Tuition rates are reviewed at least annually, with adjustments influenced by market conditions, changes in operating costs and competitor activity. In addition, the ANZ institutions offer a range of scholarships and discounts to students that are both merit-based and based on specific circumstances. The majority of scholarships are offered to new international students and targeted to particular geographical regions or specific disciplines or courses as a means of enhancing accessibility and affordability.

#### **Career Development Services**

Career development services are offered through the Careers Connect platform, which is a digital platform available to students on-demand. Through the platform students can access resume and cover letter review services; search and apply for jobs; search and apply for volunteering, work-integrated learning, industry placements and virtual internships; complete virtual mock interviews; access online resources and webinars relating to job search, career planning, and graduate employment; and view and register for careers and

industry-related events. The ANZ institutions also collaborate with industry partners to bring students free virtual work experience to help them build their employability skills. These short experiences, developed by global industry leaders, help students gain practical work skills and receive a certificate upon completion.

In addition, each student is assigned a student provided Success Coach Coaches upon starting their course of study to help prepare and connect to the student to their chosen industry, university support network. The Success Coach's Coach team's focus is to help students successfully navigate the educational landscape and build personal and professional capability to improve the employability of each student by using their industry knowledge to maximize the impact of the student's application and presentation of their personal brand, skills.

### Education Technology Services Segment

Our Education Technology Services segment is primarily focused on developing and maintaining relationships with employers to build employee education benefits programs that provide employees with access to affordable and industry relevant training, certificate, and degree programs. The employer relationships developed by the Education Technology Services division segment are an important source of student enrollment for Strayer Capella University and Capella Strayer University, and the majority of the revenue attributed to the Education Technology Services division segment is driven by the volume of enrollment derived from these employer relationships. Education Technology Services also supports employer partners through Workforce Edge, a platform which provides employers a full-service education benefits administration solution, and Sophia Learning, which enables education benefits programs through the use of low-cost online general education-level courses recommended by the American Council on Education for credit at other colleges and universities.

### Industry Background

The United States market for post-secondary education is large, fragmented, and competitive. According to the National Center for Education Statistics, the total estimated number of post-secondary students enrolled as of the fall of 2021 2022 was approximately 19.0 million, reflecting a 13.4% decrease from record enrollment in the fall of 2010. million. Approximately 1.3 1.2 million of these students attended proprietary institutions. Controversy about the cost of higher education, the time commitment required to obtain a degree, under-employment of many college graduates, and persistent negative media coverage have caused some prospective students to question the value proposition of higher education. Further, the COVID-19 pandemic significantly reduced the number of students enrolled in post-secondary education institutions in recent years. According to estimates released by the National Student Clearinghouse Research Center, college total enrollments in all higher education sectors declined 2.5% 0.7% and 2.7% 2.5% in the fall of 2020 2022 and 2021, respectively. Enrollment at proprietary colleges increased 5.3% 2.6% in the fall of 2020 2022 and declined 9.3% 2.1% in the fall of 2021. The industry is heavily dependent on continued availability of funding for programs under Title IV of the Higher Education Act ("Title IV programs"), and concerns about potential reductions in such funding also could negatively affect demand for higher education.

Notwithstanding weaker demand dynamics in past years, including the more recent adverse impact from the COVID-19 pandemic, we believe that over time, demand for post-secondary education in the United States will continue to increase as a result of demographic, economic, and social trends. The U.S. Census Bureau has reported that approximately 52.5 64.5 million adults over the age of 25 in the United States do not have more than a high school education, and approximately 33.5 33.0 million adults over the age of 25 have some college experience but have not completed a college degree. Other trends that could positively affect demand for our programs include:

- increasing demand by employers for specific types of professional and skilled workers;
- expansion of employer provided tuition assistance programs as a mechanism to attract and retain employees;
- growth in the number of high school graduates from 2.8 million in 1999-2000 to an estimated 3.7 million in 2022-2023, 2023-2024, according to the National Center for Education Statistics;
- the significant and measurable income premium and enhanced employment prospects attributable to post-secondary education;
- a number of initiatives underway to reduce the cost of a post-secondary education; and
- continued demand from working adults for programs offered by accredited institutions.

Prior to the COVID-19 pandemic and the corresponding closure of Australia's borders, the Australian higher education market experienced consistent enrollment growth. In 2020, Australian higher education enrollments totaled approximately 1.6 million, compared to 1.2 million in 2010, resulting in a 38% increase in total enrollments over the 10 year period. The number of international students enrolled in Australian higher education institutions grew from 0.3 million in 2010 to 0.5 million in 2020. However, due to Australia closing its borders in response to the COVID-19 pandemic in early 2020 and visa processing delays when the borders reopened in early 2022, international enrollments have declined in recent years, resulting in overall enrollment declines in Australia. Estimated total higher education enrollments in Australia decreased approximately 5% between 2019 and 2022, driven largely by the decline in international enrollments. With Australia's borders now fully reopened, the Australian higher education market is expected to return to enrollment growth in the near future, with a significant share of growth expected from international students' growth.

### Competition

The post-secondary education market is highly competitive, with no private or public institution holding a significant market share. Strayer Capella University, Capella Strayer University, and Torrens University (the "Universities") compete primarily with traditional public and private two-year and four-year degree-granting accredited colleges and universities, other proprietary degree-granting accredited schools, vocational education organizations, and alternatives to higher education, such as employment and military service. In addition, we face competition from various non-traditional, credit-bearing and noncredit-bearing education programs provided by proprietary, public, and not-for-profit providers, including massive open online courses offered worldwide without charge by traditional educational institutions and other direct-to-consumer education services. 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 and colleges in states that offer various forms of "free college" programs. As online learning matures as a modality for education delivery across higher education, we believe that the intensity of the competition we face will continue to increase.

We believe the key factors affecting our competitive position include the quality of our programs, offered, the quality of other support services provided to students, our reputation among students and in the general marketplace, the cost and perceived value of our offerings, the employment rate and terms of employment for our graduates, the ease

of access to our offerings, the quality and reputation of our faculty and other employees, the quality of our campus facilities and online platforms, the time commitment required to complete our programs and obtain a degree, the quality and size of our alumni base, our partnerships with employers, and our relationship with other learning institutions.

### Company Strengths

We have a strong track record of providing practical and convenient education programs and solutions for working adults, employers, and recent high school graduates. We believe the following strengths position us to capitalize on the demand for post-secondary education:

- **Focus on innovation.** We value innovation and actively invest in the educational experience to improve student success and employment outcomes, while also addressing challenges including the affordability of higher education and meeting the skill requirements of employers. Capella University's competency-based learning infrastructure and direct assessment capabilities through the FlexPath offering, learning model, Strayer University's video, simulation and content and student support capabilities, and Torrens University's virtual career expo are examples of this drive to transform education delivery and learning by working adults. The Universities leverage these transformational capabilities to provide high quality, easily accessible, and affordable educational programs to their students.
- **Consistent operating history.** Strayer University, Capella University, and Torrens University have been in continuous operation since 1892, 1993, and 2013, respectively, and all three institutions have demonstrated an ability to operate

consistently and grow profitably. As a combined global Company, we have continued and enhanced this track record, with a broader, more diversified product offering, offerings, a balanced revenue mix, financial and operational synergies, and greater scale.

- **Practical and diversified programs.** We offer programs in practical areas of adult education. In order to keep pace with a changing knowledge-based economy, we constantly strive to meet the evolving needs of our students and their current and prospective employers by regularly refining, updating, and adding to our portfolio of educational programs, offerings. We have a diversified program portfolio that includes Strayer University's primarily undergraduate programs in business, criminal justice, and information technology, and an online MBA program offered through the Jack Welch Management Institute; Capella University's primarily graduate-focused, competency-based programs in healthcare and counseling, including a robust doctoral portfolio; and ANZ's certificate and degree programs offered through Torrens University, Think Education, and Media Design School including post-graduate programs in business administration, information systems and public health, Torrens University's Blue Mountains International Hotel Management and Billy Blue Design schools, accredited nursing bachelor's degree, and award-winning creative and digital technology qualifications. This program diversity helps us better meet the educational needs of students in today's workforce.
- **Focus on adults pursuing career-relevant degree and non-degree programs.** We focus on serving adults who are pursuing undergraduate and graduate degrees as well as non-degree certificates and training programs that will help them advance their careers and employment opportunities. We provide high quality student support services such as advising, writing, tutoring and research support; administrative services; library services; financial aid counseling; and career counseling. Increasingly, we are leveraging We leverage data and analytics to create personalized experiences for our students, which are reflected in our persistence improvements and continued high student satisfaction.
- **Flexible program offerings.** We offer flexible programs that allow students to attend classes and complete coursework during the day, in the evening, and on weekends throughout the calendar year at the student's convenience through our comprehensive online program offerings.
- **Attractive and convenient campus locations.** Physical presence continues to be is an important strength for us, notwithstanding the fact that the vast majority of most academic activity occurs online. Strayer University has campuses that are attractive and modern, offer conducive learning environments in convenient locations, and provide many online students with a physical location to study and to meet with admissions officers and academic advisors. These physical campuses are unique in comparison to most online education programs and position Strayer University to support its online learners more effectively. ANZ campuses are located in central business districts of major cities across Australia and New Zealand, with accessibility and proximity to industry partners, and offer a focused and personal learning experience to students.
- **Established brand names and alumni support.** Strayer Capella University and Capella Strayer University are established brand names in post-secondary adult education. Their students and graduates are effective ambassadors of both brands through their work at companies across corporate America and, along with our growing alumni networks, foster greater brand awareness and additional referral opportunities for new students. ANZ continues to build the reputation and brand awareness of Torrens University through the success of its students and graduates, its research programs and its relationships with key industry partners, while also leveraging existing strengths in its established college brands, including Think Education and Media Design School.

### Company Strategy

Our goal is to be a leading innovator and provider of career-relevant and meaningful education programs that prepare students for advancement in their careers and professional lives, and promote economic mobility. We have identified the following strategic priorities as key to achieving our goal:

- **Improve student success** — Our success depends on the success of our students. The more we focus on helping our students succeed, the more likely it is that we will succeed. In order to improve student success, we must continue to hire outstanding faculty, produce high quality academic content, and employ cutting edge technology that enables us to deploy faculty and content in increasingly efficient and effective ways.

- **Enhance student experience** — Our students are predominately working adults who are furthering their education in order to advance their careers and professional lives. Our students are busy with work and family responsibilities that leave little time for other endeavors. Thus, we make every effort to make all interactions with our students productive, and we are constantly looking for ways to serve them better. This initiative includes leveraging technology, including

artificial intelligence and automation, to improve student support in the areas of advising, tutoring, registration, campus and online technology, and administration. We measure our performance through student surveys and focus groups as well as through metrics like persistence, continuation, and return on student investment.

- **Address affordability** — Recognizing that affordability is a significant factor in a prospective student's decision to further his or her education, we have implemented various initiatives to make our programs more affordable. For example, Capella University's FlexPath direct assessment model provides opportunity to drive affordability through the potential for lower tuition costs, reduced time to completion, and increased flexibility. Additionally, through the Graduation Fund at Strayer University, qualifying students enrolled in a bachelor's or master's degree program are eligible to receive one free course for every three courses successfully completed towards a degree. The free courses earned are redeemable in one's student's final academic year. Additionally, Capella University's FlexPath direct assessment model provides opportunity to drive affordability through the potential for lower tuition costs, reduced time to completion, and increased flexibility. The Universities have also instituted various other tuition reductions and scholarships. Through Sophia Learning, we provide low-cost online general education-level courses recommended by the American Council on Education for credit at other colleges and universities, which can dramatically lower the cost of getting a degree. We continue to monitor and assess the impact of our affordability initiatives and explore other ways to make our offerings as affordable as possible. We are also focused on deploying new, more robust technology innovations, including artificial intelligence and automation, which enable us to lower our operating costs and thus improve our ability to support lower tuition.
- **Establish new platforms for growth** — We are continuously looking for new ways to leverage our existing resources and capabilities to accelerate growth and expand benefits to our students through our best-in-class processes and practices and through opportunistic business combinations. We are investing in new platforms and channel capabilities to create improved access and value for students and employers. We also continue to develop new programs and concentrations.
- **Build employer relationships** — We are actively building relationships with employers to create employee education benefits programs that provide employees with access to affordable and industry relevant training, certificate and degree programs. These relationships are an important source of corporate-funded enrollment for Strayer Capella University and Capella Strayer University. Our Workforce Edge platform, which provides a full-service education benefits administration solution for employers, is also positioned to drive enrollment in our universities that is less reliant on federal funding.
- **Build Maintain a high performing, innovative, and adaptable culture** — In order to be a leading provider of educational services, we must have talented and motivated faculty and employees who are passionate about serving students. We encourage all employees to be innovative in their way of thinking and adaptable to change. We strive to attract the best talent and then develop and retain them. We want to be known as an employer of choice and be a place where one can build a long-term career.

#### Human Capital Resources

As of December 31, 2022 December 31, 2023, Strategic Education employed 3,907 3,774 full-time employees worldwide, of whom 945 864 were based outside of the U.S. United States. In the U.S., United States, the Company employed 2,962 2,910 full-time employees, including 830 310 full-time faculty members, and 2,632 2,600 non-faculty staff. Outside the U.S., United States, the Company employed 247 265 full-time faculty members, and 698 599 non-faculty staff. In addition, the Company employed 2,521 2,648 part-time faculty members and non-faculty staff worldwide as of December 31, 2022 December 31, 2023, of whom 921 953 were based outside of the U.S. United States and 1,600 1,695 were based in the U.S. United States.

The following table presents the gender representation of our U.S. and ANZ employees:

	U.S. employees	ANZ employees
Female	64 %	62 %
Male	35 %	38 %
Not Declared	1 %	*

\* Represents less than 1%.

	U.S. employees	ANZ employees
Female	66 %	60 %
Male	33 %	39 %
Not Declared	1 %	1 %

The following table presents the race and ethnicity representation of our U.S. employees:

	U.S. employees
Black or African American	21.1 20.8 %
Hispanic or Latino	2.7 2.8 %
Asian	4.9 5.1 %
White	61.5 61.3 %
Two or More Races	0.3 %
Native Hawaiian or Pacific Islander	0.2 %
American Indian or Alaskan Native	0.9 0.8 %
Not Declared	8.4 8.7 %

SEI is committed to operating transparently and with the highest standards of integrity. Our guiding principles and leadership behaviors emphasize student-centric priorities and drive us as we continue to build a vibrant, diverse and inclusive culture. Recurring organization health surveys offer employees a way to share feedback with senior leaders on priorities, leadership culture, and the workplace, and are used to shape Company goals. The executive leadership team hosts frequent Company-wide town hall meetings and mentoring sessions that inform employees about the Company's initiatives and results and provide insight on skills and attributes that drive success. The Company also supports numerous platforms for employee engagement, such as community and employee network groups which provide opportunities for employees to experience an inclusive community at SEI through development opportunities, informal mentoring and volunteering.

SEI honors and celebrates diversity, equity and inclusion ("DEI") as core institutional principles. The Company is fully engaged in cultivating a diverse and inclusive workforce and environment that reflects all stakeholders. This activity is aligned with SEI's commitment to advancing diversity in key roles. In 2019, the Company launched the CEO's Council on Diversity, Equity, and Inclusion, an advisory council which is charged with promoting DEI initiatives across the organization. In 2021, we established a DEI Programs Team; appointed from amongst our leadership a Chief Diversity Officer for the Company; and the presidents of Strayer Capella and Capella Strayer Universities appointed university-level Diversity Officers. The DEI Programs Team continues to shape and drive forward our enterprise diversity, equity, and inclusion strategy.

The Company is dedicated to attracting, developing and retaining top talent. SEI offers compensation and benefits that are market-competitive and performance-based (in accordance with Department of Education regulations). The compensation programs and policies reflect the Company's commitment to reward performance that aligns with its values and priorities. SEI offers a comprehensive benefits package focused on ensuring our employees are empowered to maintain a healthy work-life balance, a healthy living lifestyle, and financial wellness. SEI's benefits package includes traditional health and wellness benefits, as well as programs to assist employees in accumulating wealth through the Company sponsored 401(k) Plan and Employee Stock Purchase Plan in the United States and through the Company's contributions to the superannuation fund on behalf of employees in Australia. The Company also provides generous paid time off, a wellness plan, paid parental and military leave, as well as giving back and volunteer time.

SEI fosters the growth and career development of its employees by creating solutions that support employees to deliver high performance, grow their careers, and contribute to SEI's mission to enable economic mobility of its students through education. The Company provides opportunities for eligible employees and dependents to attain and enhance their career goals through our Tuition Assistance Program, which provides generous financial support for undergraduate and graduate courses at Capella University, Strayer University, including the Jack Welch Management Institute, Capella University, and continuing education through Sophia Learning. In addition, the Company provides support for faculty members and employees seeking to enhance their skills and knowledge through professional development opportunities and continuing education. Online learning resources are available that cover a broad range of skills, including leadership, professional development, innovation, communication and technology. The Company has also prioritized identifying high-performing employees to accelerate their development and foster a strong, diverse succession pipeline.

#### Environmental Responsibilities

SEI is dedicated to creating economic mobility for working adults through innovative learning programs. In our pursuit of this mission, we maintain physical locations to support our employees and students, and are committed to managing these facilities in a manner that minimizes the environmental impact in the communities where we work and live. The Company

strives to uphold environmental practices that reduce climate change risks from energy consumption, greenhouse gas emissions, water usage, and waste generation. These practices include:

- Reducing the physical footprint of corporate offices and campuses reduces energy consumption, water usage, and waste generation
  - The Company has achieved SEI continues to pursue a goal of reducing the size of its physical footprint, and reduced its overall footprint real estate by more than 25% approximately 10% compared to the square footage occupied in 2020 2022 by implementing more efficient workspace design and eliminating underused campus facilities. The Company will continue to pursue additional opportunities when appropriate.
- Reducing energy consumption, including from non-renewable energy resources
  - Strayer Capella University and Capella Strayer University offer robust online curriculums, with 100% of instruction delivered online at Capella University and the majority of instruction delivered online at Strayer University and 100% of instruction delivered online at Capella University; this online curriculum gives students the

- ability to access and complete coursework online, reducing the need for physical space and commuting, which in turn reduces energy and water usage, greenhouse gas emissions, and waste generation.
- Much of SEI's workforce is accustomed to working remotely, again reducing the need for physical space and commuting, which in turn reduces energy and water usage, greenhouse gas emissions, and waste generation.
- Our Minneapolis, MN corporate office is located within a LEED Gold certified building (Leadership in Energy and Environmental Design), which is a U.S. Green Building Council certification.
- The Herndon, VA corporate office is located in a building that is benchmarked within the ENERGY STAR program, which is a joint program of the U.S. Environmental Protection Agency and the U.S. Department of Energy focused on protecting the environment through energy efficient products and practices.
- **Torrens University Australia is a part of the Tech Central Sustainability Collaborative Partners Group focused on developing opportunities to improve sustainability.**
- Our Media Design School campus in Auckland, New Zealand is located in a 6 Star Green Star rated building, which represents leadership in environmentally sustainable building practices.
- SEI is investing in energy-saving interior design options, including updated lighting packages with more efficient LED lighting; occupancy sensors to reduce energy consumption in areas that are not being used; and programmable heating and cooling systems that will **only run only** during operating hours.
- Within campus locations, many property management teams are equipping spaces with energy-saving features including more efficient LED lighting, motion sensor lighting, and energy efficient HVAC systems.
- As a provider of online education, data centers are a critical component of **our** business operations; one of SEI's largest power usages from a data center is from a data center powered entirely by renewable wind energy.
- Reducing greenhouse gas emissions
  - **In Public transportation is an effort to focus on** alternative, green-commuting **options, employees are encouraged to consider public transportation; for option.** For employees in Minneapolis, MN, SEI covers a portion of public transit costs as an employee benefit.
  - Vehicle charging stations have been installed at the corporate office in Herndon, VA to support employees that choose to utilize **or purchase** alternative fuel vehicles.
  - Many campus city locations are located near mass transportation options.
  - All campuses in Australia and New Zealand are located near a city center and public transportation hubs.
- Reducing water usage
  - Our Herndon, VA and Minneapolis, MN corporate offices and many campus locations, including Australia and New Zealand campuses, use water efficient fixtures to decrease the amount of water usage.
- Reducing waste generation from business operations
  - SEI has recycling programs within operations in the U.S., Australia, and New Zealand to encourage employees to recycle products, including a national contract with a document management company which provides corporate and campus locations with shredding bins on-site to allow business materials to be recycled.
    - Between January 2021 and December 2022, the Company securely recycled approximately 50 U.S. short tons of paper resulting in significant environmental benefits, including benefits from not

having to generate new paper.

**In 2023, the Company securely recycled another approximately 8 U.S. short tons of paper.**

- Additional efforts to reduce environmental impacts
  - Green cleaning products are utilized at both the Herndon, VA and Minneapolis, MN corporate offices to reduce impacts to the environment.
  - Within certain campus locations, janitorial companies also use green cleaning products to reduce impacts to the environment.
  - Torrens University Australia, Think Education, and Media Design School are Certified B Corporations, meaning they meet high standards of verified performance, accountability, and transparency on factors including supply chain practices and overall environmental sustainability.

#### **Information About Our Executive Officers**

For a description of Strategic Education, Inc.'s senior management, see the biographical information set forth in Item 10 below, which is incorporated herein by reference.

#### **Intellectual Property**

In the ordinary course of business, we develop many kinds of intellectual property that are or will be the subject of copyright, trademark, service mark, patent, trade secret, or other protections. Such intellectual property includes, but is not limited to, our courseware materials for classes taught online or by other distance-learning means and business know-how and internal processes and procedures developed to respond to the requirements of our operations and various education regulatory agencies. In many instances, our course content is produced for us by faculty and other content experts under work-for-hire agreements pursuant to which we own the course content in return for a fixed development fee. In certain limited cases, we license course content from third parties on a royalty-free basis.

We also claim rights to certain marks and have obtained or have pending applications in the U.S. and select foreign jurisdictions for registration of the marks, including the marks **"STRAYER"** **"CAPELLA"** and **"CAPELLA"** **"STRAYER"** for educational services, and certain other distinctive logos, along with various other trademarks, service marks and

domain names related to our offerings. In addition, we have the rights to trade names, logos and other intellectual property specific to our international institutions including "Torrens University Australia," "Think Education Group," and "Media Design School", "School," in the countries in which those institutions operate.

## Regulation

### U.S. Regulatory Environment

As institutionally accredited institutions of higher education operating in multiple jurisdictions, ~~Strayer Capella~~ University and ~~Capella Strayer~~ University are subject to accreditation rules and varying state licensing and regulatory requirements. In addition, the Higher Education Act and the regulations promulgated thereunder require all higher education institutions that participate in the various Title IV programs, including ~~Strayer Capella~~ University and ~~Capella Strayer~~ University, to comply with detailed substantive and reporting requirements and to undergo periodic regulatory scrutiny. The Higher Education Act mandates specific regulatory responsibility for each of the following components of the higher education regulatory triad: (1) the institutional accrediting agencies recognized by the U.S. Secretary of Education ("Secretary of Education"); (2) state education regulatory bodies; and (3) the federal government through the Department of Education. Our business activities are planned and implemented to achieve compliance with the rules and regulations of the state, regional and federal agencies that regulate our activities. We have established regulatory compliance and management systems and processes under the oversight of our Chief Financial Officer and our General Counsel that are designed to meet the requirements of this regulatory environment. The regulations, standards, and policies of these regulatory agencies are subject to frequent change.

We cannot predict the actions that the Administration, Congress, accreditors, or states may take or their effect on ~~Strayer Capella~~ University, ~~Capella Strayer~~ University, or the Company. Among other things, Congress may reauthorize the Higher Education Act and adopt, repeal or amend other legislation affecting higher education institutions. Congress or the Administration may also delay, block, modify, or eliminate certain Title IV and other regulations applicable to higher education institutions, or the Administration or states may promulgate new regulations via a negotiated rulemaking process, or otherwise. In addition, the Administration may interpret, apply, and enforce Title IV and other regulations in a manner different from past guidance and practice.

### U.S. Department of Education

To be eligible to participate in Title IV programs, ~~Strayer Capella~~ University and ~~Capella Strayer~~ University must comply with specific standards and procedures set forth in the Higher Education Act and the regulations issued thereunder by the Department of

Education. An institution must, among other things, be authorized to offer its educational programs by each state in which it maintains physical presence, as defined by the state, and maintain institutional accreditation by a recognized accrediting agency, as discussed below. The institution also must be certified by the Department of Education to participate in Title IV programs and follow Department of Education rules regarding the awarding and processing of funds issued under Title IV programs. For purposes of Title IV programs, Strayer University and all of its campuses are considered a single institution of higher education, such that Department of Education requirements applicable to an institution of higher education are generally applied to all of Strayer University's campuses in the aggregate rather than on an individual basis. Capella University is also considered to be a single institution of higher education. On December 13, 2021, the Department and Strayer University executed a new Program Participation Agreement, approving Strayer University's continued participation in Title IV programs with full certification through September 30, 2025. As a result of the August 1, 2018 merger, Capella University experienced a change of ownership, with the Company as its new owner. On ~~January 18, 2019~~ April 18, 2023, consistent with standard procedure upon a Title IV institution's change of ownership, the Department and Capella University executed a new Provisional Program Participation Agreement, approving ~~Capella's~~ Capella University's continued participation in Title IV programs with provisional full certification through ~~December 31, 2022~~ September 30, 2025. Capella submitted its application for recertification by the September 30, 2022 deadline and, consistent with Department of Education practice, continues to operate as provisionally certified until the Department processes Capella's recertification application.

### U.S. Accreditation

Accreditation is a system for recognizing educational institutions and programs for integrity, educational quality, faculty, physical resources, administrative capability, and financial stability that signifies that they merit the confidence of the educational community and the public. In the United States, this recognition comes primarily through private voluntary associations of institutions and programs of higher education. These associations establish criteria for accreditation, conduct peer-review evaluations of institutions and programs, and publicly designate those institutions and programs that meet their standards. Accredited institutions or programs are subject to periodic review by accrediting bodies to determine whether such institutions or programs continue to maintain the performance, integrity, and quality required for accreditation. If an institution's or program's performance does not meet its accrediting agency's (or possibly other regulators') expectations or applicable standards, then its operations may be conditioned or severely constrained, or the institution's accreditation may be withdrawn, depending on the severity of the noncompliance.

Accreditation is an important attribute of ~~Strayer Capella~~ University and ~~Capella Strayer~~ University. Colleges and universities depend on accreditation to evaluate transferability of credit and applications to graduate schools. Employers sometimes rely on the accreditation status of institutions when evaluating a candidate's credentials or considering tuition reimbursement programs. Students rely on accreditation status for assurance that an institution maintains quality educational standards.

In order for institutions to be eligible to participate in federal student financial assistance programs, they must be accredited by an institutional accreditor recognized by the Secretary of Education. On November 1, 2019, after a negotiated rulemaking and public comment process, the Department of Education amended its regulations governing the recognition of accrediting agencies, effective July 1, 2020 (the "State Authorization and Accreditation final rule"). The final regulations revise in some respects the Department's process for recognition and review of accrediting agencies, the criteria used by the Department to recognize accrediting agencies, and the Department's requirements for accrediting agencies in terms of their oversight of accredited institutions and programs. These and other changes may affect the accrediting agencies' treatment of the institutions under their jurisdiction. For example, the rule allows accreditors to have alternative standards, policies, and procedures in the interest of innovation or to address undue hardship to students, provided certain criteria are met. The rule also repeals the strict geographic scope of institutional accreditors. In ~~Beginning in~~ January 2023, 2024, the Department ~~indicated its intention to establish~~ convened a negotiated rulemaking committee in 2023 to consider new proposed regulations on accreditation and related issues.

The Higher Education Act charges the National Advisory Committee on Institutional Quality and Integrity ("NACIQI") with recommending to the Secretary of Education which accrediting or state approval agencies should be recognized as reliable authorities for judging the quality of post-secondary institutions and programs. NACIQI reviewed On May 31, 2023, the Middle States Commission at its February 2018 meeting and recommended that the Secretary Department of Education, extend acting on the recommendation of NACIQI, renewed its recognition for five years. NACIQI also reviewed of the Higher Learning Commission at its February 2018 meeting for a period of five years and recommended that required it provide a monitoring report regarding one item of substantial compliance, and continued the Secretary current recognition of Education extend its recognition for five years. The Secretary subsequently accepted NACIQI's recommendations and extended the accreditors' recognition. Both the Higher Learning Commission and Middle States Commission on Higher Education have applied for renewal one year, requiring a compliance report regarding one item of their recognition by the Department. NACIQI is scheduled to consider their applications at its winter 2023 meeting. noncompliance.

If an institutional accreditor loses recognition by the Secretary of Education, an institution may be allowed to continue its participation in Title IV programs on a provisional basis for a period not to exceed 18 months to allow the institution to seek accreditation from another recognized accrediting agency. An institution that does not become accredited by another recognized accreditor within 18 months will lose Title IV eligibility.

#### Capella University

Capella University has been institutionally accredited since 1997 by the Higher Learning Commission, a higher education institutional accrediting agency recognized by the Secretary of Education that accredits degree-granting public and private colleges and universities throughout the United States. The Higher Learning Commission is the same accrediting agency that accredits such universities as Northwestern University, the University of Chicago, the University of Minnesota and other degree-granting public and private colleges and universities.

On January 13, 2023, the Higher Learning Commission communicated that it reaffirmed and continued Capella University's accreditation, with the next reaffirmation of accreditation set for 2032-33. The reaffirmation enables Capella University to continue to participate in Title IV programs.

The Higher Learning Commission is continuously developing new standards and approval processes under which it evaluates programs and institutions. Consistent with that approach, the Higher Learning Commission's current policies include giving HLC more discretion to designate institutions to be in "financial distress" or under "government investigation." Receipt of these designations could affect future accreditation status and eligibility for Title IV aid under the Department of Education's "financial responsibility" triggers. While the Company believes its strong reputation and compliance record will continue to place Capella University in favorable standing, there is sufficient breadth and discretion within the policy that government investigation, litigation, or financial or other circumstances could result in an impact to our business from the application of the policies.

In addition to institutional accreditation, Capella University has obtained specialized or programmatic accreditation, or professional recognition, for specific programs including from the following organizations: The Association for Behavior Analysis International; Computing Accreditation Commission of the Accreditation Board for Engineering and Technology; ACBSP; Council for Accreditation of Counseling and Related Programs; Council for the Accreditation of Educator Preparation; Commission on Accreditation for Marriage and Family Therapy Education; Council on Social Work Education; Council for Standards in Human Services Education; the National Security Agency and the U.S. Department of Homeland Security; Project Management Institute - Global Accreditation Center for Project Management; and SHRM. The Bachelor of Science in Nursing, Master of Science in Nursing, and Doctor of Nursing Practice degree programs at Capella University are accredited by the Commission on Collegiate Nursing Education.

#### Strayer University

Strayer University has been institutionally accredited since 1981 by Middle States, an institutional accrediting agency recognized by the Secretary of Education. Middle States accredits degree-granting public and private colleges and universities in its region (including Delaware, Washington, D.C., Maryland, New Jersey, New York, Pennsylvania, Puerto Rico, and throughout the U.S. Virgin Islands), United States, including distance education programs offered by those institutions. As a result of the State Authorization and Accreditation final rules, Middle States may also conduct accrediting activities in any other geographic region within or outside of the United States without regard to its specified region. Middle States is the same accrediting agency that accredits such universities as Georgetown University, Columbia University, the University of Maryland, and other degree-granting public and private colleges and universities.

Strayer University went through a period of reaffirmation of accreditation that began in 2015 and lasted through June 2017, when Middle States reaffirmed Strayer University's accreditation. Strayer University's period of accreditation by Middle States extends into 2025.

In 2016, Middle States provided that reaccreditation for all of its institutions will be for a period of eight years (rather than ten, as previously was the case) and that institutions will be required to submit annual reports on student achievement and financial sustainability. Middle States may request supplemental information reports following receipt of an institution's annual report. In November 2023, Middle States requested that Strayer University provide a supplemental information report regarding graduation rates and annual enrollment in accordance with Middle States' accreditation standards, every accredited institution will undergo a monitoring policies and procedures as well as 34 C.F.R. § 602.19(d) (related to monitoring of institutions experiencing enrollment growth). Strayer University submitted its supplemental information report to Middle States in December 2023. The University's next periodic review at the mid-point between its eight-year evaluations, evaluation date is scheduled for 2025-2026.

All of Strayer University's substantive changes require prior Middle States approval. Such changes include, but are not limited to, educational programs at different levels or different subject areas, certain contractual arrangements with other institutions providing a portion of an educational program, establishment or closure of additional locations and branch campuses, and changes in ownership or control.

In addition to institutional accreditation, Strayer University has obtained specialized or programmatic accreditation, or professional recognition, from the following organizations for specific programs: the Accreditation Council for Business

Schools and Programs ("ACBSP"), the Society for Human Resource Management ("SHRM"), and the National Security Agency's Committee on National Security Systems.

## Capella University

Capella University has been institutionally accredited since 1997 by the Higher Learning Commission, a higher education institutional accrediting agency recognized by the Secretary of Education that accredits degree-granting public and private colleges and universities in its region (Arizona, Arkansas, Colorado, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, New Mexico, North Dakota, Ohio, Oklahoma, South Dakota, West Virginia, Wisconsin, and Wyoming). As a result of the State Authorization and Accreditation final rules, the Higher Learning Commission may also conduct accrediting activities in any other geographic region within or outside of the United States without regard to its specified region.

In January 2015, Capella University's accreditation with the Higher Learning Commission was reaffirmed. The reaffirmation enables Capella University to continue to participate in Title IV programs. On July 29, 2020, NACIQI held a meeting to review compliance by HLC with Department of Education requirements for recognized accrediting agencies. On October 26, 2020, a Senior Department Official ("SDO") found HLC non-compliant, in part. While the SDO required that HLC submit periodic reporting for twelve months, the SDO did not restrict HLC's scope of accreditation or ability to accredit new institutions. HLC did not appeal the Secretary's decision. On January 13, 2023, the Higher Learning Commission reaffirmed and continued Capella University's accreditation, with the next reaffirmation of accreditation set for 2032-33.

The Higher Learning Commission is continuously developing new standards and approval processes under which it evaluates programs and institutions. Consistent with that approach, the Higher Learning Commission's current policies include giving the Commission more discretion to designate institutions to be in "financial distress" or under "government investigation." Receipt of these designations could affect future accreditation status and eligibility for Title IV aid under the Department of Education's "financial responsibility" triggers. While the Company believes its strong reputation and compliance record will continue to place Capella University in favorable standing, there is sufficient breadth and discretion within the policy that government investigation, litigation, or financial or other circumstances could result in an impact to our business from the application of the policies. In addition, the Higher Learning Commission enacted policy changes, effective September 2019, that mandate certain recruitment, admissions and related institutional practices.

In addition to institutional accreditation, Capella University has obtained specialized or programmatic accreditation, or professional recognition, for specific programs including from the following organizations: The Association for Behavior Analysis International; Computing Accreditation Commission of the Accreditation Board for Engineering and Technology; ACBSP; Council for Accreditation of Counseling and Related Programs; Council for the Accreditation of Educator Preparation; Commission on Accreditation for Marriage and Family Therapy Education; Council on Social Work Education; the National Security Agency and the U.S. Department of Homeland Security; Project Management Institute - Global Accreditation Center for Project Management; and SHRM. The Bachelor of Science in Nursing, Master of Science in Nursing, and Doctor of Nursing Practice degree programs at Capella University are accredited by the Commission on Collegiate Nursing Education.

## Shared-Services Agreements

Strategic Education, Inc. has entered into shared-services agreements with both Strayer Capella University and Capella Strayer University to provide certain services, including but not limited to finance, legal, human resources, information technology, financial aid, and marketing. The services are governed by Master Services Agreements, which provide, among other things, for oversight of the services by the governing board of each University. The Company continues to look for additional opportunities to provide shared services to the two universities, and believes that the agreements meet all regulatory and accreditation standards.

## U.S. State Education Licensure

### Licensure of Physical Campuses

The Higher Education Act and certain state laws require Strayer Capella University and Capella Strayer University to be legally authorized to provide educational programs in the states in which the universities are physically located or otherwise have a physical presence as defined by the state. Capella University is registered as a private institution with the Minnesota Office of Higher Education pursuant to Minnesota Statute sections 136A.61-131A.71, as required for most post-secondary private institutions that grant degrees at the associate level or above in Minnesota, and as required by the Higher Education Act to participate in Title IV programs. Capella University is also authorized to operate in Florida.

Strayer University is authorized to offer programs by the applicable educational regulatory agencies in all states where Strayer's physical campuses are located. Strayer University is dependent upon the authorization of each state where Strayer is physically located to allow the University to operate and to grant degrees, diplomas, or certificates to students in those states. Strayer University is subject to extensive regulation in each jurisdiction in which campuses are located, including in 2022-2023: Alabama, Arkansas, Delaware, Florida, Georgia, Louisiana, Maryland, Mississippi, New Jersey, North Carolina, Oklahoma, Pennsylvania, South Carolina, Tennessee, Texas, Utah, Virginia, West Virginia, and Washington, D.C.

Capella University is registered as a private institution with the Minnesota Office of Higher Education pursuant to Minnesota Statute sections 136A.61-131A.71, as required for most post-secondary private institutions that grant degrees at the associate level or above in Minnesota, and as required by the Higher Education Act to participate in Title IV programs. Capella University is also authorized to operate in Florida.

Strayer University and Capella University will be subject to similar extensive regulation in those additional states in which we may physically expand our operations in the future. State laws and regulations affect our operations and may limit our ability to introduce new and existing educational programs or establish new campuses.

On October 29, 2010, the Department of Education adopted regulations, effective July 1, 2011, that set requirements on states for their authorization of schools for purposes of Title IV eligibility. We believe that every state above in which Strayer Capella University and Capella Strayer University are authorized has processes in place that comply with these requirements.

### Licensure Authorization of Online Programs

The increasing popularity and use of the internet and other technology for the delivery of education has led, and may continue to lead, to the adoption of new laws and regulatory practices in the United States or foreign countries or to the interpretation of existing laws and regulations to apply to such services. These new laws and interpretations may relate to issues such as the requirement that online education institutions be licensed as a school in one or more jurisdictions even where they have no physical location. New

laws, regulations, or interpretations related to doing business over the internet could increase the Universities' cost of doing business, affect the Universities' ability to increase enrollments and revenues, or otherwise have a material adverse effect on our business.

Various regulations regarding state authorization of distance education have been issued in recent years. On December 19, 2016, the Department issued final regulations addressing state authorization of distance education, which became effective on May 26, 2019. These regulations included, among other things, the requirement that an institution offering Title IV-eligible distance education or correspondence courses be authorized by each state in which enrolled students reside, if such authorization is required by the state. Institutions could obtain such authorization directly from the state or (except in California) through a state authorization reciprocity agreement. The regulations defined a state authorization reciprocity agreement as an agreement between two or more states that authorizes an institution located and legally authorized in a state covered by the agreement to provide post-secondary education through distance education or correspondence courses to students in other states covered by the agreement and does not prohibit a participating state from enforcing its own laws with respect to higher education. The regulations also required institutions to document the state process for resolving complaints from students enrolled in programs offered through distance education or correspondence courses for each state in which such students reside.

In addition, the regulations required an institution to provide public and individualized disclosures to enrolled and prospective students regarding its programs offered solely through distance education or correspondence courses. The public disclosures would include state authorization for the program or course, the process for submitting complaints to relevant states, any adverse actions by a state or accrediting agency related to the distance education program or correspondence course within the past five years, refund policies specific to the state, and applicable licensure or certification requirements for a career that the program prepares a student to enter. An institution was required to disclose directly to all prospective students if a distance education or correspondence course did not meet the licensure or certification requirements for a state. An institution was also required to disclose to each current and prospective student when an adverse action was taken against a distance education or correspondence program and any determination that a program ceased to meet licensure or certification requirements.

If an institution's distance education program was found not to be in compliance with the regulations, the institution could lose its ability to award Title IV funds for that distance education program.

On November 1, 2019, the Department released final regulations on accreditation and state authorization of distance education, which became effective July 1, 2020. The rules maintain the requirement from the 2016 rule that institutions offering post-secondary education through distance education or correspondence courses to students located in a state in which the institution is not located meet state requirements in that state or participate in a state authorization reciprocity agreement. In addition, an institution must make disclosures readily available to enrolled and prospective students regarding whether programs leading to professional licensure or certification meet state educational requirements. An institution must also provide a direct disclosure to students in writing if the program leading to professional licensure or certification does not meet state educational requirements in the state in which the student is located, or if the institution has not determined whether the program meets such requirements for a given state. Whereas the disclosure requirements in the 2016 rule apply only to distance education programs, the disclosure requirements in the 2019 rule apply to both campus-based and online programs. **The disclosure rules have been modified by U.S. Department of Education regulations effective July 1, 2024, as described below.**

On August 24, 2020, the Department released final regulations on distance education and innovation. The rules granted institutions more flexibility to offer distance education and competency-based education direct assessment programs. Additionally, the rules created new definitions for certain terms including "academic engagement" and "regular and substantive interaction" to provide more clarity regarding Title IV requirements for distance education programs. The final rule became effective July 1, 2021, with the option for early implementation. Both **Strayer Capella** University and **Capella Strayer** University opted to early implement the final rules in December 2020.

**In Beginning in January 2023, 2024, the Department indicated its intention to establish convened a negotiated rulemaking committee in 2023 to consider new proposed regulations on, among other things, state authorization of distance education. education programs.**

Beginning July 1, 2017, California required out-of-state private post-secondary educational institutions that offer distance education to California residents to register with the state's Bureau for Private Postsecondary Education ("BPPE"). **Strayer Capella** University and **Capella Strayer** University have filed BPPE registration applications and received confirmation of the registration.

#### *State Authorization Reciprocity Agreement*

Varying state regulations, fees, and paperwork embedded in the many different state approaches to regulation of post-secondary institutions have historically limited the ability to grow across state lines to offer students high-quality choices for education and have hindered national workforce initiatives. As a solution to the ever-growing complexity of the regulatory oversight of institutions of higher learning on a state-by-state basis, the State Authorization Reciprocity Agreement ("SARA") has emerged to aid in the advancement of distance education.

SARA is intended to make it easier for students to take online courses offered by post-secondary institutions based in another state, while also facilitating more effective and efficient oversight and monitoring processes nationally for the benefit of states and institutions. On March 6, 2015 and December 2, 2016, respectively, Capella and Strayer Universities became participants in SARA. As participants in SARA, the Universities may offer online courses and other forms of distance education to students in any participating SARA state in which the Universities do not have a physical location or a physical presence as defined by the state without having to seek any new state institutional approval beyond their home states (Minnesota and Washington, D.C., respectively). The Universities' home states, in turn, will continually monitor the institutions' compliance with SARA standards. With this initiative, the Universities are able to expand distance education offerings with increased consistency and ease. The only state that does not now participate in SARA is California.

#### **The reciprocity agreement**

**SARA** does not affect university operations that constitute a physical presence in a particular state, and the Universities will continue to follow individual state regulations for on-ground campuses and activities. At this time, SARA does not deal with professional licensing board approval for programs leading to state licensing in fields such as nursing, teacher education, psychology, and the like, and the Universities must seek such approvals on a state-by-state basis, as needed.

Regulations that will take effect on July 1, 2024, will require NC-SARA-participating institutions to comply in all states in which it enrolls students with all applicable state laws related to closure, including record retention, teach-out plans or agreements, and tuition recovery funds or surety bonds.

Beginning in January 2024, the Department convened a negotiated rulemaking committee to consider new proposed regulations on, among other things, state authorization reciprocity agreements and distance education.

#### State Professional Licensure

States have specific requirements that an individual must satisfy in order to be licensed as a professional in a specified field. Capella University graduates often seek to obtain professional licensure in their chosen fields following graduation because it will enhance employment opportunities or they are legally required to do so for employment purposes. Their success in obtaining licensure depends on several factors, including each individual's personal and professional qualifications as well as other factors related to the degree or program completed, such as:

- Whether the institution and the program were approved by the state in which the graduate seeks licensure, or by a professional association;
- Whether the program from which the student graduated and the curriculum completed meets all state requirements; and
- Whether the institution and/or the specific program is accredited.

Professional licensure requirements vary by state and may change over time. Capella University has a team dedicated to professional licensure that works directly with students. The licensure team develops and maintains extensive resources to inform students of unique state licensing requirements prior to enrollment and throughout their program, including delivering direct disclosures to students in licensure-track programs as required by the U.S. Department of Education. The University's catalog and websites also describe the requirements for obtaining professional licensure, paired with specific disclaimers that reiterate student responsibility for licensure outcomes.

**Capella's Pursuant to new U.S. Department of Education regulations, beginning July 1, 2024, in each state where an institution is located, students enrolled by the institution are located, or students attest that they intend to seek employment, the institution must determine that each program eligible for Title IV: (i) is programmatically accredited if the state or a Federal agency requires such accreditation, including as a condition for employment in the occupation for which the program prepares the student; (ii) satisfies the applicable educational requirements for professional licensure or certification requirements in the state so that a student who enrolls in the program, and seeks employment in that state after completing the program, qualifies to take any licensure or certification exam that is needed for the student to practice or find employment in an occupation that the program prepares students to enter; and (iii) complies with all state laws related to closure, including those concerning record retention, teach-out plans, and tuition recovery funds or surety bonds.**  
Institutions may not enroll for Title IV purposes a student located in a state in which the program does not meet such requirements, unless at the time of initial enrollment the student attests their intent to seek employment in another state that would satisfy such requirements.

Capella University and Strayer University must determine whether, in each state where either university or a student is located in which either university offers a program leading to employment in an occupation that requires programmatic accreditation or licensure or certification, that such program meets the accreditation and professional licensure educational requirements necessary to support a student's application for licensure in such state. The universities may not enroll a student for Title IV purposes in a state in which the program does not meet such requirements unless at the time of initial enrollment the student attests their intent to seek employment in another state in which the program would satisfy such requirements.

Capella University's licensure team works directly with licensing authorities to try to resolve barriers to licensure for its alumni. The team also assists alumni with exploring alternative options to achieve licensure, including completing additional coursework at Capella or at another institution.

As requirements for professional licensure or certification vary by state and are not restricted to the educational component provided by Capella University, Capella University makes no representation, warranty or guarantee that successful completion of the course of study will result in the student obtaining the necessary licensure or certification. Compliance with state or professional licensure or certification requirements is the student's sole responsibility.

#### Other U.S. Approvals

Strayer Capella University and Capella Strayer University are approved by appropriate authorities for the education of active duty military personnel and qualifying family members, veterans and members of the selected reserve and their spouses and dependents, as well as for the rehabilitation of veterans. In addition, Strayer University is authorized by the U.S. Department of Homeland Security to admit foreign students for study in the United States subject to applicable requirements. The U.S. Department of Homeland Security, working with the U.S. Department of State, has implemented a mandatory electronic reporting system for schools that enroll foreign students and exchange visitors. Strayer University is also authorized to participate in state financial aid programs in Pennsylvania, Florida, Alabama, and Vermont. Capella University is authorized to participate in the Minnesota GI Bill and the Minnesota Indian Scholarship programs.

#### Financing Student Education

Students finance their education at Strayer Capella University and Capella Strayer University in a variety of ways, and historically about 75% of students participated in one or more Title IV programs. Many financial aid programs are designed to assist eligible students whose financial resources are inadequate to meet the cost of education. With these programs, financial aid is awarded on the basis of financial need, generally defined under the Higher Education Act as the difference between the cost of attending a program of study and the amount a student reasonably can be expected to contribute to those expenses. All recipients of federal student financial aid must maintain a satisfactory grade point average ("GPA") and progress in a timely manner toward completion of a program of study.

In addition, many of our working adult students finance their own education or receive full or partial tuition reimbursement from their employers. Congress has enacted several tax credits for students pursuing higher education and has provided for a tax deduction for interest on student loans and exclusions from income of certain tuition reimbursement amounts. Eligible students at Strayer Capella University or Capella Strayer University may participate in educational assistance programs administered by the U.S. Department of Veterans Affairs ("VA") (and related state agencies), the U.S. Department of Defense ("DOD"), and various private organizations. Some Capella University students may qualify to participate in the Minnesota GI Bill program or the Minnesota Indian Scholarship program. Eligible students at Strayer University may also participate in educational assistance

programs administered by the Commonwealth of Pennsylvania, the State of Florida, and the State of Vermont. Some Capella University students may qualify to participate in the Minnesota GI Bill program or the Minnesota Indian Scholarship program.

Under the Post-9/11 Veterans Educational Assistance Act of 2008 (as amended), sometimes referred to as the "New GI Bill," eligible veterans may receive, among other benefits, tuition benefits up to the net cost to the student (after accounting for state and federal aid, scholarships, institutional aid, fee waivers, and similar assistance), subject to a cap of \$26,381 approximately \$27,120 for non-public domestic institutions for 2022-2023, 2023-2024. In addition, eligible students pursuing an educational program solely through distance learning are eligible to receive a housing stipend of approximately \$917 \$967 per month, half the national average amount available to students attending certain classroom-based programs or programs that combine classroom learning and distance learning.

On August 16, 2017, the President signed into law the Harry W. Colmery Veterans Educational Assistance Act of 2017, commonly known as the "Forever GI Bill" Bill. The law makes several changes to the administration of VA education benefits. Among other things, for service members who left the military after January 1, 2013, the bill removes the requirement that they use their Post-9/11 GI Bill benefits within 15 years after their last 90-day period of active-duty service. The bill also alters the way the VA calculates eligibility for VA education benefits by providing additional benefits to service members with at least 90 days but less than six months of active-duty service. Additionally, the bill will restore VA education benefits to students who were enrolled in schools that closed after January 2015 if their credits did not transfer.

On January 5, 2021, the President signed into law the Veterans Health Care and Benefits Improvement Act of 2020, which expands student veterans' protections. Among other things, the legislation requires a risk-based review of schools if an institution is operating under Heightened Cash Monitoring 2, under provisional approval status by the Department of Education, subject to any punitive action by a federal or state entity, facing the loss or risk of loss of accreditation, or has converted from for-profit to non-profit status. The legislation also restores veterans benefits to students whose school closed, as long as the student transferred fewer than 12 credits; protects students from debt collection by the Department of Veterans Affairs for overpaid tuition benefits; and establishes a number of institutional requirements, including: providing clear disclosures about cost, loan debt, graduation and job placement rates, and acceptance of transfer credit; ensuring institutions are accommodating short absences due to service; prohibiting same-day recruitment and registration; and prohibiting more than three unsolicited recruiting contacts. In 2021, Congress also passed, and the President signed into law, two related technical corrections bills that amended certain provisions of the Veterans Health Care and Benefits Improvement Act of 2020: the Training in High-demand Roles to Improve Veteran Employment ("THRIVE") Act and the Responsible Education Mitigating Options and Technical Extensions ("REMOTE") Act.

Strayer

Capella University and Capella Strayer University participate in DOD military tuition assistance programs under Memoranda of Understanding ("MOU"). Strayer University's current MOU was executed on September 5, 2019. Capella University's current MOU was executed on September 26, 2019. Service members of the United States Armed Forces are eligible to receive tuition assistance from their branch of service through the DOD military tuition assistance programs. Under the Memorandum of Understanding, Strayer Capella University and Capella Strayer University agree to comply with DOD rules and procedures regarding the receipt of tuition assistance on behalf of active duty military personnel (and qualifying family members) in attendance at the University.

#### Title IV Programs

Strayer Capella University and Capella Strayer University maintain eligibility for their students to participate in the following Title IV programs:

- *Federal Grants.* Grants under the Federal Pell Grant program are available to eligible students based on financial need and other factors.
- *Campus-Based Programs.* The campus-based Title IV programs include the Federal Supplemental Educational Opportunity Grant program, the Federal Perkins Loan, and the Federal Work-Study Program. Neither Strayer Capella University nor Capella Strayer University actively participates in the Federal Perkins Loan program, which expired on September 30, 2017. In addition, Strayer University does not actively participate in the Federal Work-Study Program.
- *Federal Direct Student Loans.* Under the William D. Ford Federal Direct Loan Program, the Department of Education makes loans directly to students and their parents. Undergraduate students who demonstrate financial need may qualify for a subsidized loan. The federal government pays the interest on a subsidized loan while the student is in school and

during any approved periods of deferment, after which the student's obligation to repay the loan begins. Unsubsidized loans are available to students who do not qualify for a subsidized loan or, in some cases, in addition to a subsidized loan. PLUS loans, including Graduate PLUS loans, are unsubsidized loans available in amounts up to the total cost of attendance less any other financial aid.

#### Federal Financial Aid Regulation

To be eligible to participate in Title IV programs, Capella University and Strayer and Capella Universities University must comply with specific standards and procedures set forth in the Higher Education Act and the regulations issued thereunder by the Department of Education. As part of those participation standards, the Department of Education determines whether, among other things, the institution meets certain standards of administrative capability and financial responsibility. The institutions must also follow extensive Department of Education rules regarding the awarding and processing of funds issued under Title IV programs. Some of the key provisions regarding institutional eligibility and processing federal financial aid are described below.

#### Program Participation Agreement

Each institution participating in Title IV programs must enter into a Program Participation Agreement with the Department of Education. Under the agreement, the institution agrees to follow the Department's rules and regulations governing Title IV programs. On December 13, 2021, the Department and Strayer University executed a new Program Participation Agreement, approving Strayer University's continued participation in Title IV programs with full certification through September 30, 2025. On January 18, 2019 April 18, 2023, consistent with standard procedure upon a Title IV institution's change of ownership, the Department and Capella University executed a new Program Participation

Agreement, approving Capella University's continued participation in Title IV programs with **provisional full** certification through **December 31, 2022** **September 30, 2025**. **Capella University filed its application for recertification in advance**

New regulations, effective July 1, 2024, codify a current Department policy requiring signatures from entities that have direct or indirect ownership of the **September 30, 2022** **deadline** institution if such entities have the power to exercise control over the institution. Co-signers agree that they are **jointly and consistent with** Department of Education practice, continues to offer **federal financial aid** under a **Provisional Program Participation Agreement** until **severally liable for the** Department acts on the **recertification application**. **participating institution's Title IV liabilities**.

#### **Provisional Certification**

In certain circumstances, the Department of Education may certify an institution's continuing eligibility to participate in Title IV programs on a provisional basis for up to three complete award years (July 1 – June 30) from the date of provisional certification. During the period of provisional certification, the institution must comply with any additional conditions included in its program participation agreement, which typically require approval by the Department of Education for establishment of an additional location, increase in the level of academic offering, and addition of any educational program (including degree, non-degree, or short-term training programs) before awarding or disbursing Title IV aid to students enrolled at such a location or in such a program. If the Department of Education determines that a provisionally certified institution is unable to meet its responsibilities under its program participation agreement, it may revoke or further condition the institution's certification to participate in Title IV programs with fewer due process protections for the institution than if it were fully certified. Should the

Department of Education revoke eligibility during the provisional period, the institution may request reconsideration, and the Secretary of Education's decision whether or not revocation is warranted constitutes final agency action.

Pursuant to new regulations effective July 1, 2024, the Department's certification procedures provide for heightened scrutiny of institutions that the Department believes may pose a risk to taxpayers. The regulations also add conditions that institutions will agree to when signing program participation agreements and establish additional circumstances for which the Department may place an institution on provisional certification, including, without limitation, failing the 90/10 Rule and triggering financial responsibility events that result in a financial protection requirement.

Capella University and Strayer University **is** **are currently** operating under full certification. Consistent with standard procedure following a change of control, Capella University is operating under provisional certification with no conditions other than the customary conditions described above. In 2022, the Department of Education considered as part of the Institutional and Programmatic Eligibility negotiated rulemaking new regulations regarding, among other things, requirements of institutions that are provisionally certified. Negotiated rulemaking committee meetings completed in March 2022 with no consensus reached on the topic, and the Department has since indicated it intends to publish draft rules in spring 2023.

#### **Administrative Capability**

Department of Education regulations specify extensive criteria by which an institution must establish that it has the requisite administrative capability to participate in Title IV programs. To meet the administrative capability standards, an institution, among other things, must: (1) comply with all applicable Title IV program regulations; (2) have cohort default rates below specified levels; (3) have acceptable methods for defining and measuring the satisfactory academic progress of its students; (4) have various procedures in place for safeguarding federal funds; (5) not be, and not have any principal or affiliate who is, debarred or suspended from federal contracting or engaging in activity that is cause for debarment or suspension; (6) submit in a timely manner all reports and financial statements required by the regulations; and (7) not otherwise appear to lack administrative capability.

If an institution fails to satisfy any of these criteria or any other Department of Education regulation, the Department of Education may:

- Require the repayment of Title IV funds;
- Transfer the institution from the Department of Education's advance system of receiving Title IV program funds to a cash monitoring or reimbursement system, under which an institution must disburse its own funds to students and document the students' eligibility for Title IV program funds before receiving such funds from the Department of Education;
- Place the institution on provisional certification status; or
- Commence a proceeding to impose a fine or to limit, suspend or terminate the participation of the institution in Title IV programs.

In 2022, the Department of Education considered as part of the Institutional and Programmatic Eligibility negotiated rulemaking new regulations regarding, among other things, administrative capability criteria. Negotiated rulemaking committee meetings completed in March 2022 with no consensus reached on the topic, and topic. On October 23, 2023, the Department **has since indicated it intends released** final rules on administrative capability. Pursuant to **publish** draft rules in spring 2023. new regulations effective July 1, 2024, among other things, institutions will be required to offer adequate services to students, including financial aid counseling and career services support. The regulations also include, among other requirements, a new requirement that institutions provide students with geographically accessible clinical or externship opportunities as required for licensure and that at least half of an institution's total Title IV, HEA funds from the most recent award year must not be from programs that are "failing" under the Gainful Employment Rules.

#### **Financial Responsibility**

The Higher Education Act and Department of Education regulations establish extensive standards of financial responsibility that institutions such as **Capella University** and **Strayer and Capella Universities** University must satisfy in order to participate in Title IV programs. These standards generally require that an institution provide the services

described in its official publications and statements, properly administer Title IV programs in which it participates, and meet all of its financial obligations, including required refunds and any repayments to the Department of Education for debts and liabilities incurred in programs administered by the Department of Education.

Department of Education standards utilize a complex formula to assess financial responsibility. The standards focus on three financial ratios: (1) equity ratio (which measures the institution's capital resources and ability to borrow); (2) primary reserve ratio (which measures the institution's financial viability and liquidity); and (3) net income ratio (which measures the institution's ability to operate at a profit or within its means). An institution's financial ratios must yield a composite score of at least 1.5 for the institution to be deemed financially responsible without alternative measures and further federal oversight. For ~~Strayer~~ Capella University and ~~Capella~~ Strayer University, the Department evaluates financial responsibility at the parent level, based on review of SEI's financial statements. We have applied the financial responsibility standards to our financial statements as of and for the year ended ~~December 31, 2022~~ December 31, 2023, and based on our calculated composite score and other relevant factors, we believe we meet the Department of Education's financial responsibility standards.

On November 1, 2016, the Department of Education released a new regulation, which after a series of delays became effective as of October 16, 2018, under which an institution may no longer be considered financially responsible if one or more of a list of "triggering events" occurs. The Department of Education will automatically determine that an institution is not financially responsible if a "mandatory" triggering event occurs, which includes, among other things, the institution receives certain warnings from the SEC, fails to file required reports in a timely manner, or has a cohort default rate of 30% or greater for each of the two most recent official calculations. The Department of Education will also determine that an institution is not financially responsible if certain triggering events, such as a lawsuit against the institution, an accrediting agency's requirement that the institution submit a teach-out plan, or potential loss of Title IV eligibility for gainful employment programs, result in the institution's recalculated composite score to be less than 1.0. The Department of Education may also invoke certain "discretionary" triggering events, such as citation by a state agency or accrediting agency for failure to satisfy the agency's standards, to determine that an institution is not financially responsible. An institution determined not to be financially responsible because of one or more triggering events may be required to issue an irrevocable letter of credit for not less than 10% of the Title IV funds received by the school for the most recently completed fiscal year and/or will be issued a Provisional Program Participation Agreement.

On August 30, 2019, as part of the final Borrower Defense to Repayment ("BDTR") regulations, the Department of Education made changes to the financial responsibility requirements, including establishing a more limited set, as compared to the 2016 rule, of mandatory and discretionary triggering events that have, or could have, a materially adverse impact on the institution's financial condition and therefore warrant financial protection. The 2019 rule left intact the consequences of the triggering events under the 2016 rule. The 2019 rule further updates the definitions of terms used to calculate an institution's composite score and otherwise amends the composite score methodology to reflect changes in Financial Accounting Standards Board ("FASB") accounting standards pertaining to new leases. The financial responsibility changes became effective July 1, 2020.

In 2022, the Department of Education considered as part of the Institutional and Programmatic Eligibility negotiations new regulations regarding, among other things, financial responsibility. Negotiated rulemaking committee meetings completed in March 2022 with no consensus reached on the ~~topic~~ topic. On October 23, 2023, the Department released final rules on financial responsibility. Pursuant to new regulations effective July 1, 2024, the Department adopted new mandatory and discretionary triggers and new reporting requirements. New mandatory triggers include but are not limited to failing the 90/10 Rule; receiving at least 50% of Title IV funds from programs that fail gainful employment requirements; certain SEC or exchange actions; and certain actions that result in an institution's recalculated composite score to fall below 1.0, including being subject to a Department action to recover losses from approved Borrower Defense to Repayment claims. All of the mandatory triggers constitute an automatic failure of the financial responsibility requirements and would enable the Department to seek financial protection. The rules also establish new discretionary triggers that permit the Department to conduct a case-by-case analysis to determine if additional financial protection is needed. Such discretionary triggers include accrediting agency and government agency actions; certain defaults or creditor events; high annual dropout rates; elimination of programs or locations that enroll more than 25% of the institution's Title IV students; and pending Borrower Defense to Repayment claims, among other things. In general, institutions will be required to report triggering events within 21 days of occurrence. According to the regulation, such triggering events may result in a financial protection requirement that would most likely take the form of a letter of credit or cash escrow and provisional certification to participate in Title IV. The amount of financial protection can range from 10% up to 50% of Title IV funds per triggering event, and the Department ~~has since indicated it intends to publish draft rules in spring 2023~~ may "stack" financial protection requirements if more than one mandatory or discretionary trigger is present.

#### **Student Loan Defaults**

The Department of Education calculates a rate of student defaults (known as a cohort default rate) for each institution with 30 or more borrowers entering repayment in a given federal fiscal year. The Department of Education includes in the cohort all student borrowers at the institution who entered repayment on any Direct or Federal Family Education Loan Program loan during that fiscal year. The cohort default rate is the percentage of those borrowers who become subject to their repayment obligation in the relevant federal fiscal year and default by the end of the second federal fiscal year following that fiscal year, resulting in a three-year cohort default rate. Because of the need to collect data on defaults, the Department of Education publishes cohort default rates three years in arrears; for example, in the fall of ~~2022, 2023~~, the Department of Education issued cohort default rates for federal fiscal year ~~2019, 2020~~.

The Department of Education may take adverse action against an institution if it has excessive cohort default rates, including without limitation the following:

- If an institution's cohort default rate is 30% or more in a given fiscal year, the institution will be required to assemble a "default prevention task force" and submit to the Department of Education a default improvement plan.
- If an institution's cohort default rate exceeds 30% for two consecutive years, the institution will be required to review, revise, and resubmit its default improvement plan.
- If an institution's cohort default rate exceeds 30% for two out of three consecutive years, the Department of Education may subject the institution to provisional certification.
- If an institution's cohort default rate is equal to or greater than 30% for each of the three most recent federal fiscal years for which data are available, the institution will be ineligible to participate in the Direct Loan Program and Federal Pell Grant Program.

An institution generally loses eligibility to participate in Title IV programs if its most recent cohort default rate is greater than 40%. Institutions with a cohort default rate equal to or greater than 15% for any of the three most recent fiscal years for which data are available are subject to a 30-day delayed disbursement period for first-year, first-time undergraduate borrowers.

National and institutional cohort default rates for cohort years 2018, 2019, and 2020 have been impacted by the COVID-19 repayment pause. Strayer University Capella University's and Capella Strayer University's official three-year cohort default rates for 2017, 2018, 2019, and 2020, as well as the average official three-year cohort default rates for proprietary institutions nationally, were as follows:

	National Average			Capella University	Strayer University	National Average		
	Strayer University	Capella University	Proprietary Institutions			Proprietary	Institutions	
	2017	11.3 %	6.5 %	14.7 %	11.2 %	2018	2018	2019
2018	8.6 %	5.2 %	11.2 %	5.2 %	8.6 %	11.2 %	2019	2020
2019	2.2 %	1.1 %	3.1 %	1.1 %	2.2 %	3.1 %	2020	0.0 %
2020				0.0 %	0.0 %	0.0 %		

As part of the compliance programs related to the cohort default rate, Strayer Capella University and Capella Strayer University provide entrance and exit counseling to their students and engage the services of third parties to counsel students once they are in repayment status regarding their repayment obligations.

On March 27, 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), which included a provision that established a federal student loan administrative forbearance period, pause in interest accrual, and suspension of collections activity through September 30, 2020. Through a series of administrative actions, activity. In June 2023, the Department of Education has extended these announced that student loan flexibilities several times. On August 24, 2022 interest would begin to accrue on September 1, 2023, the Department announced that it would provide student loan relief to eligible borrowers to address financial hardships in connection with the COVID-19 pandemic. Under the relief measures, up to \$10,000 in student debt will be forgiven for individual borrowers earning less than \$125,000 or married couples or heads of household earning less than \$250,000, and up to \$20,000 will be forgiven for such borrowers who formerly received Pell Grants. In a memorandum prepared by the Department's General Counsel, the Department stated that it has interpreted provisions of the Higher Education Relief Opportunities for Students Act of 2003 to authorize the Secretary to exercise broad discretion in granting student loan relief. Since the Department's student loan relief announcement, multiple lawsuits have been filed against the Department challenging its authority to grant such relief. The U.S.

Supreme Court has granted petitions to review injunctions issued by two federal courts that blocked implementation of the student loan relief program, with oral arguments scheduled for February 28, 2023. On November 22, 2022, the Department announced further extension of the pause on student loan repayment and noted that payments will resume 60 days following implementation resumed in October 2023. As part of the relief program or resolution of the litigation. If return to repayment, the Department has also announced a 12 month "on-ramp" during which time delinquent borrowers will not be reported to credit bureaus or be counted as in default for the relief program or the litigation has not resolved by June 30, 2023, the Department has stated that payments would resume 60 days thereafter. purpose of cohort default rate calculations.

On January 10, 2023, the Department proposed regulations to create a new income-driven repayment plan to reduce future monthly payments for lower- and middle-income borrowers. Among other things, the proposed regulation would revise the Revised Pay As You Earn (REPAYE) regulations, eliminate negative amortization, and offer \$0 monthly payments for any individual borrower who makes less than roughly \$30,600 annually and any borrower in a family of four who makes less than about \$62,400. While it is too early to know the entirety of the impact that COVID and COVID-related repayment flexibility will have on the cohort default rate, the Company expects that the next one or more cohort years will be affected.

#### The 90/10 Rule

A requirement of the Higher Education Act, commonly referred to as the 90/10 Rule, applies only to proprietary institutions of higher education, which include Strayer Capella University and Capella Strayer University. Under this rule, a proprietary institution is prohibited from deriving more than 90% of its revenues (as revenues are computed under the Department of Education's methodology) from federal funds on a cash accounting basis (except for certain institutional loans) for any fiscal year. Historically, by statute, only Title IV funds have been considered within the 90% metric; however as described below, that will change for fiscal years beginning on or after January 1, 2023.

A proprietary institution of higher education that violates the 90/10 Rule for any fiscal year will be placed on provisional certification for up to two fiscal years. Proprietary institutions of higher education that violate the 90/10 Rule for two consecutive fiscal years will become ineligible to participate in Title IV programs for at least two fiscal years and will be required to demonstrate compliance with Title IV eligibility and certification requirements for at least two fiscal years prior to resuming Title IV program participation. In addition, the Department of Education discloses on its website any proprietary institution of higher education that fails to meet the 90/10 requirement, and reports annually to Congress the relevant ratios for each proprietary institution of higher education.

Using the statutory formula under the definition of federal funds included within the 90% metric then in effect, Strayer Capella University derived approximately 82.95% 65.30% of its cash-basis revenues from Title IV program funds in 2021. Capella fiscal year 2022. Strayer University derived approximately 57.06% 80.57% of its cash-basis revenues from Title IV program funds in 2021. fiscal year 2022. Our computation for 2022 2023, which will be the first year under the new 90/10 Rule requirements, has not yet been finalized and audited; however, we believe we will remain in compliance with the 90/10 Rule requirement.

The key components of non-Title IV revenue for Strayer Capella University and Capella Strayer University are individual student payments, employer tuition reimbursement payments, veterans' education benefits, military tuition assistance, vocational rehabilitation funds, private loans, state grants, and scholarships.

On March 11, 2021, President Biden signed the American Rescue Plan Act of 2021, which included a change to the 90/10 methodology to include all federal funding. The Department of Education promulgated new regulations regarding, among other things, the 90/10 rule as part of the Institutional and Programmatic Eligibility negotiated rulemaking and the committee reached consensus on the topic in March 2022. The Department released final regulations on October 27, 2022. The regulatory changes require proprietary institutions to count all "federal education assistance funds" as federal revenue in the 90/10 calculation for fiscal years beginning on or after January 1, 2023. The preamble to the

final rule and subsequent sub-regulatory guidance further prohibit inclusion of non-Title IV eligible programs offered in part or in full through distance education in the 10% calculation. On December 21, 2022, the Department released a list of federal agencies and federal education assistance programs that must be included as federal revenue in the 90/10 calculation. Such agencies include the U.S. Department of Defense (military tuition assistance) and the Department of Veterans Affairs (veterans education benefits). The Department indicated that it will publish periodic updates to the list as needed.

In addition, certain members of Congress have proposed to revise the 90/10 Rule to reduce the limit on federal funding to 85% of total revenue. In the context of Higher Education Act reauthorization, defense bills and appropriations bills, other members of Congress have proposed legislation that would eliminate the 90/10 Rule. We cannot predict whether or how legislative or regulatory changes will affect the 90/10 Rule.

#### ***Restrictions on Incentive Compensation***

As a part of an institution's program participation agreement with the Department of Education and in accordance with the Higher Education Act and Title IV regulations, the institution may not provide any commission, bonus, or other incentive payment based in any part, directly or indirectly, upon success in securing enrollments or awarding financial aid to any person or entity engaged in any student recruitment, admissions, or financial aid-awarding activity. The rule applies to all institutional employees and service providers who are engaged in or responsible for any student recruitment or admission activity or making decisions regarding the award of financial aid. The Department of Education has interpreted the regulation not to apply to employees who are involved only in the development of policy and do not engage in individual student contact. Merit-based adjustments to covered employees' compensation may be made if they are not based in any part, directly or indirectly, upon success in securing enrollments or the award of financial aid.

Failure to comply with the incentive payment rule could result in loss of certification to participate in federal student financial aid programs, limitations on participation in the federal student financial aid programs, False Claims Act litigation, or financial penalties. In June 2015, the Department of Education announced in a memorandum that it would revise its approach to measuring damages for noncompliance with the incentive payment prohibition. The memorandum stated that the Department of Education would calculate the amount of institutional liability based on the cost to the Department of the Title IV funds improperly received by the institution, including the cost to the Department of all Title IV funds received by the institution over a period of time if those funds were obtained through implementation of a policy or practice in which students were recruited in violation of the incentive payment prohibition. We believe we are in compliance with the regulation.

#### ***Gainful Employment***

Under the Higher Education Act, a proprietary institution offering programs of study other than a baccalaureate degree in liberal arts (for which there is a limited statutory exception) must prepare students for gainful employment in a recognized occupation. On October 31, 2014, the Department of Education published final regulations related to gainful employment. The regulation went into effect on July 1, 2015 ("2015 Regulations"), with the exception of new disclosure requirements, which generally went into effect January 1, 2017, although some portions of those requirements were delayed until July 1, 2019.

The 2015 Regulations included two debt-to-earnings measures, consisting of an annual income rate and a discretionary income rate. The annual income rate measured student debt in relation to earnings, and the discretionary income rate measured student debt in relation to discretionary income. A program passed if the program's graduates:

- have an annual income rate ratio that does not exceed 8%; **or**
- have a discretionary income rate that does not exceed 20%.

In addition, a program that did not pass either of the debt-to-earnings metrics and had an annual income rate between 8% and 12% or a discretionary income rate between 20% and 30% was considered to be in a warning zone. A program failed if the program's graduates had an annual income rate of 12% or greater and a discretionary income rate of 30% or greater. A program became Title IV-ineligible for three years if it failed both metrics for two out of three consecutive years or failed to pass at least one metric for four consecutive award years.

On January 8, 2017, **Capella University and Strayer and Capella Universities University** received their final 2015 debt-to-earnings measures. None of their programs failed the debt-to-earnings metrics. **Two** One active Capella University program, the Masters of Science in Marriage and Family Counseling/Therapy, was "in the zone" and **two** active Strayer University programs, the Associate in Arts in Accounting and Associate in Arts in Business Administration, were "in the zone," and one active Capella University program, the Masters of Science in Marriage and Family Counseling/Therapy, was "in the zone." Each of those three programs remained fully eligible. The Department has not released any subsequent debt-to-earnings measures under the 2015 Regulations.

On July 1, 2019, the Department of Education released final gainful employment regulations, which contain a full repeal of the 2015 Regulations, including all debt measures, reporting, disclosure, and certification requirements, effective July 1, 2020.

On December 8, 2021, the Department of Education announced its intention to establish a negotiated rulemaking committee to prepare proposed regulations for, among other topics, gainful employment, via the Institutional and Programmatic Eligibility rulemaking. Meetings of the negotiated rulemaking committee occurred in spring 2022 with the committee failing to reach consensus. **On May 17, 2023, the Department released proposed rules on financial value transparency and gainful employment, financial responsibility, administrative capability, certification procedures, and ability to benefit.** On September 27, 2023, the Department released final regulations on financial value transparency and gainful employment, which are largely consistent with the proposed rule. The gainful employment final rule establishes two independent metrics, both of which must be passed by a gainful employment program subject to the rule in order to maintain Title IV eligibility. Any gainful employment program that fails either or both metrics in a single year would be required to provide a disclosure to current and prospective students, and any such program that fails the same metric in two out of three consecutive years for which the program's metrics are calculated would lose its access to federal financial aid. The two metrics are 1) a debt-to-earnings ratio that compares the median earnings of graduates who received federal financial aid to the median annual payments on loan debt borrowed for the program, which must be less than or equal to 8% of annual earnings or 20% of discretionary earnings, and 2) an earnings premium test that measures whether the typical graduates from a program that received federal financial aid earn more than a typical high school graduate in their state (or, in some cases, nationally) and within a certain age range in the labor force. A program that fails in two out of three consecutive years, or is voluntarily discontinued by the institution, would not be eligible to have Title IV reinstated for the program or launch and receive Title IV for a "substantially similar program" (generally defined as a program with the same four-digit CIP code) for a minimum of three years. The final rule describes that the Department will now measure earnings six years after graduation (instead of the proposed rule's three years after graduation) for certain qualifying graduate programs such as clinical psychology, marriage and family therapy, clinical social work, and clinical counseling. The final rule also includes the requirement that, beginning July 1, 2026, all schools provide a link to a Department of Education-hosted website that includes

information on cost, earnings, and licensure information, and the gainful employment metrics. The final gainful employment regulations will take effect July 1, 2024. The Department has since indicated that it intends will release metrics beginning in the 2025 financial aid award year. Beginning July 1, 2026, if a program fails a metric, an institution must provide warnings to publish draft gainful employment rules students and prospective students meeting certain minimum requirements to be specified by the Department; programs that fail the same metric in spring 2023, the first two years the rates are issued will lose eligibility in 2026. On December 22, 2023, a lawsuit was filed against the Department in the United States District Court for the Northern District of Texas alleging that the rulemaking process and final rule were based on arbitrary and capricious decisions made by the Department, and that the rule violates constitutional rights related to speech, equal protection, and due process. Capella University and Strayer University are not parties to the lawsuit. The Company is unable to predict the ultimate outcome of the litigation.

#### **Return of Federal Funds**

Under the Higher Education Act's return-of-funds provision, an institution must return Title IV funds to a Title IV program in a timely manner if a student received funds from that program, but did not earn them due to the student's withdrawal from the institution. In order to determine if funds should be returned, the institution must first determine the amount of Title IV program funds that the student earned. If the student attends the institution, but withdraws during the first 60% of any period of enrollment or payment period, the amount of Title IV program funds that the student earned is equal to a pro rata portion of the funds for which the student would otherwise be eligible. If the student withdraws after the 60% point, then the student has earned 100% of the Title IV program funds. Strayer Capella University and Capella Strayer University are required to measure the last day of attendance based on official attendance records, and "attendance" for online classes must include participation in an academically-related activity. Strayer Capella University's and Capella Strayer University's systems allow for measurement on this basis. The institution must return to the appropriate Title IV programs, in a specified order, the lesser of the unearned Title IV program funds or the institutional charges incurred by the student for the period multiplied by the percentage of unearned Title IV program funds. An institution must return the funds no later than 45 days after the date that the institution determines that a student withdrew.

If the Title IV funds are not returned in a timely manner, an institution may be subject to adverse action, including being required to submit an irrevocable letter of credit equal to 25% of the funds the institution should have returned in its most recently completed fiscal year. If late returns of Title IV program funds constitute 5% or more of students sampled in the institution's annual compliance audit for either of its two most recently completed fiscal years, an institution generally must submit such a letter of credit payable to the Secretary of Education. In Beginning in January 2023, 2024, the Department indicated its intention to establish convened a negotiated rulemaking committee in 2023 to consider new proposed regulations on, the among other things, return of federal Title IV funds.

#### **Misrepresentation**

Under the Higher Education Act, the Department of Education may impose various sanctions, including a fine or suspension or termination of an institution's participation in Title IV programs, if it engages in substantial misrepresentation of the nature of its educational program, its financial charges, or the employability of its graduates. The Department's related regulations, which took effect July 1, 2011, set forth the types of activities that constitute misrepresentation and describe the adverse actions that the Department of Education may take if it finds that an institution or a third party that provides educational programs, marketing, advertising, recruiting, or admissions services to the institution engaged in substantial misrepresentation. The rule specifies the types of statements that can subject the institution to liability for misrepresentation, as well as the nature and form of misleading statements.

As part of the Department's 2016 promulgation of the Borrower Defenses to Repayment regulation, the Department changed the definition of misrepresentation for Title IV regulations to include any statement that "has the likelihood or tendency to mislead under the circumstances." The expanded definition included "any statement that omits information in such a way as to make the statement false, erroneous, or misleading." This regulation was published on November 1, 2016 and, after a series of delays, went into effect as of October 16, 2018.

On August 30, 2019, the Department released final Borrower Defense to Repayment regulations that included a new definition of "misrepresentation," which became effective July 1, 2020. The final rule defines a "misrepresentation" as: a statement, act, or omission by an eligible school to a borrower (a) that is false, misleading, or deceptive, (b) that was made with knowledge of its false, misleading, or deceptive nature or with a reckless disregard for the truth, and (c) that directly and clearly relates to either (1) enrollment or continuing enrollment at the institution, or (2) the provision of educational services for which the loan was made.

On August 10, 2021, the Department of Education announced its intention to establish a rulemaking committee to prepare proposed regulations on, among other things, Borrower Defense to Repayment, including a new definition of misrepresentation. Negotiated rulemaking committee meetings completed in December 2021 with no consensus reached on the topic. On October 31, 2022, the Department released final Borrower Defense to Repayment regulations, which include among other defenses to repayment substantial misrepresentation, with a significantly expanded definition of misrepresentation. The final rule's definition of misrepresentation includes any false, erroneous or misleading statement made by the institution or its representatives, or its marketing, advertising, recruiting or admissions agents, as well as any omission of fact that a reasonable person would have considered in deciding to enroll in or continue attendance at the institution. A statement is deemed misleading if it has the likelihood or tendency to mislead under the circumstances. A misrepresentation includes statements and omissions made in any medium, whether directly or indirectly, to a student, prospective student or any member of the public, or to an accrediting agency, to a State agency, or to the Secretary of Education. Misrepresentation also includes the dissemination of a student endorsement or testimonial that a student gives either under duress or because the institution required such an endorsement or testimonial to participate in a program. The final rule will become effective July 1, 2023.

#### **Borrower Defenses to Repayment**

Pursuant to the Higher Education Act and following negotiated rulemaking, on November 1, 2016, the Department of Education released a final regulation specifying the acts or omissions of an institution that a borrower may assert as a defense to repayment of a loan made under the Direct Loan Program and the consequences of such borrower defenses for borrowers.

institutions, and the Secretary of Education (the "2016 BDTR Rule"). Under the 2016 BDTR Rule, for Direct Loans disbursed after July 1, 2017, a student borrower may assert a defense to repayment if: (1) the student borrower obtained a state or federal court judgment against the institution; (2) the institution failed to perform on a contract with the student; and/or (3) the institution committed a "substantial misrepresentation" on which the borrower reasonably relied to his or her detriment.

These defenses are asserted through claims submitted to the Department of Education, and the Department has the authority to issue a final decision. In addition, the regulation permits the Department to grant relief to an individual or group of individuals, including individuals who have not applied to the Department seeking relief. If a defense is successfully raised, the Department has discretion to initiate action to collect from an institution the amount of losses incurred based on the borrower defense. The 2016 BDTR Rule also amends the rules concerning discharge of federal student loans when a school or campus closes and prohibits pre-dispute arbitration agreements and class action waivers for borrower defense-type claims. On January 19, 2017, the Department of Education issued a final rule, updating the hearing procedures for actions to establish liability against an institution of higher education and establishing procedures for recovery proceedings under the borrower defense regulations. Several times between June 2017 and February 2018, the Department of Education announced delays until July 1, 2019 of implementation of certain portions of the 2016 BDTR Rule, including those portions of the regulations that establish a new federal standard and a process for determining whether a Direct Loan borrower has a defense to repayment of a Direct Loan based on an act or omission of an institution. However, in October 2018, a judge denied a request to delay implementation of portions of the regulations, and as a result the 2016 BDTR Rule went into effect as of October 16, 2018.

On September 23, 2019, the Department published final Borrower Defense to Repayment regulations (the "2019 BDTR Rule"), which governs borrower defense to repayment claims in connection with loans first disbursed on or after July 1, 2020. Under the 2019 BDTR Rule, an individual borrower can assert a defense to repayment and be eligible for relief if she or he establishes, by a preponderance of the evidence, that (1) the institution at which the borrower enrolled made a misrepresentation of material fact upon which the borrower reasonably relied in deciding to obtain a Direct Loan or a loan repaid by a Direct Consolidation Loan; (2) the misrepresentation directly and clearly related to the borrower's enrollment or continuing enrollment at the institution or the institution's provision of education services for which the loan was made; and (3) the borrower was financially harmed by the misrepresentation. The Department will grant forbearance on all loans related to a claim at the time the claim is made.

The 2019 BDTR Rule defines "financial harm" as the amount of monetary loss that a borrower incurs as a consequence of a misrepresentation. The Department will determine financial harm based upon individual earnings and circumstances, which must include consideration of the individual borrower's career experience subsequent to enrollment and may include, among other factors, evidence of program-level median or mean earnings. "Financial harm" does not include damages for nonmonetary loss, and the act of taking out a Direct Loan, alone, does not constitute evidence of financial harm. Financial harm also cannot be predominantly due to intervening local, regional, national economic or labor market conditions, nor can it arise from the borrower's voluntary change in occupation or decision to pursue less than full-time work or decision not to work. The 2019 BDTR Rule contains certain limitations and procedural protections. Among the most prominent of these restrictions, the regulation contains a three-year limitation period of claims, measured from the student's separation from the institution, does not permit claims to be filed on behalf of groups, and requires that institutions receive access to any evidence in the Department's possession to inform its response. The 2019 BDTR Rule permits the usage of pre-dispute arbitration agreements as a condition of enrollment, so long as the institution provides plain-language disclosures to students and the disclosure is placed on the institution's website. The regulations also allow for a borrower to choose whether to apply for a closed school loan discharge or accept a teach-out opportunity. In addition, the closed school discharge window is expanded from 120 days to 180 days prior to the school's closure, though the final rule does not allow for an automatic closed school loan discharge.

Institutions are required to accept responsibility for the repayment of amounts discharged by the Secretary pursuant to the borrower defense to repayment, closed school discharge (associated with closure of a school or an additional location or branch campus), false certification discharge, and unpaid refund discharge regulations. If the Secretary discharges a loan in whole or in part, the Department of Education may require the school to repay the amount of the discharged loan.

On August 10, 2021, the Department of Education announced its intention to establish a rulemaking committee to develop proposed regulations on, among other things, Borrower Defense to Repayment. Negotiated rulemaking committee meetings completed in December 2021 with no consensus reached on the topic. On July 6, 2022, the Department released proposed Borrower Defense to Repayment regulations for public comment and subsequently published a final rule on October 31, 2022. Among other things, the final rule sets a single standard and streamlined process for relief that will apply to all future and pending Borrower Defense to Repayment claims as of July 1, 2023, regardless of the date of a borrower's loan disbursement; defines the types of misconduct that could lead to borrower defense discharges, including substantial misrepresentations, substantial omissions of fact, breaches of contract, aggressive and deceptive recruitment, and state or federal judgments or final Department of Education actions that could give rise to a Borrower Defense to Repayment claim; establishes a presumption that

borrowers reasonably relied upon misrepresentations or omissions; establishes a reconsideration process for borrowers whose claims are not approved for a full discharge, including based on a state law standard; and creates a process for the adjudication of group claims based on common facts. The final rule permits nonprofit legal assistance organizations to request group claims. The final rule also establishes a recoupment process separate from the approval of Borrower Defense to Repayment claims. In addition, the final rule prohibits institutions from requiring borrowers to sign mandatory pre-dispute arbitration agreements or class action waivers for claims related to the making of a Federal Direct Loan or the provision of educational services for which the loan was obtained. The rule also modified the closed school discharge rule to provide an automatic discharge one year after an institution or location's closure date for borrowers who were enrolled at the time of closure or left 180 days before closure and who do not accept an approved teach-out agreement or continuation of the program at another location of the school. Those who accept but do not complete a teach-out agreement or program continuation will receive a discharge one year after their last date of attendance. The final rule will become effective July 1, 2023. On August 7, 2023, the U.S. Court of Appeals for the Fifth Circuit granted a nationwide emergency injunction preventing the Department of Education's enforcement of the final BDTR and closed school discharge rules. The matter was heard by the Fifth Circuit panel on November 6, 2023, and the previous versions of the BDTR and closed school discharge rules remain in effect until further determination. The Department has stated that it will not adjudicate any borrower defense applications under the latest rule unless and until the effective date is reinstated; the Department will continue to adjudicate borrower defense applications using an earlier version of the regulations where required under a court settlement (the Sweet case discussed below). The Company is unable to predict the ultimate outcome of the litigation.

### **Third-Party Servicers**

Department of Education regulations permit an institution to enter into a written contract with a third-party servicer for the administration of any aspect of the institution's participation in Title IV programs. The third-party servicer must, among other obligations, comply with Title IV requirements and be jointly and severally liable with the institution to the Secretary of Education for any violation by the servicer of any Title IV provision. An institution must report to the Department of Education new contracts or any significant modifications to contracts with third-party servicers as well as other matters related to third-party servicers. Strayer Capella University and Capella Strayer University have written contracts with third-party servicers to perform activities related to Strayer Capella University's and Capella Strayer University's participation in Title IV programs. On February 15, 2023, the Department released a Dear Colleague Letter ("DCL") (GEN 23-03) with updated guidance regarding expanding the definition of third-party servicer definitions servicers

and covered activities to include vendors providing student recruitment and retention services, software products and services related to Title IV administration activities, and educational content and instruction, initially requiring institutions to be in compliance with the new guidance by May 1. The Company and May 1, 2023. On February 28, 2023, the Universities are in Department extended the process effective date of reviewing the updated guidance and intend reporting requirements from May 1, 2023 to comply with the Department's May 1 reporting deadline. Additionally, in January 2023, September 1, 2023. On March 24, 2023 the Department indicated its intention announced that it planned to establish a convene one or more negotiated rulemaking committee in 2023 rulemakings to consider new proposed regulations on address, among other things, third-party servicers and related issues. On April 11, 2023, the Department again delayed the effective date until six months after the Department publishes a new, revised final guidance letter on the topic, and on May 16, 2023, the Department formally rescinded its 2023 and prior guidance (DCL GEN-16-15 and the March 8, 2017 Electronic Announcement) prohibiting contracts between colleges and foreign-owned or operated servicers. In a November 2023 press release, the Department indicated it intends to issue updated guidance in early 2024.

#### **Lender Relationships**

As part of an institution's program participation agreement with the Department of Education, the institution must adopt a code of conduct pertaining to student loans. Strayer Capella University and Capella Strayer University have a code of conduct that we believe complies with the provisions of the Higher Education Act in all material respects. Additionally, Strayer University complies with all private lender requirements. In addition to the code of conduct requirements that apply to institutions, the Higher Education Act contains provisions that apply to lenders, prohibiting lenders from engaging in certain activities as they interact with institutions.

#### **Restrictions on Adding Locations and Educational Programs**

State requirements and accrediting agency standards can limit, slow, or halt the ability of Strayer Capella University and Capella Strayer University to establish legally authorized additional locations and programs. Most states require approval before institutions can add new programs, campuses, or teaching locations. Middle States requires its accredited institutions to notify it in advance of implementing new programs or additional locations as defined by Middle States, which may require additional approval. At its discretion, Middle States may also conduct site visits to additional locations to evaluate whether accredited institutions that experience rapid growth in the number of additional locations, among other reasons, maintain educational quality. All new Strayer University locations require Middle States approval before students are enrolled, and the Higher Education Act requires Middle States to monitor institutions with significant enrollment growth. The Higher Learning Commission, the Minnesota Office of Higher Education, and other state educational regulatory agencies that license or authorize Capella University and its degree programs require institutions to notify them in advance of implementing new programs and, upon notification, may undertake a review of the institution's licensure, authorization or accreditation.

The Higher Education Act requires proprietary institutions of higher education to be in full operation for two years before qualifying to participate in Title IV programs. However, the applicable regulations in many circumstances permit an institution that is already qualified to participate in Title IV programs to establish additional locations that are exempt from the two-year rule. These additional locations generally may qualify immediately for participation in Title IV programs, unless the location was acquired from another institution that has ceased offering educational programs at that location and has Title IV liabilities that it is not repaying in accordance with an agreement to do so, and the acquiring institution does not agree, among other matters, to be responsible for certain liabilities of the acquired institution. The new location must satisfy all other applicable requirements for institutional eligibility, including approval of the additional location by the relevant state authorizing agency and the institution's accrediting agency. Any Strayer Capella University or Capella Strayer University expansion plans assume its continued ability to establish new campuses as additional locations under such applicable regulations and thereby avoid incurring the two-year delay in participation in Title IV programs.

Department of Education regulations require institutions to report to the Department of Education a new additional location at which at least 50% of an eligible program may be offered, if the institution wants to disburse Title IV program funds to students enrolled at that location. Under its their Program Participation Agreement Agreements with the Department of Education, Strayer University the Universities must notify the Department of Education of the addition of any such location within ten days of opening, but need not seek prior approval. Under Capella University's provisional certification, the Department of Education must approve any new campus locations, level of academic offerings, and non-degree and degree programs before Capella University may award or disburse Title IV aid to students enrolled at any such location or in any such program. Institutions are responsible for knowing whether they need approval, and institutions that add locations and disburse Title IV program funds without having obtained any necessary approval may be subject to administrative repayments and other sanctions. The loss of state authorization or accreditation of a university or an existing campus, or the failure of a university or a new campus to obtain state authorization or accreditation, would render the university ineligible to participate in Title IV programs, at least in that state or at that location.

#### **Credit Hours**

The Higher Education Act and regulations use the term "credit hour" to define an eligible program and an academic year and to determine enrollment status and the amount of Title IV program funds an institution may disburse during a payment period. The regulations define the term "credit hour" and require 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 the Department of Education 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 the Department of Education determines that an institution is out of compliance with the credit hour definition, the Department of Education could impose liabilities or other sanctions. We believe that both Strayer Capella University and Capella Strayer University are in compliance with the credit hour rules.

In addition to the credit hour model, the Department of Education has granted approvals for a small number of institutions to operate direct assessment academic programs. Instead of measuring student progress through the number of credit hours spent in the course, these direct assessment programs allow students to progress through courses by showing mastery over material through the completion of assessments. These programs sometimes allow students to finish courses in less time than it would take to complete a course under a credit hour model. The Department of Education approved Capella University to operate direct assessment courses, and Capella University has been doing so under its FlexPath programs.

#### **COVID-19 Related Legislation and Administrative Actions**

On March 27, 2020, Congress passed the CARES Act in response to the COVID-19 pandemic. The CARES Act includes provisions that provide relief to students and to the institutions of higher education that they attend. This legislation granted the Department of Education regulatory flexibility in waiving some requirements established under the Higher Education Act related to the administration of federal student aid programs. For example, the CARES Act modified the process that institutions must follow for the return of unearned Title IV funds in connection with student withdrawals and provided institutions with additional flexibility for the measurement of satisfactory academic progress for students. The Department issued several guidance documents outlining and interpreting these changes. Additionally, the CARES Act established a \$12.6 billion Higher Education Emergency Relief Fund ("HEERF"). While the Department allocated CARES Act HEERF funding for Strayer, the university did not accept its allocation.

On December 27, 2020, Congress passed the omnibus Consolidated Appropriations Act, 2021 ("CAA"), which included several education-related provisions. Relevant provisions of the CAA increased the maximum Pell Grant for the 2021-2022 award year, restored quarters/semesters of Pell eligibility to students who have successfully asserted a

borrower defense to repayment; repealed the limitation on lifetime subsidized loan eligibility (known as "Subsidized Usage Limit Applies," or SULA), and simplified the Free Application for Federal Student Aid. The CAA also appropriated an additional \$22.7 billion for the HEERF to be distributed to higher education institutions. In January 2021, the Department released a table of institutional allocation of funds which indicated that Capella University was eligible for \$328,602 and Strayer University was eligible for \$5,831,606, all of which was disbursed to students with the highest need, in the form of direct grants in spring 2021.

On March 11, 2021, President Biden signed the American Rescue Plan Act of 2021 ("ARP"), which included \$40 billion in emergency funding for higher education. Capella University disbursed \$184,323 to students of the highest need in June 2021, and Strayer University disbursed \$2,554,682 to students of the highest need in July 2021. ARP also included an adjustment to the tax code by making any student loan debt discharged through 2025 tax-free, and an adjustment to the 90/10 rule. The change includes all federal funding – not just Title IV funds – in the 90/10 calculation. ARP's 90/10 changes require the Department to issue regulations, with an effective date no earlier than institutional fiscal years beginning January 1, 2023. On December 8, 2021 the Department of Education announced its intention to establish a rulemaking committee to develop proposed regulations on, among other things, the 90/10 rule via the Institutional and Programmatic Eligibility rulemaking and the committee reached consensus on the topic in March 2022. The Department released final regulations in October 2022. The regulatory changes require proprietary institutions to count all "federal education assistance funds" as federal revenue in the

90/10 calculation for fiscal years beginning on or after January 1, 2023. Such funds include not only Title IV funds but also certain funds from the U.S. Department of Defense, Department of Veterans Affairs, and other agencies.

The CARES Act initially suspended payments and interest accrual for Federal Family Education Loans and Direct Loans until September 30, 2020. Through a series of administrative actions, Education extended student loan relief several times with the Department of Education announcing and announced on August 24, 2022, that it would provide student loan relief to eligible borrowers to address financial hardships in connection with the COVID-19 pandemic. Under the relief measures, the Department proposed forgiving up to \$10,000 in student debt will be forgiven for individual borrowers earning less than \$125,000 or married couples or heads of household earning less than \$250,000, and forgiving up to \$20,000 will be forgiven for such borrowers who formerly received Pell Grants. In a memorandum prepared by the Department's General Counsel, the Department stated that it has interpreted provisions of the Higher Education Relief Opportunities for Students Act of 2003 ("HEROES Act") to authorize the Secretary to exercise broad discretion in granting student loan relief. Since Following the Department's student loan relief announcement, multiple lawsuits have been filed against the Department challenging its authority to grant such relief. The U.S. Supreme Court has granted petitions to review injunctions issued by two federal courts that have blocked implementation of the Department's student loan relief program with oral arguments scheduled for February 28, 2023. On November 22, 2022 and on June 30, 2023, the Department announced further extension of Supreme Court held that the pause on HEROES Act did not authorize the Secretary to establish the student loan forgiveness program. The Department subsequently established a negotiated rulemaking committee to develop proposed student loan forgiveness plans under the Higher Education Act. Negotiations occurred in October-December 2023, with negotiators reaching consensus on some language including waiver of student loan debt in circumstances of repayment plans, program and noted that payments will resume 60 days following implementation of the relief program or resolution of the litigation. If the institution closures, and gainful employment failures. The Department has not implemented the relief program or the litigation has not resolved by June 30, 2023, the Department has stated that payments would resume 60 days thereafter, yet released proposed rules for public comment.

#### **Other Regulations Governing Title IV Programs**

The Department of Education has enacted a comprehensive set of regulations governing an institution's participation in Title IV programs. If either Strayer Capella University or Capella Strayer University were not to continue to comply with these regulations, such noncompliance might affect the operations of the University and its ability to participate in Title IV programs.

#### **The Clery Act and Title IX**

Capella University and Strayer and Capella Universities University must comply with the campus safety and security reporting requirements as well as other requirements in the Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (the "Clery Act"). In addition, the Department has interpreted Title IX of the Education Amendments of 1972 ("Title IX") to categorize sexual violence as a form of prohibited sex discrimination and to require institutions to follow certain disciplinary procedures with respect to such offenses. Failure by the Universities to comply with the Clery Act or Title IX requirements or regulations thereunder could result in action by the Department fining the Universities, or limiting or suspending their participation in Title IV programs, could lead to litigation, and could harm the Universities' reputations. We believe that the Universities are in compliance with these requirements.

On May 6, 2020, the Department of Education published final rules related to implementation of Title IX, which prohibits discrimination on the basis of sex in education programs that receive funding from the federal government. The final rules define what constitutes sexual harassment for purposes of Title IX in the administrative enforcement context, describe what actions trigger an institution's obligation to respond to incidents of alleged sexual harassment, and specify how an institution must respond to allegations of sexual harassment. Among other things, the new rules include a requirement for live hearings on Title IX sexual harassment claims, which includes direct and cross-examination of parties, university-provided advisors (in the event a student or party does not provide an advisor), rulings on questions of relevance by decision-makers, and the creation and maintenance of a record of the live hearing proceedings. The final rules became effective August 14, 2020.

On August 24, 2021, the Department of Education Office for Civil Rights ("OCR") issued guidance indicating it would cease enforcement of the rules' prohibition against consideration of statements made by individuals failing to submit to cross-examination at a live hearing. The Department of Education conducted public hearings concerning its Title IX regulations and on June 23, 2022, the Department of Education released proposed Title IX regulations for public comment. Among other changes, the proposed rule would address all forms of sex-based harassment (not only sexual harassment); clarify that Title IX's prohibition against sex discrimination includes discrimination on the basis of sex stereotypes, sex characteristics, pregnancy or related conditions, sexual orientation and gender identity; and eliminate the requirement for live hearings at the post-secondary level. The public comment period on the proposed rule ended on September 12, 2022. When the Department publishes a final Title IX rule, it will indicate an effective date.

On October 4, 2022, the OCR released a resource document for students and institutions in which it reinforced that current Title IX regulations prohibit discrimination based on pregnancy, childbirth, false pregnancy, termination of pregnancy or recovery therefrom. The resource document further emphasized that Title IX requires institutions to treat pregnancy, childbirth, false pregnancy, termination of pregnancy and recovery therefrom the same as other temporary disabilities with respect to medical benefits, services, plans, and policies, and detailed requirements for leave and reinstatement for both students and employees.

#### **Students with Disabilities**

Federal agencies, including the Department of Education and the Department of Justice, have considered or are considering how electronic and information technology should be made accessible to persons with disabilities. For example, Section 504 of the Rehabilitation Act of 1973 ("Section 504") prohibits discrimination against a person with a disability by any organization that receives federal financial assistance. The Americans with Disabilities Act ("ADA"), prohibits discrimination based on disability in several areas, including public accommodations. In 2010, the Department of Education's Office for Civil Rights, which enforces Section 504, together with the Department of Justice, which enforces the ADA, asserted that requiring the use of technology in a classroom environment when such technology is inaccessible to individuals with disabilities violates Section 504, unless those individuals are provided accommodations or modifications that permit them to receive all the educational benefits provided by the technology in an equally effective and integrated manner. In recent years, the Department of Education's Office of Civil Rights and third parties have brought enforcement actions against institutions related to website accessibility of online course material. As a result of such enforcement action or as a result of new laws and regulations that require greater accessibility, the Department of Education or the Department of Justice may require an institution to modify its online classrooms and other uses of technology to satisfy applicable requirements. In 2022, the Department of Justice issued guidance emphasizing that although businesses have flexibility in how they comply with the ADA's general requirements of nondiscrimination and effective communication, they have an obligation to confirm that the programs, services, and good provided to the public – including online – are accessible to people with disabilities. The Department of Justice also noted that the Department is "committed to using its enforcement authority to ensure website accessibility for people with disabilities and to ensure that the goods, services, programs, and activities that businesses and state and local governments make available to the public are accessible." As with all nondiscrimination laws that apply to recipients of federal financial assistance, an institution may lose access to certain federal financial assistance if it does not comply with Section 504 requirements. In addition, private parties may file or threaten to file lawsuits alleging failure to comply with laws that prohibit discrimination on the basis of disability, such as Section 504 and the ADA, and seeking monetary damages and correction of the alleged violations.

#### **Compliance Reviews**

Strayer Capella University and Capella Strayer University are subject to announced and unannounced compliance reviews and audits by various external agencies, including the Department of Education, its Office of Inspector General, state licensing agencies, guaranty agencies, and accrediting agencies. The Higher Education Act and Department of Education regulations also require an institution to submit annually to the Secretary of Education a compliance audit of its administration of Title IV programs conducted by an independent certified public accountant in accordance with Generally Accepted Government Auditing Standards and applicable audit guides of the Department of Education's Office of Inspector General ("ED OIG"). For fiscal years beginning after June 30, 2016 June 30, 2023, Strayer Capella University and Capella Strayer University must submit such audits that have been conducted in accordance with a guide for audits of proprietary schools that was issued by the ED OIG in September 2016, March 2023. The 2023 audit guide includes a number of updates, including related to the new 90/10 rule. In addition, to enable the Secretary of Education to make a determination of financial responsibility, an institution must submit annually to the Secretary of Education audited financial statements prepared in accordance with Department of Education regulations. For Strayer Capella University and Capella Strayer University, financial responsibility is determined at the SEI parent level.

In June 2019, the Department conducted an announced, on-site program review at Capella University, focused on Capella University's FlexPath program. The review covered the 2017-2018 and 2018-2019 federal financial aid years. The Department issued its preliminary program report on November 13, 2020, and Capella University responded to the report. On February 9, 2021, Capella University received the Department's Final Program Review Determination, which closed the Program Review without further action required on the part of Capella University.

On March 17, 2021, the Department informed Strayer University that it planned to conduct an announced, remote program review. The review commenced on April 19, 2021 and covered the 2019-2020 and 2020-2021 federal student financial aid years. On September 21, 2021, Strayer University received the Department's Final Program Review Determination, which closed the Program Review without further action required on the part of Strayer University.

On October 8, 2021, the Department of Education announced establishment of an Office of Enforcement within the Department's Office of Federal Student Aid, designed to strengthen oversight over and enforcement against post-secondary schools that participate in federal student loan, grant, and work-study programs. The Office of Enforcement restores an office first established by the Department in 2016. The Office of Enforcement will be comprised of four existing divisions: Administrative Actions and Appeals Services Group, Borrower Defense Group, Investigations Group, and Resolution and Referral Management Group. The Department intends the Office of Enforcement to coordinate with other state and federal partners, including the Department of Justice, Consumer Financial Protection Bureau, Federal Trade Commission, and state attorneys general.

#### **Potential Effect of Regulatory Violations**

If either Strayer Capella University or Capella Strayer University fails to comply with the regulatory standards governing Title IV programs, the Department of Education could impose one or more sanctions, including transferring the University from the advance payment method to the reimbursement or cash monitoring system of payment, provisional certification, seeking to require repayment of certain Title IV funds, requiring the University to post a letter of credit in favor of the Department of Education as a condition for continued Title IV certification, taking emergency action against the University, or referring the matter for criminal prosecution or initiating proceedings to impose a fine or to limit, condition, suspend, or terminate the University's participation in Title IV programs. Although there are no such sanctions currently in force against Strayer Capella University or Capella Strayer University, if such sanctions or proceedings were imposed and resulted in a substantial curtailment, or termination, of that University's participation in Title IV programs or resulted in substantial fines or monetary liabilities, that University and the Company could be materially and adversely affected.

If Strayer Capella University or Capella Strayer University lost its eligibility to participate in Title IV programs, or if Congress reduced the amount of available federal student financial aid, the University would seek to arrange or provide alternative sources of revenue or financial aid for students. Although the Universities believe that one or more private organizations would be willing to provide financial assistance to students attending the Universities, there is no assurance that this would be the case, and the interest rate and other terms of such student financial aid are unlikely to be as favorable as those for Title IV program funds. The Universities may be required to guarantee all or part of such alternative assistance in a manner that complies with rules governing schools' relationships with lenders or might incur other additional costs in connection with securing alternative sources of financial aid. Accordingly, the loss of eligibility of Strayer Capella University or Capella Strayer University to participate in Title IV programs, or a reduction in the amount of available

federal student financial aid, would be expected to have a material adverse effect on Strayer Capella University or Capella Strayer University, even if it could arrange or provide alternative sources of revenue or student financial aid.

In addition to the actions that may be brought against us as a result of our participation in Title IV programs, we also may be subject, from time to time, to complaints and lawsuits relating to regulatory compliance brought not only by our regulatory agencies, but also by other government agencies and third parties.

#### **Acquisitions of Other Institutions**

When a company, partnership or any other entity or individual acquires an institution that is eligible to participate in Title IV programs, that institution undergoes a change of ownership resulting in a change of control as defined by the Department of Education. Upon such a change of control, an institution's eligibility to participate in Title IV programs is generally suspended until it has applied for recertification by the Department of Education as an eligible institution under its new ownership, which requires that the institution also re-establish its state authorization and accreditation.

The Department of Education may also temporarily and provisionally certify an institution seeking approval of a change of ownership under certain circumstances while the Department of Education reviews the institution's application. The time required for the Department of Education to act on such an application may vary substantially. The Department of Education's recertification of an institution following a change of control will be on a provisional basis.

On December 8, 2021, the Department of Education announced its intention to establish a negotiated rulemaking committee to develop proposed regulations for, among other topics, issues related to changes of control, via the Institutional and Programmatic Eligibility rulemaking. Meetings of this negotiated rulemaking committee completed in March 2022, and on October 27, 2022, the Department released final regulations related to change of ownership and change in control of institutions of higher education. The ownership interest threshold for publicly traded corporations remains at 25%, as described below. Among other things, the final rule lowered the threshold for reportable changes in ownership percentages from 25% to 5% for changes in ownership that do not result in a change in control, introduced a new timeline for reporting such changes, and created a requirement that for a planned change in ownership that results in a change in control, an institution is now required to notify students at least 90 days prior to the anticipated transaction date. The final rule ~~will become~~ became effective July 1, 2023.

#### **Change in Ownership Resulting in a Change of Control**

Many states and accrediting agencies require institutions of higher education to report or obtain approval of certain changes in ownership or other aspects of institutional status, but the types of and triggers for such reporting or approval vary among states and accrediting agencies. Both Capella University's accrediting agency, the Higher Learning Commission, and Strayer University's accrediting agency, Middle States, and Capella University's accrediting agency, the Higher Learning Commission, require institutions that they accredit to inform them in advance of any substantive change, including a change that significantly alters the ownership or control of the institution. Examples of substantive changes requiring advance notice to, and approval by, the agency include changes in the legal status, ownership, or form of control of the institution, such as the sale of a proprietary institution. Both agencies must approve a substantive change in advance in order to include the change in the institution's accreditation status. Additionally, both Middle States and the Higher Learning Commission and Middle States will undertake a site visit to an institution that has undergone a change in ownership or control no later than six months after the change. Each state in which the institution operates may also have its own change in ownership approval processes. Additionally, SARA and its affiliated state portal agencies may require certain notifications or applications in relation to a change in ownership.

Federal agencies also regulate changes in ownership and control. The Higher Education Act provides that an institution that undergoes a change in ownership resulting in a change of control loses its eligibility to participate in Title IV programs and must apply to the Department of Education in order to reestablish such eligibility. An institution is ineligible to receive Title IV program funds during the period from the change of ownership and control until recertification. The Higher Education Act provides that the Department of Education may also temporarily, provisionally certify an institution seeking approval of a change of ownership and control based on preliminary review by the Department of Education of a materially complete application received by the Department of Education within ten business days after the transaction. The Department of Education may continue such temporary, provisional certification on a month-to-month basis until it has rendered a final decision on the institution's application. If the Department of Education approves the application after a change in ownership and control, it issues a provisional certification, which extends for a period expiring not later than the end of the third complete award year following the date of provisional certification. The Higher Education Act defines one of the events that would trigger a change in ownership resulting in a change of control as the transfer of the controlling interest of the stock of the institution or its parent corporation. For a publicly traded corporation such as Strategic Education, Inc., the Department of Education regulations define a change of control as occurring when a person or entity acquires ownership and control of a corporation, such that the corporation is required to file a Form 8-K with the SEC publicly disclosing the change of control. The regulations also provide that a change in ownership and control of a publicly traded corporation occurs if a person or entity who is a controlling stockholder of the corporation ceases to be a controlling stockholder. A controlling stockholder is a stockholder who holds, or controls through agreement, at least 25% of the total outstanding voting stock of the corporation and more shares of voting stock than any other stockholder. Institutions must notify the Department of Education and students of a planned change in ownership that results in a change in control at least 90 days in advance. Additionally, the Department of Education regulations require institutions to make certain notice filings with the agency should a shareholder acquire 25% 5% or more of the outstanding voting stock of the corporation, ownership interest (direct or indirect).

The U.S. Department of Homeland Security, working with the U.S. Department of State, has implemented a mandatory electronic reporting system for schools that enroll foreign students and exchange visitors. Strayer University currently is authorized by the U.S. Department of Homeland Security to admit foreign students for study in the United States subject to applicable requirements (because Capella University is on-line online only, and foreign students must take a portion of their classes on-ground, Capella University does not participate). In certain circumstances, the U.S. Department of Homeland Security may require an institution to obtain approval for a change in ownership and control.

Pursuant to federal law providing benefits for veterans and reservists, some of the programs offered by Strayer Capella University and Capella Strayer University are approved by state approving agencies for the enrollment of persons eligible to receive U.S. Department of Veterans Affairs educational benefits. In 2022, Strayer University had such approval in Alabama, Arkansas, Delaware, Florida, Georgia, Maryland, Mississippi, New Jersey, North Carolina, Pennsylvania, South Carolina, Tennessee, Texas, Virginia, West Virginia, and Washington, D.C. In 2022, 2023, Capella University had such approval in Minnesota, and because all of its programs are online only, this approval allows it to extend VA education benefits to students in all states and abroad. In 2023, Strayer University had such approval in Alabama, Arkansas, Delaware, Florida, Georgia, Maryland, Mississippi, New Jersey, North Carolina, Pennsylvania, South Carolina, Tennessee, Texas, Virginia, West Virginia, and Washington, D.C. In certain circumstances, state approving agencies may require an institution to obtain approval for a change in ownership and control.

If **Strayer Capella** University or **Capella Strayer** University underwent a change of control that required approval by any state authority, accrediting agency, or any federal agency, and such approval were significantly delayed, limited, or denied, there could be a material adverse effect on the University's ability to offer certain educational programs, award certain degrees, diplomas, or certificates, operate one or more of its locations, admit certain students, or participate in Title IV programs, which in turn, could materially and adversely affect the University's operations. A change that required approval by a state regulatory authority, an accrediting agency, or a federal agency could also delay the University's ability to establish new campuses or educational programs and may have other adverse regulatory effects. Furthermore, the suspension from Title IV programs and the necessity of obtaining regulatory approvals in connection with a change of control could materially limit the University's flexibility in future financing or acquisition transactions.

#### **Legislative and Regulatory Activity**

Congress, from time to time, considers legislation that would make changes in the Higher Education Act and other education-related federal laws. The Department of Education and other federal agencies similarly consider new regulations and regulatory amendments. State legislatures and agencies and accreditors likewise periodically change their laws, regulations, and standards. Such activity may adversely affect enrollment in for-profit educational institutions. Although legislative and regulatory activity in recent years has had a negative impact on the for-profit post-secondary education industry as a whole, we cannot predict the impact of recent, pending, or possible future legislative or regulatory changes, if any, on our long-term business model.

##### **Congress**

Congress historically has reauthorized the Higher Education Act approximately every five to six years. In 2008, Congress reauthorized the HEA through the end of 2013. Congress has held hearings regarding the reauthorization of the HEA and continued to consider new legislation regarding the passage thereof. It is currently unclear when Congress will reauthorize the Higher Education Act, and the onset of the COVID-19 pandemic has further delayed these efforts. The most recent reauthorized Higher Education Act continued all of the Title IV programs in which we participate, but made many revisions to the requirements governing the Title IV programs, including provisions relating to the relationships between institutions and lenders that make student loans, student loan default rates, and the formula for revenue that institutions are permitted to derive from the Title IV programs. Notwithstanding the lack of a full HEA reauthorization, Congress has annually appropriated funds for the existing Title IV programs under the HEA. In addition, further rulemaking by the Department of Education may impose additional requirements on institutions that participate in Title IV programs. Existing programs and participation requirements are subject to change based on HEA reauthorization. Additionally, funding for the student financial assistance programs may be affected during appropriations and budget actions.

##### **Appropriations**

Congress reviews and determines appropriations for Title IV programs on an annual basis. On **February 18, 2022** **January 19, 2024**, the President signed the "Further Additional Extending Government Funding Continuing Appropriations and Other Extensions Act, 2024," which provides staggered fiscal year **2022** **2024** appropriations to Federal agencies through **March 11, 2022**, **March 1, 2024** for some Departments and **March 8, 2024** for others, including the Department of Education. A future government shutdown, particularly one that includes the Department of Education or appropriations for Title IV programs, could have a material adverse effect on our operations and financial condition.

An elimination of certain Title IV programs, a reduction in federal funding levels of such programs, material changes in the requirements for participation in such programs, or the substitution of materially different programs could reduce the ability of certain students to finance their education. Such reductions, in turn, could lead to lower enrollments at **Strayer Capella** University or **Capella Strayer** University or require us to increase our reliance upon alternative sources of student financial aid. Given the significant percentage of our revenues that are derived indirectly from Title IV programs, the loss of, or a significant reduction in, Title IV program funds available to our students could have a material adverse effect on **Strayer Capella** University, **Capella Strayer** University, and the Company.

##### **Consumer Financial Protection Bureau**

The Consumer Financial Protection Bureau ("CFPB") has pursued enforcement actions against certain proprietary institutions of higher education and has released several reports that directly address issues related to institutions of higher education. In October **2022** **2023**, the CFPB Student Loan Ombudsman released its annual report analyzing more than **2,900** **2,300** complaints the CFPB received from private student loan borrowers between **September 1, 2021** **September 1, 2022** and **August 31, 2022** **August 31, 2023** and more than **5,400** **6,900** federal student loan financing complaints the CFPB received from federal student loan borrowers. We do not know what steps the CFPB or Congress may take in response to these actions and whether such actions, if any, will have an adverse effect on our business or results of operations.

##### **U.S. Department of Education**

Title IV regulations applicable to **Strayer Capella** University and **Capella Strayer** University have been subject to frequent revisions, many of which have increased the level of scrutiny to which higher education institutions are subjected and have raised applicable standards.

##### **Current Federal Rulemaking**

On August 10, 2021, the Department announced its intention to establish the Affordability and Student Loans committee, to prepare proposed regulations to address the following topics: borrower defense to repayment, misrepresentation, closed school discharges, discharges for borrowers with a total and permanent disability, discharges for false certification of student eligibility, loan repayment plans, interest capitalization, mandatory pre-dispute arbitration and prohibition of class action lawsuits provisions in institutions' enrollment agreements and associated counseling about such arrangements, Pell Grant eligibility or prison education programs, and the Public Service Loan Forgiveness program. The Department also announced the formation of a Prison Education Program Subcommittee. Negotiations occurred in October-December 2021, with negotiators reaching consensus on total and permanent disability discharge, eliminating interest capitalization for **nonstatutory** **non-statutory** capitalization events, false certification discharge and Pell Grant eligibility for prison education programs. The committee did not reach consensus on the remainder of the topics. If the negotiated rulemaking committee reaches consensus on a topic, the Department of Education is bound to propose a rule consistent with the consensus. In the absence of consensus, the Department of Education has discretion to propose a rule for public comment. Proposed and final rules related to the topics above were announced by the Department on July 6, 2022 and October 31, 2022, respectively.

On December 8, 2021, the Department announced its intention to establish the Institutional and Programmatic Eligibility committee, to prepare proposed regulations to address the following topics: 90/10, ability to benefit, certification procedures for participating in Title IV programs, change of ownership and change in control of institutions of higher education, financial responsibility for participating institutions of higher education, gainful employment, and standards of administrative capability. Meetings of this negotiated rulemaking committee completed in March 2022 and the committee reached consensus on two topics: ability to benefit and changes to the 90/10 rule. It did not reach consensus on the remainder of the topics.

On July 26, 2022, the Department released proposed regulations related to the 90/10 rule and change of ownership and change in control of institutions of higher education. On October 27, 2022, the Department of Education released final 90/10 regulations, which are consistent with the consensus language. The 90/10 rule's final regulations include changes to requirements impacting non-Title IV program revenue, and the treatment of "federal education assistance funds" within the calculation. On December 21, 2022, the Department released a list of federal agencies and federal education assistance programs that must be included as federal revenue in the 90/10 calculation. Such agencies include the U.S. Department of Defense (military tuition assistance) and the Department of Veterans Affairs (veterans education benefits). The Department indicated that it will publish periodic updates to the list as needed. The final regulations also include modifications to the criteria for revenue generated from non-Title IV programs, allowing institutions to count funds as non-Federal revenue only for programs that: (1) do not include any courses offered in an eligible program that is provided by the institution; (2) are provided by the institution and taught by one of the institution's instructors; and (3) are located at the institution's main campus, one of its approved additional locations, at another school facility approved by the appropriate State agency or accrediting agency, or at an employer facility. In the preamble to the final 90/10 regulations and subsequent sub-regulatory guidance, the Department indicated that non-Title IV programs that are offered in part or in full via distance education are not eligible to be included in the "10" portion of the calculation. The final regulations establish new disclosure requirements for institutions that fail the 90/10 rule, including a student notification requirement, and clarify reporting requirements and liabilities for institutions that lose access to Title IV funds because of failing 90/10 calculations. The new 90/10 regulations are effective for fiscal years beginning on or after January 1, 2023. During the negotiated rulemaking process, the Department also proposed a number of changes to financial responsibility regulations, but did not reach consensus on the language. The proposal included new mandatory and discretionary triggers that would require the posting of financial protections. Among other things, the Department proposed a discretionary trigger in the event of significant fluctuations in Title IV aid; a discretionary trigger for pending borrower defense claims; and a discretionary trigger for when institutions close most or all on-ground locations but maintain an online presence.

On May 17, 2023, the Department released proposed rules on financial value transparency and gainful employment, financial responsibility, administrative capability, certification procedures, and ability to benefit. On September 27, 2023, the Department released final regulations on financial value transparency and gainful employment, which are largely consistent with the proposed rule. The gainful employment final rule establishes two independent metrics, both of which must be passed by a gainful employment program subject to the rule in order to maintain Title IV eligibility. Any gainful employment program that fails either or both metrics in a single year would be required to provide a disclosure to current and prospective students, and any such program that fails the same metric in two out of three consecutive years for which the program's metrics are calculated would lose its access to federal financial aid. The two metrics are 1) a debt-to-earnings ratio that compares the median earnings of graduates who received federal financial aid to the median annual payments on loan debt borrowed for the program, which must be less than or equal to 8% of annual earnings or 20% of discretionary earnings, and 2) an earnings premium test that measures whether the typical graduates from a program that received federal financial aid earn more than a typical high school graduate in their state (or, in some cases, nationally) and within a certain age range in the labor force. A program that fails in two out of three consecutive years, or is voluntarily discontinued by the institution, would not be eligible to have Title IV reinstated for the program or launch and receive Title IV for a "substantially similar program" (generally defined as a program with the same four-digit CIP code) for a minimum of three years. The final rule describes that the Department also proposed as part will now measure earnings six years after graduation (instead of the negotiated rulemaking process proposed rule's three years after graduation) for certain qualifying graduate programs such as clinical psychology, marriage and family therapy, clinical social work, and clinical counseling. The final rule also includes the reestablishment requirement that, beginning July 1, 2026, all schools provide a link to a Department of Education-hosted website that includes information on cost, earnings, and licensure information, and the gainful employment metrics. The final gainful employment regulations which would apply will take effect July 1, 2024. The Department has indicated that it will release metrics beginning in the 2025 financial aid award year. Beginning July 1, 2026, if a program fails a metric, an institution must provide warnings to all students and prospective students meeting certain minimum requirements to be specified by the Department; programs (including non-degree programs) at proprietary institutions and non-degree programs at public and private nonprofit institutions. Among other items, that fail the same metric in the first two years the rates are issued will lose eligibility in 2026.

On October 23, 2023, the Department proposed released final rules on financial responsibility, administrative capability, certification procedures, and ability to use the first four digits benefit. The Department's final rules regarding financial responsibility establish new mandatory triggers—including but not limited to failing 90/10, receiving at least 50% of the CIP (Classification of Instructional Program) code to identify funds from programs that are failing gainful employment, programs; or being subject to remove a Department action to recover losses from approved Borrower Defense to Repayment claims that would cause a recalculated composite score to fall below 1.0—that allow the "zone" concept pertaining Department to debt-to-earnings rates; seek financial protection or recalculate the institution's financial composite score to determine whether an institution's financial condition has materially weakened. The rules also establish new discretionary triggers that will result in the Department conducting case-by-case analysis to see if additional protection is needed. In general, institutions will be required to report triggering events within 21 days of occurrence. According to the regulation, such triggering events may result in a financial protection requirement that would most likely take the form of a letter of credit or cash escrow and provisional certification to establish participate in Title IV.

Under the final administrative capability rule, institutions will be required to, among other things, offer adequate services to students, including financial aid counseling and career services support. The final language also includes a new requirement that institutions provide students with geographically accessible clinical or externship opportunities as required for licensure and that at least half of an institution's total Title IV, HEA funds from the most recent award year must not be from programs that are "failing" under the Gainful Employment Rules.

In final rules regarding certification procedures, the Department indicates, among other things, that it will consider withdrawal rates, gainful employment rates, licensure passage rates, and instructional and advertising spend when making institutional eligibility determinations. The regulation also provides the Secretary authority to require institutions to submit all marketing materials in cases where the institution is provisionally certified and is found to have engaged in substantial misrepresentation, aggressive recruitment, or a failure to comply with incentive compensation rules. The final regulation also makes changes regarding licensure-track programs, including preventing an institution from offering Title IV aid to a student enrolled in a program would fail that does not meet educational prerequisites for licensure in the debt-to-earnings rate measure if, among other measures, its debt-to-earnings rate state in which the student is greater than 8 percent located. The Department's final regulation also requires institutions to comply with all State laws related to closure, including record retention, teach-out plans or agreements and its discretionary earnings rate is greater than 20 percent. The Department also proposed including Parent PLUS loans when determining student debt load, and included a new "earnings threshold" measure comparing the median annual earnings tuition recovery funds or surety bonds for students who completed the program to the median earnings for a working adult aged 25-34 with only a high school diploma in the each state in which the institution is located (or nationally based on and in each state in which students enrolled by the percentage of students located institution in the same state as the institution). The Department's proposal would deem a program ineligible for Title IV funding if the program failed either metric (debt-to-earnings or earnings threshold) two out of three consecutive years. Among other topics, distance education courses are located.

Beginning January 2023, the Department proposed convened a number of additional changes to regulations regarding administrative capability, change of control and certification issues, none of which reached consensus.

In June 2022, the Department indicated its intention to publish proposed rules regarding gainful employment, ability to benefit, financial responsibility, administrative capability, and certification procedures in April 2023. In January 2023, the

Department indicated its intention to establish one or more negotiated rulemaking committees in 2023 to consider new proposed regulations on distance education, improving the use of deferments and forbearances, third-party servicers and related issues, cash management, return of federal funds, state authorization, accreditation and related issues, and TRIO programs. We cannot predict the outcome of the negotiated rulemaking process.

#### *College Affordability and Transparency Lists*

The Department of Education publishes on its website lists of the top 5% of institutions, in each of four categories, with (1) the highest tuition and fees for the most recent academic year, (2) the highest "net price" for the most recent academic year, (3) the largest percentage increase in tuition and fees for the most recent three academic years, and (4) the largest percentage increase in net price for the most recent three academic years. An institution that is placed on a list for high percentage increases in either tuition and fees or in net price must submit a report to the Department of Education explaining the increases and the steps that it intends to take to reduce costs. The Department of Education will report annually to Congress on these institutions and will publish their reports on its website. The Department of Education also posts lists of the top 10% of institutions in each of the four categories with lowest tuition and fees or the lowest net price for the most recent academic year. Under the Higher Education Act, net price means average yearly price actually charged to first-time, full-time undergraduate students who receive student aid at a higher education institution after such aid is deducted.

On January 11, 2023, the Department published a request for information regarding how to best identify low-financial-value educational programs. As part of the announcement, the Department indicated its intention is to publish a list of the programs at all types of colleges and universities that provide the least financial value to students. Once the list is published, institutions with programs on this list will be asked to submit improvement plans to the Department.

#### *College Scorecard*

In September 2015, the Department of Education publicly released its "College Scorecard" website. Among other characteristics, the College Scorecard allows users to search for schools based upon programs offered, location, size, tax status, mission, and religious affiliation. In October 2017, the Department of Education announced that its Integrated Post-secondary Education Data System, or IPEDS, would publish for the first time completion data for part-time and non-first-time students, which provides additional information about institutions' performance. The Department of Education updates the data available on the College Scorecard on a periodic basis. In 2019, the Department of Education added new metrics to the College Scorecard, including information on non-degree institutions and data concerning student outcomes, including salary, at the program level. The Department of Education continues to update data, metrics, and functionality of the College Scorecard.

#### *Privacy and Data Security*

The Family Educational Rights and Privacy Act of 1974 ("FERPA") and its implementing regulations apply to all educational institutions that receive funding from the Department of Education. FERPA requires institutions to protect the privacy of personally identifiable information in education records maintained by the institution. Among other provisions, FERPA requires that institutions limit disclosure of personally identifiable information and provide students access to their educational records. The Department of Education enforces FERPA by initiating corrective actions against noncompliant institutions, which could lead to the loss of federal funding. The Department has indicated its intention to publish draft FERPA rules in April 2023 that would update, clarify, and improve the current regulations by addressing outstanding policy issues and implementing statutory amendments. Institutions that participate in Title IV also agree to comply with the Gramm-Leach-Bliley Act Safeguards Rule. On June 9, 2023, amendments to the Safeguards Rule took effect, which updated certain definitions and amended certain requirements.

Recently, legislatures in a number of states have sought to enact privacy bills. These bills would protect consumer information in a variety of contexts and, unlike most federal privacy legislation, would not apply only within a specific sector. The most prominent of these bills is the California Consumer Privacy Act ("CCPA"), which took effect in January 2020. The CCPA seeks to protect the personal information of California residents by giving those residents control over how the information is collected, used, and shared. These rights include the right to request details about the personal information a company has collected or shared and the ability to obtain copies of the personal information collected by the company, the ability to opt out of certain personal information sharing between companies, and the right to require that a company delete the personal information it maintains about the requesting individual. The California Attorney General oversees civil enforcement of the CCPA, which allows for civil penalties of up to \$2,500 for each violation and up to \$7,500 for each intentional violation. In addition, the CCPA imposes on companies an obligation to maintain reasonable security procedures and empowers individuals to bring private actions to recover damages if their personal information is subject to a security breach as a result of a company's failure to maintain reasonable security practices. The California Privacy Rights Act, or CPRA, expanding the CCPA's requirements became effective on January 1, 2023.

Collection of personal information outside the United States may subject companies to global privacy and data security laws. For example, the European Union General Data Protection Regulation ("GDPR"), which came into effect May 25, 2018, contains significant requirements to provide individuals with information about data collection, use, and sharing practices. The GDPR also provides individuals with rights to control how information about them is collected, used, and shared. It also requires that companies notify European regulators within 72 hours of a data breach. These measures generally exceed the requirements of U.S. state and federal privacy and data security laws. The GDPR applies to entities that process personal information (1) in the context of the activities of an establishment of the entity in the European Union ("EU"), regardless of whether the processing takes place in the EU or not, or (2) of individuals who are in the EU, where the processing activities are related to (a) targeting of individuals in the EU in its offering of goods or services, or (b) the monitoring of the behavior of individuals in the EU as far as that behavior takes place within the EU. Noncompliance with the GDPR can result in administrative, civil, or criminal liability.

#### **Australian and New Zealand Regulation**

We operate two post-secondary educational institutions in Australia, Torrens University Australia Limited ("Torrens") and Think: Colleges Pty Ltd ("Think"). In Australia, a distinction is made between higher education and vocational education organizations.

Higher education providers consist of public and private universities, Australian branches of overseas universities and other higher education providers. Higher education qualifications consist of undergraduate awards (bachelor's degrees, associate degrees and diplomas) and postgraduate awards (graduate certificates and diplomas, master's degrees and doctoral degrees). The regulation of higher education providers is undertaken at a national level by the Tertiary Education Quality and Standards Agency ("TEQSA"). All organizations that offer higher education qualifications in or from Australia must be registered by TEQSA. Higher education providers that have not been granted self-accrediting status must also have their courses of study accredited by TEQSA. Registration as a higher education provider is for a fixed period of up to seven years. TEQSA regularly reviews the conduct and operation of accredited higher education providers.

The vocational education and training ("VET") sector consists of technical and further education institutes, agricultural colleges, adult and community education providers, community organizations, industry skill centers and private providers. VET qualifications include certificates, diplomas and advanced diplomas. The regulation of VET providers is undertaken at a national level by the Australian Skills Quality Authority ("ASQA"). Organizations providing VET courses in Australia must be registered by ASQA as a Registered Training Organisation ("RTO"). Courses offered by RTOs need to be accredited by ASQA. Registration as an RTO is for a fixed period of up to seven years. ASQA regularly reviews the conduct and operations of RTOs.

Torrens is one of 44 universities in Australia. It is a private, for-profit entity and is registered with TEQSA. As a self-accrediting university, it is not required to have its individual courses of study accredited by TEQSA. Torrens is also registered with ASQA as an RTO and is thus entitled to offer vocational and training courses. Torrens is currently undergoing an ordinary course re-registration process with TEQSA.

Think is one of approximately 5,000 RTOs in Australia and in that capacity is regulated by ASQA. It is also registered as a higher education provider with TEQSA. Its higher education courses require, and have received, accreditation by TEQSA.

Australia also maintains a Commonwealth Register of Institutions and Courses for Overseas Students ("CRICOS") for Australian education providers that recruit, enroll and teach overseas students. Registration on CRICOS allows providers to offer courses to overseas students studying on Australian student visas. Both Torrens and Think are so registered.

The Commonwealth government has established income-contingent loan schemes that assist eligible fee-paying students to pay all or part of their tuition fees (separate but similar schemes exist for higher education and vocational courses). Under the schemes, the relevant fees are paid directly to the institutions by the Commonwealth government on behalf of the student. A corresponding obligation then exists from the participating student to the Commonwealth government, which is addressed by adding a levy to that student's income tax until the loan amount has been repaid. Neither Torrens nor Think have any responsibility in connection with the repayment of these loans by students and, generally, this assistance is not available to international students. Both Torrens and Think are registered for the purposes of these plans (a precondition to their students being eligible to receive such loans).

We operate a post-secondary educational institution in New Zealand, Media Design School Limited ("MDS"). MDS is a Private Training Establishment, a private organization offering education or training. It is a globally renowned and specialist provider of design and creative technology education with qualifications ranging from diplomas to postgraduate degrees. MDS also has access to New Zealand Government student finance where study loans are offered to students who are New Zealand citizens or ordinarily resident in New Zealand, subject to certain conditions.

#### ***Privacy and Data Security***

Privacy laws and regulations in other countries where the Company has significant international presence, including Australia's Federal Privacy Act and Australian Privacy Principles and New Zealand's Privacy Act, may also impact the manner in which the Company's foreign subsidiaries are able to transfer and process personal information.

#### ***Additional Information***

We maintain a website at [www.strategiceducation.com](http://www.strategiceducation.com). The information on our website is not incorporated by reference in this Annual Report on Form 10-K and our web address is included as an inactive textual reference only. We make available free of charge on our website our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K,

and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

The SEC maintains a website that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC; the website address is [www.sec.gov](http://www.sec.gov).

#### **Item 1A. Risk Factors**

*Investing in our common stock involves a high degree of risk. You should carefully consider the following risk factors and all other information contained in this Annual Report on Form 10-K or in the documents incorporated by reference herein before making an investment decision. The occurrence of any of the following risks could materially harm our business, adversely affect the market price of our common stock and could cause you to suffer a partial or complete loss of your investment. Additional risks not presently known to us or that we currently deem immaterial may also materially harm our business and operations. See "Cautionary Notice Regarding Forward-Looking Statements."*

#### Risks Related to Extensive Regulation of Our U.S. Business

**If *Strayer Capella University* and *Capella Strayer University* fail to comply with the extensive legal and regulatory requirements for higher education institutions, they could face significant monetary or other liabilities and penalties, including loss of access to federal student loans and grants for their students.**

As providers of higher education, *Strayer Capella University* and *Capella Strayer University* are subject to extensive laws and regulation on both the federal and state levels and by accrediting agencies. In particular, the Higher Education Act and related regulations subject *Strayer Capella University*, *Capella Strayer University*, and all other higher education institutions that participate in the various Title IV programs to significant regulatory scrutiny.

The Higher Education Act mandates specific regulatory responsibilities for each of the following components of the higher education regulatory triad: (1) the federal government through the Department of Education; (2) the accrediting agencies recognized by the Secretary of Education; and (3) state education regulatory bodies.

In addition, other federal agencies such as the CFPB, Federal Trade Commission ("FTC"), and Federal Communications Commission and various state agencies and state attorneys general enforce consumer protection, calling and texting, marketing, privacy and data security, and other laws applicable to post-secondary educational institutions. Findings of noncompliance could result in monetary damages, fines, penalties, injunctions, or restrictions or obligations that could have a material adverse effect on our business. Some of these laws also include private rights of action.

On October 8, 2021, the Department of Education announced establishment of an Office of Enforcement within the Department's Office of Federal Student Aid, designed to strengthen oversight over and enforcement against post-secondary schools that participate in federal student loan, grant, and work-study programs. The Office of Enforcement restores an office first established by the Department in 2016. The Department announced the Office of Enforcement would comprise four existing divisions: Administrative Actions and Appeals Services Group, Borrower Defense Group, Investigations Group, and Resolution and Referral Management Group. The Department intends the Office of Enforcement to coordinate with other state and federal partners, including the U.S. Department of Justice, CFPB, FTC, state attorneys general, and other state and federal partners.

On October 6, 2021, the FTC announced that it is resurrecting Penalty Offense Authority under Section 5(m) of the FTC Act (the "Act"). Under the Act, the FTC may secure penalties against entities not a party to an original proceeding if the FTC can show that the entity had actual knowledge that the conduct in question was found to be unfair or deceptive. In an effort to establish actual knowledge and create a pathway for penalties in the event of post-notice acts or practices, the FTC issued that same day an informational notice to the 70 largest for-profit schools based on enrollment and revenues. The notice included a list of acts and practices that the FTC has determined are unfair or deceptive, including but not limited to acts relating to misrepresentation of employment opportunities and other benefits, together with citation to various prior determinations from cases previously litigated by the FTC. *Strayer Capella University* and *Capella Strayer University* received the FTC's notice on October 7, 2021, although the FTC made clear that receipt of the notice itself does not reflect any assessment by the FTC as to whether *Strayer Capella University* or *Capella Strayer University* has engaged in deceptive or unfair conduct.

On April 4, 2022, the Company received correspondence from the CFPB, in which the CFPB took the position that it has supervisory authority over the Company as a covered person that offers or provides private education loans pursuant to 12 U.S.C. 5514(a)(1)(D) and further indicated the CFPB is considering whether to cite violations based on preliminary findings that the Company may have violated the Dodd-Frank Wall Street Reform and Consumer Protection Act, 12 U.S.C. 5301 et seq.,

due to alleged student loan servicing and collections practices or policies. Specifically, the CFPB referred to Capella University and Strayer University's historical practice of withholding official transcripts from students who were delinquent in paying amounts due, a practice which both universities discontinued prior to receipt of the correspondence. While the Company disagrees with CFPB's position as to its supervisory authority and disputes any alleged legal or regulatory violations, *SEI is cooperating the Company cooperated* with CFPB's inquiry and responded to CFPB as requested on April 25, 2022. The CFPB subsequently sent a letter on July 8, 2022, indicating that it believed the withholding of transcripts was a violation, and requiring the Company to cease withholding transcripts for those with an outstanding balance and to take other remedial actions. The Company had already discontinued its historical practice prior to the CFPB's notice, and informed the CFPB that it completed the remedial actions in the allotted 30 days. On April 26, 2022, the CFPB informed the Company that it intended to conduct an announced education loan exam in June 2022. The examination started on June 13, 2022. *Fieldwork and fieldwork* concluded on August 5, 2022. On September 12, 2022, the CFPB informed the Company of a preliminary finding related to a product that is no longer utilized, and invited the Company's response. The Company timely responded to the CFPB's letter, disagreeing with the preliminary finding and noting that the product to which it related is no longer utilized. On November 29, 2022, the CFPB informed the Company that, within 90 days, it should remediate the finding for any impacted students, and it also identified areas for the Company to address to ensure regulatory compliance. The Company *has taken took* remedial action and responded to the CFPB within the 90-day deadline. *On December 15, 2023, the Company provided answers to questions from the CFPB in the first of two annual telephone conversations as part of the CFPB's periodic monitoring practice.*

The laws, regulations, standards, and policies applicable to our business frequently change, and changes in, or new interpretations of, applicable laws, regulations, standards, or policies could have a material adverse effect on our accreditation, authorization to operate in various states, permissible activities, ability to communicate with prospective students, receipt of funds under Title IV programs, or costs of doing business. The Department of Education periodically engages in negotiated rulemaking sessions to revise regulations that govern the federal Title IV student financial aid programs. As discussed in Note 23, Regulation, in the consolidated financial statements appearing in Part II, Item 8 of this report under "Current Negotiated Rulemaking," the Department of Education convened negotiated rulemaking committees to address issues such as borrower defense to repayment, misrepresentation, arbitration proceedings, gainful employment rules, and federal government oversight into changes in ownership for institutions of higher education, among others. Certain proposals or new rules related to these issues could raise the cost of compliance for *Strayer Capella University* or *Capella Strayer University* or require changes in the educational programs offered by *Strayer Capella University* and *Capella Strayer University*. We cannot predict whether the Department of Education will promulgate any regulations that would negatively affect *Strayer Capella University* or *Capella Strayer University*.

Title IV requirements are enforced by the Department of Education and, in some instances, by private plaintiffs or other third parties. If *Strayer Capella University* and *Capella Strayer University* are found not to be in compliance with these laws, regulations, standards, or policies, they could lose access to Title IV program funds and face related monetary liability, which would have a material adverse effect on the Company.

***Congressional examination of for-profit post-secondary education could lead to legislation or other governmental action that may negatively affect the industry.***

Since 2010, Congress has increased its focus on for-profit higher education institutions, including regarding participation in Title IV programs and oversight by the Department of Defense of tuition assistance and by the VA of veterans education benefits for military service members and veterans, respectively, attending for-profit colleges. The Senate Committee on Health, Education, Labor and Pensions and other congressional committees have held hearings into, among other things, the proprietary education sector and its participation in Title IV programs, the standards and procedures of accrediting agencies, credit hours and program length, the portion of federal student financial aid going to proprietary institutions, and the receipt of military tuition assistance and veterans education benefits by students enrolled at proprietary institutions. **Strayer Capella University** and **Capella Strayer University** have cooperated with these inquiries. A number of legislators have variously requested the Government Accountability Office to review and make recommendations regarding, among other things, recruitment practices, educational quality, student outcomes, the sufficiency of integrity safeguards against waste, fraud, and abuse in Title IV programs, and the percentage of proprietary institutions' revenue coming from Title IV and other federal funding sources.

This activity may result in legislation, further rulemaking affecting participation in Title IV programs, and other governmental actions. In addition, concerns generated by congressional activity may adversely affect enrollment in, and revenues of, for-profit educational institutions. Limitations on the amount of federal student financial aid for which our students are eligible under Title IV could materially and adversely affect our business.

***Strayer Capella University and Capella Strayer University are dependent on the renewal and maintenance of Title IV programs.***

The Higher Education Act is subject to periodic reauthorization. Congress completed the most recent reauthorization through multiple pieces of legislation and may reauthorize the HEA in a piecemeal manner in the future. Additionally, Congress determines the funding level for each Title IV program on an annual basis. Any action or inaction by Congress that significantly reduces funding for Title IV programs or the ability of **Strayer Capella University**, **Capella Strayer University**, or their students to participate in these programs could materially harm our business. A reduction in government funding levels could lead to lower enrollments at our schools and require us to arrange for alternative sources of financial aid for our students. Lower student enrollments or our inability to arrange such alternative sources of funding could adversely affect our business.

In addition, **Strayer Capella University**'s and **Capella Strayer University**'s ability to conduct their business, including obtaining necessary approvals from the Department of Education, may be affected by staffing levels or review procedures at the Department and the volume of applications and other requests to the Department. If the Department lacks adequate personnel or adopts time-consuming procedures or the Department's workload exceeds its capacity, action by the Department on requests by the Universities could be significantly delayed, and such delays could have a material adverse effect on the Universities and our business.

***Strayer Capella University and Capella Strayer University are subject to compliance reviews, which, if they resulted in a material finding of noncompliance, could affect their ability to participate in Title IV programs.***

Because the Universities operate in a highly regulated industry, they are subject to compliance reviews and claims of noncompliance and related lawsuits by government agencies, accrediting agencies, and third parties, including claims brought by third parties on behalf of the federal government. For example, the Department of Education regularly conducts program reviews of educational institutions that are participating in Title IV programs, and the Office of Inspector General of the Department of Education regularly conducts audits and investigations of such institutions. The Department of Education could limit, suspend, or terminate our participation in Title IV programs or impose other penalties such as requiring the Universities to make refunds, pay liabilities, or pay an administrative fine upon a material finding of noncompliance.

In June 2019, the Department conducted an announced, on-site program review at Capella University, focused on Capella University's FlexPath program. The review covered the 2017-2018 and 2018-2019 federal financial aid years. The Department issued its preliminary program report on November 13, 2020, and Capella University responded to the report. On February 9, 2021, Capella University received the Department's Final Program Review Determination, which closed the Program Review without further action required on the part of Capella University.

On March 17, 2021, the Department informed Strayer University that it planned to conduct an announced, remote program review. The review commenced on April 19, 2021 and covered the 2019-2020 and 2020-2021 federal student financial aid years. On September 21, 2021, Strayer University received the Department's Final Program Review Determination, which closed the Program Review without further action required on the part of Strayer University.

On December 13, 2021, the Department and Strayer University executed a new Program Participation Agreement, approving Strayer University's continued participation in Title IV programs with full certification through September 30, 2025. On **January 18, 2019** **April 18, 2023**, consistent with standard procedure upon a Title IV institution's change of ownership, the Department and Capella University executed a new Provisional Program Participation Agreement, approving Capella University's continued participation in Title IV programs with **provisional full** certification through **December 31, 2022** **September 30, 2025**. Capella University filed its application for recertification in advance of the **September 30, 2022** deadline and, per Department of Education practice, continues to offer federal financial aid under a Provisional Program Participation Agreement until the recertification application is addressed.

***If either Strayer Capella University or Capella Strayer University fails to maintain its institutional accreditation or if its institutional accrediting body loses recognition by the Department of Education, the University would lose its ability to participate in Title IV programs.***

The loss of Capella University's accreditation by the Higher Learning Commission or the Higher Learning Commission's loss of recognition by the Department of Education would render Capella University ineligible to participate in Title IV programs and would have a material adverse effect on our business. Similarly, the loss of Strayer University's accreditation by Middle States or Middle States' loss of recognition by the Department of Education would render Strayer University ineligible to participate in Title IV programs and would have a material adverse effect on our business. Similarly, the loss of Capella University's accreditation In addition, an adverse action by the Higher Learning Commission or the

Higher Learning Commission's loss of recognition by the Department of Education would render Capella University ineligible to participate in Title IV programs and would have a material adverse effect on our business. In addition, an adverse action by Middle States or the Higher Learning Commission other than loss of accreditation, such as issuance of a warning, could have a material adverse effect on our business.

The Higher Education Act charges the National Advisory Committee on Institutional Quality and Integrity ("NACIQI") with recommending to the Secretary of Education which accrediting or state approval agencies should be recognized as reliable authorities for judging the quality of post-secondary institutions and programs. In June 2017, NACIQI recommended renewal of Middle States recognition for six months and required Middle States to demonstrate compliance with certain requirements. NACIQI reviewed Middle States at its February 2018 meeting and recommended that On May 31, 2023, the Secretary Department of Education, extend acting on the recommendation of NACIQI renewed its recognition for five years. NACIQI also reviewed of the Higher Learning Commission ("HLC") at its February 2018 meeting for a period of five years and recommended that required it provide a monitoring report regarding one item of substantial compliance, and continued the Secretary current recognition of Education extend its recognition Middle States for five years. On July 29, 2020, NACIQI held one year, requiring a meeting to review compliance by HLC with Department report regarding one item of Education requirements for recognized accrediting agencies. On October 26, 2020, a Senior Department Official ("SDO") found HLC non-compliant, in part. While the SDO required that HLC submit periodic reporting for twelve months, the SDO did not restrict HLC's scope of accreditation or ability to accredit new institutions. HLC did not appeal the Secretary's decision. noncompliance. Increased scrutiny of accreditors by the Secretary of Education in connection with the Department of Education's recognition process may result in increased scrutiny of institutions by accreditors or have other adverse consequences. NACIQI will review both HLC and Middle States' applications for renewal of recognition at the winter 2023 NACIQI meeting.

**If either Strayer Capella University or Capella Strayer University fails to maintain any of its state authorizations, the University would lose its ability to operate in that state and to participate in Title IV programs there.**

Capella University is registered as a private institution with the Minnesota Office of Higher Education, as required for most post-secondary private institutions that grant degrees at the associate level or above in Minnesota and as required by the Higher Education Act to participate in Title IV programs. The loss of state authorization would, among other things, limit Capella University's ability to operate in that state, render Capella University ineligible to participate in Title IV programs, and could have a material adverse effect on our business.

Each Strayer University campus is authorized to operate and to grant degrees, diplomas, or certificates by the applicable education agency or agencies of the state where the campus is located. Such state authorization is required for students at the campus to participate in Title IV programs. The loss of state authorization would, among other things, limit Strayer University's ability to operate in that state, render Strayer University ineligible to participate in Title IV programs at least at those state campus locations, and could have a material adverse effect on our business.

Capella University is registered as a private institution with the Minnesota Office of Higher Education, as required for most post-secondary private institutions that grant degrees at the associate level or above in Minnesota and as required by the Higher Education Act to participate in Title IV programs. The loss of state authorization would, among other things, limit Capella University's ability to operate in that state, render Capella University ineligible to participate in Title IV programs, and could have a material adverse effect on our business.

Effective July 1, 2011, Department of Education regulations provide that an institution is considered legally authorized by a state if the state has a process to review and appropriately act on complaints concerning the institution, including enforcing applicable state laws, and the institution complies with any applicable state approval or licensure requirements consistent with the new rules. If a state in which Strayer Capella University or Capella Strayer University is located fails to comply in the future with the provisions of the new rule or fails to provide the University with legal authorization, it could limit the University's ability to operate in that state and to participate in Title IV programs at least for students in that state and could have a material adverse effect on our operations.

On December 19, 2016, the Department of Education published final regulations addressing, among other issues, state authorization of programs offered through distance education. The final regulations, which became effective on May 26, 2019, require an institution offering distance education programs to be authorized by each state in which the institution enrolls students (other than the state(s) in which the institution is physically located), if such authorization is required by the state, in order to award Title IV aid to such students. An institution could obtain such authorization directly from the state or (except in California) through a state authorization reciprocity agreement. Under those rules, if one of the Universities should fail to obtain or maintain required state authorization to provide post-secondary distance education in a specific state in which the institution is not physically located, the institution could lose its ability to provide distance education in that state and to award Title IV aid to online students in that state. The 2016 rules require that schools disclose all applicable prerequisites for licensure for professional programs and whether the school's programs satisfy those prerequisites in each state where enrolled students reside. The institution must make direct disclosures to students and prospective students if the institution determines that a program does not meet a state's professional licensure requirements. If an institution has not made these determinations, it must make a general disclosure to the public to that effect. The disclosure rules have been modified by U.S. Department of Education regulations effective July 1, 2024, as described below. An institution must also notify students within 14 days if it determines that a program does not meet a state's requirements. If one of the Universities failed to make any of these disclosures, the Department of Education could limit, suspend, or terminate its participation in Title IV programs or impose other penalties such as requiring the Universities to make refunds, pay liabilities, or pay an administrative fine upon a material finding of noncompliance.

Strayer Capella University and Capella Strayer University participate in the State Authorization Reciprocity Agreement ("SARA"), which originated after the 2016 rulemaking and allows the Universities to enroll students in distance education programs in each SARA member state. Each of the Universities applies separately to non-SARA member states (i.e., California) for authorization to enroll students, if such authorization is required by the state. If Capella University or Strayer University or Capella University failed to comply with the requirements to participate in SARA or state licensing or authorization requirements to provide distance education in a non-SARA state, the University could lose its ability to participate in SARA or may be subject to the loss of state licensure or authorization to provide distance education in that non-SARA state, respectively.

On November 1, 2019, the Department released final regulations on accreditation and state authorization of distance education, which became effective July 1, 2020. The rules maintain the requirement from the 2016 rule that institutions offering post-secondary education through distance education or correspondence courses to students located in a state in which the institution is not located meet state requirements in that state or participate in a state authorization reciprocity agreement. In addition, an institution must make

disclosures readily available to enrolled and prospective students regarding whether programs leading to professional licensure or certification meet state educational requirements, and provide a direct disclosure to students in writing if the program leading to professional licensure or certification does not meet state educational requirements in the state in which the student is located, or if no determination for such state has been made by the institution. The disclosure rules have been modified by U.S. Department of Education regulations effective July 1, 2024, as described below.

On March 1, 2023, SARA's coordinating entity, the National Council for State Authorization Reciprocity Agreements ("NC-SARA"), held its first of two public comment forums to seek input on potential changes to NC-SARA policies. The forum included a discussion of 63 proposed policy changes, some of which, if adopted, would have significantly altered the distance education reciprocity agreements, including a proposal that NC-SARA permit states to apply more stringent standards to for-profit institutions or to eliminate the ability of for-profit institutions to participate in the agreements altogether. In addition to the public comment forums, written comments were accepted through May 17, 2023. In September 2023, NC-SARA's four regional compacts completed evaluation of the proposed policy changes and unanimously approved six proposed policy changes to be voted upon by the NC-SARA board of directors. On October 24-25, 2023 the NC-SARA board of directors approved five policy modifications, none of which permitted states to apply more stringent standards to for-profit institutions or exclude for-profit institutions from NC-SARA participation. Nonetheless, the process demonstrates the possibility that the adoption of certain NC-SARA proposals in the future, including the earlier proposal to alter standards or to eliminate the ability of for-profit institutions to participate in the agreements, could have a material adverse effect on Capella University, Strayer University, and the Company. For example, if excluded from the ability to participate in the agreements, Capella University and Strayer University would need to seek authorization in each state, which would increase costs and present the risk that certain jurisdictions would decline authorization.

Pursuant to new U.S. Department of Education regulations, beginning July 1, 2024, in each state where an institution is located and students enrolled by the institution are located, the institution must determine that each program eligible for Title IV: (i) is programmatically accredited if the state or a Federal agency requires such accreditation, including as a condition for employment in the occupation for which the program prepares the student and (ii) satisfies the applicable educational requirements for professional licensure or certification requirements in the state so that a student who enrolls in the program, and seeks employment in that state after completing the program, qualifies to take any licensure or certification exam that is needed for the student to practice or find employment in an occupation that the program prepares students to enter; and (iii) complies with all state laws related to closure, including record retention, teach-out plans or agreements, and tuition recovery funds or surety bonds. Institutions may not enroll for Title IV purposes a student located in a state in which the program does not meet such requirements, unless at the time of initial enrollment the student attests their intent to seek employment in another state that would satisfy such requirements.

Beginning in January 2024, the Department convened a negotiated rulemaking committee to consider new proposed regulations on, among other things, state authorization and state authorization reciprocity agreements.

**If either Strayer Capella University or Capella Strayer University fails to obtain recertification by the Department of Education when required, that University would lose its ability to participate in Title IV programs.**

An institution generally must seek recertification from the Department of Education at least every six years and possibly more frequently depending on various factors, such as whether it is provisionally certified. The Department of Education may also review an institution's continued eligibility and certification to participate in Title IV programs, or scope of eligibility and certification, in the event the institution undergoes a change in ownership resulting in a change of control or expands its activities in certain ways, such as the addition of certain types of new programs, or, in certain cases, changes to the academic credentials that it offers. In certain circumstances, the Department of Education must provisionally certify an institution. The Department of Education may withdraw either University's certification if the Department determines that the University is not fulfilling material requirements for continued participation in Title IV programs. If the Department of Education does not renew or withdraws either University's certification to participate in Title IV programs, its students would no longer be able to receive Title IV program funds. Such a loss would have a material adverse effect on our business.

Each institution participating in Title IV programs must enter into a Program Participation Agreement with the Department of Education. Under the agreement, the institution agrees to follow the Department of Education's rules and regulations governing Title IV programs. On December 13, 2021, the Department and Strayer University executed a new Program Participation Agreement, approving Strayer University's continued participation in Title IV programs with full certification through September 30, 2025. On **January 18, 2019** **April 18, 2023**, consistent with standard procedure upon a Title IV institution's change of ownership, Capella University and the Department and Capella University of Education executed a new Provisional Program Participation Agreement, approving Capella University's continued participation in Title IV programs with provisional full certification through **December 31, 2022** **September 30, 2025**. Capella University filed its application for recertification in advance of the September 30, 2022 deadline and, per Department of Education practice, continues to offer federal financial aid under a Provisional Program Participation Agreement, until the recertification application is addressed.

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

To be eligible to participate in Title IV programs, Strayer Capella University and Capella Strayer University must comply with specific standards and procedures set forth in the Higher Education Act and the regulations issued thereunder by the Department of Education, including, among other things, certain standards of financial responsibility and administrative capability. If one of the Universities fails to demonstrate financial responsibility or maintain administrative capability under the Department of

Education's regulations, the University could lose its eligibility to participate in Title IV programs or have that eligibility adversely conditioned. Such developments could have a material adverse effect on our business.

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

In general, under the Higher Education Act, 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 second federal fiscal year following that fiscal year. Institutions with a cohort default rate equal to or greater than 15% for any of the three most recent fiscal years for which data are available are subject to a 30-day delayed disbursement period for first-year, first-time borrowers.

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 Capella University or Strayer University and/or Capella University lose loses eligibility to participate in Title IV programs because of high student loan default rates, the loss would have a material adverse effect on our business. Capella University's three-year cohort default rates for federal fiscal years 2018, 2019, and 2020 were 5.2%, 1.1%, and 0.0%, respectively. Strayer University's three-year cohort default rates for federal fiscal years 2017, 2018, 2019, and 2019 2020 were 11.3%, 8.6%, and 2.2%, respectively. Capella University's three-year cohort default rates for federal fiscal years 2017, 2018, and 2019 were 6.5%, 5.2%, and 1.1% 0.0%, respectively. The average official cohort default rates for proprietary institutions nationally were 14.7% 11.2%, 11.2% 3.1%, and 3.1% 0.0% for federal fiscal years 2017, 2018, 2019, and 2019 2020, respectively.

The COVID-19 pandemic and the preventative measures taken to contain the pandemic may continue to have adverse economic consequences. Despite Federal government's elimination of the pause on federal student loan payments and interest accrual, such conditions could result in an increase in the number of borrowers defaulting on their student loans, including among our graduates.

***Strayer Capella University or Capella Strayer University could lose its eligibility to participate in federal student financial aid programs or be provisionally certified with respect to such participation if the percentage of its revenues derived from those programs were too high, or could be restricted from enrolling students in certain states if the percentage of the University's revenues from federal or state programs were too high.***

A proprietary institution may lose its eligibility to participate in the federal Title IV student financial aid program if it derives more than 90% of its revenues, on a cash basis, from Title IV programs for two consecutive fiscal years. A proprietary institution of higher education that violates the 90/10 Rule for any fiscal year will be placed on provisional status for up to two fiscal years. Using For fiscal year 2022, Capella University derived approximately 65.30% of its cash-basis revenues from Title IV program funds. For fiscal year 2022, using the formula specified in the Higher Education Act, Strayer University derived approximately 82.95% 80.57% of its cash-basis revenues from these programs in 2021. Capella University derived approximately 67.06% of its cash-basis revenues from Title IV program funds in 2021. On March 11, 2021, President Biden signed into law the American Rescue Plan Act of 2021, which amends the "90/10 Rule" to include "all federal education assistance" in the "90" side of the ratio calculation. The legislation required the Department to conduct a negotiated rulemaking process to modify related Department regulations, which was considered by the Institutional and Programmatic Eligibility negotiated rulemaking committee. Meetings of this negotiated rulemaking committee occurred January–March 2022, the Department issued and received public comments on the proposed rule in July–August 2022, and The Department of Education released final 90/10 regulations on October 27, 2022. The final regulations provided for an expanded definition of "federal education assistance" that will be periodically defined by the Secretary. On December 21, 2022, the Department released a list of federal agencies and federal education assistance programs that must be included as federal revenue in the 90/10 calculation. Such agencies include the U.S. Department of Defense (military tuition assistance) and the Department of Veterans Affairs (veterans education benefits) in addition to the Title IV programs already covered by the 90/10 Rule. These revisions to the 90/10 Rule will apply to institutional fiscal years beginning on or after January 1, 2023. Further legislation has been introduced in both chambers of Congress that seek to modify the 90/10 Rule further, including proposals to change the ratio requirement to 85/15 (federal to nonfederal revenue). We cannot predict whether Congress will pass any of these legislative proposals. If one of the Universities were to violate the 90/10 Rule, the loss of eligibility to participate in the federal student financial aid programs would have a material adverse effect on our business. Certain states have also proposed legislation that would prohibit enrollment of their residents based on a state and federal funding threshold that is more restrictive than the federal 90/10 Rule. If such legislation were to be enacted, and the Universities were unable to meet the threshold, loss of eligibility to enroll students in certain states would have a material adverse effect on our business.

***The failure by Strayer Capella University or Capella Strayer University to comply with the Department of Education's incentive compensation rules could result in sanctions and other liability.***

If one of the Universities pays a bonus, commission, or other incentive payment in violation of applicable Department of Education rules or if the Department of Education or other third parties interpret a University's compensation practices as noncompliant, the University could be subject to sanctions or other liability. Such penalties could have a material adverse effect on our business.

***The failure by Strayer Capella University or Capella Strayer University to comply with the Department of Education's misrepresentation rules could result in sanctions and other liability.***

The Higher Education Act prohibits an institution that participates in Title IV programs from engaging in "substantial misrepresentation" of the nature of its educational program, its financial charges, or the employability of its graduates. Final regulations that defined misrepresentation to include "any statement that has the likelihood or tendency to mislead under the circumstances" and "any statement that omits information in such a way as to make the statement false, erroneous, or misleading" were scheduled to take effect July 1, 2017 but, after a series of delays, became effective October 16, 2018. On

August 30, 2019, August 30, 2019, the Department released final Borrower Defense to Repayment regulations that included a new definition of "misrepresentation," which became effective July 1, 2020. The final rule defines a "misrepresentation" as: a statement, act, or omission by an eligible school to a borrower (a) that is false, misleading, or deceptive, (b) that was made with knowledge of its false, misleading, or deceptive nature or with a reckless disregard for the truth, and (c) that directly and clearly relates to either (1) enrollment or continuing enrollment at the institution or (2) the provision of educational services for which the loan was made. In 2021, the Department began the process to amend the Borrower Defense to Repayment rules, including the definition of misrepresentation, and on October 31, 2022, the Department released final Borrower Defense to Repayment regulations, which include among other defenses "substantial misrepresentation," with a significantly expanded definition of misrepresentation that also includes "omissions of fact". fact." Specifically, the new rule defines a "misrepresentation" to include any false, erroneous or misleading statement made by the institution or its representatives, or its marketing, advertising, recruiting or admissions agents, as well as any omission of fact that a reasonable person would have considered in deciding to enroll in or continue attendance at the

institution. A statement is deemed misleading if it has the likelihood or tendency to mislead under the circumstances. A misrepresentation includes statements and omissions made in any medium, whether directly or indirectly, to a student, prospective student or any member of the public, or to an accrediting agency, to a State agency, or to the Secretary of Education. Misrepresentation also includes the dissemination of a student endorsement or testimonial that a student gives either under duress or because the institution required such an endorsement or testimonial to participate in a program. This new definition is effective July 1, 2023.

On June 22, 2022, in litigation in which neither SEI nor Capella University is a party, *Sweet, et al. v. Miguel Cardona and the United States Department of Education*, the Department joined a proposed class settlement agreement that would result in a blanket grant of automatic, presumptive relief for all Borrower Defense to Repayment applications filed by students at any of approximately 150 different listed institutions, including Capella University, through June 22, 2022. The class settlement agreement would also provide certain expedited review of borrower defense claims related to schools excluded from the automatic relief list, as well as for borrowers regardless of which institution they attended who applied during the period after execution of the settlement and before final approval. approval (i.e., from June 23, 2022 to November 15, 2022) (the "post-class applicants"). The district court granted final approval of the settlement on November 16, 2022. Intervenors, including multiple intervening higher education institutions and companies, appealed the district court's order. Intervenors' request to stay the district court's final judgment approving the settlement pending resolution of the appeal has been denied.

It is unclear whether the Department might seek recovery for the amounts of loans discharged pursuant to the automatic relief provision in the Sweet settlement. In a July 25, 2022 filing in the same litigation, the Department stated that providing automatic relief to such borrowers "does not constitute the granting or adjudication of a borrower defense pursuant to the Borrower Defense Regulations, and therefore provides no basis to the Department for initiating a borrower defense recoupment proceeding against any institution identified" on the list. It is unclear whether the Department would attempt to seek recovery from Capella University for the amounts of discharged loans. The Department has indicated that any recoupment against institutions "could be imposed only after the Department initiated a separate, future proceeding, in accordance with regulations that require the Department to prove a sufficient basis for liability and provide schools with notice and an opportunity to be heard." If the Department seeks to seek recovery for the amounts of automatically discharged loans of Capella University students under the Sweet settlement, Capella University would dispute and defend against such efforts. If the Department were to successfully seek recovery for the amounts of discharged loans from Capella University in future proceedings, any such recovery could have a material adverse effect on our business. The District Court of Northern California has approved the settlement agreement. Intervenors have appealed the court's order and moved to stay the court's final judgment approving the settlement pending resolution.

As a result of the appeal, Fifth Circuit's August 7, 2023 nationwide injunction of the 2022 Borrower Defense to Repayment Regulations, the Department announced that while it will not adjudicate any borrower defense applications under the 2022 Borrower Defense to Repayment Regulations unless and until the effective date is reinstated, it will continue to adjudicate applications under a prior version of the rule if required pursuant to a court ordered settlement. For the Sweet post-class applicants, the Department agreed to adjudicate such claims under the 2016 BDTR Rule, and, if the Department does not adjudicate the applications by January 28, 2026, it will provide the applicants "Full Settlement Relief" (i.e., federal student loan(s) associated with the borrower's attendance at the school will be discharged, the Department will refund any amounts paid to the Department on those loans, and the credit tradeline for those loans will be deleted from the borrower's credit report). The Department has informed institutions that: it is notifying most schools of all applications received from June 23, 2022 to November 15, 2022 in a single send (and anticipates completing notification to all schools by approximately April 2024); it is

not reviewing applications prior to sending them to institutions; it is optional for institutions to respond to the applications; and not responding will result in no negative inference by the Department. The Department has also explained that it will separately decide whether to seek recoupment on any approved claim. Moreover, any recoupment actions the Department chooses to initiate will have their own notification and response processes, which include providing additional evidence to the institution. The Department has indicated that an institution will learn of the Department's determination only if it approves a BDTR application and the Department seeks recoupment.

As described in Note 21, Litigation, in the consolidated financial statements appearing in Part II, Item 8 of this report, on January 25, 2024, Capella University received notice from the Department of Borrower Defense to Repayment applications, and on February 1, 2024, Strayer University received notice from the Department of Borrower Defense to Repayment applications.

In the event of substantial misrepresentation, the Department of Education may revoke or terminate an institution's program participation agreement, limit the institution's participation in Title IV programs, deny applications from the institution, such as to add new programs or locations, initiate proceedings to fine the institution or limit, suspend, or terminate its eligibility to participate in Title IV programs; relieve the borrower of the obligation to repay federal education loans in whole or in part and require the institution to reimburse the Department of Education for those amounts. If the Department of Education or other third parties interpret statements made by one of the Universities or on the University's behalf to be in violation of the new regulations, the University could be subject to sanctions and other liability, which could have a material adverse effect on our business.

***Our failure to comply with the Department of Education's gainful employment regulations effective July 1, 2024 could result in heightened disclosure requirements and loss of Title IV eligibility.***

To be eligible for Title IV funding, academic programs offered by proprietary institutions of higher education generally must prepare students for gainful employment in a recognized occupation.

On September 27, 2023, the Department of Education released final regulations on gainful employment, effective July 1, 2024. The gainful employment final rule establishes two independent metrics, both of which must be passed by a gainful employment program in order to maintain Title IV eligibility. The two metrics are 1) a debt-to-earnings ratio that compares the median annual earnings and median discretionary earnings of graduates who received federal financial aid to the median annual payments on loan debt borrowed for the program (a program passes if the annual debt-to-earnings ratio is less than or equal to 8% of annual earnings or 20% of discretionary earnings), and 2) an earnings premium test that compares the median annual earnings of graduates from a program that received federal financial aid to an "earnings threshold" based on a typical high school graduate in their state (or, in some cases, nationally) and within a certain age range in the labor force (a program passes if the median annual earnings exceed the earnings threshold).

Beginning on July 1, 2026, any gainful employment program that fails either or both metrics in a single year would be required to provide a warning to all to current and prospective students that meets certain minimum requirements specified by the Department of Education, including that the program failed one or both metrics for the year and may

be subject to loss of Title IV eligibility. Any such program that fails the same metric in two out of three consecutive years for which the program's metrics are calculated would lose its access to Title IV funding. The Department has indicated that it will release metrics beginning in the 2025 financial aid award year, and, if so, we expect that the earliest a program could lose eligibility is 2026.

The requirements associated with the gainful employment regulations may substantially increase our administrative burdens and could affect our program offerings, student enrollment, persistence and retention. At this time, it is difficult to predict whether our programs will satisfy the gainful employment metrics. Further, the continuing eligibility of our academic programs will be affected by factors beyond management's control such as changes in our graduates' employment and income levels, changes in student borrowing levels, increases in interest rates, and various other factors. Even if we were able to correct any deficiency in the gainful employment metrics in a timely manner, the disclosure requirements associated with a program's failure to meet at least one metric may adversely affect student enrollments in that program and may adversely affect the reputation of our institution.

***The failure by Strayer Capella University or Capella Strayer University to comply with the Department of Education's credit hour or direct assessment rules could result in sanctions and other liability.***

Title IV regulations define the term "credit hour" and require accrediting agencies and state authorization 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 the Department of Education 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. In addition to the credit hour model, the Department of Education has granted approvals for a small number of institutions, including Capella University, to operate direct assessment academic programs. Instead of measuring student progress through the number of credit hours spent in the course, these direct assessment programs allow students to progress through courses by showing mastery over material through the completion of assessments, sometimes in less time than it would take to complete a course under a credit hour model. If the Department of Education determines that an institution is out of compliance with the credit hour definition or direct assessment requirements, the Department of Education could impose liabilities or other sanctions. Such penalties could have a material adverse effect on our business.

***The failure by Strayer Capella University or Capella Strayer University to comply with the Clery Act or Title IX could result in sanctions and other liability.***

Strayer Capella University and Capella Strayer University must comply with the campus safety and security reporting requirements as well as other requirements in the Clery Act, including changes made to the Clery Act by the Violence Against Women Reauthorization Act of 2013. On October 20, 2014, the Department of Education promulgated final regulations implementing amendments to the Clery Act. In addition, the Department of Education has interpreted Title IX, which prohibits discrimination on the basis of sex in education programs that receive funding from the federal government, to categorize sexual violence as a form of prohibited sex discrimination and to require institutions to follow certain disciplinary procedures with respect to such offenses. Failure to comply with the Clery Act or Title IX requirements or regulations thereunder could result in action by the Department of Education to require corrective action, fine the University, or limit or suspend its participation in Title IV programs, which could lead to litigation and could harm the University's reputation. In addition, individuals alleging sex discrimination may sue an institution under Title IX for corrective action and monetary damages.

On May 6, 2020, the Department of Education published final rules related to implementation of Title IX, which prohibits discrimination on the basis of sex in education programs that receive funding from the federal government. The final rules define what constitutes sexual harassment for purposes of Title IX in the administrative enforcement context, describe what actions trigger an institution's obligation to respond to incidents of alleged sexual harassment, and specify how an institution must respond to allegations of sexual harassment. Among other things, the 2020 rules include a requirement for live hearings on Title IX sexual harassment claims, which includes direct and cross-examination of parties, university-provided advisors (in the event a student or party does not provide an advisor), rulings on questions of relevance by decision-makers, and the creation and maintenance of a record of the live hearing proceedings. The final rule became effective August 14, 2020. On August 24, 2021, the Department of Education Office for Civil Rights issued guidance indicating it would cease enforcement of the rules' prohibition against consideration of statements made by individuals failing to submit to cross-examination at a live hearing.

On June 23, 2022, the Department of Education released proposed Title IX regulations for public comment. Among other changes, the proposed rule would address all forms of sex-based harassment (not only sexual harassment); clarify that Title IX's prohibition against sex discrimination includes discrimination on the basis of sex stereotypes, sex characteristics, pregnancy or related conditions, sexual orientation and gender identity; and eliminate the requirement for live hearings at the post-secondary level. The public comment period on the proposed rule ended on September 12, 2022. When the Department publishes a final Title IX rule, it will indicate an effective date.

On October 4, 2022, OCR the Department of Education's Office for Civil Rights released a resource document for students and institutions in which it reinforced that current Title IX regulations prohibit discrimination based on pregnancy, childbirth, false pregnancy, termination of pregnancy or recovery therefrom. The resource document further emphasized that Title IX requires institutions to treat pregnancy, childbirth, false pregnancy, termination of pregnancy and recovery therefrom the same as other temporary disabilities with respect to medical benefits, services, plans, and policies, and detailed requirements for leave and reinstatement for both students and employees.

Failure to comply with these final rules and the resulting sanctions could have a material adverse effect on our business.

***Strayer Capella University and Capella Strayer University are subject to sanctions if they 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 Higher Education Act and Department of Education regulations require the Universities to calculate refunds of unearned Title IV program funds disbursed to students who withdraw from their educational program before completing it. If refunds are not properly calculated or timely paid, the University may be required to post a letter of credit with the Department of Education or be subject to sanctions or other adverse actions by the Department of Education. Such consequences could have a material adverse effect on our business.

**Investigations, legislative and regulatory developments, and general credit market conditions related to the student loan industry may result in fewer lenders and loan products and increased regulatory burdens and costs in the U.S.**

The Higher Education Act regulates relationships between lenders to students and post-secondary education institutions. In 2009, the Department of Education promulgated regulations that address these relationships, and state legislators have also passed or may be considering legislation related to relationships between lenders and institutions. In addition, new procedures introduced and recommendations made by the CFPB create uncertainty about whether Congress will impose new burdens on private student lenders. These developments, as well as legislative and regulatory changes, such as those relating to gainful employment and repayment rates, create uncertainty in the industry, and general credit market conditions may cause some lenders to decide not to provide certain loan products and may impose increased administrative and regulatory costs. Such

actions could reduce demand for and/or availability of private education loans, decrease **Strayer Capella** University's or **Capella Strayer** University's non-Title IV revenue, and thereby increase **Strayer Capella** University's or **Capella Strayer** University's 90/10 ratio, and have a material adverse effect on our business.

**We rely on one or more third parties for software and services necessary to administer **Strayer Capella** University's and **Capella Strayer** University's participation in Title IV programs and failure of such a third party to provide compliant software and services, or by us in our use of the software, could cause **Strayer Capella** University or **Capella Strayer** University to lose eligibility to participate in Title IV programs.**

Because each of **Strayer Capella** University and **Capella Strayer** University is jointly and severally liable to the Department of Education for the actions of third-party Title IV processing software providers, failure of such providers to comply with applicable regulations could have a material adverse effect on **Strayer Capella** University or **Capella Strayer** University, including loss of eligibility to participate in Title IV programs. If any of the third-party servicers discontinue providing software and services to one or both of the Universities, we may not be able to replace them in a timely, cost-efficient, or effective manner, or at all, and the Universities could lose their ability to comply with the requirements of Title IV programs. Such developments could adversely affect our enrollment, revenues, and results of operations.

**Our business could be harmed if **Strayer Capella** University or **Capella Strayer** University experience a disruption in their ability to process student loans under the Federal Direct Loan Program.**

Each of **Strayer Capella** University and **Capella Strayer** University collected the majority of its fiscal year **2022** **2023** total consolidated net revenue from receipt of Title IV financial aid program funds, principally from federal student loans under the Federal Direct Loan Program. Any processing disruptions by the Department of Education may affect our students' ability to obtain student loans on a timely basis. If either of the Universities experiences a disruption in its ability to process student loans through the Federal Direct Loan Program, either because of administrative challenges on the part of the University or the inability of the Department of Education to process the volume of direct loans on a timely basis, our business, financial condition, results of operations, and cash flows could be adversely and materially affected.

**Our business could be harmed if Congress makes changes to the availability of Title IV funds.**

Each of **Strayer Capella** University and **Capella Strayer** University collected the majority of its fiscal year **2022** **2023** total consolidated net revenue from receipt of Title IV financial aid program funds, principally from federal student loans under the Federal Direct Loan Program. Changes in the availability of these funds or a reduction in the amount of funds disbursed may have a material adverse effect on our enrollment, financial condition, results of operations, and cash flows. Congress eliminated further federal direct subsidized loans for graduate and professional students as of July 1, 2012. On August 9, 2013, Congress passed legislation that ties interest rates on Title IV loans to the rate paid on U.S. Treasury bonds. Interest rates are set every July 1st for loans taken out from July 1st to June 30th of the following year. In July 2012, Congress reduced eligibility for Pell Grants from 18 semesters to 12 semesters. To date, these changes have not had a material impact on our business, but future changes in the availability of Title IV funds could affect students' ability to fund their education and thus may have a material adverse effect on our enrollment, financial condition, results of operations, and cash flows.

**As enforcement of laws related to the accessibility of technology continues to evolve in the U.S., information technology development costs and compliance risks could increase.**

**Strayer Capella** University's and **Capella Strayer** University's online education programs are made available to students through personal computers and other technological devices. For each of these programs, the curriculum makes use of a combination of graphics, pictures, videos, animations, sounds, and interactive content. Federal agencies, including the Department of Education and the Department of Justice, have considered or are considering how electronic and information technology should be made accessible to persons with disabilities. For example, Section 504 of the Rehabilitation Act of 1973 ("Section 504"), prohibits discrimination against a person with a disability by any organization that receives federal financial assistance. The Americans

with Disabilities Act ("ADA") prohibits discrimination based on disability in several areas, including public accommodations. In 2010, the Department of Education's Office for Civil Rights, which enforces Section 504, together with the Department of Justice, which enforces the ADA, asserted that requiring the use of technology in a classroom environment when such technology is inaccessible to individuals with disabilities violates Section 504 and the ADA, unless those individuals are provided accommodations or modifications that permit them to receive all the educational benefits provided by the technology in an equally effective and integrated manner. In recent years, the Department of Education's **Office of Civil Rights** **OCR** and third parties have brought enforcement actions against institutions related to website accessibility of online course material. If **Strayer Capella** University or **Capella Strayer** University is found to have violated Section 504 or the ADA, it may be required to modify existing content and functionality of its online classroom or other uses of technology, including through adoption of specific technical standards. As a result of such enforcement action, or as a result of new laws and regulations that require greater accessibility,

**Strayer Capella** University or **Capella Strayer** University may have to modify its online classrooms and other uses of technology to satisfy applicable requirements at potentially substantial cost. As with all nondiscrimination laws that apply to recipients of federal financial assistance, an institution may lose access to certain federal financial assistance if it does not comply with Section 504 requirements. In addition, private parties may file or threaten to file lawsuits alleging failure to comply with laws that prohibit discrimination on the basis of disability, such as Section 504 and the ADA, and defending against and resolving such actions may require **Strayer Capella** University or **Capella Strayer** University to incur costs of litigation and costs to modify its online classrooms and other uses of technology.

#### **Risks Related to Our Business**

##### ***Our enrollment rate is uncertain, and we may not be able to assess our future enrollments effectively.***

Our ability to grow enrollment depends on a number of factors, including macroeconomic factors like unemployment and the resulting lower confidence in job prospects, and many of the regulatory risks discussed above. Our enrollment in **2023 2024** will be affected by legislative uncertainty and regulatory activity in the U.S., and macroeconomic conditions **globally, including those affected by the COVID-19 pandemic.** It is likely that legislative, regulatory, and economic uncertainties will continue for the foreseeable future, and thus it is difficult to assess our long-term growth prospects. Since 2013, we have selectively closed physical locations of Strayer University to align our resources in keeping with the increasing preference of our current students for online course delivery. Although we plan to continue investing selectively in new campus facilities, and to pursue other growth opportunities in the future, there can be no assurance as to what our growth rate will be or as to the steps we may need to take to adapt to the changing regulatory, legislative, and economic conditions.

##### ***Adding new locations, programs, and services is dependent on our forecast of the demand for those locations, programs, and services and on regulatory approvals.***

Adding new locations, programs, and services require us to expend significant resources, including making human capital and financial capital investments, incurring marketing expenses, and reallocating other resources. To open a new location, we are required to obtain appropriate federal, state, and accrediting agency approvals, which may be conditioned, delayed, or halted in a manner that could significantly affect our growth plans. We cannot assure investors that we will open new locations or add new programs or services in the future, or that any new locations, programs or services will be successful.

##### ***Our future success depends in part upon our ability to recruit and retain key personnel.***

Our success to date has been, and our continuing success will be, substantially dependent upon our ability to attract and retain highly qualified executive officers, faculty, administrators, and other key personnel. If we cease to employ any of these integral personnel or fail to manage a smooth transition to new personnel, our business could suffer.

##### ***Our success depends in part on our ability to update and expand the content of existing academic programs and develop new programs in a cost-effective manner and on a timely basis.***

Our success depends in part on our ability to update and expand the content of our academic programs, develop new programs in a cost-effective manner, and meet students' needs in a timely manner. Prospective employers of our graduates increasingly demand that their employees possess appropriate technological and other skills. The update and expansion of our existing programs and the development of new programs may not be received favorably by students, prospective employers, or the online education market. If we cannot respond to changes in industry requirements, our business may be adversely affected. Even if we are able to develop acceptable new programs, we may not be able to introduce these new programs at all, or as quickly as students require, due to regulatory constraints or as quickly as our competitors introduce competing new programs.

Our financial performance depends in part on our ability to continue to increase awareness of the academic programs we offer among working adult students.

Awareness of the academic programs we offer among working adult students in the U.S. is critical to the continued acceptance and growth of our programs. Our inability to increase awareness of the programs we offer through effective marketing and advertising could limit our enrollments and negatively affect our business. The following are some of the factors that could prevent us from successfully marketing our programs:

- the emergence of more successful competitors;
- customer dissatisfaction with our services and programs;
- performance problems with our online systems; and
- our failure to maintain or expand our brand or other factors related to our marketing.

##### ***Congressional and other governmental activities in the U.S. could damage the reputation of **Strayer Capella** University or **Capella Strayer** University and limit our ability to attract and retain students.***

In recent years, Congress increased its focus on proprietary educational institutions, including administration of Title IV programs, military tuition assistance, veterans education benefits, and other federal programs. During a prior Administration, the Department of Education indicated to Congress that it intended to increase its regulation of and attention to proprietary educational institutions, and the Government Accountability Office released several reports of investigations into proprietary educational institutions. Several state Attorneys General have also undertaken extensive investigations of proprietary educational institutions. These and other governmental activities, including potential new regulations on program integrity and gainful employment, even if resulting in no adverse findings or actions against **Strayer Capella** University or **Capella Strayer** University, singly or cumulatively could affect public perception of proprietary higher education, damage the reputation of **Strayer Capella** University or **Capella Strayer** University, and limit our ability to attract and retain students.

##### ***We face strong competition in the post-secondary education market.***

Post-secondary education is highly competitive. We compete with traditional public and private two-year and four-year colleges, other for-profit schools, vocational education organizations, and alternatives to higher education, such as employment and military service. Public colleges may offer programs similar to those of our Universities without tuition or at a lower tuition level as a result of government subsidies (including various "free college" programs), government and foundation grants, tax-deductible contributions, and other financial sources not available to proprietary institutions. Some of our competitors in both the public and private sectors have substantially greater financial and other resources than we do. While we believe that our Universities provide valuable education to their students, we may not always accurately predict the drivers of a student or potential students' decisions to choose among the range of educational and other options available to them. This strong competition could adversely affect our business.

**Strayer Capella University and Capella Strayer University, with their online programs, operate in a highly competitive market with rapid technological changes, and they may not compete successfully.**

Online education is a highly fragmented and competitive market that is subject to rapid technological change. Competitors vary in size and organization from traditional colleges and universities, many of which have some form of online education programs, to for-profit schools, corporate universities, and software companies providing online education and training software. We expect the online education and training market to be subject to rapid changes in technologies. The Universities' success will depend on their ability to adapt to these changing technologies.

**The Company relies on exclusive proprietary rights and intellectual property, and competitors may attempt to duplicate our programs and methods.**

Third parties may attempt to develop competing programs or duplicate or copy aspects of our curriculum, online library, quality management, and other proprietary content. Any such attempt, if successful, could adversely affect our business. In the ordinary course of business, we develop intellectual property of many kinds that is or will be the subject of copyright, trademark, service mark, patent, trade secret, or other protections. Such intellectual property includes, but is not limited to, courseware materials for classes taught online and on-ground, and business know-how and internal processes and procedures developed to respond to the requirements of its various education regulatory agencies.

**Seasonal and other fluctuations in our operating results could adversely affect the trading price of our common stock.**

Our business is subject to seasonal fluctuations, which cause our operating results to fluctuate from quarter to quarter. This fluctuation may result in volatility or have an adverse effect on the market price of our common stock. We experience, and expect to continue to experience, seasonal fluctuations in our revenue. Historically, our quarterly revenues and income from U.S. operations have been lowest in the third quarter (July through September) because fewer students are enrolled during the summer months. ANZ's quarterly revenues and income from operations have been lowest in the first quarter (January through

March) because fewer students are enrolled during the summer season in Australia and New Zealand. We also incur significant expenses in the third quarter in preparing for our peak enrollment in the U.S. in the fourth quarter (October through December), including investing in online and campus infrastructure necessary to support increased usage. These investments result in fluctuations in our operating results which could result in volatility or have an adverse effect on the market price of our common stock. In addition, the online education market is a rapidly evolving market, and we may not be able to forecast accurately future enrollment growth and revenues.

**Regulatory requirements in the U.S. may make it more difficult to acquire us.**

A change in ownership resulting in a change of control of Strayer Capella University or Capella Strayer University (or of the Company) would trigger a requirement for recertification of the University (or the Universities) by the Department of Education for purposes of participation in federal student financial aid programs, a review of the University's accreditation by its institutional accrediting agency, and reauthorization of the University (or the Universities) by certain state licensing and other regulatory agencies. If we or one of the Universities underwent a change of control that required approval by any state authority, any institutional accrediting agency, or any federal agency, and any required regulatory approval were significantly delayed, limited, or denied, there could be a material adverse effect on our ability to offer certain educational programs, award certain degrees, diplomas, or certificates, operate one or more of our locations, admit certain students or participate in Title IV programs, which in turn, could have a material adverse effect on our business. These factors may diminish the Company's appeal as an acquisition target.

**Capacity constraints or system disruptions to a University's computer networks could damage the reputation of the institutions and limit our ability to attract and retain students.**

The performance and reliability of our Universities' computer networks, especially the online educational platform, is critical to our reputation and ability to attract and retain students. Any system error or failure, or a sudden and significant increase in traffic, could result in the unavailability of the University's computer networks. We cannot assure you that the Universities, including their online educational platforms, will be able to expand their program infrastructure on a timely basis sufficient to meet demand for their programs. The Universities' computer systems and operations could be vulnerable to interruption or malfunction due to events beyond their control, including natural disasters, telecommunications failures, and telecommunications failures, cybersecurity incidents. Any interruption to the Universities' computer systems or operations could have a material adverse effect on our ability to attract and retain students.

**The Company's computer networks, and those of third parties we use in our operations, may be vulnerable to security cybersecurity risks that could disrupt operations and require them to expend significant resources.**

The Company's computer networks, and those of third-parties we use in our operations, may be vulnerable to unauthorized access, computer hackers, computer viruses, and other security cybersecurity problems, such as ransomware attacks, denial of service attacks, physical or electronic break-ins and similar disruptions. These systems may be subject to directed attacks intended to lead to interruptions in our service and operations as well as loss, misuse or theft of personal information (of third parties, employees, and our students) and other data, confidential information or intellectual property. A user who circumvents security measures could misappropriate proprietary information or cause interruptions or malfunctions in operations. These efforts require ongoing monitoring and updating as technologies change and efforts to overcome security measures become more sophisticated, and may limit the functionality of or otherwise negatively impact our service offering and systems. These systems also may be vulnerable to disruptions from other factors, including pandemic, violent incident, natural disaster, power loss, telecommunications and Internet failures, civil unrest, and other events beyond our reasonable control. As a result, we may be required to expend significant resources to protect against the threat of these security cybersecurity breaches or disruptions to alleviate problems caused by these breaches or disruptions.

**The Company operates institutions in the U.S., Australia, and New Zealand, and is subject to complex business, economic, legal, political, geopolitical, and foreign currency risks, which risks may be difficult to address adequately.**

With the acquisition of the ANZ portfolio, the Company now operates institutions in three different countries, each of which is subject to complex business, economic, legal, political, tax and foreign currency risks. We also either have operations in or contract with vendors who may have employees in various countries. We may have difficulty managing and administering an internationally dispersed business, which may materially adversely affect our business, financial condition and results of operation. Additional challenges associated with the international conduct of the business that may materially adversely affect our operating results include:

- each of our institutions is subject to unique regulatory schemes, business challenges, and competitive pressures;
- difficulty maintaining quality standards consistent with our brands and with local accreditation standards;
- fluctuations in exchange rates, possible currency devaluations, inflation and hyperinflation;
- compliance with a variety of domestic and foreign laws and regulations;
- political elections and changes in government policies;
- potential economic, political, and geopolitical instability affecting the countries in which we and our vendors operate; and
- limitations on the repatriation and investment of funds and foreign currency exchange restrictions.

***The personal information that the Company collects may be vulnerable to breach, theft, or loss that could adversely affect our reputation and operations and is subject to privacy and data security laws which may impact operational efficiency.***

Possession and use of personal information in our operations subject us to risks and costs that could harm our business. The Universities collect, use, and retain large amounts of personal information regarding their 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 in the ordinary course of our business. Some of this personal information is held and managed by certain vendors. Although we use security and business controls to limit access to and use of personal information, a third party may be able to circumvent those security and business controls, potentially resulting in a breach of student or employee privacy. In addition, errors in the storage, use, or transmission of personal information could result in a breach of student or employee privacy. Possession and use of personal information in our operations also subjects us to various

U.S. state and federal legislative and regulatory burdens that could, among other things, require notification of data breaches and restrict our use of personal information. The risk of hacking and cyber-attacks has increased, as has the sophistication of such attacks, including ransomware attacks and email phishing schemes targeting employees to give up their credentials. We cannot assure you 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 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 U.S. state and federal privacy statutes and legal actions by state authorities and private litigants, any of which could have a material adverse effect on our business. For example, the California Consumer Privacy Act ("CCPA"), which provides consumers with rights related to their personal information, likely applies to the Company. Were the CCPA to apply and if we were out of compliance, we could be subject to significant civil penalties or private lawsuits brought by consumers. Moreover, certain of our operations involve the collection of personal information from individuals outside the U.S., which may render us subject to global privacy and data security laws. For example, the European Union General Data Protection Regulation ("GDPR"), Australia's Federal Privacy Act and Australian Privacy Principles and New Zealand's Privacy Act, may impact or restrict the manner in which the Company is able to transfer and process personal information. Further, were a U.S. state regulator or a foreign regulator to find the Company out of compliance with applicable privacy laws or regulations, there is the potential for administrative, civil, or criminal liability with significant monetary penalties as well as reputational harm to the Company.

***Failure to maintain adequate processes to prevent and detect fraudulent activity related to student online enrollment or financial aid could adversely affect the Universities' operations.***

Our online environment is susceptible to an increased risk of fraudulent activity by outside parties with respect to the student online learning platform and student financial aid programs. While we have been able to detect past incidents of fraudulent activity, which have been isolated, and we have increased our internal capabilities to prevent and detect possible fraudulent activity, we cannot be certain that our systems and processes will continue to be adequate with increasingly sophisticated external fraud schemes. The Department of Education requires institutions that participate in Title IV programs to refer to the Office of the Inspector General any credible information related to fraudulent activity. If we do not maintain adequate systems to prevent and deter such fraudulent activity, the Department of Education may find a lack of "administrative capability" and could limit our access to Title IV funding.

***The Company operates institutions in the U.S., Australia, and New Zealand, and is subject to complex business, economic, legal, political, geopolitical, and foreign currency risks, which risks may be difficult to address adequately.***

With the acquisition of the ANZ portfolio, the Company now operates institutions in three different countries, each of which is subject to complex business, economic, legal, political, tax and foreign currency risks. We also either have operations in or contract with vendors who may have employees in various countries. We may have difficulty managing and administering an internationally dispersed business, which may materially adversely affect our business, financial condition and results of operation. Additional challenges associated with the international conduct of the business that may materially adversely affect our operating results include:

- each of our institutions is subject to unique regulatory schemes, business challenges, and competitive pressures;
- difficulty maintaining quality standards consistent with our brands and with local accreditation standards;
- fluctuations in exchange rates, possible currency devaluations, inflation and hyperinflation;
- compliance with a variety of domestic and foreign laws and regulations;
- political elections and changes in government policies;

- potential economic, political, and geopolitical instability affecting the countries in which we and our vendors operate; and
- limitations on the repatriation and investment of funds and foreign currency exchange restrictions.

*Integrating SEI and the recently acquired Torrens University and associated assets in Australia and New Zealand ("ANZ") may be more difficult, costly or time consuming than expected, and the combined company may not realize all of the anticipated benefits of the acquisition.*

The success of the Company will depend on, among other things, our ability to integrate ANZ into SEI, in a manner that does not materially disrupt existing student relationships or adversely affect current revenues and investments in future growth. If the Company is not able to achieve these objectives, the anticipated benefits of the acquisition of ANZ may not be realized fully or at all or may take longer to realize than expected.

*The goodwill and indefinite-lived intangible assets recorded in connection with the acquisitions of Capella Education Company ("CEC") and ANZ could become impaired in the future.*

We are required to assess goodwill and indefinite-lived intangible assets for impairment at least annually. To the extent goodwill or indefinite-lived intangible assets become impaired, we may be required to incur material charges relating to such impairment. Such a potential impairment charge could have a material impact on future operating results and statements of financial position of the Company.

#### **Risks Related to The impact of pandemics like the Pandemic**

*The current COVID-19 pandemic and other possible future public health emergencies may adversely affect our business, our future results of operations, and our overall financial performance.*

The ongoing COVID-19 global pandemic has caused significant volatility and disruption to the domestic and global economy. Like many other companies, to comply with government mandates and to protect the safety and well-being of our students, faculty and staff, and the communities in which we live, we have at times instituted a remote work policy for the vast majority of our workforce, closed most physical campus locations, and moved our on-ground courses at Strayer University, which comprised less than 5% of total seat count, to online-only instruction. The Company's transition to remote and hybrid working involves many operational challenges and may adversely affect our ability to satisfy student needs. Remote working may also increase the chance of successful cyber-attacks, cybersecurity incidents, including ransomware attacks and email phishing schemes targeting employees to give up their credentials. Preparing our offices and campuses Any future pandemic could result in anticipation of a portion of our workforce returning to physical office and campus locations also presents operational challenges as on-site staff adjust to new equipment, new protocols, and hybrid combinations of on-site and remote work.

In addition, as the pandemic has continued, we have seen unpredictable, sustained weakness in demand, especially in the United States, where total average enrollment in our U.S. Higher Education segment decreased 6.5% in 2022 compared to 2021. Enrollment in ANZ also has been impacted or be accompanied by the pandemic and the related temporary closure of international borders, in Australia any of which could disrupt our operations and New Zealand have a material effect on our business.

The extent to which pandemics like the COVID-19 pandemic and future public health emergencies will could affect our business, operations and financial results is uncertain and will depend on numerous evolving factors that remain uncertain and are impossible to predict, including: the duration and scope of the pandemic; the impact on economic activity from the pandemic and actions taken in response, including those of governmental entities; the impact of the pandemic and the government response thereto on our employees, students, and business partners, including any suspensions or terminations of employer tuition reimbursement programs; our ability to operate and provide our services with employees working remotely and/or closures of our campus locations; potential exposure to claims for liability arising out of employees or students who may contract the virus; and the ability of our students to continue their education notwithstanding the pandemic.

COVID-19 related regulatory and legislative changes may contain ambiguous provisions that could result in penalties in case of institutional noncompliance.

The Coronavirus Aid, Relief, and Economic Security ("CARES") Act, the Consolidated Appropriations Act of 2021, the American Rescue Plan Act of 2021 ("ARP") and subsequent guidance from the Department of Education create several changes with regard to the administration of federal financial assistance programs. All of these changes include several ambiguities that make compliance difficult. In case of noncompliance, the Universities may face administrative sanctions, including penalties, Title IV program participation restrictions, debarment, and liabilities under applicable law, such as the False Claims Act, any of which could have a material adverse effect on our business.

On January 30, 2023, the Biden Administration announced it will end the public health emergency (and national emergency) declarations on May 11, 2023. We are unable to predict whether Congress or the Department of Education plan to implement further changes related to federal financial assistance programs as a result of the COVID-19 pandemic.

#### **Item 1B. Unresolved Staff Comments**

There are no SEC staff comments on our periodic SEC reports which are unresolved.

#### **Item 1C. Cybersecurity**

##### ***Cybersecurity Risk Management and Strategy***

The Company's cybersecurity program is designed to protect and preserve the confidentiality, integrity, and availability of our networks and systems, as well as information that we own or is in our care, through a risk-based approach. The Company's program is based on the U.S. National Institute for Standards and Technology standards and other applicable industry frameworks. Our cybersecurity program identifies, assesses, and manages material risks from cybersecurity threats by implementing a comprehensive set of practices, processes, and technologies designed to protect our data digital assets and data.

Our cybersecurity program includes:

- ongoing employee cybersecurity awareness and training activities, which includes periodic "phishing" testing;
- intrusion detection by monitoring network and system activities to detect unusual or suspicious behavior;
- access management and access controls which aim to implement "least privilege" access;
- protection of sensitive data through "at rest" and "in transit" encryption;
- industry-standard monitoring and protection software;
- a defined vulnerability management program;
- periodic cybersecurity assessments, including with the support of independent third-party consultants;
- developing plans for recovering from security incidents and maintaining business continuity in the face of cyberattacks; and
- a cybersecurity incident response plan that provides controls and procedures to support timely and accurate reporting of cybersecurity incidents.

The Company's cybersecurity program is integrated within the Company's enterprise risk management program, which provides oversight and governance of cybersecurity risk through risk assessment, risk monitoring, and follow-through on stated objectives and investments to actively manage and remediate related risks.

The Company maintains arrangements with third party information infrastructure (IT) vendors—including "cloud computing" vendors. The Company has processes designed to manage cybersecurity risks arising from our use of such vendors, including conducting risk assessments prior to integration into the Company's networks and additional assessments prior to contract renewals or extensions. Cybersecurity measures employed by significant third-party service providers are also assessed prior to introduction into our environment. The Company also commissions third-party risk assessments of certain IT vendors to identify and evaluate risks associated with each third party and to minimize potential disruptions and liabilities that may arise from external partnerships. We further manage potential threats to our systems originating with or associated with IT vendors by integrating cybersecurity requirements and other provisions into various contracts as applicable. Vulnerabilities in third-party software are monitored and managed through our vulnerability management program.

To date, the risks from cybersecurity threats have not materially affected the Company. Our cybersecurity program is designed to detect and prevent cybersecurity events that would have a material adverse effect on the Company. Despite our efforts, however, the threat of sophisticated, targeted computer crime poses a risk to the security of our systems and networks and the confidentiality, availability, and integrity of our data. Notwithstanding our efforts to protect intellectual property and confidential and personal information, our facilities and systems may be vulnerable to cybersecurity events. See "Item 1A. Risk Factors – Risks Related to our Business."

We maintain insurance covering certain costs that we may incur in connection with cybersecurity incidents, which we believe is commensurate with the size and the nature of our operations. However, the Company may incur expenses and losses related to a cyber incident that are not covered by insurance or are in excess of our insurance coverage.

#### Governance

The Company's Chief Information Security Officer ("CISO") is responsible for cybersecurity at the executive level. The CISO oversees a team of cybersecurity professionals responsible for assessing and managing our material risk from cybersecurity threats. The CISO works closely with the Chief Information Officer and reports to the Chief Financial Officer and Chief Administrative Officer. The CISO also leads a cross-functional Cybersecurity Incident Response Team ("CSIRT") responsible for responding to and managing cybersecurity incidents. The CSIRT consists of professionals from various departments within SEI, including Information Technology, Information Security, Legal, Finance, Enterprise Risk Management, Human Resources, and other key business areas. The CISO has extensive expertise in cybersecurity, including over two decades of experience at a federal law enforcement agency, where responsibilities included technical risk management, information security, cyber investigations, incident response, and cyber strategy. In addition to the CISO's professional background, the CISO maintains several relevant industry credentials, including ISACA Certification in Risk and Information Systems Control ("CRISC") and ISC2 Certification in Information Systems Security Professional ("CISSP").

The Audit Committee of the Company's Board of Directors, which is wholly comprised of independent directors, is tasked with oversight of the Company's enterprise risk assessment and risk management policies and guidelines, including cybersecurity. The Audit Committee receives quarterly cybersecurity updates from the Chief Information Officer and/or the CISO. Each update includes, among other topics, a summary of SEI cybersecurity events, vulnerability management, ransomware readiness, and global cybersecurity trends across industries. The Audit Committee also receives updates from Internal Audit, which report on cybersecurity in the context of enterprise risk management. The Audit Committee updates the Board of Directors as appropriate.

The Company maintains a process to escalate certain cybersecurity incidents promptly so that decisions regarding the public disclosure and reporting of such incidents can be made by management in a timely manner.

#### Item 2. Properties

Except for ~~two~~ one campus ~~facilities~~ facility which we own, our campus and administrative facilities are leased. The Company's corporate headquarters is located at 2303 Dulles Station Blvd., Herndon, VA 20171. Our primary location in Minneapolis, also the headquarters for Capella University, is located at 225 South 6th Street, Minneapolis, MN 55402. The headquarters and main campus of Strayer University is located at 1133 15th Street NW, Washington, D.C. 20005. The headquarters of ANZ is located at 17/51 Foveaux Street, Surry Hills, New South Wales, 2010 in Australia.

We evaluate current utilization of our facilities and anticipated enrollment to determine facility needs. We did not open any new campuses in the U.S. during 2022. New 2023. Any new locations in the U.S. will continue to incorporate a new smaller cost-efficient design intended to service a student body that values a brick and mortar presence, even while taking an increasing number of their courses online.

Our leases generally range from three to fifteen years with one to two renewal options for extended terms. As of December 31, 2022 December 31, 2023, the Company leased approximately 70 campus and administrative facilities in the United States consisting of approximately 0.8 million square feet. In 2022, 2023, we reduced our leased and owned facility footprint by approximately 175,000 90,000 square feet, primarily due to lease terms expiring, by reducing the size of existing facilities at the time of lease renewal, or through the sale of owned campuses. The facilities facility that we own consist consists of approximately 40,000 20,000 square feet.

For more information regarding our ongoing lease commitments, see Note 8, 7, Leases, in the consolidated financial statements appearing in Part II, Item 8 of this report.

### Item 3. Legal Proceedings

We are involved in litigation and other legal proceedings arising out of the ordinary course of our business. From time to time, certain matters may arise that are other than ordinary and routine. The outcome of such matters is uncertain, and we may incur costs in the future to defend, settle, or otherwise resolve them. We currently believe that the ultimate outcome of such matters will not, individually or in the aggregate, have a material adverse effect on our consolidated financial position, results of operations or cash flows. However, depending on the amount and timing, an unfavorable resolution of some or all of these matters could materially affect future results of operations in a particular period. See Note 22, 21, Litigation, in the consolidated financial statements appearing in Part II, Item 8 of this report for additional information regarding our legal proceedings and related matters, which information is incorporated herein by reference.

### Item 4. Mine Safety Disclosures

Not applicable.

## PART II

### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is traded on the NASDAQ Global Select Market under the symbol "STRA." As of January 27, 2023 January 26, 2024, there were 24,402,891 24,406,816 shares of common stock outstanding, and approximately 136 125 holders of record, which includes nominees or broker dealers holding stock on behalf of beneficial owners.

In 2021 2022 and 2022, 2023, our Board of Directors approved the following dividend payments per common share:

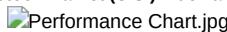
	2021	2022	2022	2023
First	First			
Quarter	Quarter	\$0.60	\$0.60	First Quarter
Second	Second			
Quarter	Quarter	\$0.60	\$0.60	Second Quarter
Third	Third			
Quarter	Quarter	\$0.60	\$0.60	Third Quarter
Fourth	Fourth			
Quarter	Quarter	\$0.60	\$0.60	Fourth Quarter

Whether to declare dividends and the amount of dividends to be paid in the future will be reviewed periodically by our Board of Directors in light of our earnings, cash flow, financial condition, capital needs, investment opportunities, and regulatory considerations. There is no requirement or assurance that common dividends will be paid in the future.

### Peer Group Performance Graph

The following performance graph compares the cumulative stockholder return on our common stock since December 31, 2017 December 31, 2018 with The NASDAQ Stock Market (U.S.) Index and a self-determined peer group consisting of 2U, Inc. (TWOI), Adtalem Global Education, Inc. (ATGE), Bright Horizons Family Solutions, Inc. (BFAM), Chegg, Inc. (CHGG), Graham Holdings Company (GHC), Grand Canyon Education, Inc. (LOPE), Stride Inc. (formerly K12, Inc.) (LRN), Laureate Education, Inc. (LAUR), Pearson PLC (PSO), and Perdoceo Education Corporation (PRDO). The peer group no longer includes Houghton Mifflin Harcourt Company, which was acquired in April 2022, and Zovio 2U, Inc., which has dissolved and delisted its securities in December 2022. (TWOI). At present, there is no comparative index for the education industry. This graph is not deemed to be "soliciting material" or to be filed with the SEC or subject to the SEC's proxy rules or to the liabilities of Section 18 of the Exchange Act, and the graph shall not be deemed to be incorporated by reference into any of our prior or subsequent filings under the Securities Act or the Exchange Act.

Comparison of 60 Month Cumulative Total Return\*  
Among Strategic Education, Inc.  
The NASDAQ Stock Market (U.S.) Index and a Peer Group



Name	Name	12/31/17	12/31/18	12/31/19	12/31/20	12/31/21	12/31/22	Name	12/31/18	12/31/19	12/31/20	12/31/21	12/31/22	12/31/23	
Strategic Education, Inc.	Strategic Education, Inc.	100	128	182	112	71	99								

NASDAQ	NASDAQ
Stock	Stock
Market	Market
(U.S.)	(U.S.)
Peer	Peer
Group	Group
100	97
133	192
235	159
100	116
120	176
130	111

\* The comparison assumes \$100 was invested on December 31, 2017 December 31, 2018 in our common stock, the NASDAQ Stock Market (U.S.) Index, and the peer companies selected by us. Cumulative stockholder return assumes reinvestment of dividends and the peer group cumulative stockholder return is weighted by market capitalization at the beginning of each year.

There were no sales by us of unregistered securities during the year ended December 31, 2022 December 31, 2023.

#### Stock Repurchase Program

In November 2003, our Board of Directors authorized us to repurchase shares of common stock in open market purchases from time to time at the discretion of our management, depending on market conditions and other corporate considerations. Our Board of Directors amended the program on various dates, increasing the repurchase amount authorized and extending the expiration date, with the most recent extension being approved by our Board of Directors in November 2022 2023. All of our share repurchases have been effected in compliance with Rule 10b-18 under the Exchange Act. Some repurchases have been made in accordance with a share repurchase plan adopted by us under Rule 10b5-1 under the Exchange Act. Our share repurchase program may be modified, suspended, or terminated at any time by us without notice.

During the three months ended December 31, 2022 December 31, 2023, the Company paid \$3.2 million to did not repurchase any shares of common stock under its repurchase program. At December 31, 2022 December 31, 2023, the Company's remaining authorization for common stock repurchases was \$246.8 million \$240.0 million, and is available for use through December 31, 2023 December 31, 2024. A summary of the Company's share repurchases during the three months ended December 31, 2022 is set forth below:

	Total number of shares purchased <sup>(1)</sup>	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value of shares that may yet be purchased under the plans or programs (\$ mil)
			programs	programs (\$ mil)
Beginning Balance (at 09/30/22)				\$ 213.1
October	—	\$ —	—	213.1
November	40,315	79.36	40,315	246.8
December	—	—	—	246.8
Total (at 12/31/22)	40,315	\$ 79.36	40,315	\$ 246.8

(1) The Company's repurchase program was announced on November 3, 2003 for repurchases up to an aggregate amount of \$15 million in value of common stock through December 31, 2004. The Board of Directors amended the program on various dates increasing the amount authorized and extending the authorization date. On November 2, 2022, the Board of Directors increased the amount authorized to \$250.0 million for use through December 31, 2023.

#### Item 6. Reserved

#### Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion in conjunction with our consolidated financial statements and the notes thereto, the "Cautionary Notice Regarding Forward-Looking Statements," Part I, Item 1A "Risk Factors," and the other information appearing elsewhere, or incorporated by reference, in this Annual Report on Form 10-K.

#### Background

Strategic Education, Inc. ("SEI," "we," "us," "we," "us," "our," or "our" "the Company") is an education services company that provides access to high-quality education through campus-based and online post-secondary education offerings, as well as through programs to develop job-ready skills for high-demand markets. We operate primarily through our wholly-owned subsidiaries, **Strayer Capella** University and **Capella Strayer** University, both accredited post-secondary institutions of higher education located in the United States, and **Torrens University**, an accredited post-secondary institution of higher education located in Australia. Our operations emphasize relationships through our Education Technology Services segment with employers to build employee education benefits programs that provide employees with access to affordable and industry relevant training, certificate, and degree programs.

#### Acquisition of Torrens University and associated assets in Australia and New Zealand

On November 3, 2020, we completed the acquisition of Torrens University and associated assets in Australia and New Zealand ("ANZ"), pursuant to the sale and purchase agreement dated July 29, 2020. Pursuant to the purchase agreement, the aggregate consideration paid was approximately \$658.4 million in cash, which reflected the original agreed upon purchase price of \$642.7 million plus cash acquired in the transaction. We funded the acquisition using cash on hand and borrowings under our revolving credit facility. ANZ includes Torrens University Australia, Think Education, and Media Design School, which together provide diversified student curricula to approximately 19,000 students across five industry verticals, including business, hospitality, health, education, creative technology and design.

Our financial results for any periods ended prior to November 3, 2020 do not include the financial results of ANZ and are therefore not directly comparable.

## Segments Overview

As of December 31, 2022 December 31, 2023, we had the follow three following reportable segments:

### U.S. Higher Education ("USHE") Segment

- The USHE segment provides flexible and affordable certificate and degree programs to working adults primarily through Strayer Capella University and Capella Strayer University, including the Jack Welch Management Institute MBA, which is a unit of Strayer University. USHE also operates non-degree web and mobile application development courses through Hackbright Academy and Devmountain, which are units of Strayer University.
- Capella University is accredited by the Higher Learning Commission and Strayer University is accredited by the Middle States Commission on Higher Education, and Capella University is accredited by the Higher Learning Commission, both higher education institutional accrediting agencies recognized by the Department of Education. The USHE segment provides academic offerings both online and in physical classrooms, helping working adult students develop specific competencies they can apply in their workplace.

- In 2022, 2023, USHE average total student enrollment decreased 6.5% increased 6.8% to 82,267 compared to 77,027 students compared to 82,425 students in 2021, 2022.
- Trailing 4-quarter student persistence within USHE was 87.7% 87.4% in the third quarter of 2022 2023 compared to 86.9% 87.7% for the same period in 2021, 2022. Student persistence is calculated as the rate of students continuing from one quarter to the next, adjusted for graduates, on a trailing 4-quarter basis. Student persistence is reported one quarter in arrears. The table below summarizes USHE trailing 4-quarter student persistence for the past 8 quarters.

Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022
86.7 %	86.5 %	87.0 %	86.9 %	86.8 %	87.1 %	87.3 %	87.7 %
Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
86.8 %	87.1 %	87.3 %	87.7 %	87.4 %	87.4 %	87.3 %	87.4 %

- Trailing 4-quarter government provided grants and loans per credit earned within USHE decreased 5.3% 8.3% as of the end of the third quarter of 2022, 2023. Government provided grants and loans per credit earned includes all Federal loans and grants for students (Title IV hereafter) in our USHE institutions, and is calculated on a trailing 4-quarter basis and reported one quarter in arrears. Title IV per credit earned has been declining as employer-affiliated enrollment has grown, and as more students earn credit through Sophia Learning and other affordable alternative pathways. The table below summarizes the percentage change in USHE trailing 4-quarter Title IV per credit earned for the past 8 quarters.

Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022
(10.3)%	(15.1)%	(17.2)%	(15.1)%	(11.3)%	(8.1)%	(6.4)%	(5.3)%
Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
(11.3)%	(8.1)%	(6.4)%	(5.3)%	(6.2)%	(7.2)%	(7.4)%	(8.3)%

### Education Technology Services Segment

- Our Education Technology Services segment is primarily focused on developing and maintaining relationships with employers to build employee education benefits programs that provide employees with access to affordable and industry relevant training, certificate, and degree programs. The employer relationships developed by the Education Technology Services division segment are an important source of student enrollment for Strayer Capella University and Capella Strayer University, and the majority of the revenue attributed to the Education Technology Services division segment is driven by the volume of enrollment derived from these employer relationships. Enrollments attributed to the Education Technology Services segment are determined based on a student's employment status and the existence

of a corporate partnership arrangement with SEI. All enrollments attributed to the Education Technology Services division segment continue to be attributed to the division segment until the student graduates or withdraws, even if his or her employment status changes or if the partnership contract expires.

- In 2022, 2023, employer affiliated enrollment as a percentage of USHE enrollment was 24.4% 27.2% compared to 21.0% 24.4% in 2021, 2022.
- Education Technology Services also supports employer partners through Workforce Edge, a platform which provides employers a full-service education benefits administration solution, and Sophia Learning, which enables education benefits programs through the use of low-cost online general education-level courses

recommended by the American Council on Education for credit at other colleges and universities.

#### Australia/New Zealand ("ANZ") Segment

- Torrens University is the only investor-funded university in Australia. Torrens University offers undergraduate, graduate, higher degree by research, and specialized degree courses primarily in five fields of study: business, design and creative technology, health, hospitality, and education. Courses are offered both online and at physical campuses. Torrens University is registered with the Tertiary Education Quality and Standards Agency ("TEQSA"), the regulator for higher education providers and universities throughout Australia, as an Australian University that is authorized to self-accredit its courses.
- Think Education is a vocational registered training organization and accredited higher education provider in Australia. Think Education delivers education services at several campuses in Sydney, Melbourne, Brisbane, and Adelaide as well as through online study. Think Education and its colleges are accredited in Australia by the TEQSA and the Australian Skills Quality Authority, the regulator for vocational education and training organizations that operate in Australia.
- Media Design School is a private tertiary institution for creative and technology qualifications in New Zealand. Media Design School offers industry-endorsed courses in 3D animation and visual effects, game art, game programming, graphic and motion design, digital media, artificial intelligence, and creative advertising. Media

Design School is accredited in New Zealand by the New Zealand Qualifications Authority, the organization responsible for the quality assurance of non-university tertiary training providers.

- In 2022, 2023, Australia/New Zealand average total student enrollment increased decreased 3.6% to 18,692 compared to 19,388 compared to 19,350 for the same period in 2021, 2022.

We believe we have the right operating strategies in place to provide the most direct path between learning and employment for our students. We are constantly innovating to differentiate ourselves in our markets and drive growth by supporting student success, producing affordable degrees, optimizing our comprehensive marketing strategy, serving a broader set of our students' professional needs, and establishing new growth platforms. The talent of our faculty and employees, supported by market leading technology, enable these strategies. We believe our strategy will allow us to continue to deliver high quality, affordable education, resulting in continued growth over the long-term. We will continue to invest in this strategy to strengthen the foundation and future of our business.

#### Critical Accounting Policies and Estimates

"Management's Discussion and Analysis of Financial Condition and Results of Operations" discusses our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosures of contingent assets and liabilities. On an ongoing basis, management evaluates its estimates and judgments related to its allowance for credit losses; income tax provisions; the useful lives of property and equipment and intangible assets; redemption rates for scholarship programs and valuation of contract liabilities; fair value of right-of-use lease assets for facilities that have been vacated; incremental borrowing rates; valuation of deferred tax assets, goodwill, and intangible assets; forfeiture rates and achievability of performance targets for stock-based compensation plans; and accrued expenses. Management bases its estimates and judgments on historical experience and various other factors and assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments regarding the carrying values of assets and liabilities that are not readily apparent from other sources. Management regularly reviews its estimates and judgments for reasonableness and may modify them in the future. Actual results may differ from these estimates under different assumptions or conditions.

Management believes that the following critical accounting policies are its more significant judgments and estimates used in the preparation of its consolidated financial statements.

**Revenue recognition** — Strayer Capella University and Capella Strayer University offer educational programs primarily on a quarter system having four academic terms, which generally coincide with our quarterly financial reporting periods. Torrens University offers the majority of its education programs on a trimester system having three primary academic terms, which all occur within the calendar year. Approximately 96% of our revenues during the year ended December 31, 2022 December 31, 2023 consisted of tuition revenue. Capella University offers monthly start options for new students, who then transition to a quarterly schedule. Capella University also offers its FlexPath program, which allows students to determine their 12-week billing session schedule after they complete their first course. Tuition revenue for all students is recognized ratably over the course period of instruction as the universities provide academic services, whether delivered in person at a physical campus or online. Tuition revenue is shown net of any refunds, withdrawals, corporate discounts, scholarships, and employee tuition discounts, scholarships. The universities also derive revenue from other sources such as textbook-related income, certificate revenue, certain academic fees, licensing revenue, accommodation revenue, food and beverage fees, and other income, which are all recognized when earned. In accordance with ASC Accounting Standards Codification ("ASC") 606, Revenue Recognition, materials provided to students in connection with their enrollment in a course are recognized as revenue when control of those materials transfers to the student. At the start of each academic term or program, a contract liability is recorded for academic services to be provided, and a tuition receivable is recorded for the portion of the tuition not paid in advance. Any cash received prior to the start of an academic term or program is recorded as a contract liability.

Students at Strayer Capella University and Capella Strayer University finance their education in a variety of ways, and historically about 75% of our students have participated in one or more financial aid program provided through Title IV of the Higher Education Act. In addition, many of our working adult students finance their own education or receive full or partial tuition reimbursement from their employers. Those students who are veterans or active duty military personnel have access to various additional government-funded educational benefit programs.

In Australia, domestic students attending an ANZ institution finance their education themselves or by taking a loan through the national Higher Education Loan Program provided by the Australian government to support higher education. In New Zealand, domestic students may utilize government loans to fund tuition and may be eligible for a period of "fees free" study funded by the government. International students attending an ANZ institution are not eligible for funding from the Australian or New Zealand governments.

A typical class is offered in weekly increments over a six- to twelve-week period, depending on the university and course type, and is followed by an exam. Student attendance is based on physical presence in class for on-ground classes. For online classes, attendance consists of logging into one's course shell and performing an academically-related activity (e.g., engaging in a discussion post or taking a quiz).

If a student withdraws from a course prior to completion, a portion of the tuition may be refundable depending on when the withdrawal occurs. We use the student's withdrawal date or last date of attendance for this purpose. Our specific refund policies vary across the universities and non-degree programs. For students attending Strayer University, our refund policy typically permits students who complete less than half of a course to receive a partial refund of tuition for that course. For students attending Capella University, our refund policy varies based on course format. GuidedPath students are allowed a 100% refund through the first five days of the course, a 75% refund from six to twelve days, and 0% refund for the remainder of the period. FlexPath students receive a 100% refund through the 12th calendar day of the course for their first billing session only and a 0% refund after that date and for all subsequent billing sessions. For students attending Strayer University, our refund policy typically permits students who complete less than half of a course to receive a partial refund of tuition for that course. For domestic students attending an ANZ institution, refunds are typically provided to students that withdraw within the first 20% of a course term. For international students attending an ANZ institution, refunds are provided to students that withdraw prior to the course commencement date. In limited circumstances, refunds to students attending an ANZ institution may be granted after these cut-offs subject to an application for special consideration by the student and approval of that application by the institution. Refunds reduce the tuition revenue that otherwise would have been recognized for that student. Since the academic terms coincide with our financial reporting periods for most programs, nearly all refunds are processed and recorded in the same quarter as the corresponding revenue. For certain programs where courses may overlap a quarter-end date, we estimate a refund or withdrawal rate and do not recognize the related revenue until the uncertainty related to the refund is resolved. The portion of tuition revenue refundable to students may vary based on the student's state of residence.

For U.S. students who receive funding under Title IV and withdraw, funds are subject to return provisions as defined by the Department of Education. The university is responsible for returning Title IV funds to the Department and then may seek payment from the withdrawn student of prorated tuition or other amounts charged to him or her. Loss of financial aid eligibility during an academic term is rare and would normally coincide with the student's withdrawal from the institution. In Australia and New Zealand, government funding for eligible students is provided directly to the institution on an estimated basis annually. The amount of government funding provided is based on a course-by-course forecast of enrollments that the institution submits for the upcoming calendar year. Using the enrollment forecast provided as well as the requesting institution's historical enrollment trends, the government approves a fixed amount, which is then funded to the institution evenly on a monthly basis. Periodic reconciliation and true-ups are undertaken between the relevant government authority and the institution based on actual eligible enrollments, which may result in a net amount being due to or from the government.

Students at Strayer University registering in credit-bearing courses in any undergraduate or graduate program qualify for the Graduation Fund, whereby qualifying students earn tuition credits that are redeemable in the final year of a student's course of study if he or she successfully remains in the program. Students must meet all of Strayer University's admission requirements and not be eligible for any previously offered scholarship program. To maintain eligibility, students must be enrolled in a bachelor's or master's degree program. Students who have more than one consecutive term of non-attendance lose any Graduation Fund credits earned to date, but may earn and accumulate new credits if the student is reinstated or readmitted by Strayer University in the future. In their final academic year, qualifying students will receive one free course for every three courses that the student successfully completed in prior years. Strayer University's performance obligation associated with free courses that may be redeemed in the future is valued based on a systematic and rational allocation of the cost of honoring the benefit earned to each of the underlying revenue transactions that result in progress by the student toward earning the benefit. The estimated value of awards under the Graduation Fund that will be recognized in the future is based on historical experience of students' persistence in completing their course of study and earning a degree and the tuition rate in effect at the time it was associated with the transaction. Estimated redemption rates of eligible students vary based on their term of enrollment. As of December 31, 2022 December 31, 2023, we had deferred \$46.8 million \$44.5 million for estimated redemptions earned under the Graduation Fund, as compared to \$52.0 million \$46.8 million at December 31, 2021 December 31, 2022. Each quarter, we assess our assumptions underlying our estimates for persistence and estimated redemptions based on actual experience. To date, any adjustments to our estimates have not been material. However, if actual persistence or redemption rates change, adjustments to the reserve may be necessary and could be material.

*Tuition receivable* — We record estimates for our allowance for credit losses related to tuition receivable from students primarily based on our historical collection rates by age of receivable and adjusted for reasonable expectations of future collection performance, net of recoveries. Our experience is that payment of outstanding balances is influenced by whether the student returns to the institution, as we require students to make payment arrangements for their outstanding balances prior to enrollment. Therefore, we monitor outstanding tuition receivable balances through subsequent terms, increasing the reserve on such balances over time as the likelihood of returning to the institution diminishes and our historical experience indicates collection is less likely. We periodically assess our methodologies for estimating credit losses in consideration of actual

experience. If the financial condition of our students were to deteriorate based on current or expected future events resulting in evidence of impairment of their ability to make required payments for tuition payable to us, additional allowances or write-offs may be required. During 2022 2023 and 2021, 2022, our bad debt expense was 3.9% 4.3% and 3.8% 3.9% of revenue, respectively. A change in our allowance for credit losses of 1% of gross tuition receivable as of December 31, 2022 December 31, 2023 would have changed our income from operations by approximately \$1.1 \$1.2 million.

*Business combinations* — We account for business combinations using the acquisition method of accounting, which requires that once control is obtained, the purchase price be allocated to all tangible assets and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date. Any excess purchase price over the fair value of the net assets acquired is recorded as goodwill. The determination of the fair value of assets acquired and liabilities assumed requires many estimates and assumption with respect to the timing and amounts of cash flow projections, revenue growth rates, earnings before interest and taxes margins, student attrition rates, royalty rates, discount rates, and useful lives. These estimates are based on assumptions believed to be reasonable, and when appropriate, include assistance from independent

third-party valuation firms. During the measurement period, which is up to one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed, with corresponding offsets to goodwill. We applied the acquisition method of accounting to our acquisition of ANZ in 2020. Refer to Note 3, Business Combinations, within the footnotes to the consolidated financial statements for additional information.

**Goodwill and intangible assets** — Goodwill represents the excess of the purchase price of an acquired business over the amount assigned to the assets acquired and liabilities assumed. Indefinite-lived intangible assets, which include trade names, are recorded at fair market value on their acquisition date. At the time of acquisition, goodwill and indefinite-lived intangible assets are allocated to reporting units. Management identifies its reporting units by assessing whether the components of its operating segments constitute businesses for which discrete financial information is available and management regularly reviews the operating results of those components. We had significant additions to goodwill and tradename intangible assets related to our acquisition of ANZ in 2020.

Goodwill and indefinite-lived intangible assets are assessed at least annually for impairment, or more frequently if events occur or circumstances change between annual tests that would more likely than not reduce the fair value of the respective reporting unit below its carrying amount. In 2022, 2023, we performed a qualitative impairment assessment, consistent with ASC 350,

**Intangibles—Goodwill and Other** ("ASC 350"), of goodwill assigned to all reporting units, except for goodwill assigned to the ANZ Capella University and Strayer University reporting unit, units, as well as for indefinite-lived intangible assets, except for the ANZ Capella University trade names, name, to evaluate the recoverability of the related amounts. The qualitative factors considered included macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, and any other factors that have a significant bearing on fair value.

In 2022, Given the length of time since the last valuation, in connection with 2023 we elected to bypass a qualitative annual impairment assessment for goodwill assigned to the goodwill in our ANZ Capella University and Strayer University reporting unit as well as our ANZ units and for the Capella University indefinite-lived intangible assets we performed and proceeded directly to a quantitative impairment assessment, consistent with ASC 350. To assess goodwill, we used an income-based approach to determine the fair value of the ANZ Capella University and Strayer University reporting unit, units, which consisted of a discounted cash flow model that included projections of future cash flows for the ANZ two reporting unit, units, calculating a terminal value, and discounting such cash flows by a risk adjusted rate of return. To assess the indefinite-lived intangible assets, we used an income-based approach to determine the fair value of the ANZ Capella University trade names, name, which consisted of a discounted cash flow model, using the relief from royalty method, that included a projection of future revenues for ANZ, Capella University, identifying a royalty rate, calculating a terminal value, and discounting such cash flows by a risk adjusted rate of return. Based on the qualitative and quantitative impairment assessments performed, we concluded that no goodwill or indefinite-lived intangible asset impairments had been incurred during the years ended December 31, 2021 December 31, 2022 or 2022, 2023.

Finite-lived intangible assets that are acquired in business combinations are recorded at fair value on their acquisition dates and are amortized on a straight-line basis over the estimated useful life of the asset. Finite-lived intangible assets consist of student relationships. We review our finite-lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are not recoverable, a potential impairment loss is recognized to the extent the carrying amount of the assets exceeds the fair value of the assets. No impairment charges related to finite-lived intangible assets were recorded during the years ended December 31, 2021 December 31, 2022 or 2022, 2023. As of December 31, 2023, all finite-lived intangible assets related to student relationships were fully amortized.

**Other estimates** — We record estimates for certain of our accrued expenses and for income tax liabilities. We liabilities and estimate the useful lives of our property and equipment and intangible assets and assets. We also periodically review our assumed forfeiture rates and ability to achieve performance targets for stock-based awards and adjust them as necessary. Should actual results differ from our estimates, revisions to our accrued expenses, the carrying amount of goodwill property and equipment and intangible assets, stock-based compensation expense, and income tax liabilities may be required.

## Results of Operations

As discussed above, we completed our acquisition of ANZ on November 3, 2020. Our results of operations include the results of ANZ from the acquisition date. Periods prior to November 3, 2020 do not include the financial results of ANZ. Accordingly, the financial results of each period presented are not directly comparable.

In 2022, 2023, we generated \$1,065.5 million \$1,132.9 million in revenue compared to \$1,131.7 million \$1,065.5 million in 2021, 2022. Our income from operations decreased increased to \$95.3 million in 2023 compared to \$70.8 million in 2022, compared to \$73.9 million in 2021, primarily due to lower earnings higher revenue driven by student enrollment growth in the USHE segment partially offset by and growth in Sophia Learning subscriptions in the Education Technology Services segment, and lower amortization expense of intangible assets, partially offset by higher restructuring costs, bad debt expense, and merger and integration costs, unfavorable foreign currency exchange impacts. Our net income in 2022, 2023 was \$46.7 million \$69.8 million compared to \$55.1 million \$46.7 million in 2021. Diluted 2022, and diluted earnings per share was \$2.91 in 2023 compared to \$1.94 in 2022, 2022.

## Year Ended December 31, 2023 Compared To Year Ended December 31, 2022

**Revenues.** Consolidated revenues increased to \$1,132.9 million in 2023 compared to \$2.28 \$1,065.5 million in 2021, 2022, primarily due to an increase in USHE student enrollment, growth in Sophia Learning subscriptions, and higher ANZ revenue per student, partially offset by unfavorable foreign currency exchange impacts. In the USHE segment for the year ended December 31, 2023, average total student enrollment increased 6.8% to 82,267 from 77,027 in 2022. USHE segment revenues increased 6.2% to \$819.0 million in 2023 compared to \$771.0 million in 2022, primarily due to the increase in student enrollment. In the Australia/New Zealand segment for the year ended December 31, 2023, average total student enrollment decreased 3.6% to 18,692 from 19,388 in 2022. Australia/New Zealand segment revenues increased 1.2% to \$233.5 million in 2023 compared to \$230.7 million in 2022, primarily due to higher revenue per student as a result of students taking higher course loads, partially offset by unfavorable foreign currency exchange

impacts. Education Technology Services segment revenues increased 26.2% to \$80.5 million in 2023 compared to \$63.8 million in 2022, primarily as a result of growth in Sophia Learning subscriptions and higher employer affiliated enrollment.

**Instructional and support costs.** Consolidated instructional and support costs increased to \$623.9 million in 2023 compared to \$597.3 million in 2022, principally due to increases in personnel-related costs, bad debt expense, student material costs, and technology-related costs, partially offset by lower facility costs and stock-based compensation expense, and favorable foreign currency exchange impacts. Consolidated instructional and support costs as a percentage of revenues decreased to 55.1% in 2023 from 56.1% in 2022.

**General and administration expenses.** Consolidated general and administration expenses increased to \$384.4 million in 2023 compared to \$379.8 million in 2022, principally due to increased investments in branding initiatives and partnerships with brand ambassadors, partially offset by lower stock-based compensation expense and favorable foreign currency exchange impacts. Consolidated general and administration expenses as a percentage of revenues decreased to 33.9% in 2023 from 35.6% in 2022.

**Amortization of intangible assets.** Amortization of intangible assets decreased to \$11.5 million in 2023 compared to \$14.4 million in 2022, primarily due to the finite-lived intangible assets acquired through the acquisition of ANZ becoming fully amortized in October 2023.

**Merger and integration costs.** Merger and integration costs increased to \$1.5 million in 2023 compared to \$1.1 million in 2022 and are primarily related to integration expenses associated with the acquisition of ANZ.

**Restructuring costs.** Restructuring costs increased to \$16.3 million in 2023 from \$2.1 million in 2022, principally due to an increase of \$10.5 million in severance and other personnel-related expenses from employee terminations related to position eliminations during the year, a decrease of \$1.9 million in gains related to the sale of real estate and early terminations of leased facilities, and an increase of \$1.8 million in right-of use lease asset and fixed asset impairment charges associated with vacating leased space in 2023.

**Income from operations.** Consolidated income from operations increased to \$95.3 million in 2023 compared to \$70.8 million in 2022, primarily due to higher revenue driven by student enrollment growth in the USHE segment and growth in Sophia Learning subscriptions in the Education Technology Services segment, and lower amortization expense of intangible assets, partially offset by higher restructuring costs, bad debt expense, and unfavorable foreign currency exchange impacts. USHE segment income from operations increased 54.5% to \$59.6 million in 2023 compared to \$38.6 million in 2022, primarily due to higher revenue from an increase in student enrollment. Australia/New Zealand segment income from operations increased 17.7% to \$35.9 million in 2023 compared to \$30.5 million in 2022, primarily due to higher revenue and personnel-related cost savings due to headcount reductions, partially offset by unfavorable foreign currency exchange impacts. Education Technology Services segment income from operations increased 51.0% to \$29.1 million in 2023 compared to \$19.3 million in 2022, primarily due to higher revenue as a result of growth in Sophia Learning subscriptions and an increase in employer affiliated enrollment.

**Other income (expense).** Other income (expense) increased to \$5.4 million of income in 2023 compared to \$1.2 million of expense in 2022, primarily due to an increase of \$6.6 million in interest income and an increase of \$1.8 million in investment income from our limited partnerships, partially offset by an increase in interest expense due to higher interest rates. We incurred \$7.2 million of interest expense in 2023 compared to \$5.7 million in 2022.

**Provision for income taxes.** Income tax expense was \$30.9 million in 2023 compared to \$22.9 million in 2022. Our effective tax rate for 2023 was 30.7%, compared to 32.9% in 2022. Income tax expense for the years ended December 31, 2023 and 2022 include shortfall tax impacts related to share-based payment arrangements of approximately \$1.4 million and \$1.5 million, respectively. Our effective tax rate, excluding these and other discrete tax adjustments, was 30.0% for 2023.

**Net income.** Net income increased to \$69.8 million in 2023 compared to \$46.7 million in 2022 due to the factors discussed above.

#### Year Ended December 31, 2022 Compared To Year Ended December 31, 2021

**Revenues.** Consolidated revenues decreased to \$1,065.5 million in 2022 compared to \$1,131.7 million in the same period in the prior year, 2021, primarily due to declines in enrollment and unfavorable foreign currency exchange impacts. In the USHE segment for the year ended December 31, 2022, average total average student enrollment decreased 6.5% to 77,027 from 82,425 in the prior year, 2021. USHE segment revenues decreased 7.0% to \$771.0 million in 2022 compared to \$829.3 million in 2021, primarily as a result of declines in enrollment. In the Australia/New Zealand segment for the year ended December 31, 2022, average total average student enrollment increased to 19,388 from 19,350 in the prior year, 2021. Australia/New Zealand segment revenues decreased 7.7% to \$230.7 million in 2022 compared to \$250.1 million in 2021, primarily due to unfavorable foreign currency exchange impacts and lower revenue-per-student revenue per student. In the Education Technology Services segment, revenues for the year ended December 31, 2022 increased 21.9% to \$63.8 million compared to \$52.3 million in 2021, primarily as a result of growth in Sophia Learning and higher employer affiliated enrollment.

**Instructional and support costs.** Consolidated instructional and support costs decreased to \$597.3 million in 2022 compared to \$608.3 million in 2021, principally due to lower facility costs and bad debt expenses. Consolidated instructional and support costs as a percentage of revenues increased to 56.1% in 2022 from 53.7% in 2021.

**General and administration expenses.** Consolidated general and administration expenses increased to \$379.8 million in 2022 compared to \$361.3 million in 2021, principally due to increased investments in branding initiatives and partnerships with

brand ambassadors. Consolidated general and administration expenses as a percentage of revenues increased to 35.6% in 2022 from 31.9% in 2021.

**Amortization of intangible assets.** Amortization of intangible assets decreased to \$14.4 million in 2022 compared to \$51.5 million in 2021, due to the finite-lived intangible assets acquired through the merger with Capella Education Company being fully amortized as of the third quarter of 2021.

**Merger and integration costs.** Merger and integration costs decreased to \$1.1 million in 2022 compared to \$11.2 million in 2021, as a result of lower integration expenses associated with the acquisition of ANZ.

**Restructuring costs.** Restructuring costs decreased to \$2.1 million in 2022 from \$25.5 million in 2021, principally due to \$3.7 million of right-of-use lease asset and fixed asset impairment charges associated with vacating leased space in 2022, compared to \$21.6 million in 2021, as well as higher severance and other personnel-related expenses from employee terminations in 2021.

**Income from operations.** Consolidated income from operations decreased to \$70.8 million in 2022 compared to \$73.9 million in 2021, primarily due to lower earnings in the USHE segment, partially offset by lower amortization expense of intangible assets, restructuring costs, and merger and integration costs. USHE segment income from operations decreased 63.2% to \$38.6 million in 2022 compared to \$104.9 million in 2021, primarily due to declines in enrollment, lower revenue-per-student, revenue per student, and increased investments in marketing initiatives. Australia/New Zealand segment income from operations decreased 15.0% to \$30.5 million in 2022 compared to \$35.9 million in 2021, primarily due to lower revenues and unfavorable foreign currency exchange impacts. Education Technology Services segment income from operations decreased 9.6% to \$19.3 million in 2022 compared to \$21.3 million in 2021 as a result of increased investment in outreach to corporate partners, partially offset by growth in Sophia Learning and an increase in employer affiliated enrollment.

**Other income (expense).** Other income (expense) decreased to \$1.2 million of expense in 2022 compared to \$2.7 million of income in 2021, primarily due to a decrease in investment income from our limited partnership investments and an increase in interest expense, partially offset by an increase in interest income due to higher interest rates. We incurred \$5.7 million of interest expense in 2022 compared to \$3.6 million in 2021.

**Provision for income taxes.** Income tax expense was \$22.9 million in 2022 compared to \$21.5 million in 2021. Our effective tax rate for 2022 was 32.9%, compared to 28.1% in 2021. The increase in the effective tax rate in 2022 was primarily due to a \$1.5 million tax shortfall recognized through share-based payment arrangements. Our effective tax rate, excluding these and other discrete tax adjustments, was 30.4% for 2022.

**Net income.** Net income decreased to \$46.7 million in 2022 compared to \$55.1 million in 2021 due to the factors discussed above.

**Year Ended December 31, 2021 Compared To Year Ended December 31, 2020**

**Revenues.** Consolidated revenues increased to \$1,131.7 million in 2021 compared to \$1,027.7 million in the same period in the prior year, primarily due to the inclusion of ANZ for the full year. In the USHE segment for the year ended December 31, 2021, total average enrollment decreased 11.0% to 82,425 from 92,637 in the prior year. USHE segment revenues decreased 14.2% to \$829.3 million compared to \$966.6 million in 2020 as a result of declines in enrollment and revenue-per-student due to higher scholarships and discounts. In the Education Technology Services segment, revenues for the year ended December 31, 2021 increased 38.7% to \$52.3 million compared to \$37.7 million in 2020 as a result of rapid growth in Sophia Learning and higher employer affiliated enrollment. In the Australia/New Zealand segment, revenues for the year ended December 31, 2021 were \$250.1 million, compared to \$23.4 million in 2020, which only reflects activity after the completion of the ANZ acquisition in November 2020. ANZ revenue includes a \$3.6 million and \$11.3 million purchase accounting reduction in 2021 and 2020, respectively, related to contract liabilities acquired in the acquisition.

**Instructional and support costs.** Consolidated instructional and support costs increased to \$608.3 million in 2021 compared to \$532.7 million in 2020, principally due to the inclusion of \$129.6 million of instructional and support costs related to ANZ in 2021, compared to \$19.7 million in 2020, partially offset by cost savings implemented as a result of the COVID-19 pandemic, which included lower expenses associated with travel and facilities costs, as well as savings from the employee restructuring plan implemented in the third quarter of 2020. Consolidated instructional and support costs as a percentage of revenues increased to 53.7% in 2021, from 51.8% in 2020.

**General and administration expenses.** Consolidated general and administration expenses increased to \$361.3 million in 2021 compared to \$295.2 million in 2020, principally due to the inclusion of \$84.6 million of general and administration

expenses related to ANZ in 2021, compared to \$17.0 million in 2020. Consolidated general and administration expenses as a percentage of revenues increased to 31.9% in 2021, from 28.7% in 2020.

**Amortization of intangible assets.** Amortization of intangible assets decreased to \$51.5 million in 2021 compared to \$64.2 million in 2020, due to lower amortization expense associated with intangible assets acquired through the merger with Capella Education Company, offset by additional amortization expense of intangible assets acquired in the acquisition of ANZ in November 2020.

**Merger and integration costs.** Merger and integration costs decreased to \$11.2 million in 2021 compared to \$13.8 million in 2020, principally due to lower transaction and integration expenses associated with the acquisition of ANZ and lower integration support costs related to the merger with Capella Education Company, partially offset by a charge taken in 2021 related to a premerger litigation settlement, net of insurance recovery.

**Restructuring costs.** Restructuring costs increased to \$25.5 million in 2021 from \$12.4 million in 2020, principally due to \$21.6 million of right-of-use lease asset and fixed asset impairment charges associated with vacating leased space in 2021 based on an assessment of our real estate portfolio, partially offset by lower severance costs and a \$2.7 million gain in 2021 from the sale of property and equipment of owned campuses that were closed in connection with the 2020 restructuring plan.

**Income from operations.** Consolidated income from operations decreased to \$73.9 million in 2021 compared to \$109.4 million in 2020, primarily due to lower earnings in the USHE segment and higher restructuring costs, partially offset by the inclusion of ANZ's income from operations and lower amortization expense related to intangible assets. USHE

segment income from operations decreased 45.8% to \$104.9 million in 2021, compared to \$193.4 million in 2020, primarily due to declines in enrollment and revenue-per-student due to higher scholarships and discounts. Education Technology Services segment income from operations increased 8.5% to \$21.3 million in 2021, compared to \$19.6 million in 2020 as a result of rapid growth in Sophia Learning, partially offset by increased investment in outreach to corporate partners. Income from operations for the Australia/New Zealand segment was \$35.9 million in 2021, compared to a loss from operations of \$13.3 million in 2020, following our acquisition of ANZ in November 2020.

**Other income.** Other income decreased to \$2.7 million in 2021 compared to \$4.6 million in 2020, as a result of an increase in interest expense related to our revolving credit facility which was used to partially fund the ANZ acquisition in November 2020, partially offset by higher investment income from our limited partnerships and other investments in 2021. We incurred \$3.6 million of interest expense in 2021 compared to \$1.4 million in 2020.

**Provision for income taxes.** Income tax expense was \$21.5 million in 2021 compared to \$27.7 million in 2020. Our effective tax rate for 2021 was 28.1% compared to 24.3% in 2020. The effective tax rate in 2020 included higher windfall tax benefits recognized through share-based payment arrangements. Our effective tax rate, excluding these and other discrete tax adjustments, was 28.5% for 2021.

**Net income.** Net income decreased to \$55.1 million in 2021 compared to \$86.3 million in 2020 due to the factors discussed above.

#### Non-GAAP Financial Measures

In the accompanying analysis of financial information for the three years ended December 31, 2022 December 31, 2023, we use certain financial measures including Adjusted Revenue, Adjusted Total Costs and Expenses, Adjusted Income from Operations, Adjusted Operating Margin, Adjusted Income Before Income Taxes, Adjusted Net Income, and Adjusted Diluted Earnings per Share that are not required by or prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). These measures, which are considered "non-GAAP financial measures" under SEC rules, are defined by us to exclude the following:

- purchase accounting adjustments to record acquired contract liabilities at fair value as a result of our acquisition of Torrens University and associated assets in Australia and New Zealand and to record amortization and depreciation expense related to intangible assets and software assets acquired through our merger with Capella Education Company and our acquisition of Torrens University and associated assets in Australia and New Zealand;
- transaction and integration expenses associated with our merger with Capella Education Company and our acquisition of Torrens University and associated assets in Australia and New Zealand;
- severance costs, lease and right-of-use lease fixed asset impairment charges, gains on sale of real estate and early termination of leased facilities, and other costs associated with our restructuring; restructuring activities;
- income/loss from partnership and other investments that are not part of our core operations; and
- discrete tax adjustments related to stock-based compensation and other adjustments.

To illustrate currency impacts to operating results, Adjusted Revenue, Adjusted Total Costs and Expenses, Adjusted Income from Operations, Adjusted Operating Margin, Adjusted Income Before Income Taxes, Adjusted Net Income, and Adjusted Diluted Earnings per Share for the year ended December 31, 2022 December 31, 2023 are also presented on a constant currency basis.

When considered together with GAAP financial results, we believe these measures provide management and investors with an additional understanding of our business and operating results, including underlying trends associated with our ongoing operations.

Non-GAAP financial measures are not defined in the same manner by all companies and may not be comparable with other similarly titled measures of other companies. Non-GAAP financial measures may be considered in addition to, but not as a substitute for or superior to, GAAP results. A reconciliation of these measures to the most directly comparable GAAP measures is provided below.

Adjusted results for 2021 exclude an adjustment for foreign currency exchange impacts and are therefore not directly comparable to adjusted results previously reported for the year ended December 31, 2021. Adjusted income from operations was \$124.6 million in 2023 compared to \$88.3 million in 2022 compared to \$165.7 million in 2021. Adjusted net income was \$89.1 million in 2023 compared to \$60.3 million in 2022, compared to \$116.6 million in 2021, and adjusted diluted earnings per share was \$3.72 in 2023 compared to \$2.51 in 2022 compared to \$4.83 in 2021.

The tables below reconcile our reported results of operations to adjusted results (amounts in thousands, except per share data):

#### Reconciliation of Reported to Adjusted Results of Operations for the year ended December 31, 2023 (in thousands, except per share data)

	Non-GAAP Adjustments							As Adjusted (Non-GAAP)	
	Purchase accounting adjustments <sup>(1)</sup>		Merger and integration costs <sup>(2)</sup>		Income from other investments <sup>(4)</sup>		Tax adjustments <sup>(5)</sup>		
	As Reported (GAAP)								
Revenues	\$ 1,132,924	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,132,924	
Total costs and expenses	\$ 1,037,603	\$ (11,457)	\$ (1,544)	\$ (16,256)	\$ —	\$ —	\$ —	\$ 1,008,346	
Income from operations	\$ 95,321	\$ 11,457	\$ 1,544	\$ 16,256	\$ —	\$ —	\$ —	\$ 124,578	
Operating margin	8.4%							11.0%	
Income before income taxes	\$ 100,726	\$ 11,457	\$ 1,544	\$ 16,256	\$ (2,718)	\$ —	\$ —	\$ 127,265	

Net income	\$ 69,791	\$ 11,457	\$ 1,544	\$ 16,256	\$ (2,718)	\$ (7,245)	\$ 89,085
Diluted earnings per share	\$ 2.91						\$ 3.72
Weighted average diluted shares outstanding	23,956						23,956

Reconciliation of Reported to Adjusted Results of Operations for the year ended December 31, 2022 (in thousands, except per share data)

	Non-GAAP Adjustments						
	As Reported (GAAP)	Purchase accounting adjustments <sup>(1)</sup>	Merger and integration costs <sup>(2)</sup>		Income from other investments <sup>(4)</sup>		As Adjusted (Non-GAAP)
Revenues	\$ 1,065,480	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,065,480
Total costs and expenses	\$ 994,720	\$ (14,350)	\$ (1,117)	\$ (2,115)	\$ —	\$ —	\$ 977,138
Income from operations	\$ 70,760	\$ 14,350	\$ 1,117	\$ 2,115	\$ —	\$ —	\$ 88,342
Operating margin	6.6%						8.3%
Income before income taxes	\$ 69,569	\$ 14,350	\$ 1,117	\$ 2,115	\$ (579)	\$ —	\$ 86,572
Net income	\$ 46,670	\$ 14,350	\$ 1,117	\$ 2,115	\$ (579)	\$ (3,419)	\$ 60,254
Diluted earnings per share	\$ 1.94						\$ 2.51
Weighted average diluted shares outstanding	23,998						23,998

Reconciliation of Reported to Adjusted Results of Operations for the year ended December 31, 2021 (in thousands, except per share data)

	Non-GAAP Adjustments						
	As Reported (GAAP)	Purchase accounting adjustments <sup>(1)</sup>	Merger and integration costs <sup>(2)</sup>		Income from other investments <sup>(4)</sup>		As Adjusted (Non-GAAP)
Revenues	\$ 1,131,686	\$ 3,646	\$ —	\$ —	\$ —	\$ —	\$ 1,135,332
Total costs and expenses	\$ 1,057,774	\$ (51,495)	\$ (11,201)	\$ (25,472)	\$ —	\$ —	\$ 969,606
Income from operations	\$ 73,912	\$ 55,141	\$ 11,201	\$ 25,472	\$ —	\$ —	\$ 165,726
Operating margin	6.5%						14.6%
Income before income taxes	\$ 76,599	\$ 55,141	\$ 11,201	\$ 25,472	\$ (5,300)	\$ —	\$ 163,113
Net income	\$ 55,087	\$ 55,141	\$ 11,201	\$ 25,472	\$ (5,300)	\$ (24,975)	\$ 116,626
Diluted earnings per share	\$ 2.28						\$ 4.83
Weighted average diluted shares outstanding	24,122						24,122

Reconciliation of Reported to Adjusted Results of Operations for the year ended December 31, 2020 (in thousands, except per share data)

	Non-GAAP Adjustments								Non-GAAP Adjustments							
	Merger								Merger							
	Purchase			and					Income from			Restructuring				As Adjusted
	As Reported (GAAP)	accounting adjustments <sup>(1)</sup>	costs <sup>(2)</sup>	integration costs <sup>(2)</sup>	Restructuring costs <sup>(3)</sup>	other investments <sup>(4)</sup>	Tax adjustments <sup>(5)</sup>	(Non-GAAP)	As Reported (GAAP)	purchase accounting adjustments <sup>(1)</sup>	Merger and integration costs <sup>(2)</sup>	Restructuring costs <sup>(3)</sup>	Income from other investments <sup>(4)</sup>			
Revenues	Revenues	\$ 1,027,653	\$ 11,296	\$ —	\$ —	\$ —	\$ —	\$ 1,038,949								
Total costs and expenses	Total costs and expenses	\$ 918,269	\$ (64,225)	\$ (13,770)	\$ (12,382)	\$ —	\$ —	\$ 827,892								
Income from operations	Income from operations	\$ 109,384	\$ 75,521	\$ 13,770	\$ 12,382	\$ —	\$ —	\$ 211,057								
Operating margin	Operating margin	10.6%						20.3%	Operating margin	6.5%						

Income before income taxes	Income before taxes	\$ 113,957	\$ 75,521	\$ 13,770	\$ 12,382	\$ (2,094)	\$ —	\$ 213,536
Net income	Net income	\$ 86,268	\$ 75,521	\$ 13,770	\$ 12,382	\$ (2,094)	\$ (33,141)	\$ 152,706
Diluted earnings per share	Diluted earnings per share	\$ 3.77				\$ 6.68		
Diluted earnings per share	Diluted earnings per share							
Weighted average diluted shares outstanding	Weighted average diluted shares outstanding	22,860			22,860			

(1) Reflects a purchase accounting adjustment to record acquired contract liabilities at fair value as a result of the Company's acquisition of Torrens University and associated assets in Australia and New Zealand, and amortization and depreciation expense of intangible assets and software assets acquired through the Company's merger with Capella Education Company and the Company's acquisition of Torrens University and associated assets in Australia and New Zealand.

(2) Reflects transaction and integration expenses associated with the Company's merger with Capella Education Company, including premerger litigation settlement, net of insurance recovery, and the Company's acquisition of Torrens University and associated assets in Australia and New Zealand.

(3) Reflects severance costs, lease and right-of-use lease fixed asset impairment charges, gains on sale of real estate and early termination of leased facilities, and other costs associated with the Company's restructuring.

(4) Reflects income/loss recognized from the Company's investments in partnership interests and other investments.

(5) Reflects tax impacts of the adjustments described above and discrete tax adjustments related to stock-based compensation and other adjustments, utilizing an adjusted effective tax rate of 30.0%, 30.4%, and 28.5%, for 2023, 2022, and an adjusted effective tax rate of 28.5% for 2021, and 2020, respectively.

The table below presents our adjusted results of operations on a constant currency basis for the year ended December 31, 2022 December 31, 2023 (amounts in thousands, except per share data):

	As Adjusted				As Adjusted			As Adjusted with Constant Currency			
	with				with			with			
	Constant		Constant		Constant		Constant		Constant		
	As Adjusted	currency	As Adjusted	currency	As Adjusted	currency	As Adjusted	currency	As Adjusted	currency	
	(Non-GAAP)	adjustments <sup>(1)</sup>	(Non-GAAP)	(Non-GAAP)	(Non-GAAP)	adjustments <sup>(1)</sup>	(Non-GAAP)	Constant currency adjustment <sup>(1)</sup>	(Non-GAAP)	Constant currency adjustment <sup>(1)</sup>	(Non-GAAP)
	As Adjusted				As Adjusted			As Adjusted with Constant Currency			
	(Non-GAAP)				(Non-GAAP)			(Non-GAAP)			
Revenues	Revenues	\$ 1,065,480	\$ 18,645	\$ 1,084,125							
Total costs and expenses	Total costs and expenses	\$ 977,138	\$ 15,816	\$ 992,954							
Income from operations	Income from operations	\$ 88,342	\$ 2,829	\$ 91,171							
Operating margin	Operating margin	8.3%		8.4%	Operating margin	11.0%			11.1%		
Income before income taxes	Income before income taxes	\$ 86,572	\$ 2,846	\$ 89,418							
Net income	Net income	\$ 60,254	\$ 1,958	\$ 62,212							
Diluted earnings per share	Diluted earnings per share	\$ 2.51		\$ 2.59							
Diluted earnings per share	Diluted earnings per share										

Diluted earnings per share						
Weighted average diluted shares	Weighted average diluted shares					
outstanding	outstanding	23,998	23,998	outstanding	23,956	23,956

(1) Reflects an adjustment to translate foreign currency results for the year ended December 31, 2022 December 31, 2023 at a constant exchange rate of 0.75 0.69 Australian Dollars to U.S. Dollars, which was the average exchange rate for the same period in 2021, 2022.

## Liquidity and Capital Resources

At December 31, 2022 December 31, 2023, we had cash, cash equivalents, and marketable securities of \$235.9 million \$208.7 million compared to \$298.8 million \$235.9 million at December 31, 2021 December 31, 2022. We maintain our cash and cash equivalents primarily in money market funds and demand deposit bank accounts and money market funds at high credit quality financial institutions, which are included in cash and cash equivalents at December 31, 2022 December 31, 2023 and 2021, 2022. In addition, we invest excess cash in U.S. treasury bills with maturities of three months or less, which are included in cash and cash equivalents. We also hold marketable securities, which primarily include tax-exempt municipal securities, and corporate debt securities, securities, and term deposits. We earned interest income of \$3.8 million \$10.4 million, \$1.1 million \$3.8 million, and \$4.0 million \$1.1 million in each of the years ended December 31, 2022 December 31, 2023, 2021, 2022, and 2020, 2021, respectively.

We are party to a credit facility ("Amended Credit Facility"), which provides for a senior secured revolving credit facility (the "Revolving Credit Facility") in an aggregate principal amount of up to \$350 million. The Amended Credit Facility provides us with an option, subject to obtaining additional loan commitments and satisfaction of certain conditions, to increase the commitments under the Revolving Credit Facility or establish one or more incremental term loans (each, an "Incremental Facility") in an amount up to the sum of (x) the greater of (A) \$300 million and (B) 100% of the Company's consolidated EBITDA (earnings before interest, taxes, depreciation, amortization, and noncash charges, such as stock-based compensation) calculated on a trailing four-quarter basis and on a pro forma basis, and (y) if such Incremental Facility is incurred in connection with a permitted acquisition or other permitted investment, any amounts so long as the Company's leverage ratio (calculated on a trailing four-quarter basis) on a pro forma basis will be no greater than 1.75:1.00. In addition, the Amended Credit Facility provides for a subfacility for borrowings in certain foreign currencies in an amount equal to the U.S. dollar equivalent of \$150 million. Borrowings under the Revolving Credit Facility bear interest at a per annum rate equal to LIBOR Term SOFR or a base rate, plus a margin ranging from 1.50% to 2.00%, depending on our leverage ratio. An unused commitment fee ranging from 0.20% to 0.30% per annum, depending on our leverage ratio, accrues on unused amounts. We were in compliance with all applicable covenants related to the Amended Credit Facility as of December 31, 2022 December 31, 2023. As of December 31, 2022 December 31, 2023 and 2021, 2022, we had \$101.4 million \$61.4 million and \$141.6 million \$101.4 million, respectively, outstanding under our Revolving Credit Facility. During each of the years ended December 31, 2022, December 31, 2023 and 2021, 2022, we repaid \$40.0 million of the outstanding balance under our Revolving Credit Facility. During each of the years ended December 31, 2022 December 31, 2023 and 2021, 2022, we paid \$4.2 million \$6.8 million and \$2.7 million \$4.2 million, respectively, of interest and unused commitment fees related to our Revolving Credit Facility.

Our net cash provided by operating activities decreased to \$117.1 million in 2022 compared to \$126.1 million, compared to \$180.5 million in 2021. The decrease in net cash from operating activities was primarily driven by lower earnings in the USHE segment, partially offset by a decrease in higher tax payments and an increase in cash used for working capital.

Our net cash used in investing activities decreased increased to \$48.5 million in 2022 to \$31.4 million, 2023 compared to \$33.1 million \$31.4 million in 2021, 2022. The decrease increase in net cash used in investing activities was primarily driven by a decrease \$26.9 million in capital expenditures, purchases of marketable securities and lower cash proceeds related to the sale of property and equipment, partially offset by lower higher cash proceeds from marketable securities and from the sale of property other investments and equipment lower capital expenditures in 2022, 2023. Capital expenditures decreased to \$43.2 million for the year ended December 31, 2022, \$36.9 million in 2023 compared to \$49.4 million \$43.2 million in 2021, 2022, primarily due to a shift towards cloud computing investments and timing of capital projects.

Our net cash used in financing activities increased decreased to \$113.6 million in 2022 to \$142.4 million, 2023 compared to \$67.9 million \$142.4 million in 2021, 2022. The increase decrease in net cash used in financing activities was primarily driven by a \$40.0 million long-term debt payment in 2022 and a \$34.2 million increase \$30.1 million decrease in repurchases of common stock. During the year ended December 31, 2022, we paid \$40.1 million to repurchase 612,104 common shares stock, partially offset by an increase in the open market under our repurchase program, compared to \$5.9 million in 2021. As of December 31, 2022, we had \$246.8 million remaining in share repurchase authorization to use through December 31, 2023, net payments for employee stock awards.

The Board of Directors declared an annual cash dividend of \$2.40 per common share, payable in equal parts quarterly. During the year ended December 31, 2023, we paid a total of \$59.2 million in cash dividends on our common stock compared to \$58.8 million in 2022. During the year ended December 31, 2023, we paid \$10.0 million to repurchase shares of common stock in the open market under our repurchase program, compared to \$40.1 million in 2022. As of December 31, 2023, we had \$240.0 million remaining in share repurchase authorization to use through December 31, 2024.

Our recurring cash requirements consist primarily of general operating expenses, capital expenditures, discretionary dividend payments, and contractual obligations related to our lease agreements, limited partnership investments, and Revolving Credit Facility. We believe that the combination of our existing cash, cash equivalents, and marketable securities, cash generated from operating activities, and if necessary, cash available under our Amended Credit Facility will be sufficient to meet our cash requirements for the next 12 months and beyond.

Our material contractual cash commitments include minimum lease payments required under our lease agreements, capital commitments related to our four limited partnership investments and commitment fees associated with our Revolving Credit Facility.

The table below sets forth our contractual cash commitments associated with lease liabilities as of December 31, 2022 December 31, 2023 (in thousands):

	Payments Due By Period					
	Total	Less than 1 Year		1-3 Years	3-5 Years	More than 5 Years
Lease liabilities	\$ 183,829	\$ 29,704		\$ 54,444	\$ 42,546	\$ 57,135

	Payments Due By Period					
	Total	Less than 1 Year		1-3 Years	3-5 Years	More than 5 Years
Lease liabilities	\$ 175,948	\$ 30,151		\$ 55,967	\$ 45,092	\$ 44,738

As of December 31, 2022 December 31, 2023, we have a commitment to invest up to \$2.7 million \$2.4 million in our four limited partnership investments through 2031. Due to the uncertainty with respect to the timing of future cash flows associated with the limited partnership investments, we are unable to make reasonably reliable estimates of the period in which such additional investments may take place.

Due to the uncertainty with respect to the timing of future borrowings associated with our credit facility, we are unable to make reasonably reliable estimates of any commitment fees charged on the unused portion of the credit facility. As of December 31, 2022 December 31, 2023, our maximum estimated commitment fee is \$0.7 million \$0.9 million per annum related to the unused portion of our credit facility.

#### Recently Issued Accounting Standards

Refer to Note 2, Significant Accounting Policies, within the footnotes to the consolidated financial statements for recently issued accounting standards.

#### Item 7A. Quantitative and Qualitative Disclosures about Market Risk

##### Interest Rate Risk

We are subject to the impact of interest rate changes and may be subject to changes in the market values of our future investments. We invest our excess cash in money market mutual funds, bank overnight deposits, money market funds U.S. treasury bills, and marketable securities. We have not used derivative financial instruments in our investment portfolio. Earnings from investments in bank overnight deposits, money market mutual funds, bank overnight deposits, U.S. treasury bills, and marketable securities may be adversely affected in the future should interest rates decline, although such a decline may reduce the interest rate payable on any borrowings under our Revolving Credit Facility. Our future investment income may fall short of expectations due to changes in interest rates or we may suffer losses in principal if forced to sell securities that have declined in market value due to changes in interest rates. As of December 31, 2022 December 31, 2023, a 1% increase or decrease in interest rates would not have a material impact on our future earnings, fair values, or cash flows related to investments in cash equivalents or interest earning marketable securities.

At December 31, 2022 December 31, 2023, we had \$101.4 million \$61.4 million outstanding under our Amended Credit Facility. Borrowings under the Amended Credit Facility bear interest at LIBOR Term SOFR or a base rate, plus a margin ranging from 1.50% to 2.00% depending on our leverage ratio. An unused commitment fee ranging from 0.20% to 0.30%, depending on our leverage ratio, accrues on unused amounts under the Amended Credit Facility. An increase in LIBOR Term SOFR would affect interest expense on any

outstanding balance of the Revolving Credit Facility. For every 100 basis points increase in LIBOR, Term SOFR, we would incur an incremental \$3.5 million in interest expense per year assuming the entire \$350 million Revolving Credit Facility was utilized.

In March 2021, the administrator of LIBOR announced that the publication of certain LIBOR settings will cease after December 2021 and publication of the remainder of the LIBOR settings will cease after June 2023. At December 31, 2022, we had no exposure to the discontinued LIBOR settings and had approximately \$101.4 million of LIBOR-based debt outstanding on our Revolving Credit Facility. Our Revolving Credit Facility includes mechanisms for replacing the applicable reference rate, which we do not expect to be materially different from LIBOR.

##### Foreign Currency Risk

The United States Dollar ("USD") is our reporting currency. The functional currency of each of our foreign subsidiaries is the currency of the economic environment in which the subsidiary primarily does business. Revenues denominated in currencies other than the USD accounted for 21.7% 20.6% of our consolidated revenues for the year ended December 31, 2022 December 31, 2023. We therefore have foreign currency risk related to these currencies, which is primarily the Australian dollar. Accordingly, changes in exchange rates, and in particular a weakening of foreign currencies relative to the USD may negatively affect our revenue and operating income as expressed in the USD. For the year ended December 31, 2022 December 31, 2023, a hypothetical 10% adverse change in the average annual foreign currency exchange rates would have decreased our consolidated revenues by approximately \$23.1 \$23.4 million. In addition, the effect of exchange rate changes on cash and cash equivalents in the year ended December 31, 2022 December 31, 2023 was a decrease of \$4.1 \$0.5 million. We do not use foreign exchange contracts or derivatives to hedge any foreign currency exposures.

**Item 8. Financial Statements and Supplementary Data****INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

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All other schedules are omitted because they are not applicable or the required information is included in the consolidated financial statements or notes thereto.

**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders of Strategic Education, Inc.

***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the accompanying consolidated balance sheets of Strategic Education, Inc. and its subsidiaries (the "Company") as of **December 31, 2022** **December 31, 2023** and **2021**, 2022, and the related consolidated statements of income, of comprehensive income, of stockholders' equity and of cash flows for each of the three years in the period ended **December 31, 2022** **December 31, 2023**, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of **December 31, 2022** **December 31, 2023**, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of **December 31, 2022** **December 31, 2023** and **2021**, 2022, and the results of its operations and its cash flows for each of the three years in the period ended **December 31, 2022** **December 31, 2023** in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of **December 31, 2022** **December 31, 2023**, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

***Basis for Opinions***

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

***Definition and Limitations of Internal Control over Financial Reporting***

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### **Critical Audit Matters**

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

##### **Goodwill Impairment Assessment – Strayer University Reporting Unit**

As described in Notes 1 and 9 to the consolidated financial statements, the Company's consolidated goodwill balance was \$1,252 million as of December 31, 2023, and the goodwill associated with the U.S. Higher Education segment, which includes the Strayer University reporting unit, is \$632.1 million. The Company assesses goodwill at least annually for impairment during the fourth quarter, or more frequently if events occur or circumstances change between annual tests that would more likely than not reduce the fair value of the respective reporting unit below its carrying amount. Given the length of time since the last valuation, in 2023 the Company elected to bypass a qualitative annual impairment assessment for goodwill assigned to the Strayer University reporting unit and proceeded directly to a quantitative impairment assessment using the first day of the fourth quarter of 2023 as the assessment date. Management used an income-based approach which consisted of a discounted cash flow model to determine the fair value of the Strayer University reporting unit. The assumptions and estimates used in determining the estimated fair value of the Strayer University reporting unit include, but are not limited to, the amounts and timing of expected future cash flows, student enrollment growth, operating margins, the discount rate, and the terminal growth rate.

The principal considerations for our determination that performing procedures relating to the goodwill impairment assessment of the Strayer University reporting unit is a critical audit matter are (i) the significant judgment by management when developing the fair value estimate of the Strayer University reporting unit; (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management's significant assumptions related to student enrollment growth, operating margins, and the discount rate; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's goodwill impairment assessment, including controls over the valuation of the Strayer University reporting unit. These procedures also included, among others (i) testing management's process for developing the fair value estimate of the Strayer University reporting unit; (ii) evaluating the appropriateness of the discounted cash flow model used by management; (iii) testing the completeness and accuracy of the underlying data used in the discounted cash flow model; and (iv) evaluating the reasonableness of the significant assumptions used by management related to student enrollment growth, operating margins, and the discount rate. Evaluating management's assumptions related to the student enrollment growth and operating margins involved evaluating whether the assumptions used by management were reasonable considering (i) the current and past performance of the Strayer University reporting unit; (ii) the consistency with external market and industry data; and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in evaluating (i) the appropriateness of the discounted cash flow model and (ii) the reasonableness of the discount rate assumption.

##### **Strayer University Graduation Fund Liability – Undergraduate Degree Programs**

As described in Note 43 to the consolidated financial statements, the Company's consolidated Strayer University Graduation Fund liability was \$46.8 million \$44.5 million as of December 31, 2022 December 31, 2023, of which \$41.7 million \$40.6 million related to students enrolled in undergraduate degree programs. Strayer University offers the Graduation Fund, a program which allows undergraduate and graduate students to earn tuition credits that are redeemable in the final year of a student's course of study if he or she successfully remains in the program. The Company defers the value of the related performance obligation associated with the credits estimated to be redeemed in the future. Management's estimate of the benefits that will be redeemed in the future is based on the Company's historical experience of student persistence toward completion of a course of study within this program and similar programs. As disclosed by management, estimated redemption rates of eligible students vary based on their term of enrollment.

The principal considerations for our determination that performing procedures relating to the Strayer University Graduation Fund liability for undergraduate degree programs is a critical audit matter are (i) the significant judgment by management in estimating the liability and (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management's estimate of audit evidence related to the liability and the estimated redemption rate assumption. liability.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the estimation determination of the Strayer University Graduation Fund liability for undergraduate degree programs, including controls over the estimated redemption rate assumption. programs. These procedures also included, among others testing management's process for estimating (i) evaluating the appropriateness of the methodology used by management to determine the Strayer University Graduation Fund liability for undergraduate degree programs, including (i) evaluating programs; (ii) recalculating the appropriateness of the methodology; (ii) Strayer University Graduation Fund liability for undergraduate degree programs; and (iii) testing the completeness and accuracy of the underlying data used in management's estimate; and (iii) evaluating determining the reasonableness of the estimated redemption rate assumption Strayer University Graduation Fund liability for the undergraduate degree programs. Evaluating management's estimated redemption rate assumption involved evaluating whether the assumption was reasonable considering (i) historical estimated redemption rates and (ii) whether the assumption was consistent with evidence obtained in other areas of the audit.

##### **Goodwill Impairment Assessment – Australia and New Zealand ("ANZ") Reporting Unit**

As described in Notes 2 and 10 to the consolidated financial statements, the Company's consolidated goodwill balance was \$1,251 million as of December 31, 2022, of which \$519 million relates to the ANZ reporting unit. Management assesses goodwill at least annually for impairment during the fourth quarter, or more frequently if events occur or circumstances change between annual tests that would more likely than not reduce the fair value of the respective reporting unit below its carrying amount. In 2022, management elected to bypass programs by testing, on a qualitative impairment assessment for goodwill assigned to the ANZ reporting unit and proceeded directly to a quantitative impairment

assessment using the first day of the fourth quarter of 2022 as the assessment date. Management used an income-based approach to determine the fair value of the ANZ reporting unit. The income approach consisted of a discounted cash flow model, which involved the use of critical assumptions and estimates sample basis, certain underlying data related to the amounts and timing of expected future cash flows such as new international student enrollment growth, the discount rate, and the terminal growth rate.

The principal considerations for our determination that performing procedures relating to the goodwill impairment assessment for the ANZ reporting unit is a critical audit matter are (i) the significant judgment by management when developing the fair value estimate of the ANZ reporting unit; (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management's significant assumptions related to new international student enrollment growth, the discount rate, and the terminal growth rate; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's goodwill impairment assessments, including controls over the valuation of the Company's ANZ reporting unit. These procedures also included, among others, (i) testing management's process for developing the fair value estimate of the ANZ reporting unit; (ii) evaluating the appropriateness of the income approach; (iii) testing the completeness and accuracy of underlying data used in the income approach; and (iv) evaluating the reasonableness of the significant assumptions used by management related to new international student enrollment growth, the discount rate and the terminal growth rate. Evaluating management's assumptions related to the student enrollment growth involved evaluating whether the assumptions used by management were reasonable considering (i) the current and past performance of the reporting unit; (ii) the consistency with external market and industry data; and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in evaluating (i) the appropriateness of the Company's income approach; and (ii) the reasonableness of the discount rate and the terminal growth rate assumptions. historical students.

/s/ PricewaterhouseCoopers LLP  
Washington, DC District of Columbia  
February 27, 2023 29, 2024

We have served as the Company's auditor since 1993.

**STRATEGIC EDUCATION, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands, except share and per share data)

ASSETS	ASSETS	December 31, December 31,		December 31, 2022	December 31, 2023
		2021	2022		
Current assets:	Current assets:				
Current assets:					
Current assets:					
Cash and cash equivalents					
Cash and cash equivalents					
Cash and cash equivalents	Cash and cash equivalents	\$ 268,918	\$ 213,667		
Marketable securities	Marketable securities	6,501	9,156		
Tuition receivable, net	Tuition receivable, net	51,277	62,953		
Income taxes receivable		313	—		
Other current assets	Other current assets	40,777	43,285		
Total current assets	Total current assets	367,786	329,061		
Property and equipment, net	Property and equipment, net	150,589	132,845		
Right-of-use lease assets	Right-of-use lease assets	149,587	125,248		
Marketable securities, non-current	Marketable securities, non-current	23,377	13,123		
Intangible assets, net	Intangible assets, net	276,380	260,541		
Goodwill	Goodwill	1,285,864	1,251,277		

Other assets	Other assets	52,297	49,652
Total assets	Total assets	\$2,305,880	\$2,161,747
<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>			
<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>			
Current liabilities:	Current liabilities:		
Current liabilities:			
Accounts payable and accrued expenses			
Accounts payable and accrued expenses			
Accounts payable and accrued expenses	Accounts payable and accrued expenses	\$ 95,518	\$ 90,588
Income taxes payable	Income taxes payable	—	6,989
Contract liabilities	Contract liabilities	73,232	88,488
Lease liabilities	Lease liabilities	27,005	23,879
Total current liabilities	Total current liabilities	195,755	209,944
Long-term debt	Long-term debt	141,630	101,396
Deferred income tax liabilities	Deferred income tax liabilities	44,595	34,605
Lease liabilities, non-current	Lease liabilities, non-current	162,821	134,006
Other long-term liabilities	Other long-term liabilities	47,089	46,006
Total liabilities	Total liabilities	591,890	525,957
Commitments and contingencies	Commitments and contingencies		
Stockholders' equity:	Stockholders' equity:		
Common stock, par value \$0.01; 32,000,000 shares authorized; 24,592,098 and 24,402,891 shares issued and outstanding at December 31, 2021 and 2022, respectively	Common stock, par value \$0.01; 32,000,000 shares authorized; 24,402,891 and 24,406,816 shares issued and outstanding at December 31, 2022 and 2023, respectively	246	244
Common stock, par value \$0.01; 32,000,000 shares authorized; 24,402,891 and 24,406,816 shares issued and outstanding at December 31, 2022 and 2023, respectively	Common stock, par value \$0.01; 32,000,000 shares authorized; 24,402,891 and 24,406,816 shares issued and outstanding at December 31, 2022 and 2023, respectively		

Common stock, par value \$0.01;  
32,000,000 shares authorized;  
24,402,891 and 24,406,816 shares  
issued and outstanding at December  
31, 2022 and 2023, respectively

Additional paid-in capital	Additional paid-in capital	1,529,969	1,510,924
Accumulated other comprehensive income (loss)		9,203	(35,068)
Accumulated other comprehensive loss			
Retained earnings	Retained earnings	174,572	159,690
Total stockholders' equity	Total stockholders' equity	1,713,990	1,635,790
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	\$2,305,880	\$2,161,747

The accompanying notes are an integral part of these consolidated financial statements.

**STRATEGIC EDUCATION, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(in thousands, except per share data)

For the Year Ended December 31,			
	2020	2021	2022
For the Year Ended December 31,			
	2021	2021	2022
Revenues	Revenues	\$1,027,653	\$1,131,686
Costs and expenses:	Costs and expenses:		
Instructional and support costs			
Instructional and support costs			
Instructional and support costs	Instructional and support costs	532,661	608,261
General and administration	General and administration	295,231	361,345
Amortization of intangible assets	Amortization of intangible assets	64,225	51,495
Merger and integration costs	Merger and integration costs	13,770	11,201
Restructuring costs	Restructuring costs	12,382	25,472
Total costs and expenses	Total costs and expenses	918,269	1,057,774
Income from operations	Income from operations	109,384	73,912
			70,760

Other income (expense)	Other income (expense)	4,573	2,687	(1,191)
Income before income taxes	Income before income taxes	113,957	76,599	69,569
Provision for income taxes	Provision for income taxes	27,689	21,512	22,899
Net income	Net income	\$ 86,268	\$ 55,087	\$ 46,670
Earnings per share:	Earnings per share:			
Basic	Basic	\$ 3.81	\$ 2.30	\$ 1.97
Basic				
Basic				
Diluted	Diluted	\$ 3.77	\$ 2.28	\$ 1.94
Weighted average shares outstanding:	Weighted average shares outstanding:			
Basic	Basic	22,633	23,955	23,679
Basic				
Basic				
Diluted	Diluted	22,860	24,122	23,998

**STRATEGIC EDUCATION, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(in thousands)

		For the Year Ended December 31,					
		2020	2021	2022			
		For the Year Ended December 31,			For the Year Ended December 31,		
		2021	2021	2022	2023		
Net income	Net income	\$ 86,268	\$ 55,087	\$ 46,670			
Other comprehensive income:							
Other comprehensive income (loss):							
Foreign currency translation adjustments							
Foreign currency translation adjustments							
Foreign currency translation adjustments	Foreign currency translation adjustments	48,068	(39,392)	(43,425)			
Unrealized gains (losses) on marketable securities, net of tax	Unrealized gains (losses) on marketable securities, net of tax	579	(285)	(846)			
Comprehensive income	Comprehensive income	\$134,915	\$15,410	\$ 2,399			

The accompanying notes are an integral part of these consolidated financial statements.

**STRATEGIC EDUCATION, INC.**

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**REFINITIV** 

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(in thousands, except share data)

	Accumulated					
	Common Stock		Additional	Retained	Other	Comprehensive
	Shares	Par Value	Paid-in Capital	Earnings	Income (Loss)	
Balance at December 31, 2019	21,964,809	\$ 220	\$1,309,438	\$152,819	\$ 233	\$1,462,710
Impact of adoption of new accounting standard	—	—	—	(3,311)	—	(3,311)
Issuance of common stock in public offering	2,185,000	22	220,226	—	—	220,248
Stock-based compensation	—	—	14,593	17	—	14,610
Exercise of stock options, net	20,522	—	1,244	—	—	1,244
Issuance of restricted stock, net	250,377	2	(25,847)	—	—	(25,845)
Repurchase of common stock	(1,769)	—	(105)	(142)	—	(247)
Common stock dividends (\$2.40 per share)	—	—	—	(56,005)	—	(56,005)
Foreign currency translation adjustment	—	—	—	—	48,068	48,068
Unrealized gains on marketable securities, net of tax	—	—	—	—	579	579
Net income	—	—	—	86,268	—	86,268

	Common Stock						Accumulated			
	Common Stock		Additional	Paid-in	Retained	Other	Comprehensive	Income	Total	
	Shares	Capital	Earnings	(Loss)						
Balance at December 31, 2020	24,418,939	\$ 244	\$1,519,549	\$179,646	\$ 48,880	\$1,748,319				
Stock-based compensation	—	—	18,094	55	—	18,149				
Exercise of stock options, net	1,632	—	113	—	—	113				
Exercise of stock options	—	—	—	—	—	—				
Issuance of restricted stock, net	248,496	3	(2,997)	—	—	(2,994)				
Repurchase of common stock	(76,969)	(1)	(4,790)	(1,114)	—	(5,905)				
Common stock dividends (\$2.40 per share)	—	—	—	(59,102)	—	(59,102)				

Foreign currency translation adjustment	Foreign currency translation adjustment	—	—	—	—	(39,392)	(39,392)
Unrealized losses on marketable securities, net of tax	Unrealized losses on marketable securities, net of tax	—	—	—	—	(285)	(285)
Net income	Net income	—	—	—	55,087	—	55,087
Balance at December 31, 2021	Balance at December 31, 2021	24,592,098	\$ 246	\$1,529,969	\$174,572	\$ 9,203	\$1,713,990
Stock-based compensation	Stock-based compensation	—	—	21,763	29	—	21,792
Exercise of stock options, net	Exercise of stock options, net	377	—	14	—	—	14
Exercise of stock options	Exercise of stock options	—	—	—	—	—	—
Issuance of restricted stock, net	Issuance of restricted stock, net	422,520	4	(2,917)	—	—	(2,913)
Repurchase of common stock	Repurchase of common stock	(612,104)	(6)	(37,905)	(2,205)	—	(40,116)
Common stock dividends (\$2.40 per share)	Common stock dividends (\$2.40 per share)	—	—	—	(59,376)	—	(59,376)
Foreign currency translation adjustment	Foreign currency translation adjustment	—	—	—	—	(43,425)	(43,425)
Unrealized losses on marketable securities, net of tax	Unrealized losses on marketable securities, net of tax	—	—	—	—	(846)	(846)
Net income	Net income	—	—	—	46,670	—	46,670
Balance at December 31, 2022	Balance at December 31, 2022	24,402,891	\$ 244	\$1,510,924	\$159,690	\$ (35,068)	\$1,635,790
Stock-based compensation	Stock-based compensation	—	—	—	—	—	—
Exercise of stock options	Exercise of stock options	—	—	—	—	—	—
Issuance of restricted stock, net	Issuance of restricted stock, net	—	—	—	—	—	—
Repurchase of common stock	Repurchase of common stock	—	—	—	—	—	—
Common stock dividends (\$2.40 per share)	Common stock dividends (\$2.40 per share)	—	—	—	—	—	—

Foreign  
currency  
translation  
adjustment  
Unrealized  
gains on  
marketable  
securities, net  
of tax  
Net income  
Balance at  
December  
31, 2023

The accompanying notes are an integral part of these consolidated financial statements.

**STRATEGIC EDUCATION, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)

	2020	2021	2022		2021	2022	2023
	For the Year Ended December 31,				For the Year Ended December 31,		
	2021	2021	2022		2021	2022	2023
Cash flows from operating activities:	Cash flows from operating activities:						
Net income	Net income	\$ 86,268	\$ 55,087	\$ 46,670			
Net income	Net income						
Adjustments to reconcile net income to net cash provided by operating activities:	Adjustments to reconcile net income to net cash provided by operating activities:						
Loss on sale of marketable securities	Loss on sale of marketable securities						
Loss on sale of marketable securities	Loss on sale of marketable securities						
Loss on sale of marketable securities	Loss on sale of marketable securities	—	781	—			
Gain on sale of property and equipment	Gain on sale of property and equipment	—	(2,656)	(2,886)			
Amortization of deferred financing costs	Amortization of deferred financing costs	466	552	552			
Amortization of investment discount/premium	Amortization of investment discount/premium	146	70	32			
Depreciation and amortization	Depreciation and amortization	109,154	103,416	63,124			
Deferred income taxes	Deferred income taxes	(13,431)	(7,710)	(8,667)			
Stock-based compensation	Stock-based compensation	14,610	18,149	21,792			
Impairment of right-of-use lease assets	Impairment of right-of-use lease assets	848	18,876	1,185			

Changes in assets and liabilities:		Changes in assets and liabilities:		
Tuition receivable, net	Tuition receivable, net	19,659	(196)	(12,558)
Tuition receivable, net				
Tuition receivable, net				
Other assets	Other assets	(32,326)	(6,964)	3,584
Accounts payable and accrued expenses	Accounts payable and accrued expenses	(22,685)	(6,700)	(4,339)
Income taxes payable and income taxes receivable	Income taxes payable and income taxes receivable	(4,020)	1,196	7,580
Contract liabilities	Contract liabilities	(10,095)	13,995	18,960
Other liabilities	Other liabilities	(5,689)	(7,369)	(8,977)
Net cash provided by operating activities	Net cash provided by operating activities	142,905	180,527	126,052
Cash flows from investing activities:	Cash flows from investing activities:			
Cash paid for acquisition, net of cash acquired		(628,759)	—	(800)
Cash flows from investing activities:				
Cash flows from investing activities:				
Purchases of property and equipment	Purchases of property and equipment			
Purchases of property and equipment	Purchases of property and equipment			
Purchases of property and equipment	Purchases of property and equipment	(46,812)	(49,433)	(43,170)
Purchases of marketable securities	Purchases of marketable securities	(1,863)	—	—
Proceeds from marketable securities	Proceeds from marketable securities	36,192	9,300	6,420
Proceeds from sale of property and equipment	Proceeds from sale of property and equipment	—	8,331	6,525
Proceeds from other investments				
Other investments	Other investments	(950)	(1,292)	(335)
Cash paid for acquisition, net of cash acquired				
Net cash used in investing activities	Net cash used in investing activities			
Net cash used in investing activities	Net cash used in investing activities	(642,192)	(33,094)	(31,360)
Cash flows from financing activities:	Cash flows from financing activities:			

Net proceeds from issuance of common stock	220,248	—	—
Proceeds from long-term debt	145,630	—	—
Cash flows from financing activities:			
Cash flows from financing activities:			
Common dividends paid	Common dividends paid	(55,956)	(59,045)
Common dividends paid	Common dividends paid		(59,240)
Common dividends paid	Common dividends paid		
Payments on long-term debt	Payments on long-term debt		
Net payments for stock awards	Net payments for stock awards	(24,741)	(2,938)
Payments on long-term debt	Payments on long-term debt	(3,807)	—
Payment of deferred financing costs	Payment of deferred financing costs	(1,940)	—
Repurchase of common stock	Repurchase of common stock	(247)	(5,905)
Net cash provided by (used in) financing activities	Net cash provided by (used in) financing activities	279,187	(67,888)
Net cash used in financing activities	Net cash used in financing activities		(142,360)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	Effect of exchange rate changes on cash, cash equivalents, and restricted cash	1,623	(2,353)
Net increase (decrease) in cash, cash equivalents, and restricted cash	Net increase (decrease) in cash, cash equivalents, and restricted cash	(218,477)	77,192
Cash, cash equivalents, and restricted cash — beginning of period	Cash, cash equivalents, and restricted cash — beginning of period	420,497	202,020
Cash, cash equivalents, and restricted cash — end of period	Cash, cash equivalents, and restricted cash — end of period	\$202,020	\$279,212
Noncash transactions:	Noncash transactions:		\$227,454
Non-cash additions to property and equipment	Non-cash additions to property and equipment	\$ 4,079	\$ 9,308
Non-cash additions to property and equipment	Non-cash additions to property and equipment		\$ 1,718
Non-cash additions to property and equipment	Non-cash additions to property and equipment		
Non-cash additions to property and equipment	Non-cash additions to property and equipment		

The accompanying notes are an integral part of these consolidated financial statements.

## 1. Nature of Operations

Strategic Education, Inc. ("Strategic Education" or the "Company"), a Maryland corporation, is an education services company that provides access to high-quality education through campus-based and online post-secondary education offerings, as well as through programs to develop job-ready skills for high-demand markets. Strategic Education's portfolio of companies is dedicated to closing the skills gap by placing adults on the most direct path between learning and employment. As discussed in Note 2 and Note 3, the Company completed its acquisition of Torrens University and associated assets in Australia and New Zealand ("ANZ") on November 3, 2020.

The accompanying consolidated financial statements and footnotes include the results of the Company's three reportable segments: (1) U.S. Higher Education ("USHE"), which is primarily comprised of **Strayer** Capella University and **Capella** **Strayer** University and is focused on providing flexible and affordable certificate and degree programs to working adults; (2) Education Technology Services, which is primarily focused on developing and maintaining relationships with employers to build employee education benefits programs; and (3) Australia/New Zealand, which through Torrens University and associated assets, provides certificate and degree programs in Australia and New Zealand. The Company's reportable segments are discussed further in Note **21**, **20**.

## 2. Significant Accounting Policies

### Financial Statement Presentation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in the consolidated financial statements. Certain immaterial prior year amounts have been reclassified to conform with the current year's presentation.

On November 3, 2020, the Company completed its acquisition of ANZ, whereby the Company was deemed the acquirer in the business combination for accounting purposes in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Accordingly, the financial results of the Company as of and for any periods ended prior to November 3, 2020 do not include the financial results of ANZ and therefore are not directly comparable.

Below is a description of the nature of the costs included in the Company's operating expense categories.

Instructional and support costs generally contain items of expense directly attributable to activities that support students. This expense category includes salaries and benefits of faculty and academic administrators, as well as admissions and administrative personnel who support and serve student interests. Instructional and support costs also include course development costs and costs associated with delivering course content, including educational supplies, facilities, and all other physical plant and occupancy costs, with the exception of costs attributable to the corporate offices. Bad debt expense incurred on delinquent student account balances is also included in instructional and support costs.

General and administration expenses include salaries and benefits of management and employees engaged in finance, human resources, legal, regulatory compliance, marketing and other corporate functions. Also included are the costs of advertising and production of marketing materials. General and administration expense also includes the facilities occupancy and other related costs attributable to such functions.

Amortization of intangible assets consists of amortization and depreciation expense related to intangible assets and software assets acquired through the Company's merger with Capella Education Company ("CEC") and the Company's acquisition of **ANZ**, **Torrens University and associated assets in Australia and New Zealand ("ANZ")**.

Merger and integration costs include integration expenses associated with the Company's merger with CEC, and transaction and integration expenses associated with the Company's acquisition of ANZ.

Restructuring costs include severance and other personnel-related expenses from voluntary and involuntary employee terminations, as well as early lease termination costs and impairments of right-of-use lease assets and fixed assets asset impairment charges, gains on sale of real estate and early termination of leased facilities, and other costs associated with vacating leased space in connection with the Company's restructuring plan activities. See Note **54** for additional information.

### Foreign Currency Translation and Transaction Gains and Losses

The United States Dollar ("USD") is the functional currency of the Company and its subsidiaries operating in the United States. The financial statements of its foreign subsidiaries are maintained in their functional currencies. The functional currency of each of the foreign subsidiaries is the currency of the economic environment in which the subsidiary primarily does business. Financial statements of foreign subsidiaries are translated into USD using the exchange rates applicable to the dates of the financial statements. Assets and liabilities are translated into USD using the period-end spot foreign exchange rates. Income and expenses are translated at the weighted-average exchange rates in effect during the period. Equity accounts are translated at historical exchange rates. The effects of these translation adjustments are reported as a component of accumulated other comprehensive income (loss) within **shareholders'** **stockholders'** equity.

For any transaction that is in a currency different from the entity's functional currency, the Company records a net gain or loss based on the difference between the exchange rate at the transaction date and the exchange rate at the transaction settlement date (or rate at period end, if unsettled) in the consolidated statements of income.

### Cash and Cash Equivalents

Cash and cash equivalents consist of cash maintained in mostly FDIC-insured bank accounts and cash invested in **money market mutual funds**, **bank overnight deposits**, and **money market mutual funds**, **U.S. treasury bills**. The Company places its cash and temporary cash investments with various financial institutions. The Company considers all highly liquid instruments purchased with a maturity of three months or less at the date of purchase to be cash equivalents.

### Concentration of Credit Risk

Most cash and cash equivalent balances are in excess of the FDIC insurance limit. The Company has not experienced any losses on its cash and cash equivalents.

### Restricted Cash

In the United States, a significant portion of the Company's revenues are funded by various federal and state government programs. The Company generally does not receive funds from these programs prior to the start of the corresponding academic term. The Company may be required to return certain funds for students who withdraw from a U.S. higher education institution during the academic term. The Company had approximately **\$0.7 million**, **\$1.4 million** and **\$1.4 million**, **\$1.8 million** of these unpaid obligations as of December 31, 2021, December 31, 2022 and 2022, 2023, respectively. In Australia and New Zealand, advance tuition payments from international students are required to be

restricted until a student commences his or her course. In addition, a portion of tuition prepayments from students enrolled in a vocational education and training program are held in trust by a third party law firm to adhere to tuition protection requirements. As of December 31, 2021 December 31, 2022 and 2022, 2023, the Company had approximately \$9.1 million \$11.9 million and \$11.9 million \$11.1 million, respectively, of restricted cash related to these requirements in Australia and New Zealand. These balances are recorded as restricted cash and included in other current assets in the consolidated balance sheets.

As part of commencing conducting operations in Pennsylvania, the Company is required to maintain a "minimum protective endowment" of at least \$0.5 million in an interest-bearing account as long as the Company operates its campuses in the state. The Company holds these funds in an interest-bearing account, which is included in other assets.

The following table illustrates the reconciliation of cash, cash equivalents, and restricted cash shown in the consolidated statements of cash flows as of December 31, 2021 December 31, 2022 and 2022 2023 (in thousands):

	As of December 31,		As of December 31, 2022	2023
	2021	2022		
Cash and cash equivalents	Cash and cash equivalents	\$268,918	\$213,667	
Restricted cash included in other current assets	Restricted cash included in other current assets	9,794	13,287	
Restricted cash included in other assets	Restricted cash included in other assets	500	500	
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	\$279,212	\$227,454	

#### Marketable Securities

Investments in marketable securities are carried at either amortized cost or fair value. Investments in marketable securities that the Company has the positive intent and ability to hold to maturity are carried at amortized cost and classified as held-to-maturity. Investments in marketable securities that are not classified as held-to-maturity are carried at fair value and classified as either trading or available-for-sale. Management determines the appropriate designation of marketable securities at the time of purchase and reevaluates re-evaluates such designation as of each balance sheet date. All of the Company's marketable securities are designated as either held-to-maturity or available-for-sale.

The Company's available-for-sale and marketable securities consist of tax-exempt municipal securities and corporate debt securities.

Available-for-sale marketable securities, which are carried at fair value as determined by quoted market prices or other inputs either directly or indirectly observable in the marketplace for identical or similar assets, with unrealized gains and losses, net of tax, recognized as a component of accumulated other comprehensive income (loss) within shareholders' stockholders' equity. Management reviews the fair value of the portfolio at least quarterly, and evaluates individual securities with fair value below amortized cost at the balance sheet date for impairment. In order to determine whether there is an impairment, management evaluates whether the Company intends to sell the impaired security and whether it is more likely than not that the Company will be required to sell the security before recovering its amortized cost basis.

If management intends to sell an impaired debt security, or it is more likely than not the Company will be required to sell the security prior to recovering its amortized cost basis, an impairment is deemed to have occurred. The amount of an impairment related to a credit loss, or securities that management intends to sell before recovery, is recognized in earnings. The

amount of an impairment on debt securities related to other factors is recorded consistent with changes in the fair value of all other available-for-sale securities as a component of accumulated other comprehensive income (loss) within shareholders' stockholders' equity.

The cost of securities sold is based on the specific identification method. Amortization of premiums, accretion of discounts, interest, dividend income and realized gains and losses are included in other income, income (loss). The contractual maturity date of available-for-sale securities is based on the days remaining to the effective maturity. The Company classifies marketable securities as either current or non-current assets based on management's intent with regard to usage of those funds, which is dependent upon the security's maturity date and liquidity considerations based on current market conditions. If management intends to hold the securities for longer than one year as of the balance sheet date, they are classified as non-current.

#### Tuition Receivable and Allowance for Credit Losses

The Company adopted Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASC 326") on January 1, 2020, which revised the accounting requirements related to the measurement of credit losses and requires organizations to measure all expected credit losses for financial assets based on historical experience, current conditions, and reasonable and supportable forecasts about collectability.

The Company records tuition receivable and contract liabilities for its students upon the start of the academic term or program. Tuition receivables are not collateralized; however, credit risk is minimized as a result of the diverse nature of the Company's student bases and through the participation of the majority of the students in federally funded financial aid programs. An allowance for credit losses is established based upon historical collection rates by age of receivable and adjusted for reasonable expectations of future collection performance, net of estimated recoveries. These collection rates incorporate historical performance based on a student's current enrollment status, likelihood of future enrollment, degree mix trends and changes in the overall economic environment. In the event that current collection trends differ from historical trends, an adjustment is made to the allowance for credit losses and bad debt expense.

The Company's tuition receivable and allowance for credit losses were as follows as of December 31, 2021 December 31, 2022 and 2022 2023 (in thousands):

		December 31, 2021	December 31, 2022	December 31, 2022	December 31, 2023
Tuition receivable	Tuition receivable	\$100,060	\$110,066		
Allowance for credit losses	Allowance for credit losses	(48,783)	(47,113)		
Tuition receivable, net	Tuition receivable, net	\$ 51,277	\$ 62,953		

Approximately \$2.5 million \$2.7 million and \$2.7 million \$2.5 million of tuition receivable, net, are included in other assets as of December 31, 2021 December 31, 2022 and 2022, 2023, respectively, because these amounts are expected to be collected after 12 months.

The following table illustrates changes in the Company's allowance for credit losses for each of the three years ended December 31, 2022 December 31, 2023 (in thousands):

	2020	2021	2022	2021	2022	2023
Allowance for credit losses, beginning of period	\$30,931	\$49,773	\$48,783			
Impact of adopting ASC 326	4,571	—	—			
Additions charged to expense	49,130	43,040	41,226			
Additions from merger	3,503	—	—			
Write-offs, net of recoveries						
Write-offs, net of recoveries						
Write-offs, net of recoveries	(38,362)	(44,030)	(42,896)			
Allowance for credit losses, end of period	\$49,773	\$48,783	\$47,113			

#### Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. In accordance with the ASC 360 *Property, Plant, and Equipment Topic*, ASC 360, the carrying values of the Company's assets are re-evaluated when events or changes in

circumstances indicate that the carrying amount of an asset may not be recoverable. If it is determined that an impairment loss has occurred based on expected undiscounted future cash flows, then a loss is recognized using a fair value-based model. During the years ended December 31, 2021, 2022, and 2022, 2023, the Company recognized \$2.7 million, \$2.5

million and \$2.5 million \$0.4 million, respectively, of impairment charges related to property and equipment, which is included in Restructuring costs on the consolidated statements of income.

Depreciation and amortization of property and equipment is calculated using the straight-line method over the estimated useful lives ranging from three years to 40 years. Depreciation and amortization expense was \$51.8 million \$59.1 million, \$59.1 million \$52.0 million and \$52.0 million \$48.4 million for the years ended December 31, 2020 December 31, 2021, 2021, 2022, and 2022, 2023, respectively. Included in the 2020, 2021, 2022, and 2022 2023 depreciation and amortization expense amount is \$6.9 million \$7.2 million, \$7.2 million \$3.2 million and \$3.2 million \$2.6 million of depreciation expense, respectively, related to computer software acquired in the Capella Education Company CEC merger in 2018 and content acquired in the ANZ acquisition, in 2020, which is included in Amortization of intangible assets on the consolidated statements of income. Repairs and maintenance costs are expensed as incurred.

As discussed in Note 5,

Over the Company's 2020 restructuring plan included an evaluation of last several years, the Company's Company has been evaluating its owned and leased real estate portfolio which resulted in the consolidation and sale of to identify underutilized facilities, facilities to either downsize or exit. The Company sold two of its owned U.S. Higher Education campuses in 2021 and sold one of its owned U.S. Higher Education campuses campus in 2022, both 2022 and 2023. The Company sold the long-lived assets, consisting of land, buildings, and building improvements, related to these owned campuses and recognized a \$2.7 million, \$2.9 million and \$2.9 million \$2.1 million gain on sale during the years ended December 31, 2021, 2022, and 2022, 2023, respectively, which are is included in Restructuring costs on the consolidated statements of income.

Construction in progress includes costs of computer software developed for internal use, which is accounted for in accordance with the ASC 350-40, *Internal-Use Software Topic, ASC 350-40*. Computer software development costs that are incurred in the preliminary project stage are expensed as incurred. During the development stage, direct consulting costs, payroll, and payroll-related costs for employees that are directly associated with the project are capitalized and amortized over the estimated useful life of the software once placed into operation. Purchases of property and equipment and changes in accounts payable for each of the three years in the period ended December 31, 2022 December 31, 2023 in the consolidated statements of cash flows have been adjusted to exclude non-cash purchases of property and equipment transactions during that period.

#### Deferred Costs

The Company defers certain commissions earned by third party international agents that are considered incremental and recoverable costs of obtaining a contract with customers of ANZ, in the Australia/New Zealand segment. These costs are amortized over the period of benefit which ranges from one to two years. In accordance with ASU 2018-15, which the The Company adopted on January 1, 2020, the Company also defers implementation costs incurred in cloud computing arrangements and amortizes these costs over the term of the arrangement.

#### Leases

The Company determines if an arrangement is a lease at inception. The Company analyzes each lease agreement to determine whether it should be classified as a finance lease or operating lease. Leases with an initial term longer than 12 months are included in right-of-use ("ROU") lease assets, lease liabilities, and lease liabilities, non-current on the Company's consolidated balance sheets. The Company combines lease and non-lease components for all leases.

ROU lease assets represent the Company's right to use an underlying asset for the lease term, and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU lease assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As the implicit interest rate for most of the Company's leases cannot be readily determined, the Company uses its incremental borrowing rate based on information available at the commencement date in determining the present value of lease payments. Lease expense for lease payments is recognized on a straight-line basis over the lease term for operating leases.

Leases with an initial term of 12 months or less are not recorded on the balance sheet. The Company recognizes lease expense for these leases on a straight-line basis over the lease term. The Company subleases certain building space to third parties and sublease income is recognized on a straight-line basis over the lease term. See Note 87 for additional information.

#### Fair Value

The ASC 820-10, *Fair Value Measurement Topic, ASC 820-10 ("ASC 820-10")*, establishes a framework for measuring fair value, establishes a fair value hierarchy based upon the observability of inputs used to measure fair value, and expands disclosures about fair value measurements. Assets and liabilities are classified in their entirety within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement. Under ASC 820-10, fair value of an investment is the price that would be received to sell an asset or to transfer a liability to an entity in an orderly transaction between market participants at the measurement date. The hierarchy gives the highest priority to assets and liabilities with readily available quoted prices in an active market and lowest priority to unobservable inputs, which require a higher degree of judgment when measuring fair value, as follows:

- Level 1 assets or liabilities use quoted prices in active markets for identical assets or liabilities as of the measurement date;
- Level 2 assets or liabilities use observable inputs, other than quoted market prices, that are either directly or indirectly observable in the marketplace for identical or similar assets and liabilities; and
- Level 3 assets or liabilities use unobservable inputs that are supported by little or no market activity.

The Company's assets and liabilities that are subject to fair value measurement are categorized in one of the three levels above. Fair values are based on the inputs available at the measurement dates, and may rely on certain assumptions that may affect the valuation of fair value for certain assets or liabilities.

#### Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price of an acquired business over the amount assigned to the assets acquired and liabilities assumed in a business combination. Indefinite-lived intangible assets, which include trade names, are recorded at fair value on their acquisition date. An indefinite life was assigned to the trade names because they have the continued ability to generate cash flows indefinitely.

Goodwill and the indefinite-lived intangible assets are assessed at least annually for impairment on the first day of the fourth quarter, or more frequently if events occur or circumstances change between annual tests that would more likely than not reduce the fair value of the respective reporting unit or indefinite-lived intangible asset below its carrying amount. The Company identifies its reporting units by assessing whether the components of its operating segments constitute businesses for which discrete financial information is available, and management regularly reviews the operating results of those components.

The Company's goodwill impairment test includes an option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the Company concludes that it is more likely than not that the fair value of a reporting unit is less than its carrying amount based on the qualitative assessment, or that a qualitative assessment should not be performed for a reporting unit, the Company proceeds with performing a quantitative goodwill impairment test. In performing the quantitative goodwill impairment test, the Company compares the fair value of the reporting unit to the carrying value of its net assets. If the fair value of the reporting unit exceeds the carrying value of the net assets of the reporting unit, goodwill is not impaired and no further testing is required. If the carrying value of the net assets of the reporting unit exceeds the fair value of the reporting unit, an impairment loss is recognized to the extent the fair value of the reporting unit is less than the carrying value of the reporting unit's net assets.

Finite-lived intangible assets that are acquired in business combinations are recorded at fair value on their acquisition dates and are amortized on a straight-line basis over the estimated useful life of the asset. Finite-lived intangible assets consist of student relationships.

The Company reviews its finite-lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are not recoverable, a potential impairment loss is recognized to the extent the carrying amount of the assets exceeds the fair value of the assets.

#### Authorized Stock

The Company has authorized 32,000,000 shares of common stock, par value \$0.01, of which **24,592,098** 24,402,891 and **24,402,891** 24,406,816 shares were issued and outstanding as of **December 31, 2021** December 31, 2022 and **2022, 2023**, respectively. On August 10, 2020, the Company completed a public offering of 2,185,000 shares of its common stock for total cash proceeds of \$220.2 million, net of underwriting discounts and offering costs of \$9.2 million. The Company also has authorized 8,000,000 shares of preferred stock, none of which is issued or outstanding. Before any preferred stock may be issued in the future, the Board of Directors would need to establish the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications, and the terms or conditions of the redemption of the preferred stock.

The Board of Directors declared a quarterly cash dividend of \$0.60 per common share for each quarter of **2022, 2023**. The Company paid these quarterly cash dividends in each of March, June, September and December of **2022, 2023**.

#### Advertising Costs

The Company expenses advertising costs in the quarter incurred. Advertising costs were **\$161.5 million** \$165.1 million, **\$165.1 million** \$181.3 million and **\$181.3 million** \$185.0 million for the years ended **December 31, 2020** December 31, 2021, **2021, 2022**, and **2022, 2023**, respectively, and are included within General and administration expense on the consolidated statements of income.

#### Stock-Based Compensation

As required by the **in accordance with ASC 718, Stock Compensation Topic, ASC 718**, the Company measures and recognizes compensation expense for all share-based payment awards made to employees and directors, including employee stock options, restricted stock, restricted stock units, performance stock units, and employee stock purchases related to the Company's Employee Stock Purchase Plan, based on estimated fair values. The fair value of restricted stock awards granted is measured using the fair value of the Company's common stock on the date of grant or the most recent modification date, whichever is later. The Company records compensation expense for all share-based payment awards ratably over the vesting period. For awards with graded vesting, the Company measures fair value and records compensation expense separately for each vesting tranche. Stock-based compensation expense recognized in the consolidated statements of income for each of the three years in the period ended **December 31, 2022** December 31, 2023 is based on awards ultimately expected to vest and, therefore, has been adjusted for estimated forfeitures. The Company estimates forfeitures at the time of grant and revises the estimate, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The forfeiture rate used is based on historical experience. The Company also assesses

the likelihood that performance criteria associated with performance-based awards will be met. If it is determined that it is more likely than not that performance criteria will not be achieved, the Company revises its estimate of the number of shares it believes will ultimately vest. Refer to Note **16** 15 for additional information.

#### Net Income Per Share

Basic earnings per share is computed by dividing net income by the weighted average number of shares of common stock outstanding during the periods. Diluted earnings per share reflects the potential dilution that could occur assuming conversion or exercise of all dilutive unexercised stock options, restricted stock, and restricted stock **units** ('stock

awards"). The dilutive effect of stock awards was determined using the treasury stock method. Under the treasury stock method, all of the following are assumed to be used to repurchase shares of the Company's common stock: (1) the proceeds received from the exercise of stock options, and (2) the amount of compensation cost associated with the stock awards for future service not yet recognized by the Company. Stock options, restricted stock, and restricted stock units awards are excluded from the computation of diluted earnings per share when their effect would be anti-dilutive.

Set forth below is a reconciliation of shares used to calculate basic and diluted earnings per share for each of the three years ended December 31, 2022 December 31, 2023 (in thousands):

	2020	2021	2022	2021	2022	2023
Weighted average shares outstanding used to compute basic earnings per share						
Weighted average shares outstanding used to compute basic earnings per share	22,633	23,955	23,679			
Incremental shares issuable upon the assumed exercise of stock options				14	5	3
Unvested restricted stock and restricted stock units				213	162	316
Shares used to compute diluted earnings per share				22,860	24,122	23,998
Anti-dilutive shares excluded from the diluted earnings per share calculation				63	324	114
Anti-dilutive shares excluded from the diluted earnings per share calculation						
Anti-dilutive shares excluded from the diluted earnings per share calculation						
<b>Comprehensive Income (Loss)</b>						

Comprehensive income (loss) includes net income and all changes in the Company's equity during a period from non-owner sources, which for the Company consists of unrealized gains and losses on available-for-sale marketable securities, net of tax, and foreign currency translation adjustments. As of December 31, 2020 and 2021, December 31, 2021, the balance of accumulated other comprehensive income was \$48.9 million, net of tax of \$0.3 million and \$9.2 million, net of tax of \$0.2 million, respectively, and as of December 31, 2022 and 2023, the balance of accumulated comprehensive loss was \$35.1 million, net of tax of \$0.1 million. During the year ended December 31, 2020, approximately \$25,000, and \$34.2 million, net of tax of \$10,000, of unrealized gains on available-for-sale marketable securities was reclassified out of accumulated other

comprehensive income (loss) to Other income on the consolidated statements of income: \$0.1 million, respectively. There were no reclassifications out of accumulated other comprehensive income (loss) to net income for the years ended December 31, 2021, 2022, and 2023.

#### Income Taxes

The Company provides for deferred income taxes based on temporary differences between financial statement and income tax bases of assets and liabilities using enacted tax rates in effect in the year in which the differences are expected to reverse. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount that more likely than not will be realized.

The ASC 740, *Income Taxes Topic*, ASC 740, requires the company to determine whether uncertain tax positions should be recognized within the Company's financial statements. The Company recognizes interest and penalties, if any, related to uncertain tax positions in income tax expense. Uncertain tax positions are recognized when a tax position, based solely on its technical merits, is determined more likely than not to be sustained upon examination. Upon determination, uncertain tax positions are measured to determine the amount of benefit that is greater than 50% likely to be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. A tax position is derecognized if it no longer meets the more likely than not threshold of being sustained.

The tax years since 2019 2020 remain open for federal tax examination, the tax years since 2018 2019 remain open to examination by certain states, and the tax years since 2017 2018 remain open to examination by foreign taxing jurisdictions in which the Company is subject to taxation.

#### Other Investments

The Company holds investments in certain limited partnerships that invest in innovative companies in the health care and education-related technology fields. The Company accounts for the investments in limited partnerships under the equity method. The Company's pro-rata share in the net income (loss) of the limited partnerships is included in Other income (loss) on the consolidated statements of income. The Company also holds investments accounted for at cost less impairment as these investments do not have readily determinable fair value.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the period reported. The most significant management estimates include allowances for credit losses, useful lives of property and equipment and intangible assets, incremental borrowing rates, potential sublease income and vacancy periods, accrued expenses, forfeiture rates and the likelihood of achieving performance criteria for stock-based awards, value of free courses earned by students that will be redeemed in the future, valuation of goodwill and intangible assets, and the provision for income taxes. Actual results could differ from those estimates.

#### Recently Issued Accounting Standards Not Yet Adopted

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU")2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* ("ASU 2023-07"), which requires disclosure of significant segment expenses that are regularly provided to the Chief Operating Decision Maker ("CODM") and included within each reported measure of segment profit or loss. The standard also requires disclosure of the title and position of the individual identified as the CODM and an explanation of how the CODM uses the reported measures of segment profit or loss in assessing segment performance and deciding how to allocate resources. Additionally, ASU 2023-07 requires all segment disclosures to be provided on an annual and interim basis. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted and the amendments must be applied retrospectively. We are currently evaluating the impact that the standard will have on our financial statement disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740)—Improvements to Income Tax Disclosures* ("ASU 2023-09"), which requires disclosure of specific categories in the effective tax rate reconciliation. Further, the standard requires certain disclosures of state versus federal income tax expense and taxes paid. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024. Early adoption is permitted and the amendments should be applied on a prospective basis although retrospective application is permitted. We are currently evaluating the impact that the standard will have on our financial statement disclosures.

Other ASUs recently issued by the FASB but not yet effective are not expected to have a material effect on the Company's consolidated financial statements.

#### 3. Business Combinations

##### Acquisition of Torrens University and associated assets in Australia and New Zealand

On November 3, 2020, the Company completed its acquisition of Torrens University and associated assets in Australia and New Zealand pursuant to the sale and purchase agreement dated July 29, 2020. The acquired operations include Torrens University Australia, Think Education, and Media Design School, which together provide diversified student curricula to approximately 19,000 students across five industry verticals, including business, hospitality, health, education, creative technology and design.

Pursuant to the purchase agreement, the aggregate consideration paid was approximately \$658.4 million in cash, which reflected the original agreed upon purchase price of \$642.7 million plus cash acquired in the transaction.

The Company applied the acquisition method of accounting to ANZ, whereby the excess of the acquisition date fair value of consideration transferred over the fair value of identifiable net assets was allocated to goodwill. Goodwill reflects workforce and synergies expected from cost savings, operations, and revenue enhancements of the combined

company that are expected to result from the acquisition. The goodwill recorded as part of the acquisition was allocated to the Australia/New Zealand reportable segment in the amount of \$546.3 million, and is not deductible for tax purposes.

The Company incurred \$8.1 million of acquisition-related costs related to this acquisition. These costs were primarily attributable to legal, financial, and accounting support services incurred by the Company in connection with the acquisition, and are included in Merger and integration costs on the consolidated statements of income.

During the year ended December 31, 2021, the Company finalized the fair value of assets acquired and liabilities assumed. In 2021, the Company recorded a measurement period adjustment that reduced Property and equipment, net by \$0.3 million and increased goodwill by \$0.3 million. This measurement period adjustment is reflected in the fair value of assets acquired and liabilities assumed in the table below.

The fair value of assets acquired and liabilities assumed as well as a reconciliation to consideration transferred is presented in the table below (in thousands):

Cash and cash equivalents	\$	16,082
Tuition receivable		24,447
Other current assets		17,713
Property and equipment, net		41,508
Right-of-use lease assets		44,229
Intangible assets		103,161
Goodwill		546,315
Other assets		2,799
<b>Total assets acquired</b>		<b>796,254</b>
Accounts payable and accrued expenses		(33,876)
Income taxes payable		(229)
Contract liabilities		(33,309)
Lease liabilities		(9,685)
Deferred income taxes		(18,712)
Lease liabilities, non-current		(34,544)
Other long-term liabilities		(7,520)
<b>Total liabilities assumed</b>		<b>(137,875)</b>
<b>Total consideration</b>	<b>\$</b>	<b>658,379</b>

The table below presents a summary of intangible assets acquired (in thousands) and the weighted average useful lives of these assets:

			Weighted Average
		Fair Value	Useful Life in Years
Trade names	\$	68,774	Indefinite
Student relationships		34,387	3
	\$	103,161	

The Company determined the fair value of assets acquired and liabilities assumed based on assumptions that reasonable market participants would use while employing the concept of highest and best use of the assets and liabilities. The Company utilized the following assumptions, some of which include significant unobservable inputs which would qualify the valuations as Level 3 measurements, and valuation methodologies to determine fair value:

- **Intangible assets**
  - **Trade names** - to determine the fair value of the trade names, the Company used the relief from royalty approach, which involved the use of estimates and assumptions with respect to the timing and amounts of future cash flows, revenue growth rates, royalty rate, and discount rate. Key assumptions used in the valuation included revenue growth rates ranging from 2.5% to 6.3% per year, a royalty rate of 2.5% and a discount rate of 11%.
  - **Student relationships** - to determine the fair value of the student relationships, the Company used the excess earnings method, which involved the use of estimates and assumptions with respect to the timing and amounts of future cash flows, earnings before interest and taxes margins, annual attrition rate, and discount rate. Key assumptions used in the valuation included an annual attrition rate of 60% and a discount rate of 11%.

- Property and equipment - Included in property and equipment is course content of \$10.0 million. To determine the fair value of course content, the Company used the relief from royalty approach, which involved the use of estimates and assumptions with respect to the timing and amounts of future cash flows, revenue growth rates, royalty rate, and discount rate. Key assumptions used in the valuation included revenue growth rates ranging from 5.6% to 6.2%, a royalty rate of 3% and a discount rate of 11%. The course content will be amortized over 3 years. All other property and equipment was valued at estimated cost.
- Contract liabilities - The Company estimated the fair value of contract liabilities using the cost build-up method, which represents the cost to deliver the services plus a normal profit margin. Based on this method, fair value of contract liabilities were estimated to be 70% of carrying value as of the acquisition date.
- Other current and noncurrent assets and liabilities - The carrying value of all other assets and liabilities approximated fair value at the time of acquisition.

The operations of ANZ were included in the consolidated financial statements as of the acquisition date. The revenue and net loss for ANZ reported within the consolidated statements of income for the year ended December 31, 2020 were \$23.4 million and \$10.5 million, respectively.

#### Pro Forma Financial Information

The following unaudited pro forma information has been presented as if the ANZ acquisition occurred on January 1, 2020. The information is based on the historical results of operations of the acquired business, adjusted for:

- The allocation of purchase price and related adjustments, including the adjustments to amortization expense related to the fair value of intangible assets acquired;
- The exclusion of acquisition-related costs incurred during the year ended December 31, 2020;
- Associated tax-related impacts of adjustments; and
- Changes to align accounting policies.

The pro forma results do not necessarily represent what would have occurred if the acquisition had actually taken place on January 1, 2020, nor do they represent the results that may occur in the future. The pro forma adjustments are based on available information and upon assumptions the Company believes are reasonable to reflect the impact of this acquisition on the Company's historical financial information on a supplemental pro forma basis. The following table presents the Company's pro forma combined revenues and net income (in thousands). Pro forma results for the years ended December 31, 2021 and 2022 are not presented below because the results of ANZ are included in the Company's December 31, 2021 and 2022 consolidated statements of income.

	Pro Forma Combined	
	Year Ended December 31, 2020	
Revenue	\$ 1,244,440	
Net Income	105,431	

#### 4. Revenue Recognition

The Company's revenues primarily consist of tuition revenue arising from educational services provided in the form of classroom instruction and online courses. Tuition revenue is deferred and recognized ratably over the period of instruction, which varies depending on the course format and chosen program of study. Capella University's GuidedPath classes and Strayer University's educational programs and Capella University's GuidedPath classes typically are offered on a quarterly basis, and such periods coincide with the Company's quarterly financial reporting periods, while Capella University's FlexPath courses are delivered over a twelve-week subscription period. Torrens University offers the majority of its education programs on a trimester system having three primary academic terms, which all occur within the calendar year.

The following table presents the Company's revenues from contracts with customers disaggregated by material revenue category for the years ended December 31, 2020 December 31, 2021, 2021, 2022, and 2022 2023 (in thousands):

U.S. Higher Education Segment	U.S. Higher Education Segment	2020			2021			2022			2023		
		Tuition, net of discounts, grants and scholarships	Other <sup>(1)</sup>	Total U.S. Higher Education Segment	Tuition, net of discounts, grants and scholarships	Other <sup>(1)</sup>	Total U.S. Higher Education Segment	Tuition, net of discounts, grants and scholarships	Other <sup>(1)</sup>	Total U.S. Higher Education Segment	Tuition, net of discounts, grants and scholarships	Other <sup>(1)</sup>	Total U.S. Higher Education Segment
Tuition, net of discounts, grants and scholarships		\$ 928,476	\$ 38,103	\$ 966,579	\$ 795,266	\$ 34,004	\$ 829,270	\$ 738,050	\$ 32,929	\$ 770,979			
Other <sup>(1)</sup>													
Total U.S. Higher Education Segment													

Australia/New Zealand Segment	Australia/New Zealand Segment			
Tuition, net of discounts, grants and scholarships	Tuition, net of discounts, grants and scholarships	22,431	245,791	224,400
Tuition, net of discounts, grants and scholarships	Tuition, net of discounts, grants and scholarships			
Other <sup>(1)</sup>	Other <sup>(1)</sup>	950	4,333	6,347
Total	Total			
Australia/New Zealand Segment	Australia/New Zealand Segment	23,381	250,124	230,747
Education Technology Services Segment <sup>(2)</sup>	Education Technology Services Segment <sup>(2)</sup>	37,693	52,292	63,754
Consolidated revenue	Consolidated revenue	\$1,027,653	\$1,131,686	\$1,065,480

<sup>(1)</sup> Other revenue is primarily comprised of academic fees, sales of course materials, placement fees and other non-tuition revenue streams.

<sup>(2)</sup> Education Technology Services revenue is primarily derived from tuition revenue.

Revenues are recognized when control of the promised goods or services is transferred to customers in an amount that reflects the consideration the Company expects to be entitled to receive in exchange for those goods and services. The Company applies the five-step revenue model under ASC 606 to determine when revenue is earned and recognized.

Arrangements with students may have multiple performance obligations. For such arrangements, the Company allocates net tuition revenue to each performance obligation based on its relative standalone selling price. The Company generally determines standalone selling prices based on the prices charged to customers and observable market prices. The standalone selling price of material rights to receive free classes or scholarships in the future is estimated based on class tuition prices or amounts of scholarships, and likelihood of redemption based on historical student attendance and completion behavior.

At the start of each academic term or program, a contract liability is recorded for academic services to be provided, and a tuition receivable is recorded for the portion of the tuition not paid in advance. Any cash received prior to the start of an academic term or program is recorded as a contract liability. Some students may be eligible for scholarship awards, the estimated value of which will be realized in the future and is deducted from revenue when earned, based on historical student attendance and completion behavior. Contract liabilities are recorded as a current or long-term liability in the consolidated balance sheets based on when the benefits are expected to be realized. Substantially all of the contract liability balance classified as short term at the beginning of the year was recognized into revenue during the year ended **December 31, 2022** **December 31, 2023**.

Course materials are available to enable students to access electronically all required materials for courses in which they enroll during the quarter. Revenue derived from course materials is recognized ratably over the duration of the course as the Company provides the student with continuous access to these materials during the term. For sales of certain other course materials, the Company is considered the agent in the transaction, and as such, the Company recognizes revenue net of amounts owed to the vendor at the time of sale. Revenues also include certain academic fees recognized within the quarter of instruction, and certificate revenue and licensing revenue, which are recognized as the services are provided.

#### Contract Liabilities - Graduation Fund

Strayer University offers the Graduation Fund, which allows undergraduate and graduate students to earn tuition credits that are redeemable in the final year of a student's course of study if he or she successfully remains in the program. Students registering in credit-bearing courses in any undergraduate or graduate degree program receive one free course for every three courses that the student successfully completes. To be eligible, students must meet all of Strayer University's admission requirements, and must be enrolled in a bachelor's or master's degree program. Students who have more than one consecutive term of non-attendance lose any Graduation Fund credits earned to date, but may earn and accumulate new credits if the student is reinstated or readmitted by Strayer University in the future.

Revenue from students participating in the Graduation Fund is recorded in accordance with ASC 606. The Company defers the value of the related performance obligation associated with the credits estimated to be redeemed in the future based on the underlying revenue transactions that result in progress by the student toward earning the benefit. The Company's estimate of the benefits that will be redeemed in the future is based on its historical experience of student persistence toward completion of a course of study within this program and similar programs. Each quarter, the Company assesses its assumptions underlying

these estimates, and to date, any adjustments to the estimates have not been material. The amount estimated to be redeemed in the next 12 months is \$17.9 million \$18.1 million and is included as a current contract liability in the consolidated balance sheets. The remainder is expected to be redeemed within two to four years.

The table below presents activity in the contract liability related to the Graduation Fund for the years ended December 31, 2021 December 31, 2022 and 2022 2023 (in thousands):

	December 31, 2021	December 31, 2022	December 31, 2022	December 31, 2023
Balance at beginning of period	\$53,314	\$52,024		
Revenue deferred	21,067	16,897		
Benefit redeemed	(22,357)	(22,079)		
Balance at end of period	\$52,024	\$46,842		

The portion of the Graduation Fund balance related to students enrolled in undergraduate degree programs was \$48.6 million \$41.7 million and \$41.7 million \$40.6 million as of December 31, 2021 December 31, 2022 and 2022, 2023, respectively. The remaining Graduation Fund balance related to students enrolled in master's degree programs.

#### Contract Liabilities – Tuition Cap

Students in certain programs at Capella University and Strayer University may be eligible for tuition cap pricing, wherein their tuition is waived once the student has reached the designated dollar cap threshold for their program. The Company defers the value of the related performance obligation associated with this tuition benefit estimated to be redeemed in the future based on the underlying revenue transactions that result in progress by the student towards reaching the tuition cap. The Company's estimate of the benefits that will be redeemed in the future is based on its historical experience of student persistence toward completion of a course of study within these programs or similar programs. Each quarter, the Company assesses its assumptions underlying these estimates. As of December 31, 2022 and 2023, the Company had \$4.7 million and \$11.8 million, respectively, of contract liabilities in the consolidated balance sheets related to tuition cap benefits that are estimated to be redeemed in the future. The amount estimated to be redeemed in the next 12 months is \$4.7 million and is included as a current contract liability in the consolidated balance sheets.

#### Unbilled Receivables – Student Tuition

Academic materials may be shipped to certain new undergraduate students in advance of the term of enrollment. Under ASC 606, the materials represent a performance obligation to which the Company allocates revenue based on the fair value of the materials relative to the total fair value of all the performance obligations in the arrangement with the student. When control of the materials passes to the student in advance of the term of enrollment, an unbilled receivable and related revenue are recorded.

#### Costs to Obtain a Contract

Certain commissions earned by third party international agents are considered incremental and recoverable costs of obtaining a contract with customers of ANZ in the Australia/New Zealand segment. These costs are deferred and then amortized over the period of benefit which ranges from one year to two years.

#### 5.4. Restructuring and Related Charges

The Company incurs severance and other employee separation costs related to voluntary and involuntary employee terminations that are not tied to a formal restructuring plan. During the year ended December 31, 2023, the Company incurred \$12.0 million of severance and other employee separation charges related to the elimination of certain positions. These severance and other employee separation charges are included in Restructuring costs on the consolidated statements of income.

The following details the changes in the Company's severance and other employee separation costs restructuring liabilities for the year ended December 31, 2023 (in thousands):

	Severance Restructuring Liability
Balance at December 31, 2022	\$ —
Restructuring and other charges	12,015
Payments	(11,220)
Balance at December 31, 2023 <sup>(1)</sup>	795

(1) Restructuring liabilities are included in accounts payable and accrued expenses.

The Company has also been evaluating its owned and leased real estate portfolio, which has resulted in the consolidation and sale of underutilized facilities. During the years ended December 31, 2021, 2022, and 2023, the Company recorded right-of-use lease asset charges of approximately \$18.9 million, \$1.2 million, and \$5.1 million, respectively, related to facilities consolidated during the period. The Company recorded net benefits related to the early termination and related extinguishment of lease liabilities of approximately \$0.2 million, \$1.2 million and \$0.1 million during the years ended December 31, 2021, 2022, and 2023, respectively. During the years ended December 31, 2021, 2022, and 2023, the Company recorded gains from the sale of property and equipment of owned campuses that were previously closed of approximately \$2.7 million, \$2.9 million and \$2.1 million, respectively. The Company also recorded fixed asset impairment charges of approximately \$2.7 million, \$2.5 million and \$0.4 million during the years ended December 31, 2021, 2022, and 2023, respectively. These right-of-use lease asset and fixed asset impairment charges, net benefits from early lease terminations, and gains on the sale of property and equipment are included in Restructuring costs on the consolidated statements of income.

In the third quarter of 2020, the Company began implementing a restructuring plan in an effort to reduce the ongoing operating costs of the Company to align with changes in enrollment following the COVID-19 pandemic. Under this plan, the Company incurred severance and other employee separation costs related to voluntary and involuntary employee terminations.

The following details the changes in the Company's severance and other employee separation costs restructuring liabilities related to restructuring plans for the years ended December 31, 2020, 2021, December 31, 2021 and 2022 (in thousands):

	CEC			2020			
	Integration		Restructuring		Plan(1)	Plan	Total
	CEC	Integration	CEC	Restructuring			
Balance at December 31, 2019			\$ 8,283	\$ —	\$ 8,283		
Restructuring and other charges			—	11,967	11,967		
Payments			(6,448)	(10,680)	(17,128)		
	CEC			CEC			2020
	Integration			Integration			Restructuring Plan
Balance at December 31, 2020	Balance at December 31, 2020	1,835	1,287	3,122			Total
Restructuring and other charges	Restructuring and other charges	—	4,618	4,618			
Payments	Payments	(1,835)	(4,293)	(6,128)			
Balance at December 31, 2021(2)	—	1,612	1,612				
Balance at December 31, 2021							
Restructuring and other charges	Restructuring and other charges	—	1,241	1,241			
Payments	Payments	—	(2,853)	(2,853)			
Balance at December 31, 2022	Balance at December 31, 2022	\$ —	\$ —	\$ —			

(1) Restructuring plan implemented following the Company's merger with CEC.

(2) Restructuring liabilities are included in accounts payable. The final severance payments under the CEC integration plan and accrued expenses.

The 2020 restructuring plan also included an evaluation of the Company's owned and leased real estate portfolio, which resulted in the consolidation and sale of underutilized facilities. During the years ended December 31, 2020, 2021, and 2022, the Company recorded right-of-use lease asset charges of approximately \$0.4 million, \$18.9 million, and \$1.2 million, respectively, related to facilities consolidated as a result of the restructuring plan. The Company recorded benefits related to the early termination and related extinguishment of lease liabilities of approximately \$0.2 million and \$1.2 million during the years ended December 31, 2021 and 2022, respectively. During the years ended December 31, 2021 and 2022, the Company recorded gains from the sale of property and equipment of owned campuses that were closed in connection with the 2020 restructuring plan were made in the third quarter of approximately \$2.7 million and \$2.9 million, respectively. The Company also recorded fixed asset impairment charges of approximately \$2.7 million and \$2.5 million during the years ended December 31, 2021 and 2022, respectively. All severance and other employee separation charges, right-of-use lease asset and fixed asset impairment charges, benefits from early lease terminations, and gains on the sale of property and equipment are included in Restructuring costs on the consolidated statements of income.

## 6.5. Marketable Securities

The following is a summary of available-for-sale and held-to-maturity securities as of December 31, 2023 (in thousands):

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized (Losses)	Estimated Fair Value
<b>Available-for-sale securities:</b>				
Tax-exempt municipal securities	\$ 10,055	\$ 2	\$ (144)	\$ 9,913
Corporate debt securities	3,202	—	(79)	3,123
Total available-for-sale securities	<u>\$ 13,257</u>	<u>\$ 2</u>	<u>\$ (223)</u>	<u>\$ 13,036</u>
<b>Held-to-maturity securities:</b>				
Term deposits	\$ 27,175	—	—	\$ 27,175

The following is a summary of available-for-sale securities as of December 31, 2022 (in thousands):

	Gross Amortized Cost	Gross Unrealized Gain	Gross Unrealized (Losses)	Estimated Fair Value
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized (Losses)	Estimated Fair Value
<b>Available-for-sale securities:</b>				
Tax-exempt municipal securities	\$ 15,852	\$ 2	\$ (507)	\$ 15,347
Corporate debt securities	7,140	—	(208)	6,932
Total	<u>\$ 22,992</u>	<u>\$ 2</u>	<u>\$ (715)</u>	<u>\$ 22,279</u>

The following is a summary of available-for-sale Company had no held-to-maturity securities as of December 31, 2021 (in thousands):

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized (Losses)	Estimated Fair Value
Tax-exempt municipal securities	\$ 18,546	\$ 271	—	\$ 18,817
Corporate debt securities	10,898	163	—	11,061
Total	<u>\$ 29,444</u>	<u>\$ 434</u>	<u>—</u>	<u>\$ 29,878</u>

December 31, 2022.

The unrealized gains and losses on the Company's investments in corporate debt and municipal securities as of December 31, 2021 December 31, 2022 and 2022 2023 were caused by changes in market values primarily due to interest rate changes. As of December 31, 2022 December 31, 2023, there the fair value of the Company's securities which were no securities in an unrealized loss position for a period longer than twelve months. The Company has no allowance for credit losses related to its available-for-sale securities as all investments are in investment grade securities. months was \$12.0 million. The Company does not intend to sell these securities, and it is not more likely than not that the Company will be required to sell these securities prior to the recovery of their amortized cost basis, which may be at maturity. No As such, no impairment charges were recorded during the years ended December 31, 2020 December 31, 2021, 2021, 2022, and 2022, 2023. The Company has no allowance for credit losses related to its available-for-sale or held-to-maturity securities as all investments are in investment grade securities.

The following table summarizes the maturities of the Company's marketable securities as of December 31, 2021 December 31, 2022 and 2022 2023 (in thousands):

	December 31, 2021	December 31, 2022	December 31, 2022	December 31, 2023
	Available-for-sale securities	Held-to-maturity securities	Available-for-sale securities	Held-to-maturity securities
Available-for-sale securities				

Due within one year	Due within one year	\$ 6,501	\$ 9,156
Due after one year through three years	Due after one year through three years	23,377	13,123
Total	Total	\$29,878	\$22,279

The following table summarizes the proceeds from the maturities and sales of available-for-sale securities for the years ended December 31, 2020 December 31, 2021, 2021, 2022, and 2022 2023 (in thousands):

	Maturities of marketable securities	December 31, 2020	December 31, 2021	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2023
		\$34,728	\$ 7,495	\$ 6,420			
Sales of marketable securities	Sales of marketable securities	1,464	1,805	—			
Total	Total	\$36,192	\$ 9,300	\$ 6,420			

The Company recorded approximately \$35,000 in gross realized gains and \$0.8 million \$0.8 million in gross realized losses in net income during the years year ended December 31, 2020 and 2021, respectively December 31, 2021 related to the sale of marketable securities. The Company did not record any gross realized gains or losses in net income during the year years ended December 31, 2022 and December 31, 2022 2023.

## 7.6. Property and Equipment

The composition of property and equipment as of December 31, 2021 December 31, 2022 and 2022 2023 is as follows (in thousands):

	Land	December 31, 2021	December 31, 2022	Estimated useful life (years)	December 31, 2022		December 31, 2023	Estimated useful life (years)
		\$ 5,380	\$ 3,597		9,856	6,707		
Buildings and improvements	Buildings and improvements	16,691	9,856	5-40	Buildings and improvements	9,856	6,707	5-40
Furniture and office equipment	Furniture and office equipment	65,054	40,539	5-7	Furniture and office equipment	40,539	40,520	5-7
Computer hardware	Computer hardware	20,175	13,152	3-7	Computer hardware	13,152	12,339	3-7
Computer software	Computer software	199,635	212,832	3-10	Computer software	212,832	173,537	3-10
Leasehold improvements	Leasehold improvements	71,633	70,921	3-15	Leasehold improvements	70,921	72,351	3-15
Construction in progress	Construction in progress	9,246	7,016	—				
Accumulated depreciation and amortization	Accumulated depreciation and amortization	(237,225)	(225,068)					
		387,814	357,913					

Accumulated depreciation and amortization	
Accumulated depreciation and amortization	
	<u>\$150,589</u> <u>\$132,845</u>

Construction in progress includes costs associated with the construction and renovation of facilities and the development of information technology applications.

#### 8.7. Leases

The Company has long-term, non-cancelable operating leases for campuses and other administrative facilities. These leases generally range from 3 years to 15 years and may include renewal options to extend the lease term. In addition, the leases commonly include lease incentives in the form of rent abatements and tenant improvement allowances. The Company subleases certain portions of unused building space to third parties.

The components of lease costs were as follows for the years ended December 31, 2020 December 31, 2021, 2021, 2022, and 2022 2023 (in thousands)

Lease Cost:	Lease Cost:	2020			2021		2022		2023	
		Operating lease cost <sup>(1)</sup>								
Operating lease cost <sup>(1)</sup>	Operating lease cost <sup>(1)</sup>	\$28,337	\$53,957	\$28,404						
Short-term lease cost	Short-term lease cost	534	1,768	641						
Sublease income	Sublease income	(2,240)	(2,255)	(1,135)						
Total lease costs	Total lease costs	\$26,631	\$53,470	\$27,910						

(1) During the years ended December 31, 2020 December 31, 2021, 2021 2022 and 2022 2023, operating lease cost includes \$0.8 million \$18.9 million, \$18.9 million \$1.2 million, and \$1.2 million \$5.1 million of right-of-use lease asset impairment charges, respectively, related to redundant leased space that was vacated during the year.

The following table provides a summary of the Company's average lease term and discount rate as of December 31, 2021 December 31, 2022 and 2022 2023:

As of December 31, 2021	As of December 31, 2022		As of December 31, 2023	
	Weighted average remaining lease term (years)	Weighted average discount rate	Weighted average remaining lease term (years)	Weighted average discount rate
Weighted average remaining lease term (years)	7.8	7.2	7.2	6.6
Weighted average discount rate	4.01 %	4.05 %	4.05 %	4.27 %

Supplemental information related to the Company's leases for the years ended December 31, 2020 December 31, 2021, 2021 2022, and 2022 2023 (in thousands):

	Year ended December 31, 2020	Year ended December 31, 2021	Year ended December 31, 2022
	31, 2020	31, 2021	31, 2022

	Year ended December 31, 2021	Year ended December 31, 2021	Year ended December 31, 2022	Year ended December 31, 2023
Cash paid for amounts included in the measurement of lease liabilities	Cash paid for amounts included in the measurement of lease liabilities	\$32,510	\$43,021	\$35,138
Right-of-use assets obtained in exchange for operating lease liabilities	Right-of-use assets obtained in exchange for operating lease liabilities	\$12,763	\$79,953	\$ 4,674

Maturities of lease liabilities (in thousands):

Year Ending December 31,	Year Ending December 31,	
2023		\$ 29,704
2024		
2024	2024	29,128
2025	2025	25,316
2026	2026	22,744
2027	2027	19,802
2028		
Thereafter	Thereafter	57,135
Total lease payments	Total lease payments	183,829
Less: interest	Less: interest	(25,944)
Present value of lease liabilities	Present value of lease liabilities	\$ 157,885

#### 9.8. Fair Value Measurement

Assets and liabilities measured at fair value on a recurring basis consist of the following as of December 31, 2023 (in thousands):

	Fair Value Measurements at Reporting Date Using					
	December 31,		Assets/Liabilities		Significant	
	2023	(Level 1)	Quoted Prices in Active Markets for Identical Assets/Liabilities	Other Observable Inputs	Significant Unobservable Inputs	
<b>Assets:</b>						
Money market funds	\$ 92,231	\$ 92,231	\$ —	\$ —	\$ —	\$ —
U.S. treasury bills	5,000	5,000	—	—	—	—
<b>Available-for-sale securities:</b>						
Tax-exempt municipal securities	9,913	—	—	9,913	—	—
Corporate debt securities	3,123	—	—	3,123	—	—
<b>Total assets at fair value on a recurring basis</b>	<b>\$ 110,267</b>	<b>\$ 97,231</b>	<b>\$ 13,036</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>

Assets measured at fair value on a recurring basis consist of the following as of December 31, 2022 (in thousands):

	Fair Value Measurements at Reporting Date Using					

	December 31, 2022	Quoted Prices in Active Markets for Identical Assets/Liabilities		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)	
		(Level 1)	(Level 2)	(Level 1)	(Level 2)	(Level 3)	
<b>Assets:</b>							
Money market funds		\$ 217	\$ 217	\$ —	\$ —		
Marketable securities:							
Tax-exempt municipal securities		15,347	—	15,347	—		
Corporate debt securities		6,932	—	6,932	—		
<b>Total assets at fair value on a recurring basis</b>		<b>\$ 22,496</b>	<b>\$ 217</b>	<b>\$ 22,279</b>	<b>\$ —</b>		

Assets and liabilities measured at fair value on a recurring basis consist of the following as of December 31, 2021 (in thousands):

Assets:	Assets:	Fair Value Measurements at Reporting Date Using						
		Quoted Prices in Active Markets for Identical Assets/Liabilities			Fair Value Measurements at Reporting Date Using			
		December 31, 2021	Assets/Liabilities (Level 1)	Inputs (Level 2)	Inputs (Level 3)	December 31, 2022	Assets/Liabilities (Level 1)	Inputs (Level 2)
<b>Assets:</b>								
Money market funds	Money market funds	\$ 4,134	\$ 4,134	\$ —	\$ —			
Marketable securities:								
<u>Available-for-sale securities:</u>								
Tax-exempt municipal securities								
Tax-exempt municipal securities								
Tax-exempt municipal securities	Tax-exempt municipal securities	18,817	—	18,817	—			
Corporate debt securities	Corporate debt securities	11,061	—	11,061	—			
<b>Total assets at fair value on a recurring basis</b>	<b>Total assets at fair value on a recurring basis</b>	<b>\$34,012</b>	<b>\$ 4,134</b>	<b>\$ 29,878</b>	<b>\$ —</b>			
<b>Liabilities:</b>								
Deferred payments	Deferred payments	\$ 658	\$ —	\$ —	\$ 658			

The Company measures the above items on a recurring basis at fair value as follows:

- Money market funds and U.S. treasury bills — Classified in Level 1 is excess cash the Company holds in money market funds and U.S. treasury bills with original maturities of three months or less, which are included in cash and cash equivalents in the accompanying consolidated balance sheets. The Company records any net unrealized gains and losses for changes in fair value as a component of accumulated other comprehensive income (loss) in stockholders' equity. The Company's cash and cash equivalents and held-to-maturity securities held at December 31, 2021 December 31, 2022 and 2022, 2023, approximate fair value and are not disclosed in the above tables because of the short-term nature of the financial instruments.
- Marketable Available-for-sale securities — Classified in Level 2 and valued using readily available pricing sources for comparable instruments utilizing observable inputs from active markets. The Company does not hold securities in inactive markets.
- Deferred payments —

The Company did not change its valuation techniques associated with recurring fair value measurements from prior periods and did not transfer assets or liabilities between levels of the fair value hierarchy during the years ended December 31, 2022 or 2023.

The Company acquired certain assets and entered into deferred payment arrangements with the sellers in transactions that occurred in 2011. The deferred payments were classified within Level 3 as there was no liquid market for similarly priced instruments and were valued using discounted cash flow models that encompassed significant unobservable inputs. The assumptions used to prepare the discounted cash flows included estimates for interest rates, enrollment growth, retention rates, and pricing strategies. The final payment related to the deferred payment arrangements was made in the first quarter of 2022.

The Company did not change its valuation techniques associated with recurring fair value measurements from prior periods and did not transfer assets or liabilities between levels of the fair value hierarchy during the years ended December 31, 2021 or 2022.

Changes in the fair value of the Company's Level 3 liabilities during the years ended December 31, 2021 and 2022 are as follows (in thousands):

	December 31, 2021	December 31, 2022
Balance as of the beginning of period	\$ 1,658	\$ 658
Amounts paid	(1,470)	(658)
Other adjustments to fair value	470	—
Balance at end of period	<u>\$ 658</u>	<u>\$ —</u>
		December 31, 2022
Balance as of the beginning of period	\$ 658	\$ 658
Amounts paid	(658)	—
Balance at end of period	<u>\$ —</u>	<u>\$ —</u>

#### 10.9. Goodwill and Intangible Assets

##### Goodwill

During the first quarter of 2021, the Company reallocated a portion of its goodwill to the Education Technology Services segment based on a relative fair value analysis performed using several probability weighted scenarios. The following table presents changes in the carrying value of goodwill by segment for the years ended December 31, 2021 December 31, 2022 and 2023 (in thousands):

	U.S. Higher Education	Australia / New Zealand	Services	Total
Balance as of December 31, 2020	\$ 732,075	\$ 586,451	\$ —	\$ 1,318,526
Reporting unit reallocation <sup>(1)</sup>	(100,000)	—	100,000	—
Additions	—	—	—	—
Impairments	—	—	—	—
Currency translation adjustments	—	(32,924)	—	(32,924)
Adjustments to prior acquisitions <sup>(2)</sup>	—	262	—	262
Balance as of December 31, 2021	<u>632,075</u>	<u>553,789</u>	<u>100,000</u>	<u>1,285,864</u>
Additions	—	947	—	947
Impairments	—	—	—	—
Currency translation adjustments	—	(35,621)	—	(35,621)
Adjustments to prior acquisitions	—	87	—	87
Balance as of December 31, 2022	<u>\$ 632,075</u>	<u>\$ 519,202</u>	<u>\$ 100,000</u>	<u>\$ 1,251,277</u>

(1) Represents the reallocation of goodwill as a result of the Company reorganizing its segments in 2021.

(2) Represents a measurement period adjustment recorded in 2021 related to the Company's acquisition of ANZ, as discussed in Note 3.

	U.S. Higher Education	Australia / New Zealand	Services	Total
Balance as of December 31, 2021	\$ 632,075	\$ 553,789	\$ 100,000	\$ 1,285,864
Additions	—	947	—	947
Impairments	—	—	—	—
Currency translation adjustments	—	(35,621)	—	(35,621)
Adjustments to prior acquisitions	—	87	—	87
Balance as of December 31, 2022	<u>632,075</u>	<u>519,202</u>	<u>100,000</u>	<u>1,251,277</u>
Additions	—	—	—	—

Impairments	—	—	—	—
Currency translation adjustments	—	611	—	611
Adjustments to prior acquisitions	—	—	—	—
Balance as of December 31, 2023	\$ 632,075	\$ 519,813	\$ 100,000	\$ 1,251,888

The Company assesses goodwill at least annually for impairment during the fourth quarter, or more frequently if events occur or circumstances change between annual tests that would more likely than not reduce the fair value of the respective reporting unit below its carrying amount.

In 2022, 2023, the Company performed a qualitative impairment assessment of goodwill assigned to all reporting units, except for the goodwill assigned to the ANZ Capella University and Strayer University reporting unit, units, using the first day of the fourth quarter of 2022 2023 as the assessment date. The Company evaluated the likelihood of impairment by considering qualitative factors relevant to the reporting units, such as macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, and any other factors that have a significant bearing on fair value. Based on the results of its qualitative impairment analysis, the Company determined that no impairment indicators existed for these reporting units as of the assessment date.

In 2022, Given the length of time since the last valuation, in 2023 the Company performed elected to bypass a quantitative qualitative annual impairment assessment for goodwill assigned to the ANZ Capella University and Strayer University reporting unit units and proceeded directly to a quantitative impairment assessment using the first day of the fourth quarter of 2022 2023 as the assessment date. The Company used an income-based approach to determine the fair value of the ANZ Capella University and Strayer University reporting unit, units. The income approach consisted of a discounted cash flow model that included projections of future cash flows for the ANZ two reporting unit,

units, calculating a terminal value, and discounting such cash flows by a risk adjusted rate of return. The determination of fair value consists of using unobservable inputs under the fair value measurement standards.

The Company believes that the most critical assumptions and estimates used in determining the estimated fair value of the ANZ Capella University and Strayer University reporting unit units include, but are not limited to, the amounts and timing of expected future cash flows, new international student enrollment growth, operating margins, the discount rate, and the terminal growth rate. The assumptions used in determining the expected future cash flows consider various factors such as historical operating trends, particularly in student enrollment and pricing, anticipated economic and regulatory conditions, reasonable expectations for planned business expansion opportunities, and long-term operating strategies and initiatives. The discount rate is based on the Company's assumption of a prudent investor's required rate of return for assuming the risk of investing in a particular company. The terminal growth rate reflects the sustainable operating income a reporting unit could generate in a perpetual state as a function of revenue growth, inflation, and future margin expectations. The Company believes that these assumptions are consistent with a reasonable market participant view while employing the concept of highest and best use of the asset.

Based on the results of its quantitative impairment assessment, the Company concluded that the fair value values of its ANZ Capella University and Strayer University reporting unit units exceeded its their carrying value, values. Accordingly, no goodwill impairment charges were recorded during the years ended December 31, 2020 December 31, 2021, 2021, 2022, and 2022, 2023.

#### Intangible Assets

The following table represents the balance of the Company's intangible assets as of December 31, 2021 December 31, 2022 and 2022 2023 (in thousands):

		December 31, 2021			December 31, 2022			December 31, 2022			December 31, 2023		
		Gross		Gross		Gross		Gross		Gross		Gross	
		Carrying Amount	Amortization	Net	Carrying Amount	Amortization	Net	Carrying Amount	Amortization	Net	Carrying Amount	Amortization	Net
Subject to amortization	Subject to amortization							Subject to amortization					
Student relationships	Student relationships	\$201,309	\$(180,007)	\$ 21,302	\$200,185	\$(191,125)	\$ 9,060						
Not subject to amortization	Not subject to amortization												
Trade names	Trade names	255,078	—	255,078	251,481	—	251,481						
Trade names													
Total	Total	\$456,387	\$(180,007)	\$276,380	\$451,666	\$(191,125)	\$260,541						

The Company's finite-lived intangible assets are comprised of student relationships, which are being were amortized on a straight-line basis over a three-year useful life. Straight-line amortization expense for finite-lived intangible assets reflects the pattern in which the economic benefits of the assets are consumed over their estimated useful lives. Amortization expense related to finite-lived intangible assets was \$57.3 million \$44.3 million, \$44.3 million \$11.1 million, and \$11.1 million \$8.9 million for the years ended December 31, 2020 December 31, 2021, 2021 2022 and 2022, 2023, respectively. In 2023, the Company will recognize the remaining \$9.1 million As of amortization expense related to its December 31, 2023, all finite-lived intangible assets assets were fully amortized.

Indefinite-lived intangible assets not subject to amortization consist of trade names. The Company assigned an indefinite useful life to its trade name intangible assets, as it is believed these assets have the ability to generate cash flows indefinitely. In addition, there are no legal, regulatory, contractual, economic, or other factors to limit the useful life of the trade name intangibles.

The Company assesses indefinite-lived intangible assets at least annually for impairment during the fourth quarter, or more frequently if events occur or circumstances change between annual tests that would more likely than not reduce the fair value of the respective indefinite-lived intangible asset below its carrying amount.

In 2022, 2023, the Company performed a qualitative impairment assessment related to its indefinite-lived intangible assets, except for the ANZ Capella University trade names, name, using the first day of the fourth quarter of 2022, 2023 as the assessment date. The Company evaluated the likelihood of impairment by considering qualitative factors, such as macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, and any other factors that have a significant bearing on fair value. Based on the results of its qualitative impairment analysis, the Company determined that no impairment indicators existed for these indefinite-lived intangible assets as of the assessment date.

In 2022, 2023, the Company performed a quantitative impairment assessment for indefinite-lived intangible assets related to the ANZ Capella University trade names, name using the first day of the fourth quarter of 2022, 2023 as the assessment date. The Company used an income-based approach to determine the fair value of the ANZ Capella University trade names, name. The income approach consisted of a discounted cash flow model, using the relief from royalty method, which included a projection of future revenues for ANZ Capella University, identifying a royalty rate, calculating a terminal value, and discounting such cash flows by a risk adjusted rate of return. The determination of fair value of the ANZ Capella University trade name primarily consists of using unobservable inputs under the fair value measurement standards.

The Company believes that the most critical assumptions and estimates used in determining the estimated fair value of the ANZ Capella University trade names, name include, but are not limited to, the amounts and timing of future revenue growth rates, the royalty rate, the discount rate, and the terminal growth rate. The assumptions used in determining the expected future revenue growth rates consider various factors such as historical operating trends, particularly in student enrollment and pricing, anticipated economic and regulatory conditions, reasonable expectations for planned business expansion opportunities, and long-term operating strategies and initiatives. The royalty rate is based on the Company's assumption of what a reasonable market participant would pay to license the ANZ Capella University trade names, name, expressed as a percentage of revenues. The discount rate is based on the Company's assumption of a prudent investor's required rate of return for assuming the risk of investing in a particular company. The terminal growth rate reflects the sustainable revenue growth the business could generate in a perpetual state as a function of inflationary expectations. The Company believes that these assumptions are consistent with a reasonable market participant view while employing the concept of highest and best use of the asset.

Based on the results of its quantitative impairment assessment, the Company concluded that the fair value of the ANZ Capella University trade names, name exceeded its carrying value. Accordingly, there were no impairment charges related to indefinite-lived intangible assets recorded during the years ended December 31, 2020, December 31, 2021, 2021, 2022, and 2022, 2023.

#### 11.10. Other Current Assets

Other current assets consist of the following as of December 31, 2021, December 31, 2022 and 2022, 2023 (in thousands):

	December 31, 2021	December 31, 2022	December 31, 2022	December 31, 2023
Prepaid expenses	Prepaid expenses	17,862	19,073	
Restricted cash	Restricted cash	9,794	13,287	
Cloud computing costs		5,019	7,859	
Cloud computing arrangements				
Other	Other	8,102	3,066	
Other current assets	Other current assets	\$40,777	\$43,285	

#### 12.11. Other Assets

Other assets consist of the following as of December 31, 2021, December 31, 2022 and 2022, 2023 (in thousands):

	December 31, 2021	December 31, 2022	December 31, 2022	December 31, 2023
Prepaid expenses, net of current portion	Prepaid expenses, net of current portion	\$19,852	\$18,192	

Equity			
Equity method investments			
investments	investments	15,582	13,879
Cloud computing arrangements			
		5,957	7,507
Cloud computing arrangements, net of current portion			
Other investments	Other investments	3,576	3,396
Tuition receivable, net, non-current	Tuition receivable, net, non-current	2,466	2,673
Other assets	Other assets	4,864	4,005
		<u>\$52,297</u>	<u>\$49,652</u>

#### Prepaid Expenses

Long-term prepaid expenses primarily relate to payments that have been made for future services to be provided after one year. In 2020, pursuant to the terms of the perpetual license agreement associated with JWMI, the Jack Welch Management Institute, the Company made a final one-time cash payment of approximately \$25.3 million for the right to continue to use the Jack Welch name and likeness. As of December 31, 2021 December 31, 2022 and 2022, \$19.2 million 2023, \$17.7 million and \$17.7 million \$16.2 million, respectively, of this payment is included in the prepaid expenses, net of current portion balance, as the payment is being amortized over an estimated useful life of 15 years.

#### Equity Method Investments

The Company holds investments in certain limited partnerships that invest in various innovative companies in the health care and education-related technology fields. The Company has commitments to invest up to an additional \$2.7 million \$2.4 million across these partnerships through 2031. The Company's investments range from 3%-5% of any partnership's interest and are accounted for under the equity method.

The following table illustrates changes in the Company's limited partnership investments for the years ended December 31, 2021 December 31, 2022 and 2022 2023 (in thousands):

	2021	2022	2023
	2022	2022	2023
Limited partnership investments, beginning of period	Limited partnership investments, beginning of period	\$15,795	\$15,582
Capital contributions	Capital contributions	892	160
Pro-rata share in the net income of limited partnerships	Pro-rata share in the net income of limited partnerships	4,925	348
Distributions	Distributions	(6,030)	(2,211)
Limited partnership investments, end of period	Limited partnership investments, end of period	<u>\$15,582</u>	<u>\$13,879</u>

#### Cloud Computing Arrangements

The Company defers implementation costs incurred in cloud computing arrangements and amortizes these costs over the term of the arrangement.

#### Other Investments

The Company holds investments in education **tech** **technology** start-ups focused on transformational technologies that improve student success. These investments are accounted for at cost less impairment as they do not have readily determinable fair value.

#### Tuition Receivable

Non-current tuition receivable, net, represents tuition that the Company expects to collect, but not within the next 12 months.

#### Other

Other is comprised primarily of deferred financing costs associated with the Company's credit facility, deferred contract costs related to commissions paid by ANZ in the Australia/New Zealand segment to third party international recruitment agents, and refundable security deposits associated with the Company's leased campus and office space.

### 13.12. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following as of **December 31, 2021** **December 31, 2022** and **2022** **2023** (in thousands):

		December 31, 2021	December 31, 2022	December 31, 2022	December 31, 2023
Trade payables	Trade payables	\$45,340	\$45,826		
Accrued compensation and benefits	Accrued compensation and benefits	27,424	32,608		
Accrued student obligations and other	Accrued student obligations and other	22,754	12,154		
Accounts payable and accrued liabilities		<u>\$95,518</u>	<u>\$90,588</u>		
Accounts payable and accrued expenses					

### 14.13. Long-Term Debt

On November 3, 2020, the Company entered into an amended credit facility ("Amended Credit Facility"), which provides for a senior secured revolving credit facility (the "Revolving Credit Facility") in an aggregate principal amount of up to **\$350**

**million.** **\$350 million.** The Amended Credit Facility provides the Company with an option, subject to obtaining additional loan commitments and satisfaction of certain conditions, to increase the commitments under the Revolving Credit Facility or establish one or more incremental term loans (each, an "Incremental Facility") in the future in an aggregate amount of up to the sum of (x) the greater of (A) \$300 million and (B) 100% of the Company's consolidated EBITDA (earnings before interest, taxes, depreciation, amortization, and noncash charges, such as stock-based compensation) calculated on a trailing four-quarter basis and on a pro forma basis, and (y) if such Incremental Facility is incurred in connection with a permitted acquisition or other permitted investment, any amounts so long as the Company's leverage ratio (calculated on a trailing four-quarter basis) on a pro forma basis will be no greater than 1.75:1.00. In addition, the Amended Credit Facility provides for a subfacility for borrowings in certain foreign currencies in an amount equal to the U.S. dollar equivalent of \$150 million. The maturity date of the Amended Credit Facility is November 3, 2025. The Company paid approximately \$1.9 million in debt financing costs associated with the Amended Credit Facility, and these costs are being amortized on a straight-line basis over the five-year term of the Amended Credit Facility.

On June 13, 2023, the Company amended its Revolving Credit Facility to replace references to LIBOR with alternative benchmark rates, including Term SOFR with respect to loans denominated in U.S. dollars, beginning on June 30, 2023. There were no other significant changes to the Revolving Credit Facility related to the amendment.

Borrowings under the Revolving Credit Facility bear interest at a per annum rate equal to **LIBOR** **Term SOFR** or a base rate, plus a margin ranging from 1.50% to 2.00% depending on the Company's leverage ratio. The Company also is subject to a quarterly unused commitment fee ranging from 0.20% to 0.30% per annum depending on the Company's leverage ratio, times the daily unused amount under the Revolving Credit Facility.

The Amended Credit Facility is guaranteed by all domestic subsidiaries, subject to certain exceptions, and secured by substantially all of the assets of the Company and its subsidiary guarantors. The Amended Credit Facility contains customary affirmative and negative covenants, representations, warranties, events of default, and remedies upon default, including acceleration and rights to foreclose on the collateral securing the Amended Credit Facility. In addition, the Amended Credit Facility requires that the Company satisfy certain financial maintenance covenants, including:

- A leverage ratio of not greater than 2.00 to 1.00. Leverage ratio is defined as the ratio of total debt (net of unrestricted cash in an amount not to exceed \$150 million) to trailing four-quarter EBITDA.
- A coverage ratio of not less than 1.75 to 1.00. Coverage ratio is defined as the ratio of trailing four-quarter EBITDA and rent expense to trailing four-quarter interest and rent expense.
- A U.S. Department of Education ("the Department" or "Department of Education") Financial Responsibility Composite Score of not less than 1.0 for any fiscal year and not less than 1.5 for any two consecutive fiscal years.

The Company was in compliance with all the covenants of the Amended Credit Facility as of December 31, 2022 December 31, 2023.

As of December 31, 2021 December 31, 2022 and 2022, 2023, the Company had approximately \$141.6 million \$101.4 million and \$101.4 million \$61.4 million, respectively, outstanding under the Revolving Credit Facility. Approximately \$3.6 million and \$3.4 million was denominated in Australian dollars as of December 31, 2021 December 31, 2022 and 2022, respectively, 2023. During each of the years ended December 31, 2022 and 2023, the Company repaid \$40.0 million of the outstanding balance under the Revolving Credit Facility.

During the years ended December 31, 2020 December 31, 2021, 2021 2022 and 2022, 2023, the Company paid \$1.0 million \$2.7 million, \$2.7 million \$4.2 million and \$4.2 million \$6.8 million, respectively, of interest and unused commitment fees related to its Revolving Credit Facility.

#### 15.14. Other Long-Term Liabilities

Other long-term liabilities consist of the following as of December 31, 2021 December 31, 2022 and 2022 2023 (in thousands):

	December 31, 2021	December 31, 2022	December 31, 2022	December 31, 2023
Contract liabilities, net of current portion	Contract liabilities, net of current portion	\$34,704	\$36,540	
Asset retirement obligations	Asset retirement obligations	9,122	6,283	
Other	Other	3,263	3,183	
Other long-term liabilities	Other long-term liabilities	\$47,089	\$46,006	

##### Contract Liabilities

As discussed in Note 4, in connection with its student tuition contracts, the Company has an obligation to provide free classes in the future should certain eligibility conditions be maintained (the Graduation Fund). Long-term contract liabilities represent the amount of revenue under these arrangements that the Company expects will be realized after one year.

##### Asset Retirement Obligations

Certain of the Company's lease agreements require the leased premises to be returned in a predetermined condition.

#### 16.15. Equity Awards

In connection with the merger with Capella Education Company on August 1, 2018, the Capella Education Company 2014 Equity Incentive Plan (the "2014 Capella Plan") and the Capella Education Company 2005 Stock Incentive Plan (collectively, the "Capella Plans") were assumed by the Company. Under the Capella Plans, shares of the Company's common stock were permitted to be issued upon the exercise or settlement of equity awards that were granted prior to the merger date or pursuant to awards granted after the closing of the merger to legacy Capella Education Company employees under the 2014 Capella Plan.

On November 6, 2018, the Company's shareholders approved the Strategic Education, Inc. 2018 Equity Compensation Plan (the "2018 Plan"), which replaced the Strayer Education, Inc. 2015 Equity Compensation Plan (the "2015 Plan"). The 2018 Plan provides for the granting of restricted stock, restricted stock units, stock options intended to qualify as incentive stock options, options that do not qualify as incentive stock options, and other forms of equity compensation and performance-based awards to employees, officers, and directors of the Company, or to a consultant or advisor to the Company, at the discretion of the Board of Directors. Vesting provisions are at the discretion of the Board of Directors. Options may be granted at option prices based at or above the fair market value of the shares at the date of grant. The maximum term of the awards granted under the 2018 Plan is ten years. The original number of shares of common stock authorized for issuance under the 2018 Plan was 700,000, plus the number of shares available for grant under the 2015 Plan at the time of stockholder approval of the 2018 Plan, plus the number of shares which may in the future become available under the 2015 Plan due to forfeitures of outstanding awards.

On April 27, 2022, the Company's shareholders approved the First Amendment to the 2018 Plan, which increased the total number of shares of common stock available for issuance under the 2018 Plan by the number of shares that were available for issuance under the 2014 Capella Plan as of the effective date of the First Amendment, plus the number of shares that may become available upon the future expiration, forfeiture or cancellation of outstanding awards under the Capella Plans. Subsequent to the shareholders approval of the First Amendment, all equity-based awards are granted under the 2018 Plan. As of December 31, 2022 December 31, 2023, 925,063 756,247 shares were available for issuance under the 2018 Plan.

As of December 31, 2022 December 31, 2023, the Company has issued and outstanding awards under the 2018 Plan, the Capella Education Company 2005 Stock Incentive Plan, and the Capella Education Company 2014 Equity Incentive Plan.

Dividends paid on unvested restricted stock are reimbursed to the Company, and dividend equivalents accumulated on unvested restricted stock units are forfeited, if the recipient forfeits his or her shares as a result of termination of employment prior to vesting in the award, other than as a result of the recipient's death, disability, or certain qualifying terminations in connection with a change in control of the Company, or unless waived by the Company.

#### Restricted Stock and Restricted Stock Units

The table below sets forth the restricted stock and restricted stock units activity for each of the three years in the period ended December 31, 2022 December 31, 2023:

		Weighted-average Number of shares or units	grant price	Number of shares or units	Weighted-average grant price
Balance, December 31, 2019		468,950	\$ 98.98		
Grants		150,107	140.39		
Vested shares		(116,724)	69.94		
Forfeitures		(7,364)	130.68		
Balance, December 31, 2020	Balance, December 31, 2020	494,969	117.91		
Grants	Grants	321,965	88.02		
Vested shares	Vested shares	(77,586)	92.38		
Forfeitures	Forfeitures	(31,807)	121.80		
Balance, December 31, 2021	Balance, December 31, 2021	707,541	106.93		
Grants	Grants	534,652	50.72		
Vested shares	Vested shares	(139,375)	95.27		
Forfeitures	Forfeitures	(31,257)	62.43		
Balance, December 31, 2022	Balance, December 31, 2022	1,071,561	\$ 81.70		
Grants					
Vested shares					
Forfeitures					
Balance, December 31, 2023					

#### Stock Options

The table below sets forth the stock option activity and other stock option information for each of the three years in the period ended December 31, 2022 December 31, 2023:

		Weighted-average Number of shares	Weighted-average exercise price	remaining contractual life (years)	Aggregate intrinsic value <sup>(1)</sup> (in thousands)	Number of shares	Weighted-average exercise price	Weighted-average remaining contractual life (years)	Aggregate intrinsic value <sup>(1)</sup> (in thousands)

Balance, December 31, 2019		46,096	\$ 63.49	5.2	\$ 4,398
Grants		—	—		
Exercises		(20,522)	60.62		
Forfeitures/Expirations		—	—		
Balance, December 31, 2020	Balance, December 31, 2020	25,574	65.80	5.0	755
Grants	Grants	—	—		
Exercises	Exercises	(1,632)	69.44		
Exercises					
Exercises					
Forfeitures/Expirations	Forfeitures/Expirations	(266)	87.66		
Forfeitures/Expirations					
Forfeitures/Expirations					
Balance, December 31, 2021					
Balance, December 31, 2021					
Balance, December 31, 2021	Balance, December 31, 2021	23,676	65.30	4.0	93
Grants	Grants	—	—		
Exercises	Exercises	(377)	36.87		
Exercises					
Exercises					
Forfeitures/Expirations					
Forfeitures/Expirations					
Forfeitures/Expirations	Forfeitures/Expirations	—	—		
Balance, December 31, 2022	Balance, December 31, 2022	23,299	\$ 65.76	3.0	\$ 352
Exercisable, December 31, 2022		23,299	\$ 65.76	3.0	\$ 352
Balance, December 31, 2022					
Balance, December 31, 2022					
Grants					
Exercises					
Exercises					
Exercises					
Forfeitures/Expirations					
Forfeitures/Expirations					
Forfeitures/Expirations					
Balance, December 31, 2023					
Balance, December 31, 2023					
Balance, December 31, 2023					
Exercisable, December 31, 2023					

(1) The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between the Company's closing stock price on the respective trading day and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holder had all options been exercised on the respective trading day. The amount of intrinsic value will change based on the fair market value of the Company's common stock.

The Company received \$1.2 million, \$0.1 million, and \$14 thousand, and \$0.2 million of net cash proceeds related to stock options exercised during the years ended December 31, 2020 December 31, 2021, 2021, 2022, and 2022, 2023, respectively. The aggregate intrinsic value of the stock options exercised during the years ended December 31, 2020 December 31, 2021, 2021, 2022, and 2022 2023 was \$2.0 million, \$24 thousand, and \$15 thousand, and \$0.1 million, respectively.

#### Valuation and Expense Information under ASC 718, Stock Compensation Topic ASC 718

At December 31, 2022 December 31, 2023, total stock-based compensation cost which has not yet been recognized was \$42.0 million \$41.4 million for unvested restricted stock and restricted stock units. This cost is expected to be recognized over the next 2.3 1.9 years on a weighted-average basis. Approximately 644,000 689,000 shares of restricted stock awards and restricted stock units are subject to performance conditions. The accrual for stock-based compensation for performance awards is based on the Company's estimates that such performance criteria are probable of being achieved over the respective vesting periods. Such a determination involves judgment surrounding the Company's ability to

maintain regulatory compliance. If the performance targets are not reached during the respective vesting period, or it is determined it is more likely than not that the performance criteria will not be achieved, related compensation expense is adjusted.

The following table reflects the amount of stock-based compensation expense recorded in each of the expense line items for the years ended **December 31, 2020** **December 31, 2021**, **2021**, **2021**, **2022**, and **2022** **2023** (in thousands):

	2020	2021	2022	2021	2022	2023
Instructional and support costs	Instructional and support costs	\$ 5,111	\$ 5,317	\$ 7,026		
General and administration	General and administration	9,499	13,535	14,766		
Restructuring costs	Restructuring costs	—	(703)	—		
Stock-based compensation expense included in operating expense	Stock-based compensation expense included in operating expense	14,610	18,149	21,792		
Tax benefit	Tax benefit	3,771	4,809	5,488		
Stock-based compensation expense, net of tax	Stock-based compensation expense, net of tax	\$10,839	\$13,340	\$16,304		

During the year ended December 31, 2020, the Company recognized a windfall tax impact of approximately \$2.8 million and during the years ended December 31, 2021, 2022, and **2022** **2023**, the Company recognized shortfall tax impacts of approximately \$18 thousand, \$1.5 million, and \$1.5 million \$1.4 million, respectively, related to share-based payment arrangements, which were recorded as adjustments to the provision for income taxes.

#### **17.16. Other Employee Benefit Plans**

The Company sponsors the Strategic Education, Inc. 401(k) Plan, which covers all eligible employees of the Company. The Company makes discretionary contributions to participants of the Strategic Education, Inc. 401(k) Plan through a Company match of 100% on the first 2%, and 50% on the next 2%, of the employee contributions, for a maximum company match of 3%. The Company's contributions to these plans totaled \$7.6 million \$7.4 million, \$7.4 million \$7.7 million and \$7.7 million \$8.2 million for the years ended **December 31, 2020** **December 31, 2021, 2021, 2022, and 2022, 2023**, respectively.

Pursuant to local laws, ANZ is required to make contributions on behalf of its employees for post-retirement superannuation benefits. In addition, ANZ has recorded a liability for long service leave, an entitlement for which employees meeting certain requirements are eligible for extended paid leave. The Company incurred \$1.5 million \$8.4 million, \$8.4 million \$8.7 million, and \$8.7 million \$8.6 million in expense related to these arrangements for the benefit of ANZ employees for the years ended **December 31, 2020** **December 31, 2021, 2021, 2022, and 2022, 2023**, respectively.

In May 1998, the Company adopted the Strayer Education, Inc. Employee Stock Purchase Plan ("ESPP"). Under the ESPP, eligible employees may purchase shares of the Company's common stock, subject to certain limitations, at 90% of its market value at the date of purchase. Purchases are limited to 10% of an employee's eligible compensation. The aggregate number of shares of common stock that may be made available for purchase by participating employees under the ESPP is 2,500,000 shares. Shares purchased in the open market for employees for the years ended **December 31, 2020** **December 31, 2021, 2021, 2022, and 2022, 2023** were as follows:

	Shares purchased	Average price per share		Shares purchased	Average price per share
2020	7,274	\$ 112.65			
2021	13,065	\$ 68.94			
2022	16,183	\$ 58.94			
2023					

#### **18.17. Stock Repurchase Plan**

In November 2003, the Company's Board of Directors authorized the Company to repurchase up to an aggregate of \$15 million in value of common stock in open market purchases from time to time at the discretion of the Company's management depending on market conditions and other corporate considerations. The Company's Board of Directors amended the program on various dates, increasing the repurchase amount authorized and extending the expiration date. At **December 31, 2022** **December 31, 2023**, \$246.8 million \$240.0 million of the Company's share repurchase authorization was remaining for repurchases through **December 31, 2023** **December 31, 2024**. All of the Company's share repurchases were effected in compliance with Rule 10b-18 under the Securities Exchange Act of 1934, as amended. This stock repurchase plan may be modified, suspended, or terminated at any time by the Company without notice.

Repurchases of common stock are recorded as a reduction to additional paid-in capital in an amount equal to the price at which the repurchased shares were originally sold, with any excess cash paid to repurchase the shares being recorded as a reduction to retained earnings.

Shares of common stock repurchased on the open market under the Company's repurchase program for the years ended December 31, 2020 December 31, 2021, 2021 2022, and 2022 2023 were as follows:

	Average price		Shares repurchased	Average price paid per share
	Shares repurchased	paid per share		
2020	1,769	\$ 139.78		
2021	76,969	\$ 76.72		
2022	612,104	\$ 65.54		
2023				

#### 19.18. Commitments and Contingencies

The Company's U.S. Higher Education institutions participate in various federal student financial assistance programs which are subject to audit by agencies, including the Department of Education, the Veterans Administration, and the

Department of Defense. Management believes that the potential effects of audit adjustments, if any, for the periods currently under audit will not have a material adverse effect, individually or in the aggregate, on the Company's consolidated financial position, results of operations, or cash flows.

#### 20.19. Income Taxes

The income tax provision for the years ended December 31, 2020 December 31, 2021, 2021 2022 and 2022 2023 is summarized below (in thousands):

	2020	2021	2022	2021	2022	2023
Current: Current:				Current:		
Federal	Federal	\$31,398	\$20,754	\$13,825		
State	State	9,786	5,736	5,650		
Foreign	Foreign	125	2,761	12,063		
Total current	Total current	41,309	29,251	31,538		
Deferred: Deferred:						
Federal	Federal	(8,537)	(10,128)	(1,978)		
Federal	Federal					
State	State	(538)	(612)	(1,668)		
Foreign	Foreign	(4,545)	3,001	(4,993)		
Total deferred	Total deferred	(13,620)	(7,739)	(8,639)		
Total provision for income taxes	Total provision for income taxes	\$27,689	\$21,512	\$22,899		

The U.S. and foreign components of income (loss) before income taxes for the years ended December 31, 2020 December 31, 2021, 2021 2022 and 2022 2023 are summarized below (in thousands):

	United States	United States	2020	2021	2022	2021	2022	2023
Foreign	Foreign		\$ 128,822	\$ 57,804	\$ 46,646			
Total income before income taxes	Total income before income taxes		(14,865)	18,795	22,923			

The Company is making an assertion that all earnings generated by its foreign subsidiaries are permanently reinvested in non-U.S. business or are distributable to the United States without material tax implications. As such, income taxes have not been accrued in the United States with respect to foreign subsidiary earnings. The Company intends to continue to reinvest the earnings outside of the United States for which there would be a material tax implication to distributing, such as withholding tax, for the foreseeable future and, as a result, have not recognized additional tax expense on these earnings.

The tax effects of the principal temporary differences that give rise to the Company's net deferred tax liability are as follows as of December 31, 2021 December 31, 2022 and 2022 December 31, 2023 (in thousands):

	2021	2022	2022	2023
Lease liabilities	Lease liabilities	\$ 25,706	\$ 21,674	
Allowance for credit losses	Allowance for credit losses	13,190	12,862	
Contract liabilities	Contract liabilities	10,214	9,527	
Stock-based compensation	Stock-based compensation	7,758	8,138	
Other	Other	6,195	4,363	
Other facility-related costs	Other facility-related costs	1,916	1,313	
Loss carryforward	Loss carryforward	1,444	2,013	
Intangible assets	Intangible assets	(74,016)	(69,920)	
Property and equipment	Property and equipment	(21,320)	(9,968)	
Right-of-use lease assets	Right-of-use lease assets	(15,052)	(12,786)	
Valuation allowance	Valuation allowance	(630)	(1,821)	
Net deferred tax liability	Net deferred tax liability	<u><u>\$(44,595)</u></u>	<u><u>\$(34,605)</u></u>	

As of December 31, 2022 December 31, 2023, Loss carryforward consists of net operating losses related to the states where the Company does not file a consolidated return. The company has state net operating loss carryforwards of \$20.2 million \$30.9 million which will expire from

2027 through 2043 2044 and \$14.3 million \$25.1 million which have an indefinite carryover period. The change in the valuation allowance for deferred tax assets as of December 31, 2021 December 31, 2022 and 2022 December 31, 2023 was \$0.6 million \$1.2 million and \$1.2 million \$0.8 million, respectively, and is primarily related to net operating loss carryforwards in states where the Company does not file a consolidated tax return. The Company concluded that it was more likely than not that the deferred tax asset for the net operating loss carryforwards would not be realized due to negative evidence outweighing the positive evidence regarding the realization of the deferred tax assets. The Company will continue to evaluate its ability to realize its net deferred tax assets on a quarterly basis.

As of December 31, 2021 December 31, 2022 and 2022 December 31, 2023, the Company's liabilities for unrecognized tax benefits are included in other long-term liabilities in the consolidated balance sheets. Interest and penalties, including those related to uncertain tax positions, are included in the provision for income taxes in the consolidated statements of income. The Company recognized approximately \$33,000 \$55,000 and \$55,000 \$47,000 of expense related to interest and penalties in 2021 2022 and 2022, 2023, respectively. The total amount of interest and penalties included in the consolidated balance sheets was approximately \$30,000 \$59,000 and \$59,000 \$107,000 as of December 31, 2021 December 31, 2022 and 2022 December 31, 2023, respectively.

The following table summarizes changes in unrecognized tax benefits, excluding interest and penalties, for the respective periods (in thousands):

		Year Ended December 31,		Year Ended December 31,		2023	
		2021		2022			
		Beginning unrecognized tax benefits	Beginning unrecognized tax benefits	\$ 314	\$ 1,043		

Additions for tax positions taken in the prior year	Additions for tax positions taken in the prior year	948	—
Reductions for tax positions taken in prior years	Reductions for tax positions taken in prior years	(219)	(95)
Ending unrecognized tax benefits	Ending unrecognized tax benefits	\$1,043	\$ 948

The Company does not anticipate significant changes to decrease in unrecognized tax benefits within the next 12 months. months as the statute of limitations on all positions will expire in 2024. As of December 31, 2022 December 31, 2023, \$0.9 million of the Company's total unrecognized tax benefits would favorably affect the Company's effective tax rate, if recognized.

A reconciliation between the Company's statutory tax rate and the effective tax rate for the years ended December 31, 2020 December 31, 2021, 2021, 2022, and 2022 2023 is as follows:

		2020	2021	2022		2021		2022		2023
Statutory federal rate	Statutory federal rate	21.0 %	21.0 %	21.0 %	Statutory federal rate		21.0 %		21.0 %	
State income taxes, net of federal benefits	State income taxes, net of federal benefits	5.6	3.4	3.2						
Impact of foreign operations	Impact of foreign operations	(1.2)	2.2	3.0						
Nondeductible compensation	Nondeductible compensation	2.2	1.9	2.4						
Excess tax benefit on share-based compensation										
Change in valuation allowance	Change in valuation allowance	—	0.8	1.7						
Excess tax benefit on share-based compensation		(2.0)	—	1.7						
Transaction costs		0.6	—	—						
Other	Other	(1.9)	(1.2)	(0.1)						
Effective tax rate	Effective tax rate	24.3 %	28.1 %	32.9 %	Effective tax rate		28.1 %		32.9 %	
										30.7 %

Cash payments for income taxes were \$45.4 million \$27.3 million, \$27.3 million \$26.8 million, and \$26.8 million \$42.9 million in 2020, 2021, 2022, and 2022, 2023, respectively.

## 21.20. Segment and Geographic Information

Strategic Education is an educational services company that provides access to high-quality education through campus-based and online post-secondary education offerings, as well as through programs to develop job-ready skills for high-demand markets. Strategic Education's portfolio of companies is dedicated to closing the skills gap by placing adults on the most direct path between learning and employment. The Company's organizational structure includes three operating and reportable segments: U.S. Higher Education, Education Technology Services, and Australia/New Zealand.

The USHE segment provides flexible and affordable certificate and degree programs to working adults primarily through Strayer Capella University and Capella Strayer University, including the Jack Welch Management Institute MBA, which is a unit of Strayer University. USHE also operates non-degree web and mobile application development courses through Hackbright Academy and Devmountain, which are units of Strayer University.

The Education Technology Services segment is primarily focused on developing and maintaining relationships with employers to build employee education benefits programs that provide employees with access to affordable and industry relevant training, certificate, and degree programs. The employer relationships developed by the Education Technology Services division segment are an important source of student enrollment for Strayer Capella University and Capella Strayer University, and the majority of the revenue

attributed to the Education Technology Services **division segment** is driven by the volume of enrollment derived from these employer relationships. Education Technology Services also supports employer partners through Workforce Edge, a platform which provides employers a full-service education benefits administration solution, and Sophia Learning, which enables education benefits programs through the use of low-cost online general education-level courses recommended by the American Council on Education for credit at other colleges and universities.

The Australia/New Zealand segment is comprised of Torrens University, Think Education and Media Design School in Australia and New Zealand, which collectively offer certificate and degree programs in business, design, education, hospitality, healthcare, and technology through campuses in Australia, New Zealand, and online.

Revenue and operating expenses are generally directly attributable to the segments. Inter-segment revenues are not presented separately, as these amounts are immaterial. The Company's Chief Operating Decision Maker does not evaluate operating segments using asset information.

A summary of financial information by reportable segment for the years ended **December 31, 2020** **December 31, 2021**, **2021**, **2022**, and **2022** **2023** is presented in the following table (in thousands):

Revenues	Revenues	2020	2021	2022	Revenues	2021	2022	2023
U.S. Higher Education	U.S. Higher Education	\$ 966,579	\$ 829,270	\$ 770,979				
Australia/New Zealand	Australia/New Zealand	23,381	250,124	230,747				
Education Technology Services	Education Technology Services	37,693	52,292	63,754				
Consolidated revenues	Consolidated revenues	<u>\$1,027,653</u>	<u>\$1,131,686</u>	<u>\$1,065,480</u>				
Income (loss) from operations								
Income from operations								
U.S. Higher Education	U.S. Higher Education							
U.S. Higher Education	U.S. Higher Education	\$ 193,393	\$ 104,914	\$ 38,605				
Australia/New Zealand	Australia/New Zealand	(13,275)	35,855	30,473				
Education Technology Services	Education Technology Services	19,643	21,311	19,264				
Amortization of intangible assets	Amortization of intangible assets	(64,225)	(51,495)	(14,350)				
Merger and integration costs	Merger and integration costs	(13,770)	(11,201)	(1,117)				
Restructuring costs	Restructuring costs	(12,382)	(25,472)	(2,115)				
Consolidated income from operations	Consolidated income from operations	<u>\$ 109,384</u>	<u>\$ 73,912</u>	<u>\$ 70,760</u>				

The following table presents a schedule of significant non-cash items included in segment income (loss) from operations by reportable segment for the years ended **December 31, 2021, 2022, and 2023** (in thousands):

Depreciation and amortization	Depreciation and amortization	2020	2021	2022	Depreciation and amortization	2021	2022	2023
U.S. Higher Education	U.S. Higher Education	\$ 41,822	\$ 38,178	\$ 35,863				
Australia/New Zealand	Australia/New Zealand	1,930	10,640	8,842				

Education	Education			
Technology	Technology			
Services	Services	828	1,067	1,589
Amortization of intangible assets	Amortization of intangible assets	64,225	51,495	14,350
Merger and integration costs				
Restructuring costs	Restructuring costs	349	2,036	2,480
Consolidated depreciation and amortization	Consolidated depreciation and amortization	\$109,154	\$103,416	\$63,124
Stock-Based compensation				
Stock-based compensation				
U.S. Higher Education				
U.S. Higher Education				
U.S. Higher Education	U.S. Higher Education	\$ 14,452	\$ 16,926	\$19,572
Australia/New Zealand	Australia/New Zealand	46	1,359	1,073
Education Technology Services	Education Technology Services	112	567	1,147
Restructuring costs	Restructuring costs	—	(703)	—
Consolidated stock-based compensation	Consolidated stock-based compensation	\$ 14,610	\$ 18,149	\$21,792

#### Geographic Information

The Company's long-lived assets are comprised of Property and equipment, net and Right-of-use lease assets. The Company's long-lived assets by geographic area as of December 31, 2021 December 31, 2022 and 2022 2023 were as follows (in thousands):

	December 31, 2021	December 31, 2022	December 31, 2022	December 31, 2023
United States	\$156,389	\$132,179		
International	143,787	125,914		

#### 22.21. Litigation

The Company is involved in litigation and other legal proceedings arising out of the ordinary course of its business. Certain of these matters are discussed below. From time to time, certain matters may arise that are other than ordinary and routine. The outcome of such matters is uncertain, and the Company may incur costs in the future to defend, settle, or otherwise resolve them. The Company accrues for estimated costs related to existing lawsuits, claims and proceedings when it is probable that it will incur these costs in the future and the costs are reasonably estimable. The Company currently believes that the ultimate outcome of such matters will not, individually or in the aggregate, have a material adverse effect on its consolidated financial position, results of operations or cash flows. However, depending on the amount and timing, an unfavorable resolution of some or all of these matters could materially affect future results of operations in a particular period.

Wright, et al. v. Capella Education Co., et al. (now captioned Ornelas, et al. v. Capella, et al.) was filed several years ago in the United States District Court for the District of Minnesota, Case No. 18-cv-1062. After the court granted Capella's motion to dismiss in relation to all but one plaintiff, the plaintiff filed a motion for leave to file a second amended complaint on October 5, 2020, seeking to add six named plaintiffs as well as additional sub-classes and causes of action to the lawsuit. On September 22, 2021, the court affirmed a magistrate's order granting plaintiff's motion to amend, and plaintiffs subsequently filed their second amended complaint. The parties entered into a confidential settlement which

became effective on April 20, 2022, and on April 25, 2022 the parties filed a joint stipulation of dismissal with prejudice. On May 17, 2022, the court entered an order of dismissal with prejudice.

On April 20, 2021, Capella University received a letter from the Department of Education referencing *Wright, et al. v. Capella Education Co., et al.* (subsequently captioned *Ornelas, et al. v. Capella, et al.*), United States District Court for the District of Minnesota, Case No. 18-cv-1062, and indicating that the Department would require a fact-finding process pursuant to the borrower defense to repayment regulations to determine the validity of more than 1,000 borrower defense applications that have been submitted regarding Capella University. According to the Department, some of the applications allege similar claims as in the *Wright* matter concerning alleged misrepresentations of the length of time to complete doctoral programs. Capella University subsequently received approximately 500 applications for borrower defense to repayment. Capella University contested each claim for defense to repayment in individualized responses with supporting evidence, the last of which was sent to the Department in August 2021. Since that time, Capella University has not received any communication from the Department related to the set of borrower defense claims received in 2021, nor has Capella University received indication that any of these claims has been evaluated on the facts presented and adjudicated on the merits.

On June 22, 2022, in litigation in which Capella University is not a party, *Sweet, et al. v. Miguel Cardona and the United States Department of Education*, United States District Court for the Northern District of California, Case No. 3:19-cv-03674-WHA, the Department joined a proposed class settlement agreement that would result in a blanket grant of automatic, presumptive relief for all borrower defense to repayment applications filed by students at any of approximately 150 different listed institutions, including Capella University, through June 22, 2022. The class settlement agreement would also provide certain expedited review of borrower defense claims related to schools excluded from the automatic relief list, as well as for borrowers who applied during the period after execution of the settlement and before final approval. ("Post-Class Applicants"). The *Sweet* settlement received preliminary court approval on August 4, 2022. A joint motion for final approval was filed on September 22, 2022, which multiple intervening higher education institutions and companies opposed. Following a fairness hearing, the district court granted final approval of the settlement on November 16, 2022. Intervenors, have including multiple intervening higher education institutions and companies, appealed the district court's order and moved order. Intervenors' request to stay the district court's final judgment approving the settlement pending resolution of the appeal. appeal has been denied.

It is unclear whether the Department might seek recovery for the amounts of loans discharged pursuant to the automatic relief provision in the *Sweet* settlement. In a July 25, 2022 filing in the same litigation, the Department stated that providing automatic relief to such borrowers "does not constitute the granting or adjudication of a borrower defense pursuant to the Borrower Defense Regulations, and therefore provides no basis to the Department for initiating a borrower defense recoupment proceeding against any institution identified" on the list. It is unclear whether the Department would attempt to seek recovery from Capella University for the amounts of discharged loans. The Department has indicated that any recoupment against institutions "could be imposed only after the Department initiated a separate, future proceeding, in accordance with regulations that require the Department to prove a sufficient basis for liability and provide schools with notice and an opportunity to be heard." If the Department were to seek recovery for the amounts of automatically discharged loans of Capella University students under the *Sweet* settlement, Capella University would dispute and defend against such efforts. At this time, the Company is unable to predict the ultimate outcome of Capella-related borrower defense applications. If the Department were to successfully seek recovery for the amounts of discharged loans from Capella University in future proceedings, any such recovery could have a material adverse effect on our business.

As a result of the Fifth Circuit's August 7, 2023 nationwide injunction of the 2022 Borrower Defense to Repayment Regulations, the Department announced that while it will not adjudicate any borrower defense applications under the 2022 Borrower Defense to Repayment Regulations unless and until the effective date is reinstated, it will continue to adjudicate

23. applications under a prior version of the rule if required pursuant to a court ordered settlement. For the *Sweet* Post-Class Applicants, the Department agreed to adjudicate such claims under the 2016 BDTR Rule, and, if the Department does not adjudicate the applications by January 28, 2026, it will provide the applicants "Full Settlement Relief" (i.e., federal student loan(s) associated with the borrower's attendance at the school will be discharged, the Department will refund any amounts paid to the Department on those loans, and the credit tradeline for those loans will be deleted from the borrower's credit report). The Department has informed institutions that: it is notifying most schools of all applications received by the Department from June 23, 2022 to November 15, 2022 (constituting *Sweet* Post-Class Applicants) in a single send (and anticipates completing notification to all schools by approximately April 2024).

On January 25, 2024, Capella University received notice that the Department received approximately 6,700 borrower defense to repayment applications with claims for forgiveness of loans taken out at the University and filed between June 23, 2022 and November 15, 2022. On February 1, 2024, Strayer University received notice that the Department received approximately 1,900 borrower defense to repayment applications with claims for forgiveness of loans taken out at the University and filed between June 23, 2022 and November 15, 2022. In the notices received, the Department indicated that: (1) the notification was occurring prior to any substantive review of the application as well as its adjudication; (2) it would send the applications to Capella University and Strayer University in batches of 500 per week; (3) it is optional for institutions to respond to the applications; and (4) not responding will result in no negative inference by the Department. The Department has also explained that it will separately decide whether to seek recoupment on any approved claim and that any recoupment actions the Department chooses to initiate will have their own notification and response processes, which include providing additional evidence to the institution. The Department has indicated that an institution will learn of the Department's determination only if it approves a BDTR application and the Department seeks recoupment. In relation to the 2021 notice received by Capella University, the Department indicated there were more than 1,000 applications pending, but the Company only ever received approximately 500 actual claims, and after an exhaustive review and response process the Company believes that none properly stated a claim for loan forgiveness. At this time, the Company is unable to predict whether the Department will grant BDTR relief for the claims noticed on January 25 and February 1, or if so, whether it will seek recoupment from Capella University or Strayer University. If the Department were to seek recoupment, Capella University and Strayer University would dispute and defend against such efforts. However, if the Department were to successfully seek recovery for the amounts of discharged loans from Strayer University and Capella University in future proceedings, any such recovery could have a material adverse effect on our business.

## 22. Regulation

[United States Regulation](#)

**CARES** As institutionally accredited institutions of higher education operating in multiple jurisdictions, Capella University and Strayer University are subject to accreditation rules and varying state licensing and regulatory requirements. In addition, the Higher Education Act and the regulations promulgated thereunder require all higher education institutions that participate in the various Title IV programs, including Capella University and Strayer University, to comply with detailed substantive and reporting requirements and to undergo periodic regulatory scrutiny. The Higher Education Act mandates specific regulatory responsibility for each of the following components of the higher education regulatory triad: (1) the institutional accrediting agencies recognized by the U.S. Secretary of Education; (2) state education regulatory bodies; and (3) the federal government through the Department of Education. Our business activities are planned and implemented to achieve compliance with the rules and regulations of the state, regional and federal agencies that regulate our activities. The regulations, standards, and policies of these regulatory agencies are subject to frequent change.

Students finance their education at Capella University and Strayer University in a variety of ways, and historically about 75% of students participated in one or more Title IV programs.

#### *Title IV Programs*

Capella University and Strayer University maintain eligibility for their students to participate in the following Title IV programs:

- **Federal Grants.** Grants under the Federal Pell Grant program are available to eligible students based on financial need and other factors.
- **Campus-Based Programs.** The campus-based Title IV programs include the Federal Supplemental Educational Opportunity Grant program, the Federal Perkins Loan, and the Federal Work-Study Program. Neither Capella University nor Strayer University actively participates in the Federal Perkins Loan program, which expired on September 30, 2017. In addition, Strayer University does not actively participate in the Federal Work-Study Program.

- **Federal Direct Student Loans.** Under the William D. Ford Federal Direct Loan Program, the Department of Education makes loans directly to students and their parents. Undergraduate students who demonstrate financial need may qualify for a subsidized loan. The federal government pays the interest on a subsidized loan while the student is in school and during any approved periods of deferment, after which the student's obligation to repay the loan begins. Unsubsidized loans are available to students who do not qualify for a subsidized loan or, in some cases, in addition to a subsidized loan. PLUS loans, including Graduate PLUS loans, are unsubsidized loans available in amounts up to the total cost of attendance less any other financial aid.

#### *Federal Financial Aid Regulation*

To be eligible to participate in Title IV programs, Capella University and Strayer University must comply with specific standards and procedures set forth in the Higher Education Act and the regulations issued thereunder by the Department of Education. As part of those participation standards, the Department of Education determines whether, among other things, the institution meets certain standards of administrative capability and financial responsibility. The institutions must also follow extensive Department of Education rules regarding the awarding and processing of funds issued under Title IV programs. Some of the key provisions regarding institutional eligibility and processing federal financial aid are described below.

#### *Financial Responsibility*

The Higher Education Act and Department of Education regulations establish extensive standards of financial responsibility that institutions such as Capella University and Strayer University must satisfy in order to participate in Title IV programs. These standards generally require that an institution provide the services described in its official publications and statements, properly administer Title IV programs in which it participates, and meet all of its financial obligations, including required refunds and any repayments to the Department of Education for debts and liabilities incurred in programs administered by the Department of Education.

Department of Education standards utilize a complex formula to assess financial responsibility. The standards focus on three financial ratios: (1) equity ratio (which measures the institution's capital resources and ability to borrow); (2) primary reserve ratio (which measures the institution's financial viability and liquidity); and (3) net income ratio (which measures the institution's ability to operate at a profit or within its means). An institution's financial ratios must yield a composite score of at least 1.5 for the institution to be deemed financially responsible without alternative measures and further federal oversight. For Capella University and Strayer University, the Department evaluates financial responsibility at the parent level, based on review of SEI's financial statements. The Company has applied the financial responsibility standards to its financial statements as of and for the year ended December 31, 2023, and based on its calculated composite score and other relevant factors, it believes the Company met the Department of Education's financial responsibility standards.

On November 1, 2016, the Department of Education released a new regulation, which after a series of delays became effective as of October 16, 2018, under which an institution may no longer be considered financially responsible if one or more of a list of triggering events occurs. The Department of Education will automatically determine that an institution is not financially responsible if a "mandatory" triggering event occurs, which includes, among other things, the institution receives certain warnings from the SEC, fails to file required reports in a timely manner, or has a cohort default rate of 30% or greater for each of the two most recent official calculations. The Department of Education will also determine that an institution is not financially responsible if certain triggering events, such as a lawsuit against the institution, an accrediting agency's requirement that the institution submit a teach-out plan, or potential loss of Title IV eligibility for gainful employment programs, result in the institution's recalculated composite score to be less than 1.0. The Department of Education may also invoke certain "discretionary" triggering events, such as citation by a state agency or accrediting agency for failure to satisfy the agency's standards, to determine that an institution is not financially responsible. An institution determined not to be financially responsible because of one or more triggering events may be required to issue an irrevocable letter of credit for not less than 10% of the Title IV funds received by the school for the most recently completed fiscal year and/or will be issued a Provisional Program Participation Agreement.

On August 30, 2019, as part of the final BDTR regulations, the Department of Education made changes to the financial responsibility requirements, including establishing a more limited set, as compared to the 2016 rule, of mandatory and discretionary triggering events that have, or could have, a materially adverse impact on the institution's financial condition and therefore warrant financial protection. The 2019 rule left intact the consequences of the triggering events under the 2016 rule. The 2019 rule further updates the definitions of terms used to calculate an institution's composite score and otherwise amends the composite score methodology to reflect changes in FASB accounting standards pertaining to new leases. The financial responsibility changes became effective July 1, 2020.

In 2022, the Department of Education considered as part of the Institutional and Programmatic Eligibility negotiated rulemaking new regulations regarding, among other things, financial responsibility. Negotiated rulemaking committee meetings completed in March 2022 with no consensus reached on the topic. On October 23, 2023, the Department released final rules on financial responsibility. Pursuant to new regulations effective July 1, 2024, the Department adopted new mandatory and discretionary triggers and new reporting requirements. New mandatory triggers include but are not limited to failing the 90/10 Rule; receiving at least 50% of Title IV funds from programs that fail gainful employment requirements; certain SEC or exchange actions; and certain actions that result in an institution's recalculated composite score to fall below 1.0, including being subject to a Department action to recover losses from approved Borrower Defense to Repayment claims. All of the mandatory triggers constitute an automatic failure of the financial responsibility requirements and would enable the Department to seek financial protection. The rules also establish new discretionary triggers that permit the Department to conduct a case-by-case analysis to determine if additional financial protection is needed. Such discretionary triggers include accrediting agency and government agency actions; certain defaults or creditor events; high annual dropout rates; elimination of programs or locations that enroll more than 25% of the institution's Title IV students; and pending Borrower Defense to Repayment claims, among other things. In general, institutions will be required to report triggering events within 21 days of occurrence. According to the regulation, such triggering events may result in a financial protection requirement that would most likely take the form of a letter of credit or cash escrow and provisional certification to participate in Title IV. The amount of financial protection can range from 10% up to 50% of Title IV funds per triggering event, and the Department may "stack" financial protection requirements if more than one mandatory or discretionary trigger is present.

#### Student Loan Defaults

The Department of Education calculates a rate of student defaults (known as a cohort default rate) for each institution with 30 or more borrowers entering repayment in a given federal fiscal year. The Department of Education includes in the cohort all student borrowers at the institution who entered repayment on any Direct or Federal Family Education Loan Program loan during that fiscal year. The cohort default rate is the percentage of those borrowers who become subject to their repayment obligation in the relevant federal fiscal year and default by the end of the second federal fiscal year following that fiscal year, resulting in a three-year cohort default rate. Because of the need to collect data on defaults, the Department of Education publishes cohort default rates three years in arrears; for example, in the fall of 2023, the Department of Education issued cohort default rates for federal fiscal year 2020.

The Department of Education may take adverse action against an institution if it has excessive cohort default rates, including without limitation the following:

- If an institution's cohort default rate is 30% or more in a given fiscal year, the institution will be required to assemble a "default prevention task force" and submit to the Department of Education a default improvement plan.
- If an institution's cohort default rate exceeds 30% for two consecutive years, the institution will be required to review, revise, and resubmit its default improvement plan.
- If an institution's cohort default rate exceeds 30% for two out of three consecutive years, the Department of Education may subject the institution to provisional certification.
- If an institution's cohort default rate is equal to or greater than 30% for each of the three most recent federal fiscal years for which data are available, the institution will be ineligible to participate in the Direct Loan Program and Federal Pell Grant Program.

An institution generally loses eligibility to participate in Title IV programs if its most recent cohort default rate is greater than 40%. Institutions with a cohort default rate equal to or greater than 15% for any of the three most recent fiscal years for which data are available are subject to a 30-day delayed disbursement period for first-year, first-time undergraduate borrowers.

National and institutional cohort default rates for cohort years 2018, 2019, and 2020 have been impacted by the COVID-19 repayment pause. Capella University's and Strayer University's official three-year cohort default rates for 2018, 2019, and 2020, as well as the average official three-year cohort default rates for proprietary institutions nationally, were as follows:

	Capella University	Strayer University	National Average	
			Proprietary Institutions	
2018		5.2 %	8.6 %	11.2 %
2019		1.1 %	2.2 %	3.1 %
2020		0.0 %	0.0 %	0.0 %

As part of the compliance programs related to the cohort default rate, Capella University and Strayer University provide entrance and exit counseling to their students and engage the services of third parties to counsel students once they are in repayment status regarding their repayment obligations.

On March 27, 2020, the President signed into law Congress passed the Coronavirus Aid, Relief, and Economic Security Act ("CARES" CARES Act) Act, which included a provision that established a federal student loan administrative forbearance period, pause in interest accrual, and suspension of collections activity. In June 2023, the Department of Education announced that student loan interest would begin to accrue on September 1, 2023, and student loan repayment resumed in October 2023. As part of the return to repayment, the Department has also announced a 12 month "on-ramp" during which time delinquent borrowers will not be reported to credit bureaus or be counted as in default for the purpose of cohort default rate calculations.

On January 10, 2023, the Department proposed regulations to create a new income-driven repayment plan to reduce future monthly payments for lower- and middle-income borrowers. Among other things, the \$2.2 trillion bill established some flexibilities related proposed regulation would revise the Revised Pay As You Earn (REPAYE) regulations, eliminate negative amortization, and offer \$0 monthly payments for any individual borrower who makes less than roughly \$30,600 annually and any borrower in a family of four who makes less than about \$62,400. While it is too early to know the processing entirety of federal student financial aid, established a higher education emergency fund, the impact that

COVID and created relief for some federal student loan borrowers. Through COVID-related repayment flexibility will have on the CARES cohort default rate, the Company expects that the next one or more cohort years will be affected.

#### *The 90/10 Rule*

A requirement of the Higher Education Act, commonly referred to as the 90/10 Rule, applies only to proprietary institutions of higher education, were provided relief which include Capella University and Strayer University. Under this rule, a proprietary institution is prohibited from conducting deriving more than 90% of its revenues (as revenues are computed under the Department of Education's methodology) from federal funds on a return to cash accounting basis (except for certain institutional loans) for any fiscal year. Historically, by statute, only Title IV (R2T4) calculation funds have been considered within the 90% metric; however as described below, that will change for fiscal years beginning on or after January 1, 2023.

A proprietary institution of higher education that violates the 90/10 Rule for any fiscal year will be placed on provisional certification for up to two fiscal years. Proprietary institutions of higher education that violate the 90/10 Rule for two consecutive fiscal years will become ineligible to participate in cases where the student withdrew because of the COVID-19 pandemic, including removing the requirement that the institution return unearned funds Title IV programs for at least two fiscal years and will be required to demonstrate compliance with Title IV eligibility and certification requirements for at least two fiscal years prior to resuming Title IV program participation. In addition, the Department of Education discloses on its website any proprietary institution of higher education that fails to meet the 90/10 requirement, and providing loan cancellation reports annually to Congress the relevant ratios for each proprietary institution of higher education.

Using the portion of the Direct Loan associated with a payment period that the student did not complete due to the COVID-19 pandemic. The CARES Act also allows institutions to exclude from satisfactory academic progress calculations any attempted credits that the student did not complete due to the COVID-19 pandemic, without requiring an appeal from the student. Additionally, statutory formula under the legislation, institutions are permitted to transfer up to 100% definition of Federal Work-Study ("FWS") federal funds into their Federal Supplemental Educational Opportunity Grant ("FSEOG") allocation included within the 90% metric then in effect, Capella University derived approximately 65.30% of its cash-basis revenues from Title IV program funds in fiscal year 2022. Strayer University derived approximately 80.57% of its cash-basis revenues from Title IV program funds in fiscal year 2022. Our computation for 2023, which will be the first year under the new 90/10 requirements, has not yet been finalized and are granted a waiver of audited; however, we believe we will remain in compliance with the 2019/2020 and 2020/2021 non-federal share institutional match. Institutions may continue to make FWS payments to student employees who are unable to meet their employment obligations due to the COVID-19 pandemic. The Department issued sub-regulatory guidance to institutions regarding implementation of the provisions included in the CARES Act 90/10 Rule requirement.

The CARES Act also suspended payments key components of non-Title IV revenue for Capella University and interest accrual on federal student loans until September 30, 2020, in addition to suspending involuntary collections such as wage garnishment, tax refund reductions, and reductions of federal benefits like Social Security benefits during the same timeframe. On March 30, 2021, the Secretary of Education also extended student loan relief to all Federal Family Education Loans ("FFEL") not previously covered. Through a series of administrative actions, student loan relief has been extended, including on August 24, 2022, when the Department announced, "a final extension of the pause on student loan repayment, interest, and collections through December 31, 2022." The restart of student loan repayments has subsequently been postponed further.

Finally, the CARES Act allocated \$14 billion to higher education through the creation of the Education Stabilization Fund. Fifty percent of the emergency funds received by institutions must go directly to students in the form of emergency financial aid grants to cover expenses related to the disruption of campus operations due to the COVID-19 pandemic. Students who were previously enrolled in exclusively online courses prior to March 13, 2020 are not eligible for these grants. Institutions may use remaining emergency funds not given to students for costs associated with significant changes to the delivery of instruction due to the COVID-19 pandemic, as long as such costs do not include payment to contractors for the provision of pre-enrollment recruitment activities, including marketing and advertising; endowments; or capital outlays associated with facilities related to athletics, sectarian instruction, or religious worship.

Institutions received funds under the Education Stabilization Fund based on a formula that factors in their relative percentage of full-time, Federal Pell Grant-eligible students who were not exclusively enrolled in online education prior to the emergency period. On April 9, 2020, the Department published guidance and funding levels for the Education Stabilization Fund, indicating that Strayer University was eligible to receive \$5,792,122. Given that Strayer University is predominantly online, are individual student payments, employer tuition reimbursement payments, veterans' education benefits, military tuition assistance, vocational rehabilitation funds, private loans, state grants, and very few students take only on-ground classes, Strayer University declined to accept the funds allocated to it because most students would not have expenses related to the disruption of campus operations. Instead, Strayer University provided a \$500 tuition grant for all students who had enrolled in on-ground classes for the Spring term, prior to the classes being converted to online. Because Capella University's students are exclusively online, Capella University was ineligible for Education Stabilization funding.

#### *American Rescue Plan Act of 2021 scholarships.*

On March 11, 2021, President Biden signed into law the American Rescue Plan Act of 2021. Similar 2021, which included a change to previous stimulus packages, this legislation provided additional funding for the Higher Education Emergency Relief Fund. A small portion of the \$39.6 billion allocated for institutions of higher education was made available for student emergency aid for students at for-profit institutions. Capella University disbursed \$184,323 to students of the highest need in June 2021, and Strayer University disbursed \$2,554,682 to students of the highest need in July 2021.

The legislation also amended the "90/90/10 Rule" methodology to include "all federal education assistance" in the "90" side funding. The Department of the ratio calculation. See "Item 1. Business – Regulation – U.S. Regulatory Environment – The 90/10 Rule" for a description of Education promulgated new regulations regarding, among other things, the 90/10 Rule. The legislation required the Department to conduct a negotiated rulemaking process to modify related Department regulations, which the Department began in January 2022. In March 2022, rule as part of the Institutional and Programmatic Eligibility negotiated rulemaking and the committee reached consensus on the topic in March 2022. The Department released final regulations on October 27, 2022. The regulatory changes require proprietary institutions to count all "federal education assistance funds" as federal revenue in the 90/10 calculation for fiscal years beginning on or after January 1, 2023. The preamble to the 90/10 Rule. On October 27, 2022, final rule and subsequent sub-regulatory guidance further prohibit inclusion of non-Title IV eligible programs offered in part or in full through distance education in the Department of Education released final 90/10 regulations, which are consistent with the consensus language. The final regulations provided for an expanded definition of "federal education assistance" that will be periodically defined by the Secretary. 10% calculation. On December 21, 2022, the Department released a list of federal agencies and federal education assistance programs that must be included as federal revenue in the 90/10 calculation. Such agencies include the U.S. Department of Defense (military tuition assistance) and the Department of Veterans Affairs (veterans education benefits), in addition. The Department indicated that it will publish periodic updates to the Title IV programs already covered by list as needed.

In addition, certain members of Congress have proposed to revise the 90/10 Rule to reduce the limit on federal funding to 85% of total revenue. In the context of Higher Education Act reauthorization, defense bills and appropriations bills, other members of Congress have proposed legislation that would eliminate the 90/10 Rule. The new 90/10 regulations are effective for fiscal years beginning on or after January 1, 2023.

Other legislation has been introduced in both chambers of Congress that seeks to modify the 90/10 Rule further, including proposals to change the ratio requirement to 85/15 (federal to nonfederal revenue), or to eliminate the 90/10 Rule. We Company cannot predict whether or how legislative or regulatory changes will affect the 90/10 Rule.

#### **Consolidated Appropriations Act, 2021**

On December 27, 2020, the President signed into law the Consolidated Appropriations Act of 2021. Among other things, this package funded the federal government through September 2021, provided additional COVID-related relief, and made a number of U.S. higher education changes.

The legislation includes a number of tax provisions, including replacing the tuition deduction with an expanded Lifetime Learning Credit, which now shares the higher income limitations of the American Opportunity Tax Credit. The legislation also extends until January 1, 2026 expanded employer-provided educational assistance permitting employers to pay up to \$5,250 toward an employee's federal student loans as a tax-free benefit.

In addition, the legislation includes a number of higher education-related provisions, including: adopting the FAFSA Simplification Act, which includes eliminating the "expected family contribution" from the Free Application for Federal Student Aid ("FAFSA") and replacing it with a "Student Aid Index;" expanding eligibility for Pell Grants; restoring Pell Grant eligibility for incarcerated students attending non-profit institutions; restoring quarters/semesters of Pell eligibility to students who have successfully asserted a borrower defense to repayment; repealing the limitation on lifetime subsidized loan eligibility (known as "Subsidized Usage Limit Applies," or SULA); and significantly simplifying the FAFSA form. The Department published a FAFSA Simplification Information webpage on October 14, 2022 and is expected to provide institutions with guidance on the higher education provisions included in the Consolidated Appropriations Act of 2021, which take effect on July 1, 2023.

The bill also provided \$22.7 billion for higher education institutions and students impacted by COVID-19, including \$680.9 million (3 percent of the total) for student emergency aid for students at for-profit institutions. In January 2021, the Department released a table of institutional allocation of funds which indicated that Capella University was eligible for \$328,602 and Strayer University was eligible for \$5,831,606, all of which was disbursed to students with the highest need in the form of direct grants in spring 2021.

#### **Veterans Health Care and Benefits Improvement Act of 2020**

On January 5, 2021, the President signed into law the Veterans Health Care and Benefits Improvement Act of 2020, which expanded student veterans' protections. Among other things, the legislation requires a risk-based review of schools if an institution is operating under Heightened Cash Monitoring 2 or provisional approval status by the Department of Education, is subject to any punitive action by a federal or state entity, faces the loss or risk of loss of accreditation, or has converted from for-profit to non-profit status. The legislation also restores veterans benefits to students whose school closed, as long as the student transferred fewer than 12 credits from the closed school or program; protects students from debt collection by the VA for overpaid tuition benefits; and establishes a number of institutional requirements, including: providing clear disclosures about cost, loan debt, graduation and job placement rates, and acceptance of transfer credit; ensuring institutions are accommodating short absences due to service; prohibiting same-day recruitment and registration; and prohibiting more than three unsolicited recruiting contacts during any one-month period. Most provisions became effective August 1, 2021. Institutions were permitted to seek waivers for certain sections of the new law if they were not able to satisfy compliance requirements by August 1, 2021, but neither Strayer University nor Capella University sought a waiver.

#### **THRIVE Act**

On June 8, 2021, President Biden signed into law the Training in High-Demand Roles to Improve Veteran Employment Act (the "THRIVE Act"), which amended provisions of the Veterans Health Care and Benefits Improvement Act and the American Rescue Plan Act. The law requires the U.S. Department of Labor and VA to collaborate on a list of high-demand occupations for a rapid retraining assistance program. Additionally, the law requires the Government Accountability Office to report on the outcomes and effectiveness of retraining programs. The THRIVE Act amended the Veterans Health Care and Benefits Improvement Act by clarifying that programs pursued solely through distance education on a half-time basis or less are not eligible for the housing stipend that is generally available for retraining programs. As noted above, the Veterans Health Care and Benefits Improvement Act prohibits certain high-pressure recruiting tactics. The THRIVE Act requires the VA to take disciplinary action if a person with whom an institution has a recruiting or educational services agreement violates the VA's incentive compensation bans.

#### **REMOTE Act**

On December 21, 2021, President Biden signed into law the Responsible Education Mitigating Options and Technical Extensions ("REMOTE") Act, which amended provisions of the Veterans Health Care and Benefits Improvement Act, the American Rescue Plan Act, and the THRIVE Act. The law includes changes to help institutions satisfy the Veterans Health Care and Benefits Improvement Act's requirements by using the College Financing Plan template, in addition to extending some COVID-related flexibilities previously granted amid the pandemic. The law also extended remote learning waivers through June 1, 2022, simplified the VA verification process for tuition reimbursement, and fixed a technical error to ensure U.S. institutions of higher education can continue to use incentive compensation to recruit foreign students without losing GI Bill funding for their students.

#### **Ensuring the Best Schools for Veterans Act of 2022**

On August 26, 2022, President Biden signed into law the Ensuring the Best Schools for Veterans Act of 2022, which amended prior statutory language and made modifications to how the VA operationalizes the 85/15 requirement (that is, the rule that generally forbids use of Department of Veterans Affairs benefits for students enrolling in a program in which more than 85% of students enrolled in the program have any portion of their tuition, fees, or other charges paid to or for them by the institution or by the VA). Among other things, the law clarifies that reporting associated with the 85/15 requirement does not apply to institutions at which 35% or fewer students receive GI bill benefits. The law also exempts programs for which fewer than 10 students have any portion of their tuition, fees, or other charges paid to or for them by the institution or by the VA.

#### **Consolidated Appropriations Act, 2022**

On March 15, 2022, President Biden signed into law the Consolidated Appropriations Act of 2022. The bill allocated \$76.4 billion to the Department of Education and its programs, including an increase to the maximum Pell Grant award, bringing the total to \$6,895 for the 2022-23 award year. In addition, campus-based aid programs were increased, with \$895 million allocated for the FSEOG program, an increase of \$15 million above the FY 2021 enacted level, and \$1.21 billion allocated for FWS, an increase of \$20 million above the FY 2021 enacted level.

In addition to the increases in federal student aid funding, the bill provided \$2.1 billion for career, technical, and adult education, \$61 million above the FY 2021 enacted level, and an additional \$3 billion for higher education programs, \$452 million more than the FY 2021 enacted level. The bill also dictated Department requirements related to federal loan servicing, including appropriations for just over \$2 billion for expenses related to the administration of the federal loan program, and made a number of changes to the FAFSA Simplification Act.

#### *Consolidated Appropriations Act, 2023*

In December 2022, the President signed the 2023 Consolidated Appropriations Act. Among other things, the act provides a \$500 increase to the maximum Pell Grant, totaling \$7,395 for FY 2023-24. The bill also increases funding to Federal Work Study, FSEOG, Federal TRIO programs, and HBCUs and MSIs. Additionally, the bill enacted language that would allow companies to make matching contributions to a retirement account for employees making qualified student loan payments. The bill level funds the Office of Federal Student Aid at \$2.03 billion and does not provide new funding for President Biden's student loan forgiveness plan.

#### *Current Negotiated Rulemaking*

On May 26, 2021, the Department first announced its intention to establish negotiated rulemaking committees to prepare proposed regulations for programs authorized under Title IV of the Higher Education Act of 1965, as amended. As part of the notice, the Department suggested the following topics for regulation: change of ownership and change in control of institutions of higher education under 34 CFR § 600.31; certification procedures for participation in Title IV, HEA programs under 34 CFR § 668.13; standards of administrative capability under 34 CFR § 668.16; ability to benefit under 34 CFR § 668.156; borrower defense to repayment under 34 CFR §§ 682.410, 668.411, 685.206, and 685.222; discharges for borrowers with a total and permanent disability under 34 CFR §§ 674.61, 682.402, and 685.213; closed school discharges under 34 CFR §§ 685.214 and 682.402; discharges for false certification of student eligibility under 34 CFR §§ 685.215(a)(1) and 682.402; loan repayment plans under 34 CFR §§ 682.209, 682.215, 685.208, and 685.209; the Public Service Loan Forgiveness program under 34 CFR § 685.219; mandatory pre-dispute arbitration and prohibition of class action lawsuits provisions in institutions' enrollment agreements (formerly under 34 CFR § 685.300) and associated counseling about such arrangements under 34 CFR § 685.304; financial responsibility for participating institutions of higher education under 34 CFR subpart L, such as events that indicate heightened financial risk; gainful employment (formerly located in 34 CFR subpart Q); and Pell Grant eligibility for prison education programs under 34 CFR part 690. Additionally, the Department invited public input on how it could address, through regulations, gaps in post-secondary outcomes such as retention, completion, loan repayment, and student loan default by race, ethnicity, gender, and other key student characteristics. To support this work, the Department held a series of virtual public hearings in June 2021, as well as accepted written comments. At the virtual public hearings and via written comments, members of the public discussed proposed changes for all of the issues noted above, as well as comments addressing data transparency, including disclosures of outcomes for veteran students. The Department indicated its intention to convene multiple committees, including the Affordability and Student Loans committee and the Institutional and Programmatic Eligibility committee, to engage in negotiated rulemaking in late 2021 and early 2022. See "Affordability and Student Loans Committee" and "Institutional and Programmatic Eligibility Committee" below.

In January 2023, the Department indicated its intention to establish one or more rulemaking committees in 2023 to propose new regulations on distance education, improving the use of deferrals and forbearances, third-party servicers and related issues, cash management, return of federal funds, state authorization, accreditation and related issues, and TRIO programs.

Following completion of negotiated rulemaking committee meetings, the Department of Education issues proposed rules for public comment. If the negotiated rulemaking committee reaches consensus on a topic, the Department of Education is bound to propose a rule consistent with the consensus. Following public comment, the Department issues final regulations, which, if published by November 1, would generally take effect July 1 of the following year.

#### *Gainful Employment*

Under the Higher Education Act, of 1965, as amended ("HEA"), a proprietary institution offering programs of study other than a baccalaureate degree in liberal arts (for which there is a limited statutory exception) must prepare students for gainful employment in a recognized occupation. The On October 31, 2014, the Department of Education published final regulations related to gainful employment that employment. The regulation went into effect on July 1, 2015 ("2015 Regulations"), with additional the exception of new disclosure requirements, which generally went into effect January 1, 2017, although some portions of those requirements were delayed until July 1, 2019.

The 2015 Regulations included two debt-to-earnings measures, consisting of an annual income rate and a discretionary income rate. The annual income rate measured student debt in relation to earnings, and the discretionary income rate measured student debt in relation to discretionary income. A program passed if the program's graduates:

- have an annual income rate ratio that does not exceed 8%; or
- have a discretionary income rate that does not exceed 20%.

In addition, a program that did not pass either of the debt-to-earnings metrics and had an annual income rate between 8% and 12% or a discretionary income rate between 20% and 30% was considered to be in a warning zone. A program failed if the program's graduates had an annual income rate of 12% or greater and a discretionary income rate of 30% or greater. A program became effective January 1, 2017 Title IV-ineligible for three years if it failed both metrics for two out of three consecutive years or failed to pass at least one metric for four consecutive award years.

On January 8, 2017, Capella University and July 1, 2019 (the "2015 Regulations"). Strayer University received their final 2015 debt-to-earnings measures. None of their programs failed the debt-to-earnings metrics. One active Capella University program, the Masters of Science in Marriage and Family Counseling/Therapy, was "in the zone" and two active Strayer University programs, the Associate in Arts in Accounting and Associate in Arts in Business Administration, were "in the zone." Each of those three programs remained fully eligible. The Department has not released any subsequent debt-to-earnings measures under the 2015 Regulations.

On July 1, 2019, the Department of Education updated released final gainful employment final regulations, which contained contain a full repeal of the 2015 Regulations, and became effective on July 1, 2020 (the "2019 Regulations"). Both Strayer University and Capella University implemented the 2019 Regulations early, by means permitted by the Secretary of Education, and accordingly were not required to report gainful employment data for the 2018-2019 award year. For the period between July 2019 and July 1, 2020, Strayer University and Capella University were not required to comply with gainful employment including all debt measures, reporting, disclosure, and template publication

requirements and were not required to comply with the regulation's certification requirements, with respect to programmatic accreditation and program satisfaction of prerequisites for professional licensure/state certification, effective July 1, 2020.

On December 8, 2021, the Department of Education announced its intention to establish a negotiated rulemaking committee to develop proposed regulations for, among other topics, gainful employment, and other topics related to programs authorized under Title IV of the HEA. Negotiated rulemaking committee sessions occurred January-March 2022, and via the Institutional and Programmatic Eligibility rulemaking. Meetings of the negotiated rulemaking committee did occur in spring 2022 with the committee failing to reach consensus. On May 17, 2023, the Department released proposed rules on financial value transparency and gainful employment, financial responsibility, administrative capability, certification procedures, and ability to benefit. On September 27, 2023, the Department released final regulations on financial value transparency and gainful employment, which are largely consistent with the proposed rule. The gainful employment final rule establishes two independent metrics, both of which must be passed by a gainful employment program subject to the rule in order to maintain Title IV eligibility. Any gainful employment program that fails either or both metrics in a single year would be required to provide a disclosure to current and prospective students, and any such program that fails the same metric in two out of three consecutive years for which the program's metrics are calculated would lose its access to federal financial aid. The two metrics are 1) a debt-to-earnings ratio that compares the median earnings of graduates who received federal financial aid to the median annual payments on loan debt borrowed for the program, which must be less than or equal to 8% of annual earnings or 20% of discretionary earnings, and 2) an earnings premium test that measures whether the typical graduates from a program that received federal financial aid earn more than a typical high school graduate in their state (or, in some cases, nationally) and within a certain age range in the labor force. A program that fails in two out of three consecutive years, or is voluntarily discontinued by the institution, would not reach consensus be eligible to have Title IV reinstated for the program or launch and receive Title IV for a "substantially similar program" (generally defined as a program with the same four-digit CIP code) for a minimum of three years. The final rule describes that the Department will now measure earnings six years after graduation (instead of the proposed rule's three years after graduation) for certain qualifying graduate programs such as clinical psychology, marriage and family therapy, clinical social work, and clinical counseling. The final rule also includes the requirement that, beginning July 1, 2026, all schools provide a link to a Department of Education-hosted website that includes information on cost, earnings, and licensure information, and the Gainful Employment topic. gainful employment metrics. The final gainful employment regulations will take effect July 1, 2024. The Department has indicated that it will release metrics beginning in the 2025 financial aid award year. Beginning July 1, 2026, if a program fails a metric, an institution must provide warnings to students and prospective students meeting certain minimum requirements to be specified by the Department; programs that fail the same metric in the first two years the rates are issued will lose eligibility in 2026. On December 22, 2023, a lawsuit was filed against the Department in the United States District Court

for the Northern District of Texas alleging that the rulemaking process and final rule were based on arbitrary and capricious decisions made by the Department, and that the rule violates constitutional rights related to speech, equal protection, and due process. Capella University and Strayer University are not parties to the lawsuit. The Company is unable to predict the ultimate outcome of the litigation.

#### *Misrepresentation*

Under the Higher Education Act, the Department of Education may impose various sanctions, including a fine or suspension or termination of an institution's participation in Title IV programs, if it engages in substantial misrepresentation of the nature of its educational program, its financial charges, or the employability of its graduates. The Department's related regulations, which took effect July 1, 2011, set forth the types of activities that constitute misrepresentation and describe the adverse actions that the Department of Education may take if it finds that an institution or a third party that provides educational programs, marketing, advertising, recruiting, or admissions services to the institution engaged in substantial misrepresentation. The rule specifies the types of statements that can subject the institution to liability for misrepresentation, as well as the nature and form of misleading statements.

As part of the Department's 2016 promulgation of the Borrower Defenses to Repayment regulation, the Department changed the definition of misrepresentation for Title IV regulations to include any statement that "has the likelihood or tendency to mislead under the circumstances." The expanded definition included "any statement that omits information in such a way as to make the statement false, erroneous, or misleading." This regulation was published on November 1, 2016 and, after a series of delays, went into effect as of October 16, 2018.

On August 30, 2019, the Department released final Borrower Defense to Repayment regulations that included a new definition of "misrepresentation," which became effective July 1, 2020. The final rule defines a "misrepresentation" as: a statement, act, or omission by an eligible school to a borrower (a) that is false, misleading, or deceptive, (b) that was made with knowledge of its false, misleading, or deceptive nature or with a reckless disregard for the truth, and (c) that directly and clearly relates to either (1) enrollment or continuing enrollment at the institution, or (2) the provision of educational services for which the loan was made.

On August 10, 2021, the Department of Education announced its intention to publish draft Gainful Employment rules establish a rulemaking committee to prepare proposed regulations on, among other things, Borrower Defense to Repayment, including a new definition of misrepresentation. Negotiated rulemaking committee meetings completed in April 2023, December 2021 with no consensus reached on the topic. On October 31, 2022, the Department released final Borrower Defense to Repayment regulations, which include among other defenses to repayment substantial misrepresentation, with a significantly expanded definition of misrepresentation. The final rule's definition of misrepresentation includes any false, erroneous or misleading statement made by the institution or its representatives, or its marketing, advertising, recruiting or admissions agents, as well as any omission of fact that a reasonable person would be effective no earlier than July 2024. We cannot predict what have considered in deciding to enroll in or continue attendance at the institution. A statement is deemed misleading if it has the likelihood or tendency to mislead under the circumstances. A misrepresentation includes statements and omissions made in any medium, whether directly or indirectly, to a future gainful employment regulation may include, student, prospective student or any member of the public, or to an accrediting agency, to a State agency, or to the Secretary of Education. Misrepresentation also includes the dissemination of a student endorsement or testimonial that a student gives either under duress or because the institution required such an endorsement or testimonial to participate in a program.

#### *Borrower Defenses to Repayment*

Pursuant to the Higher Education Act and following negotiated rulemaking, on November 1, 2016, the Department of Education released a final regulation specifying the acts or omissions of an institution that a borrower may assert as a defense to repayment of a loan made under the Direct Loan Program and the consequences of such borrower defenses for borrowers, institutions, and the Secretary of Education (the "2016 BDTR Rule"). Under the 2016 BDTR Rule, for Direct Loans disbursed after July 1, 2017, a student borrower may assert a defense to repayment if: (1) the student borrower obtained a state or federal court judgment against the institution; (2) the institution failed to perform on a contract with the student; and/or (3) the institution committed a "substantial misrepresentation" on which the borrower reasonably relied to his or her detriment.

These defenses are asserted through claims submitted to the Department of Education, and the Department has the authority to issue a final decision. In addition, the regulation permits the Department to grant relief to an individual or group of individuals, including individuals who have not applied to the Department seeking relief. If a defense is successfully raised, the Department has discretion to initiate action to collect from an institution the amount of losses incurred based on the borrower defense. The 2016 BDTR Rule also amends the rules concerning discharge of federal student loans when a school or campus closes and prohibits pre-dispute arbitration agreements and class action waivers for borrower defense-type claims. On January 19, 2017, the Department of Education issued a final rule, updating the hearing procedures for actions to establish liability against an institution of higher education and establishing procedures for recovery proceedings under the borrower defense regulations. Several times between June 2017 and February 2018, the Department of Education announced delays until July 1, 2019 of implementation of certain portions of the 2016 BDTR Rule, including those portions of the regulations that establish a new federal standard and a process for determining whether a Direct Loan borrower has a defense to repayment of a Direct Loan based on an act or omission of an institution. However, in October 2018, a judge denied a request to delay implementation of portions of the regulations, and as a result the 2016 BDTR Rule went into effect as of October 16, 2018.

On September 23, 2019, the Department published final Borrower Defense to Repayment regulations (the "2019 BDTR Rule"), which governs borrower defense to repayment ("BDTR") claims in connection with loans first disbursed on or after July 1, 2020, the date the 2019 BDTR Rule became effective.

Under the 2019 BDTR Rule, an individual borrower can assert a defense to repayment and be eligible for relief if she or he establishes, by a preponderance of the evidence, that (1) the institution at which the borrower enrolled made a misrepresentation of material fact upon which the borrower reasonably relied in deciding to obtain a Direct Loan or a loan repaid by a Direct Consolidation Loan; (2) the misrepresentation directly and clearly related to the borrower's enrollment or continuing enrollment at the institution or the institution's provision of education services for which the loan was made; and (3) the borrower was financially harmed by the misrepresentation. The Department will grant forbearance on all loans related to a claim at the time the claim is made.

The 2019 BDTR Rule defines "financial harm" as the amount of monetary loss that a borrower incurs as a consequence of a misrepresentation. The Department will determine financial harm based upon individual earnings and circumstances, which must include consideration of the individual borrower's career experience subsequent to enrollment and may include, among other factors, evidence of program-level median or mean earnings. "Financial harm" does not include damages for non-monetary loss, and the act of taking out a Direct Loan, alone, does not constitute evidence of financial harm. Financial harm also cannot be predominantly due to intervening local, regional, national economic or labor market conditions, nor can it arise from the borrower's voluntary change in occupation or decision to pursue less than full-time work or decision not to work. The 2019 BDTR Rule contains certain limitations and procedural protections. Among the most prominent of these restrictions, the regulation contains a three-year limitation period of claims, measured from the student's separation from the institution, does not permit claims to be filed on behalf of groups, and requires that institutions receive access to any evidence in the Department's possession to inform its response. The 2019 BDTR Rule permits the usage of pre-dispute arbitration agreements and class action waivers as conditions a condition of enrollment, so long as the institution provides plain-language disclosures to students and the disclosures are placed on the institution's website. The regulations also allow for a borrower to choose whether to apply for a closed school loan discharge or accept a teach-out opportunity. In addition, the closed school discharge window is expanded from 120 days to 180 days prior to the school's closure, though the final rule does not allow for an automatic closed school loan discharge.

Institutions are required to accept responsibility for the repayment of amounts discharged by the Secretary pursuant to the borrower defense to repayment, closed school discharge (associated with closure of a school or an additional location or branch campus), false certification discharge, and unpaid refund discharge regulations. If the Secretary discharges a loan in whole or in part, in compliance with the terms of the regulations, the Department of Education may require the school to repay the amount of the discharged loan. On December 10, 2019, the Secretary of Education released a formula to calculate the amount of relief a borrower may receive for a successful BDTR application. This formula analyzed a borrower's earnings as compared to median earnings of comparable programs to determine the amount of loans that would be discharged. Under this formula, even successful BDTR applicants may receive only a partial loan discharge.

On March 11, 2020, the 116th Congress passed a joint resolution providing for Congressional disapproval of the 2019 BDTR Rule. The President vetoed the joint resolution on May 29, 2020, and the House subsequently failed to override the veto during a vote on June 26, 2020.

On March 18, 2021, the Department revised its BDTR review process and repealed the previous administration's partial relief formula. Under the updated BDTR procedures, the Department will grant full loan relief to borrowers with approved BDTR applications. Additionally, the Department has eliminated certain evidentiary requirements for borrowers who have received a loan cancellation due to total or permanent disability. These borrowers will no longer be required to provide proof of insufficient income for the relief program for the three years after discharge of their loans.

On August 10, 2021, the Department of Education announced its intention to establish a negotiated rulemaking committee to develop proposed regulations for borrower defenses on, among other things, Borrower Defense to Repayment and other topics related to programs authorized under Title IV of the HEA. Negotiated rulemaking for the Affordability and Student Loans Committee began in October 2021 and concluded committee meetings completed in December 2021 with no consensus reached on the committee failing to reach consensus on Borrower Defense to Repayment topic. On October 31, 2022 July 6, 2022, the Department released proposed Borrower Defense to Repayment regulations for public comment and subsequently published a final BDTR regulations rule on October 31, 2022. Among other things, the final rule sets a single standard and streamlined process for relief that will apply to all future and pending BDTR Borrower Defense to Repayment claims as of July 1, 2023, instead regardless of various standards based on the date of the a borrower's first loan disbursement; define what kinds defines the types of misconduct that could lead to borrower defense discharges, including substantial misrepresentations, substantial omissions of fact, breaches of contract, aggressive and deceptive recruitment, and state or federal judgments or final Department of Education actions that could give rise to a BDTR Borrower Defense to Repayment claim; establish establishes a presumption that borrowers reasonably relied upon misrepresentations or omissions; establishes a reconsideration process for borrowers whose claims are not approved for a full discharge; discharge, including based on a state law standard; and create creates a process for forming groups the adjudication of borrowers and adjudicating group claims based on the common facts of those facts. The final rule permits nonprofit legal assistance organizations to request group claims. The final rule also sets the expectation that the Department will hold colleges accountable for the cost of discharges, including by establishing establishes a recoupment process separate from the approval of BDTR Borrower Defense to Repayment claims. In addition, the final rule prohibits institutions from requiring borrowers to sign mandatory pre-dispute arbitration agreements or class action waivers for claims related to the making of a Federal Direct Loan or the provision of educational services for which the loan was obtained.

On October 31, 2022, The rule also modified the Department published final rules updating the eligibility criteria for and the process by which borrowers can be eligible to receive a closed school loan discharge. The updated rules allow discharge rule to provide an automatic discharge one year after an institution or location's closure date for borrowers who were enrolled at the Secretary to process automatic closed school discharges and establishes a discharge window time of closure or left 180 days prior to the school's closure. The regulation also states that eligible borrowers may receive a discharge if the borrower does before closure and who do not complete either a accept an approved teach-out agreement or the continuation of their program at another location of the school, and gives the Secretary the authority to adjust the closure school; those who accept but do not complete a teach-out agreement or program continuation will receive a discharge one year after their last date in cases where the institution discontinues the programs in which most borrowers were enrolled. The new regulation is effective July 1, 2023.

#### *Accrediting Agencies and State Authorization*

On November 1, 2019, the Department of Education published final rules amending regulations governing the recognition of accrediting agencies, certain student assistance provisions including state authorization rules, and institutional eligibility. Among other changes, the final rules revise the definition of "state authorization reciprocity agreement" such that member states may enforce their own general-purpose state laws and regulations, but may not impose additional requirements related to state authorization of distance education directed at all or a subgroup of educational institutions. The regulations also clarify that state authorization requirements related to distance education courses are based on the state where a student is "located," as determined by the institution, and not the state of the student's "residence." In addition, the final rules remove certain disclosure requirements related to programs offered solely through distance education, and they replace those requirements with certain disclosure requirements applicable to all programs that lead to professional licensure or certification, regardless of the delivery modality of those programs. The Department's new rules also refine the process for recognition and review of accrediting agencies, the criteria used by the Department to recognize accrediting agencies, and the Department's requirements for accrediting agencies in terms of their oversight of accredited institutions and programs. The final regulations became effective on July 1, 2020, excepting certain provisions which were eligible to be implemented early by institutions, and certain provisions relating to recognition of accrediting agencies effective January 1 and July 1, 2021. In January 2023, the Department indicated its intention to establish one or more negotiated rulemaking committees in 2023 to propose regulations regarding, among other things, accreditation and related issues and state authorization.

On July 29, 2020, the National Advisory Committee on Institutional Quality and Integrity ("NACIQI") held a meeting to review compliance by the Higher Learning Commission ("HLC") with Department of Education requirements for recognized accrediting agencies. HLC is the institutional accreditor for Capella University. On June 30, 2020, the Department released a staff report that outlined HLC's alleged noncompliance with its own policies and the Department's regulations with regard to a change of ownership approval process for the acquisition of the Art Institute of Colorado and the Illinois Institute of Art, by Dream Center Educational Holdings. The staff report noted noncompliance in the areas of due process, consistency in decision making, and proper appeals procedures. The staff report proposed a one-year prohibition on HLC accrediting new institutions and a required compliance report on HLC's remedial actions. NACIQI voted 9-2 to reject the staff report's proposed sanctions, but NACIQI's recommendation was non-binding. On October 26, 2020, a Senior Department Official ("SDO") found HLC non-compliant, in part. While the SDO required that HLC submit periodic reporting for twelve months, the SDO did not restrict HLC's scope of accreditation or ability to accredit new institutions. HLC did not appeal the Secretary's decision. Both HLC and Middle States Commission on Higher Education ("Middle States"), the institutional accreditor for Strayer University, have applied for renewal of their recognition by the Department. NACIQI is scheduled to consider their applications in winter 2023 and already has solicited written comments from the public (which were due January 2022).

#### *Distance Education and Innovation*

On August 24, 2020, the Department of Education published final rules related to distance education and innovation to amend the sections of the institutional eligibility regulations issued under the HEA regarding establishing eligibility, maintaining eligibility, and losing eligibility. Among other changes, the final rules established an updated definition of distance education; amended the existing definition of the credit hour; created a definition of academic engagement; and updated eligibility and program design, for programs offered through the direct assessment of learning. The final rules also made operational changes to several financial aid awarding, disbursing and refunding rules, including how aid can be delivered to students enrolled in subscription period programs, such as Capella University's FlexPath offerings. The final rule became effective **July 1, 2021** **July 1, 2023**. In January 2023, On August 7, 2023, the Department indicated its intention to establish U.S. Court of Appeals for the Fifth Circuit granted a negotiated rulemaking committee in 2023 to consider new proposed regulations on distance education.

#### *Title IX*

On May 6, 2020, nationwide emergency injunction preventing the Department of Education published final rules related to implementation of Title IX Education's enforcement of the Education Amendments of 1972 ("Title IX"), which prohibits discrimination on the basis of sex in education programs that receive funding from the federal government. The 2020 final rules define what constitutes sexual harassment for purposes of Title IX in the administrative enforcement context, describe what actions trigger an institution's obligation to respond to incidents of alleged sexual harassment, and specify how an institution must respond to allegations of sexual harassment. Among other things, the rules include a requirement for live hearings on Title IX sexual harassment claims, which includes direct and cross-examination of parties, university-provided advisors (in the event a student or party does not obtain its own advisor), rulings on BDTR

questions of relevance and closed school discharge rules. The matter was heard by decision-makers, the Fifth Circuit panel on November 6, 2023, and the creation and maintenance of a record previous versions of the live hearing proceedings. The final rule became effective August 14, 2020.

On March 8, 2021, President Biden signed an executive order that requires the Secretary of Education BDTR and the Attorney General to review the previous administration's rulemakings and guidance documents related to Title IX. In June 2021, the Department of Education held virtual public hearings to gather information for providing enforcement of Title IX, as part of the Office for Civil Rights' ("OCR") comprehensive review of the regulation. On June 16, 2021, OCR issued a notice of interpretation clarifying that the Department interprets Title IX and its enforcement authority under the regulation to include the prohibition of sex discrimination based on sexual orientation and gender identity. On July 20, 2021, the Department of Education released a Questions and Answers document outlining OCR's interpretation of the Title IX regulations related to sexual harassment. On August 24, 2021, OCR, in alignment with recent federal court decisions, issued guidance indicating it would cease enforcement of Title IX's current prohibition against consideration of statements made by individuals failing to submit to cross-examination. The June 2021 notice of interpretation is currently under legal challenge in Tennessee et al. v. United States Department of Education et al., United States District Court for the Eastern District of Tennessee, Case No. 3:21-cv-00308-CEA-DCP. A July 15, 2022 court-issued preliminary injunction prohibits the Department of Education from enforcing the challenged guidance in the plaintiff states.

On June 23, 2022, the Department of Education released proposed Title IX regulations for public comment. Among other changes, the proposed rule would address all forms of sex-based harassment (not only sexual harassment); clarify that Title IX's prohibition against sex discrimination includes discrimination on the basis of sex stereotypes, sex characteristics, pregnancy or related conditions, sexual orientation and gender identity; and eliminate the requirement for live hearings at the post-secondary level. The public comment period on the proposed rule ended on September 12, 2022. When the Department publishes a final Title IX rule, it will indicate an effective date.

On October 4, 2022, OCR released a resource document for students and institutions in which it reinforced that current Title IX regulations prohibit discrimination based on pregnancy, childbirth, false pregnancy, termination of pregnancy or recovery therefrom. The resource document further emphasized that Title IX requires institutions to treat pregnancy, childbirth, false pregnancy, termination of pregnancy and recovery therefrom the same as other temporary disabilities with respect to medical benefits, services, plans, and policies, and detailed requirements for leave and reinstatement for both students and employees.

#### Affordability and Student Loans Committee

On August 10, 2021, the Department announced its intention to establish the Affordability and Student Loans committee, to prepare proposed regulations to address the following topics: borrower defense to repayment, closed school discharges, discharges for borrowers with a total and permanent disability, discharges for false certification by a school of a student's eligibility to receive a loan, loan repayment plans, interest capitalization, mandatory pre-dispute arbitration and prohibition of class action lawsuits. provisions discharge rules remain in institutions' enrollment agreements and associated counseling about such arrangements, Pell Grant eligibility for prison education programs, and the Public Service Loan Forgiveness program. effect until further determination. The Department also announced the formation of a Prison Education Program Subcommittee. The Department selected negotiators in September 2021, with negotiations occurring October-December 2021. In December 2021, the Affordability and Student Loans committee reached consensus on four of twelve topics: discharges for false certification of student eligibility, Pell Grant eligibility for prison education programs, discharges for borrowers with total and permanent disability, and interest capitalization. It did not reach consensus on borrower defenses to repayment and other topics. If the negotiated rulemaking committee reaches consensus on a topic, the Department of Education is bound to propose a rule consistent with the consensus.

In the absence of consensus, the Department of Education has discretion to propose a rule for public comment.

On July 6, 2022, the Department released proposed rules governing student loan discharges and processes, including borrower defense to repayment. The proposed rules also addressed closed school discharges, arbitration proceedings, public service loan forgiveness, interest capitalization, total and permanent disability discharges, and false certification. The public comment period on the proposed rules ended on August 12, 2022. As discussed above, the Department published final rules on October 31, 2022.

#### Institutional and Programmatic Eligibility Committee

On December 8, 2021, the Department announced its intention to establish the Institutional and Programmatic Eligibility committee, to prepare proposed regulations to address the following topics: 90/10, ability to benefit, certification procedures for participating in Title IV programs, change of ownership and change in control of institutions of higher education, financial responsibility for participating institutions of higher education, gainful employment, and standards of administrative capability.

Committee meetings occurred January-March 2022. In March 2022, the committee reached consensus on two of seven topics: ability to benefit and changes to the 90/10 rule. On July 26, 2022, the Department released proposed regulations related to the 90/10 rule, and change of ownership and change in control of institutions of higher education. On October 27, 2022, the Department of Education released final 90/10 regulations, which are consistent with the consensus language.

The 90/10 rule's final regulations include changes to requirements impacting non-Title IV program revenue, and the treatment of "federal education assistance funds" within the calculation. The final regulations indicate that the Secretary of Education will identify via Federal Register notice, the federal agencies and educational assistance funds provided by that agency that will count toward the "90" portion of the 90/10 calculation. On December 21, 2022, the Department released a list of federal agencies and federal education assistance programs that must be included as federal revenue in the 90/10 calculation. Such agencies include the U.S. Department of Defense (military tuition assistance) and the Department of Veterans (veterans education benefits), in addition to the Title IV programs already covered by the 90/10 Rule. The final regulations also include modifications to the criteria for revenue generated from non-Title IV programs, allowing institutions to count funds as non-Federal revenue only for programs that: (1) do not include any courses offered in an eligible program that is provided by the institution; (2) are provided by the institution and taught by one of the institution's instructors; and (3) are located at the institution's main campus, one of its approved additional locations, at another school facility approved by the appropriate State agency or accrediting agency, or at an employer facility. In the preamble to the final 90/10 regulations and in subsequent sub-regulatory guidance, the Department indicated that non-Title IV programs that are offered in part or in whole through distance education are not eligible to be included in the "10" portion of the calculation. The final regulations establish new disclosure requirements for institutions that fail the 90/10 rule, including a student notification requirement, and clarify reporting requirements and liabilities for institutions that lose access to Title IV because of failing the 90/10 calculation. The new 90/10 regulations are effective for fiscal years beginning on or after January 1, 2023.

During the negotiated rulemaking process, the Department also proposed a number of changes to financial responsibility regulations, but did not reach consensus on the language. The proposal included new mandatory and discretionary triggers that would require the posting of financial protections. Among other things, the Department proposed a discretionary trigger in the event of significant fluctuations in Title IV aid; a discretionary trigger for pending borrower defense claims; and a discretionary trigger for when institutions close most or all on-ground locations but maintain an online presence.

The Department also proposed as part of the negotiated rulemaking process the reestablishment of gainful employment regulations, which would apply to all programs (including non-degree programs) at proprietary institutions and non-degree programs at public and private nonprofit institutions. Among other items, the Department proposed to use the first four digits of the CIP (Classification of Instructional Program) code to identify gainful employment programs; to remove the "zone" concept pertaining to debt-to-earnings rates; and to establish that a program would fail the debt-to-earnings rate measure if, among other measures, its debt-to-earnings rate is greater than 8 percent and its discretionary earnings rate is greater than 20 percent. The Department also proposed including Parent PLUS loans when determining student debt load, and included a new "earnings threshold" measure comparing the median annual earnings for students who completed the program to the median earnings for a working adult aged 25-34 with only a high school diploma in the state in which the institution is located (or nationally based on the percentage of students located in the same state as the institution). The Department's proposal would deem a program ineligible for Title IV funding if the program failed either metric (debt-to-earnings or earnings threshold) two out of three consecutive years.

Among other topics, the Department proposed a number of additional changes to regulations regarding administrative capability, change of control and certification issues, none of which reached consensus. In June 2022, the Department indicated its intention to publish proposed rules regarding gainful employment, ability to benefit, financial responsibility, administrative capability, and certification procedures in April 2023. We cannot predict the outcome of the negotiated rulemaking process.

#### Student Loan Relief

On August 24, 2022, the Department announced that it would provide student loan relief to eligible borrowers to address financial hardships in connection with the COVID-19 pandemic. Under the relief measures, up to \$10,000 in student debt will be forgiven for individual borrowers earning less than \$125,000 or married couples or heads of household earning less than \$250,000, and up to \$20,000 will be forgiven for such borrowers who formerly received Pell Grants. In a memorandum prepared by the Department's General Counsel, the Department stated that it has interpreted provisions of the Higher Education Relief Opportunities for Students Act of 2003 to authorize the Secretary to exercise broad discretion in granting student loan relief. Since the Department's student loan relief announcement, multiple lawsuits have been filed against the Department challenging its authority to grant such relief. The U.S. Supreme Court has granted petitions to review injunctions issued by two federal courts that blocked implementation of the Department's student loan

relief program, with oral arguments scheduled for February 28, 2023. We cannot predict the outcome of these lawsuits. On November 22, 2022, the Department announced further extension of the pause on student loan repayment and noted that payments will resume 60 days following implementation of the relief program or resolution of the litigation. If the Department has not implemented the relief program or the litigation has not resolved by June 30, 2023, the Department has stated that payments would resume 60 days thereafter.

On January 10, 2023, it will not adjudicate any borrower defense applications under the latest rule unless and until the effective date is reinstated; the Department proposed regulations will continue to create a new income-driven repayment plan to reduce future monthly payments for lower- and middle-income borrowers. Among other things, the proposed regulation would revise the Revised Pay As You Earn (REPAYE) regulations, eliminate negative amortization, and offer \$0 monthly payments for any individual adjudicate borrower who makes less than roughly \$30,600 annually and any borrower in a family of four who makes less than about \$62,400. The Department accepted public comments on the proposal for 30 days.

#### Compliance Reviews

Strayer University and Capella University are subject to announced and unannounced compliance reviews and audits by various external agencies, including the Department, its Office of Inspector General, state licensing agencies, guaranty agencies, and accrediting agencies.

In June 2019, the Department conducted defense applications using an announced, on-site program review at Capella University, focused on Capella University's FlexPath program. The review covered the 2017-2018 and 2018-2019 federal student financial aid years. The Department issued its preliminary report on November 13, 2020, and Capella University responded to the report. On February 9, 2021, Capella University received the Department's Final Program Review Determination, which closed the Program Review without further action required on the part of Capella University.

On March 17, 2021, the Department informed Strayer University that it planned to conduct an announced, remote program review. The review commenced on April 19, 2021 and covered the 2019-2020 and 2020-2021 federal student financial aid years. On September 21, 2021, Strayer University received the Department's Final Program Review Determination, which closed the Program Review without further action required on the part of Strayer University.

#### Program Participation Agreement

Each institution participating in Title IV programs must enter into a Program Participation Agreement with the Department. Under the agreement, the institution agrees to follow the Department's rules and regulations governing Title IV programs. On December 13, 2021, the Department and Strayer University executed a new Program Participation Agreement, approving Strayer University's continued participation in Title IV programs with full certification through September 30, 2025.

As a result earlier version of the August 1, 2018 merger, Capella University experienced regulations where required under a change of ownership, with court settlement (the Sweet case discussed above). The Company is unable to predict the Company as its new owner. On January 18, 2019, consistent with standard procedure upon a Title IV institution's change of ownership, the Department and Capella University executed a new Provisional Program Participation Agreement, approving Capella's continued participation in Title IV programs with provisional certification through December 31, 2022. As is typical, the Provisional Program Participation Agreement subjects Capella University to certain requirements during the period of provisional certification, including that Capella University must apply for and receive approval from the Department in connection with new locations or the addition of new Title IV-eligible educational programs. Capella University filed its application for recertification in advance ultimate outcome of the September 30, 2022 deadline litigation.

Australian and consistent with Department of Education practice, continues to offer federal financial aid under a Provisional Program Participation Agreement, until the Department addresses the recertification application.

#### Office of Enforcement

On October 8, 2021, the Department of Education announced establishment of an Office of Enforcement within the Department's Office of Federal Student Aid, designed to strengthen oversight over and enforcement against post-secondary schools that participate in federal student loan, grant, and work-study programs. The Office of Enforcement restores an office first established by the Department in 2016. The Department announced the Office of Enforcement would comprise four existing divisions: Administrative Actions and Appeals Services Group, Borrower Defense Group, Investigations Group, and Resolution and Referral Management Group. The Department intends the Office of Enforcement to coordinate with other state and federal partners, including the Department of Justice, Consumer Financial Protection Bureau, Federal Trade Commission, and state attorneys general.

#### Federal Trade Commission

On October 6, 2021 the Federal Trade Commission ("FTC") announced that it is resurrecting Penalty Offense Authority under Section 5(m) of the FTC Act (the "Act"). Under the Act, the FTC may secure penalties against entities not a party to an original proceeding if the FTC can show that the entity had actual knowledge that the conduct in question was found to be unfair or deceptive. Entities that have actual knowledge of acts or practices the FTC has found to be unlawful and that subsequently engage in such unlawful acts or practices may be held liable for civil penalties up to \$43,792 per violation.

Also on October 6, 2021, in an effort to establish actual knowledge and create a pathway for penalties in the event of post-notice acts or practices, the FTC issued notice to the 70 largest for-profit schools based on enrollment and revenues. The notice included a list of acts and practices that the FTC has determined are unfair or deceptive, including but not limited to acts relating to misrepresentation of employment opportunities and other benefits, together with citation to various prior determinations from cases previously litigated by the FTC.

Strayer University and Capella University received the FTC's notice on October 7, 2021. The FTC made clear that receipt of the notice itself does not reflect any assessment as to whether Strayer University or Capella University has engaged in deceptive or unfair conduct.

#### Consumer Financial Protection Bureau

The Consumer Financial Protection Bureau ("CFPB") is a U.S. government agency established to protect the interests of consumers in their dealings with banks, lenders and other financial institutions. On April 4, 2022, the Company received correspondence from the CFPB, in which the CFPB took the position that it has supervisory authority over the Company as a covered person that offers or provides private education loans pursuant to 12 U.S.C. 5514(a)(1)(D) and further indicated the CFPB is considering whether to cite violations based on preliminary findings that the Company may have violated the Dodd-Frank Wall Street Reform and Consumer Protection Act, 12 U.S.C. 5301 et seq., due to alleged student loan servicing and collections practices or policies. Specifically, the CFPB referred to Capella University and Strayer University's historical practice of withholding official transcripts from students who were delinquent in paying amounts due, a practice which both universities discontinued prior to receipt of the correspondence. The CFPB

subsequently sent a letter on July 8, 2022, indicating that it believed the withholding of transcripts was a violation, and requiring the Company to cease withholding transcripts for those with an outstanding balance and to take other remedial actions. The Company had already discontinued its historical practice prior to the CFPB's notice and informed the CFPB that it completed the remedial actions in the allotted thirty days. While the Company disagrees with CFPB's position as to its supervisory authority and disputes any alleged legal or regulatory violations, SEI is cooperating with CFPB's inquiry and responded to CFPB as requested on April 25, 2022. On April 26, 2022, the CFPB informed the Company that it intended to conduct an announced education loan exam in June 2022. The examination started on June 13, 2022. Fieldwork concluded on August 5, 2022. On September 12, 2022, the CFPB informed the Company of a preliminary finding related to a product that is no longer utilized, and invited the Company's response. The Company timely responded to the CFPB's letter, disagreeing with the preliminary finding and noting that the product to which it related is no longer utilized. On November 29, 2022, the CFPB informed the Company that, within 90 days, it should remediate the finding for any impacted students, and it identified areas for the Company to address to ensure regulatory compliance. The Company has taken remedial action and responded to the CFPB within the 90-day deadline.

#### Australian New Zealand Regulation

The Company operates two post-secondary educational institutions in Australia, Torrens University Australia Limited ("Torrens") and Think: Colleges Pty Ltd ("Think"). In Australia, a distinction is made between higher education and vocational education organizations.

Higher education providers consist of public and private universities, Australian branches of overseas universities and other higher education providers. Higher education qualifications consist of undergraduate awards (bachelor's degrees, associate degrees and diplomas) and postgraduate awards (graduate certificates and diplomas, master's degrees and doctoral degrees). The regulation of higher education providers is undertaken at a national level by the Tertiary Education Quality and Standards Agency ("TEQSA"). All organizations that offer higher education qualifications in or from Australia must be registered by TEQSA. Higher education providers that have not been granted self-accrediting status must also have their courses of study accredited by TEQSA. Registration as a higher education provider is for a fixed period of up to seven years. TEQSA regularly reviews the conduct and operation of accredited higher education providers.

The vocational education and training ("VET") sector consists of technical and further education institutes, agricultural colleges, adult and community education providers, community organizations, industry skill centers and private providers. VET qualifications include certificates, diplomas and advanced diplomas. The regulation of VET providers is undertaken at a national level by the Australian Skills Quality Authority ("ASQA"). Organizations providing VET courses in Australia must be registered by ASQA as a Registered Training Organisation ("RTO"). Courses offered by RTOs need to be accredited by ASQA. Registration as an RTO is for a fixed period of up to seven years. ASQA regularly reviews the conduct and operations of RTOs.

Torrens is one of 44 43 universities in Australia. It is a private, for-profit entity and is registered as a university by with TEQSA. As a self-accrediting university, it is not required to have its individual courses of study accredited by TEQSA. Torrens is also registered by with ASQA as an RTO and is thus entitled to offer vocational and training courses. Torrens is currently undergoing an ordinary course re-registration process with TEQSA.

Think is one of approximately 5,000 RTOs in Australia and in that capacity is regulated by ASQA. It is also registered as a higher education provider by with TEQSA. Its higher education courses require, and have received, accreditation by TEQSA.

Australia also maintains a Commonwealth Register of Institutions and Courses for Overseas Students ("CRICOS") for Australian education providers that recruit, enroll and teach overseas students. Registration in on CRICOS allows providers to offer courses to overseas students studying on Australian student visas. Both Torrens and Think are so registered.

The Commonwealth government has established income-contingent loan schemes that assist eligible fee-paying students to pay all or part of their tuition fees (separate but similar schemes exist for higher education and vocational courses). Under the schemes, the relevant fees are paid directly to the institutions. institutions by the Commonwealth government on behalf of the student. A corresponding obligation then exists from the participating student to the Commonwealth government. government, which is addressed by adding a levy to that student's income tax until the loan amount has been repaid. Neither Torrens nor Think have any responsibility in connection with the repayment of these loans by students and, generally, this assistance is not available to international students. Both Torrens and Think are registered for the purposes of these plans (a precondition to their students being eligible to receive such loans).

#### New Zealand Regulation

The Company operates a post-secondary educational institution in New Zealand, Media Design School Limited ("MDS"). MDS is a Private Training Establishment, ("PTE"); a private organization offering education or training. It is a globally renowned and specialist provider of design and creative technology education with qualifications ranging from diplomas to postgraduate degrees. MDS also has access to New Zealand Government student finance where study loans are offered to students who are New Zealand citizens or ordinarily resident in New Zealand, subject to certain conditions.

#### **Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure**

None.

#### **Item 9A. Controls and Procedures**

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer has evaluated the effectiveness of the Company's disclosure controls and procedures as of December 31, 2022 December 31, 2023. Based upon such review, the Chief Executive Officer and Chief Financial Officer have concluded that the Company had in place, as of December 31, 2022 December 31, 2023, effective controls and procedures designed to ensure that information required to be disclosed by the Company (including consolidated subsidiaries) in the reports it files or submits under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules thereunder, is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls

and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in reports it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive officer or officers and principal financial officer or officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

#### **Management's Report on Internal Control Over Financial Reporting**

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision, and with the participation of the Company's principal executive officer and principal financial officer, the Company's management assessed the effectiveness of the registrant's internal control over financial reporting as of **December 31, 2022** **December 31, 2023**, based on the framework in *Internal Control — Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment under the framework in *Internal Control — Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of **December 31, 2022** **December 31, 2023**.

The effectiveness of the Company's internal control over financial reporting as of **December 31, 2022** **December 31, 2023** has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report, which appears herein.

#### **Changes in Internal Controls over Financial Reporting**

During the quarter ended **December 31, 2022** **December 31, 2023**, there have not been any changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

#### **Item 9B. Other Information**

##### ***None Director and Officer Trading Arrangements***

During the three months ended December 31, 2023, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

#### **Item 9C. Disclosure Regarding Foreign Jurisdiction that Prevent Inspections**

None

## **PART III**

#### **Item 10. Directors, Executive Officers, and Corporate Governance**

The following table sets forth certain information with respect to the Company's directors and executive officers:

Name	Age	Position
<b>Directors:</b>		
Robert S. Silberman	65 66	Executive Chairman
Dr. Charlotte F. Beason	75 76	Director
Rita D. Brogley	57 58	Director
Dr. John T. Casteen III	79 80	Presiding Lead Independent Director
J. Kevin Gilligan Viet D. Dinh	68 56	Director
Robert R. Grusky	65 66	Director
Jerry L. Johnson	52 53	Director
Karl McDonnell	57 58	Director, Chief Executive Officer
Dr. Michael A. McRobbie	72 73	Director
William J. Slocum	45 46	Director
Michael J. Thawley	72 73	Director
G. Thomas Waite, III	71 72	Director
<b>Executive Officers:</b>		
Daniel W. Jackson	48 49	Executive Vice President and Chief Financial Officer
Lizette B. Herraz	48 49	Senior Vice President and General Counsel
Christa E. Hokenson	52 53	Senior Vice President, Chief Human Resources Officer

#### Directors

Mr. Robert S. Silberman has been a Director of the Company since March 2001, 2001 and serves as Chairman of the Board. He was previously served as Executive Chairman of the Board from 2013 to 2023 and as Chairman of the Board from February 2003 to 2013 and 2013. He was the Company's Chief Executive Officer from March 2001 to 2013.

Mr. Silberman was named Executive Chairman of the Board in 2013. From 1995 to 2000, Mr. Silberman served in a variety of senior management positions at CalEnergy Company, Inc., including as President and Chief Operating Officer. From 1993 to 1995, Mr. Silberman was Assistant to the Chairman and Chief Executive Officer of International Paper Company. From 1989 to 1993, Mr. Silberman served in several senior positions in the U.S. Department of Defense, including as Assistant Secretary of the Army. Since 2014, he has served as a Managing Director of Equity Group Investments. He also serves as the Chairman of the Board of Directors of Par Pacific Holdings, and served on the Board of Directors of Twenty-First Century Fox, Inc. from 2013 to 2019 and as lead director of the Board of Covanta Holding Company from 2016 to 2021. He is a member of the Council on Foreign Relations. Mr. Silberman holds a bachelor's degree in history from Dartmouth College and a master's degree in international policy from The Johns Hopkins University.

Dr. Charlotte F. Beason is a consultant in education and health care administration. She was Executive Director of the Kentucky Board of Nursing from 2005 to 2012. From 2000 to 2003, Dr. Beason was Chair and Vice Chair of the Commission on Collegiate Nursing Education (an autonomous agency accrediting baccalaureate and graduate programs in nursing). From 1988 to 2004, Dr. Beason was with the Department of Veterans Affairs, first as Director of Health Professions Education Service and the Health Professional Scholarship Program, and then as Program Director, Office of Nursing Services. Dr. Beason has served on our Board since 1996 and is a member of the Nominating Committee. She is also Chairwoman of the Strayer University Board of Trustees, and serves on the Board of Trustees of Berea College. Dr. Beason holds a bachelor's degree in nursing from Berea College, a master's degree in psychiatric nursing from Boston University and a doctorate in clinical psychology and public practice from Harvard University.

Ms. Rita D. Brogley is an experienced executive and entrepreneur in both early stage and large public companies. From 2016 to 2019, Ms. Brogley was the Head of Global Enterprise Partnerships for Facebook's Messaging Platforms. Prior to that, Ms. Brogley served as President and CEO of MyBuys, a marketing technology company, from 2012 until its merger with Magnetic in 2015. From 2008 to 2011, Ms. Brogley was the CEO of Amadesa, a technology provider of website testing and optimization, and from 2000 to 2002, she served as the President and CEO of Moxi Digital, a digital home software and hardware company. Ms. Brogley served as Director of Business Development and Marketing Europe for Microsoft TV from

1997 to 2000 and was a management consultant with Bain and Company from 1995 to 1997. Ms. Brogley presently serves on the Board of Trinity Health, a healthcare system with headquarters in Michigan, and is the Chair of its Audit Committee, and on the Board of Narvar, Inc. Ms. Brogley served on the Board of Capella Education Company from 2014 until her appointment to the Board of Strategic Education, Inc. on August 1, 2018. She is the Chair of the Compensation Committee of the Board. Ms. Brogley holds a bachelor's degree in industrial engineering from Northwestern University and a master's degree in business administration from the Harvard Business School.

Dr. John T. Casteen III is the President Emeritus and a retired University Professor and Professor of English at the University of Virginia, where he taught courses in literature, cultural history, and public policy. He served as President of the University of Virginia from 1990 through 2010. He was President of the University of Connecticut from 1985 to 1990. From 1982 to 1985, Dr. Casteen served as the Secretary of Education for the Commonwealth of Virginia. He has chaired the boards of both the College Entrance Examination Board and the Association of American Universities. Dr. Casteen served on the board of directors of Altria Group, Inc. from 2010 to 2022. Dr. Casteen has been a member of the Board since 2011, and is the Chair of the Nominating Committee of the Board. Dr. Casteen holds a bachelor's degree, master's degree and a Ph.D. in English from the University of Virginia, as well as several honorary degrees, including degrees from the Universities of Athens (Greece) and Edinburgh (Scotland) and two community colleges in Virginia. Dr. Casteen presently serves as the Presiding Lead Independent Director.

Mr. J. Kevin Gilligan Viet D. Dinh has served as Special Advisor to Fox Corporation since January 2024. He previously served as Chief Legal and Policy Officer of Fox Corporation, where he led all legal, regulatory and government affairs functions, from September 2018 to December 2023. Before that, Mr. Dinh was a partner at two leading law firms, Kirkland & Ellis LLP and Bancroft PLLC, the Chief Executive Officer latter of which he founded. Between 2009 and 2018, while in private practice, he also served as outside general counsel to the Company. Mr. Dinh was a member of the Board of Directors of Capella Education Company beginning in March 2009, professor at Georgetown University Law Center for 20 years, and was appointed the Chairman of the Board of Capella Education Company in February 2010, positions he held until being appointed as Executive Vice Chairman of the Board of Strategic Education, Inc. on August 1, 2018. Mr. Gilligan resigned as an executive of the Company on August 1, 2019 and continued to serve as Vice Chairman of the Board until November 2022. Mr. Gilligan is a member of the board of directors U.S. Assistant Attorney General for Graco Inc., a publicly held manufacturer and supplier of fluid handling equipment, and Legal Policy from September 2004 until February 2009 was a member of the board for ADC Telecommunications, Inc., a publicly held global supplier of network infrastructure. Mr. Gilligan was previously the Chief Executive Officer of United Subcontractors, Inc., a nationwide construction services company, from 2004 until February 2009. From 2001 to 2004, 2003. He previously served on the Boards of several public companies, including 21st Century Fox, Revlon, LPL Financial, and Scientific Games. Mr. Gilligan served as President Dinh was born in Saigon, Vietnam and Chief Executive Officer of the Automation and Control Solutions Group of Honeywell International, a diversified technology and manufacturing company. From 2000 to 2001, Mr. Gilligan served as President of the Home and Building Control Division of Honeywell International. Mr. Gilligan also served as President of the Solutions and Services Division of Honeywell International from 1997 to 1999 and as Vice President and General Manager of the North American Region of the Home and Building Control Division from 1994 to 1997. Mr. Gilligan holds a bachelor's degree in government and economics from Boston College, Harvard College and a juris doctor from Harvard Law School. Mr. Dinh joined the Board in September 2023.

Mr. Robert R. Grusky is the Founder and has been the Managing Member of Hope Capital Management, LLC, an investment manager, since 2000. He co-founded New Mountain Capital, LLC, a private equity firm, in 2000, was a Principal and Member from 2000 to 2005, and a Senior Advisor from 2005 to 2019, and has served as a member of the Executive Leadership Council since then. From 1998 to 2000, Mr. Grusky served as President of RSL Investments Corporation. From 1985 to 1997, with the exception of 1990 to 1991 when he was on a leave of absence to serve as a White House Fellow and Assistant for Special Projects to the Secretary of Defense, Mr. Grusky served in a variety of capacities at Goldman, Sachs & Co., first in its Mergers & Acquisitions Department and then in its Principal Investment Area. He also serves on the Board of Directors of AutoNation, Inc. Mr. Grusky has served on our Board since 2001, and is on the Audit Nominating Committee. He holds a bachelor's degree in history from Union College and an MBA from Harvard Business School.

Mr. Jerry L. Johnson currently serves as a Partner at the Halifax Group, a private investment company, and has worked with Halifax Group as an Operating Executive since 2020. Mr. Johnson was previously Senior Vice President of Strategy, Corporate Development and Investor Relations at EnPro Industries, a manufacturer of proprietary engineered products. Mr. Johnson is a founding member and previously served as a Partner at RLJ Equity Partners since 2007. His career also includes service as a White House Fellow, and as a management consultant at McKinsey & Company. Mr. Johnson previously served on the Board of Directors of Command Security Corporation from 2017 through February of 2019. Mr. Johnson graduated from the University of Tennessee with a bachelor's degree in chemical engineering, holds an MBA from Harvard Business School, and serves on The Council of Foreign Relations. Mr. Johnson has served on our Board since January 2021, and serves on the Compensation Audit Committee.

Mr. Karl McDonnell was named Chief Executive Officer of the Company in May 2013, and served as President and Chief Operating Officer from 2006 to 2013. Prior to joining the Company, Mr. McDonnell served as Chief Operating Officer of IntelliStaf Healthcare, Inc., one of the nation's largest privately-held healthcare staffing firms. Prior to his tenure at IntelliStaf, he served as Vice President of the Investment Banking Division at Goldman, Sachs & Co. Mr. McDonnell has held senior management positions with several Fortune 100 companies, including The Walt Disney Company. Mr. McDonnell has served

on the Board since 2011. Mr. McDonnell holds a bachelor's degree from Virginia Wesleyan College and a master's degree in business administration from Duke University.

Dr. Michael A. McRobbie serves as University Chancellor, President Emeritus, and University Professor at Indiana University (IU). He previously served as the 18th President of IU, one of the largest universities in the U.S., from July 1, 2007 until his retirement on June 30, 2021. Dr. McRobbie served as a vice chair of the board of directors of Indiana University Health System until his retirement from IU. Dr. McRobbie joined the Board in July of 2021 and serves on the Compensation

Committee. Dr. McRobbie also serves on the Board of Directors of Torrens University of Australia. A native of Australia, Dr. McRobbie holds a bachelor of arts degree with first class honors from the University of Queensland, and a Ph.D. from Australian National University.

Mr. William J. Slocum is a partner of Inclusive Capital Partners, L.P., an investment manager founded in 2020 focused on companies solving environmental and social challenges through for-profit business models. Mr. Slocum has served as a director of Ingevity Corporation since 2022. Previously, he was a portfolio manager at Golden Gate Capital, which he joined in 2011. Mr. Slocum led public-equity investments for the Golden Gate Capital Opportunity Fund and for the Emerald Gate Equities Portfolio, employing a concentrated, long-term approach across the firm's industry verticals. In addition to his portfolio management role, he served on Golden Gate Capital's private-equity investment review committee, and on the board of managers and compensation committee of Williston Financial Group, a title insurance and real-estate technology company licensed in 49 states. Prior to joining Golden Gate Capital, Mr. Slocum worked as a vice president at ValueAct Capital Management. Before ValueAct, Mr. Slocum worked in private equity at Parthenon Capital Partners and in strategy consulting at Bain & Company. Mr. Slocum was elected to the Board in April 2021 and serves on the Audit Committee and the Compensation Committee. Mr. Slocum earned a BA in economics and graduated magna cum laude from Williams College, where he was inducted into Phi Beta Kappa, and he earned an MBA, with distinction, from Harvard Business School.

Mr. Michael J. Thawley most recently served as Vice Chairman of Capital Group International, part of Capital Group Companies, which is a fund management company with over \$2 trillion under active management, having retired from that position on August 31, 2022. He continues continued to serve as Vice Chairman of Capital International

Fund. Fund until his retirement from that position in 2023. He previously held several senior positions in the Australian government, including Secretary of the Department of the Prime Minister and Cabinet from 2014 through 2016. He served as Australia's ambassador to the United States from 2000 to 2005. Mr. Thawley entered the Australian foreign service in 1972 and served at embassies throughout the world. Mr. Thawley was born in London and was educated at Australian National University and Surrey University. He was appointed an officer in the Order of Australia in 2006 for services advancing Australia's strategic and economic interests. He has served on the Board since September 2022 and serves on the Nominating Committee. Mr. Thawley was elected to the Board of Directors of Torrens University in December 2023.

Mr. G. Thomas Waite, III, now retired, was the Treasurer and Chief Financial Officer of the Humane Society of the United States, a global animal protection organization, from 1997 until January to 2020. Prior to that, he served as Controller of the Society beginning in 1993. In 1992, Mr. Waite was After serving 14 years as controller, and later asset manager, with local real estate firms in the Washington Metropolitan Area, he joined the National Housing Partnership as Director of Commercial Management in 1992. Prior to this, he was engaged in the practice of The National Housing Partnership, public accounting with Main LaFrentz & Company (formerly affiliated with, and subsequently merged into, KPMG). Mr. Waite has served on the Board since 1996, is Chair of the Audit Committee and is a former member of the Strayer University Board of Trustees. Mr. Waite He holds a bachelor's degree in commerce (accounting concentration) from the University of Virginia and is a Certified Public Accountant, and a Chartered Global Management Accountant. Mr. Waite has extensive experience as a leader Waite's leadership in the philanthropy and the non-profit nonprofit sector which is indispensable in helping the Company's indispensable partner in fulfilling our Company fulfill its mission of providing quality education to working adults. His experience as chief financial officer and public accountant brings to the Board a seasoned voice in matters of accounting and governance that is a tremendous asset to the Board and the committees on which he serves.

#### Executive Officers

Mr. Daniel W. Jackson is Executive Vice President, Chief Financial Officer. Mr. Jackson has been with the company since 2003 and has served as Senior Vice President of Finance, Regional Vice President of Operations, Director of Business Operations, Campus Director, and Manager of Financial Analysis. Prior to joining Strayer, Mr. Jackson was an Equity Research Associate with Legg Mason Wood Walker, and Director of Operations for Fairmont Schools, Inc. Mr. Jackson holds a bachelor's degree in international affairs from the University of Colorado at Boulder, and a master's degree in business administration from Georgetown University.

Ms. Lizette B. Herraiz is Senior Vice President, General Counsel. Ms. Herraiz has been with the Company since 2013. She previously served as Deputy General Counsel of Strayer Education, Inc., and as General Counsel of Strayer University. Prior to joining Strayer, Ms. Herraiz served in the United States Department of Justice as a Deputy Assistant Attorney General in the Office of Justice Programs, and as Counsel in the Office of Legal Policy. Ms. Herraiz earned a Bachelor of Arts in Government from the University of Virginia, and her Juris Doctor from the George Mason University School of Law.

Ms. Christa E. Hokenson is Senior Vice President, Chief Human Resources Officer. Ms. Hokenson joined SEI in 2018 and brings more than 20 years of experience in business leadership, organizational consulting, and HR strategy. Previously, Ms. Hokenson was Managing Director and Chief Human Resources Officer at ProShares from 2012 to 2018, and held HR

leadership positions at Capital One in both Europe and the U.S. She earned a Bachelor of Arts degree from The College of William & Mary.

Additional information responsive to this item is hereby incorporated by reference from the sections titled "Election of Directors," "Board Leadership Structure," and "Code of Ethics" "Committee Membership" contained in the Company's Proxy Statement, which will be filed no later than 120 days following December 31, 2022 December 31, 2023.

#### Item 11. Executive Compensation

The information required by this Item is hereby incorporated by reference from the sections entitled "Compensation Discussion and Analysis" and the related tables and narrative thereto, "Director Compensation" and the related tables thereto, "Compensation Committee Interlocks and Insider Participation" and "Compensation Committee Report" to be contained in the Company's Proxy Statement, which will be filed no later than 120 days following December 31, 2022 December 31, 2023.

#### Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item is hereby incorporated by reference from the section entitled "Beneficial Ownership of Common Stock" and "Securities Authorized for Issuance Under Equity Compensation Plans" to be contained in the Company's Proxy Statement, which will be filed no later than 120 days following December 31, 2022 December 31, 2023.

#### Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item is hereby incorporated by reference from the sections entitled "Board Leadership Structure" and "Certain Transactions with Related Parties" to be contained in the Company's Proxy Statement, which will be filed no later than 120 days following December 31, 2022 December 31, 2023.

#### Item 14. Principal Accounting Fees and Services

The information required by this Item is hereby incorporated by reference from the section entitled "Proposal 2 — Ratification of Appointment of Independent Registered Public Accounting Firm" to be contained in the Company's Proxy Statement, which will be filed no later than 120 days following December 31, 2022 December 31, 2023.

### PART IV

#### Item 15. Exhibits and Financial Statement Schedules

##### (A)(1) Financial Statements

All required financial statements of the registrant are set forth under Item 8 of this report on Form 10-K.

**(A)(2) Financial Statement Schedule**

All financial statement schedules are omitted because they are not applicable or the required information is included in the consolidated financial statements or notes thereto.

**(A)(3) Exhibits**

The exhibits required to be filed as a part of this Annual Report on Form 10-K are listed in the Exhibit Index attached hereto and are incorporated herein by reference.

**Exhibit Index**

Exhibit Number	Description	Description of the Company's securities registered pursuant to Section 12 of the Securities Exchange Act of 1934 (incorporated by reference to Exhibit 4.2 of the Company's Annual Report on Form 10-K filed with the Commission on March 2, 2020). ----- ----- ----- -----
3.1	<a href="#">Amended and Restated Articles of Incorporation of the Company (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed with the Commission on August 1, 2018).</a>	
3.2	<a href="#">Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.2 of the Company's Quarterly Report on Form 10-Q filed with the Commission on July 29, 2021).</a>	
4.1	<a href="#">Specimen Stock Certificate (incorporated by reference to Exhibit 4.01 of Amendment No. 3 to the Company's Registration Statement on Form S-1 filed with the Commission on July 16, 1996).</a>	
4.2		Description of the Company's securities registered pursuant to Section 12 of the Securities Exchange Act of 1934 (incorporated by reference to Exhibit 4.2 of the Company's Annual Report on Form 10-K filed with the Commission on March 2, 2020). ----- ----- ----- -----
10.1	<a href="#">Second Amended and Restated Revolving Credit and Term Loan Agreement, dated as of November 8, 2012, among the Company, SunTrust Bank, as Administrative Agent, and the other lenders and agents party thereto (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the Commission on November 9, 2012).</a>	
10.2	<a href="#">First Amendment to Second Amended and Restated Revolving Credit and Term Loan Agreement, dated as of July 2, 2015, among the Company, Strayer University, LLC, SunTrust Bank, as Administrative Agent, and the other lenders party thereto (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the Commission on July 8, 2015).</a>	
10.3	<a href="#">Second Amendment to Second Amended and Restated Revolving Credit and Term Loan Agreement, dated as of August 1, 2018, among the Company, certain subsidiaries of the Company party thereto as subsidiary guarantors, SunTrust Bank, as Administrative Agent, and the other lenders party thereto (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed with the Commission on August 1, 2018).</a>	
10.4		Third ----- ----- -----

		<u>Amendment to Second Amended and Restated Revolving Credit and Term Loan Agreement and Amendment to Other Loan Documents, dated November 3, 2020, among Strategic Education Inc., certain subsidiaries of Strategic Education Inc., party thereto as subsidiary guarantors, and Truist Bank, as Administrative Agent, and the other lenders party thereto (incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q filed with the Commission on November 5, 2020).</u>
10.5		<u>Fourth Amendment to Second Amended and Restated Revolving Credit and Term Loan Agreement and Amendment to Other Loan Documents, dated June 13, 2023, among Strategic Education, Inc., certain subsidiaries of Strategic Education Inc., party thereto as subsidiary guarantors, and Truist Bank, as Administrative Agent (incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q filed with the Commission on July 27, 2023).</u>
10.6		<u>Supplement and Joinder Agreement, dated as of July 2, 2015, among the Company, Strayer University, LLC, SunTrust Bank, as Administrative Agent, and other lenders party thereto (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed with the Commission on July 8, 2015).</u>
10.6	10.7	<u>Supplement Agreement, dated August 10, 2020, among the Company, certain of its subsidiaries party thereto as subsidiary loan parties, Truist Bank, as administrative agent, and Truist Bank and Bank of America, N.A., as lenders (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the Commission on August 10, 2020).</u>
10.7†	10.8†	<u>Amended and Restated Employment Agreement, dated as of April 24, 2014 April 26, 2023, between Strayer Strategic Education, Inc. and Robert S. Silberman (incorporated by reference to Exhibit 10.1 of the Company's Current Quarterly Report on Form 8-K10-Q filed with the Commission on April 24, 2014), April 28, 2023.</u>
10.8†	10.9†	<u>Amended and Restated Employment Agreement, dated as of April 24, 2014 July 26, 2023, between Strayer Strategic Education, Inc. and Karl McDonnell (incorporated by reference to Exhibit 10.2 10.3 of the Company's Current Quarterly Report on Form 8-K10-Q filed with the Commission on July 26, 2023).</u>

[Commission on April 24, 2014\).](#) [July 27, 2023\).](#)

10.9† 10.10† [Strategic Education, Inc. 2018 Equity Compensation Plan \(incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8 filed with the Commission on November 8, 2018\).](#)

10.10† 10.11† [First Amendment to the Strategic Education, Inc. 2018 Equity Compensation Plan \(incorporated by reference to Exhibit A to the Company's definitive proxy statement filed on March 14, 2022\).](#) [March 14, 2022\).](#)

10.11† 10.12†\* [Form of Restricted Stock Award Agreement — Performance Based — under the 2018 Equity Compensation Plan \(incorporated by reference to Exhibit 10.15 of the Company's Annual Report on Form 10-K filed with the Commission on March 1, 2019\).](#)

10.12† 10.13†\* [Form of Restricted Stock Award Agreement — Non-Employee Director — under the 2018 Equity Compensation Plan \(incorporated by reference to Exhibit 10.17 of the Company's Annual Report on Form 10-K filed with the Commission on March 1, 2019\).](#)

10.13† [Form of Restricted Stock Award Agreement — Performance Based — under the 2018 Equity Compensation Plan \(2021\) \(incorporated by reference to Exhibit 10.16 of the Company's Annual Report on Form 10-K filed with the Commission on March 1, 2021\).](#)

10.14† [Form of Restricted Stock Award Agreement — Non-Employee Director — under the 2018 Equity Compensation Plan \(2021\) \(incorporated by reference to Exhibit 10.17 of the Company's Annual Report on Form 10-K filed with the Commission on March 1, 2021\).](#)

10.15† [Capella Education Company 2014 Equity Incentive Plan \(incorporated by reference to Exhibit A to Capella Education Company's definitive proxy statement for its 2014 annual meeting of shareholders filed with the Commission on March 24, 2014\).](#)

10.16† [Form of Restricted Stock Award Agreement — Non-Employee Director — under the Capella Education Company 2014 Equity Compensation Plan \(incorporated by reference to Exhibit 10.22 of the Company's Annual Report on Form 10-K filed with the Commission on March 1, 2019\).](#)

10.17† [Form of Restricted Stock Award Agreement — Non-Employee Director — under the Capella Education Company 2014 Equity Compensation Plan \(2021\) \(incorporated by reference to Exhibit 10.22 of the Company's Annual Report on Form 10-K filed with the Commission on March 1, 2021\).](#)

21.1\* [Subsidiaries of Registrant.](#)

23.1\* [Consent of PricewaterhouseCoopers LLP.](#)

24.1\* [Power of Attorney \(included in signature page hereto\).](#)

31.1\* [Certification of Chief Executive Officer pursuant to Rule 13a-14\(a\) of the Securities Act.](#)

31.2\* [Certification of Chief Financial Officer pursuant to Rule 13a-14\(a\) of the Securities Act.](#)

32.1\*\* [Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)

32.2\*\* [Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)

97.1\* [Strategic Education, Inc. Recoupment Policy](#)

101.INS\* XBRL Instance Document

101.SCH\* XBRL Schema Document

101.CAL\* XBRL Calculation Linkbase Document

101.LAB\* XBRL Labels Linkbase Document

101.PRE\* XBRL Presentation Linkbase Document

101.DEF\* XBRL Definition Linkbase Document

104\* Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

\* Filed herewith.

\*\* Furnished herewith.

† Denotes management contract or compensation plan or arrangement.

#### Item 16. [Item Form 10-K Summary](#)

Not applicable.

#### SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

STRATEGIC EDUCATION, INC.

By: /s/ Karl McDonnell  
Karl McDonnell  
Chief Executive Officer

Date: February 27, 2023 February 29, 2024

#### POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Karl McDonnell and Daniel W. Jackson, and each of them individually, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and his or her name, place and stead in any and all capacities, to sign the report and any and all amendments to this report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, full power and authority to perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitutes, may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrant in the capacities and on the date indicated.

SIGNATURES	TITLE	DATE
/s/ Robert S. Silberman Robert S. Silberman	Executive Chairman	February 27, 2023 29, 2024
/s/ Karl McDonnell Karl McDonnell	Chief Executive Officer and Director (Principal Executive Officer)	February 27, 2023 29, 2024
/s/ Daniel W. Jackson Daniel W. Jackson	Chief Financial Officer (Principal Financial Officer)	February 27, 2023 29, 2024
/s/ Tal Darmon Tal Darmon	Chief Accounting Officer (Principal Accounting Officer)	February 27, 2023 29, 2024
/s/ Charlotte F. Beason Charlotte F. Beason	Director	February 27, 2023 29, 2024
/s/ Rita D. Brogley Rita D. Brogley	Director	February 27, 2023 29, 2024
/s/ John T. Casteen, III John T. Casteen, III	Director	February 27, 2023 29, 2024
/s/ J. Kevin Gilligan Viet D. Dinh J. Kevin Gilligan Viet D. Dinh	Director	February 27, 2023 29, 2024
/s/ Robert R. Grusky Robert R. Grusky	Director	February 27, 2023 29, 2024
/s/ Jerry L. Johnson Jerry L. Johnson	Director	February 27, 2023 29, 2024
/s/ Michael A. McRobbie Michael A. McRobbie	Director	February 27, 2023 29, 2024
/s/ William J. Slocum William J. Slocum	Director	February 27, 2023 29, 2024
/s/ Michael J. Thawley Michael J. Thawley	Director	February 27, 2023 29, 2024
/s/ G. Thomas Waite, III G. Thomas Waite, III	Director	February 27, 2023 29, 2024

**STRATEGIC EDUCATION, INC.  
2018 EQUITY COMPENSATION PLAN  
RESTRICTED STOCK AGREEMENT**

Strategic Education, Inc., a Maryland corporation (the "Corporation"), hereby grants shares of its common stock, \$.01 par value (the "Stock") to the Grantee named below, subject to the vesting conditions set forth below and in the attachment. Additional terms and conditions of the grant are set forth in this cover sheet, in the attached Restricted Stock Agreement (together the "Agreement"), and in the Corporation's 2018 Equity Compensation Plan (the "Plan").

Grant Date: \_\_\_\_\_

Name of Grantee: \_\_\_\_\_

Number of Shares of Stock Covered by Grant: \_\_\_\_\_

Vesting:

Subject to special provisions for Termination of Service, Approved Retirement, and Change in Control Resulting in Termination as described in the Agreement and the Plan, the restricted stock will vest based on the attainment of specified performance goals, as set forth on the attached Exhibit A and as follows:

- 100% on [ ]

Cash Dividends:

Grantee will have the right to receive any cash dividends declared or paid on the restricted stock unless and until forfeited.

***By signing this cover sheet, you agree to all of the terms and conditions described in the Agreement and in the Plan, a copy of which is attached. IN PARTICULAR, YOU ACKNOWLEDGE THAT YOUR SIGNING BELOW AND ACCEPTANCE OF THIS RESTRICTED STOCK GRANT CONSTITUTES YOUR ACCEPTANCE OF THE RESTRICTIVE COVENANTS (AS DEFINED BELOW) CONTAINED IN THE AGREEMENT. You acknowledge that you have carefully reviewed the Plan, and agree that the Plan will control in the event any provision of this Agreement should appear to be inconsistent.***

Grantee:

\_\_\_\_\_ (Signature)

Corporation:

\_\_\_\_\_ (Signature)

Title:

Attachment

*This is not a stock certificate or a negotiable instrument.*

**STRATEGIC EDUCATION, INC.  
2018 EQUITY COMPENSATION PLAN  
RESTRICTED STOCK AGREEMENT**

**Restricted Stock**

This grant is an award of Stock in the number of shares set forth on the cover sheet subject to the vesting conditions set forth in the cover sheet and described below ("Restricted Stock" or the "Award").

**Transfer of Unvested Restricted Stock**

To the extent not yet vested, your Restricted Stock may not be transferred, assigned, pledged or hypothecated, whether by operation of law or otherwise, nor may the Restricted Stock be made subject to execution, attachment or similar process. If you attempt to do any of these things, you will immediately forfeit the shares of Restricted Stock.

**Issuance and Vesting**

The Corporation will issue your Restricted Stock in the name set forth on the cover sheet of this Agreement as of the Grant Date.

Your right to the Stock under this Restricted Stock Agreement vests in accordance with the vesting criteria (if any) and schedule on the cover sheet and Exhibit A.

Notwithstanding the vesting criteria (if any) and schedule on the cover sheet and in Exhibit A, the shares of Restricted Stock shall become fully vested upon the occurrence of your death or Disability, or a Change in Control Resulting in Termination. For purposes of this Agreement, a Change in Control Resulting in Termination shall occur when there is a Change in Control, as that term is defined in the Plan, and (1) your employment with the Corporation is terminated without cause within six (6) months of the effective date of the Change in Control or (2) there occurs a material reduction in your authority, functions, duties or responsibilities which causes your resignation from the Corporation within six (6) months of the effective date of the Change in Control.

No additional shares of Restricted Stock will vest after your Service has terminated for any reason other than death or Disability, an Approved Retirement, or a Change in Control Resulting in Termination.

For purposes of the vesting of this Award, your Service will be considered terminated on the date you have given notice of your intent to terminate your employment (the "Notice Date") pursuant to the terms of your employment agreement with the Corporation or any of its Affiliates or otherwise, regardless of whether you remain an employee of the Corporation beyond the Notice Date. No additional Shares of Restricted Stock will vest after the Notice Date.

This award of Restricted Stock, either at all or for particular periods, will not be applied or interpreted to provide any commission, bonus, or other incentive payment based directly or indirectly upon success in securing enrollments or financial aid to any person or entity engaged in any student recruiting or admission activities or in making decisions regarding the awarding of funds under Title IV of the Higher Education Act, except as permitted by law.

**Evidence of Issuance**

The issuance of the Stock under the grant of Restricted Stock evidenced by this Agreement shall be evidenced in such a manner as the Corporation, in its discretion, deems appropriate, including, without limitation, book-entry, direct registration or issuance of one or more share certificates (which may be held in escrow at the option of the Corporation until vested), with any unvested shares of Restricted Stock bearing the appropriate restrictions imposed by this Agreement. As your interest in the Restricted Stock vests, the recordation of the number of shares of Restricted Stock attributable to you will be appropriately modified if necessary.

#### Forfeiture of Unvested Stock and Dividends

In the event that your Service terminates for any reason other than death, Disability, Approved Retirement, or a Change in Control Resulting in Termination, you will forfeit to the Corporation all of the shares of Stock subject to this grant that have not yet vested, and you agree to remit to the Corporation within thirty (30) days an amount in cash equal to all dividends paid to you by the Corporation with respect to such unvested Restricted Stock.

#### Leaves of Absence

For purposes of this Agreement, your Service does not terminate when you go on a *bona fide* leave of absence that was approved by your employer in writing if the terms of the leave provide for continued Service crediting or when continued Service crediting is required by applicable law. Your Service terminates in any event when the approved leave ends unless you immediately return to active employee work.

Your employer may determine, in its discretion, which leaves count for this purpose and when your Service terminates for all purposes under the Plan in accordance with the provisions of the Plan. Notwithstanding the foregoing, the Board may determine, in its discretion, that a leave counts for this purpose even if your employer does not agree.

#### Approved Retirement

If your Service terminates on or following the date of your Approved Retirement (as defined below) your shares of Restricted Stock will remain outstanding and be eligible to satisfy the vesting criteria (if any) and schedule on the cover sheet and in [Exhibit A](#).

For purposes of this Restricted Stock award, "Approved Retirement" shall mean the date on which the following three conditions are satisfied: (a) you are Retirement Eligible (as defined below), (b) you have applied for retirement from the Corporation and the Corporation has approved your application for retirement (the "Retirement Approval Date"), and (c) you remain in continuous Service with the Corporation for six (6) months following the Retirement Approval Date.

For purposes of this Restricted Stock award, "Retirement Eligible" shall mean the later of (i) your attainment of 63 years of age with 10 or more years of Service to the Corporation (or a qualified predecessor) and (ii) the first anniversary of the Grant Date.

#### Death or Disability

If your Service terminates because of your death, then your shares of Restricted Stock will immediately become fully vested. If your Service terminates because of your Disability, then your shares of Restricted Stock will immediately become fully vested.

#### Escrow

If the Restricted Stock is certificated, the certificates for the Restricted Stock shall be deposited in escrow with the Secretary of the Corporation to be held in accordance with the provisions of this paragraph. Each deposited certificate shall be accompanied by a duly executed Assignment Separate from Certificate. The deposited certificates shall remain in escrow until such time or times as the certificates are to be released or otherwise surrendered for cancellation as discussed below. Upon delivery of the certificates to the Corporation, you shall be issued an instrument of deposit acknowledging the number of shares of Stock delivered in escrow to the Secretary of the Corporation.

If so noted on the cover page, all regular cash dividends on the Stock (or other securities at the time held in escrow) shall be paid directly to you and shall not be held in escrow. However, in the event of any stock dividend, stock split, recapitalization or other change affecting the Corporation's outstanding common stock as a class effected without receipt of consideration or in the event of a stock split, a stock dividend or a similar change in the Corporation Stock, any new, substituted or additional securities or other property which is by reason of such transaction distributed with respect to the Stock shall be immediately delivered to the Secretary of the Corporation to be held in escrow hereunder, but only to the extent the Stock is at the time subject to the escrow requirements hereof.

The release of any vested shares (or other vested assets and securities) from escrow shall be effected within thirty (30) days following the date on which such shares first become vested.

#### Withholding Taxes

You agree, as a condition of this Agreement, that if, and to the extent, the Corporation is required to withhold any tax amounts in respect of the Restricted Stock granted hereunder you will make acceptable arrangements to pay any withholding or other taxes that may be due relating to your Restricted Stock and the issuance of shares of Stock with respect to the Restricted Stock under this Agreement. Prior to the occurrence of any event involving the Restricted Stock that the Corporation or an Affiliate determines may result in any tax withholding obligation (e.g., vesting), whether United States federal, state or local taxes or any applicable foreign taxes and including any employment tax obligation (the "Tax Withholding Obligation"), and except in cases in which you make an election under Section 83(b) of the Code as provided below, you must agree to the satisfaction of such Tax Withholding Obligation in a manner acceptable to the Corporation, including by means of one of the following methods:

(i) *By Share Withholding.* Unless the Corporation permits you to satisfy the Tax Withholding Obligation by some other means in accordance with clause (iii) below, you authorize the Corporation (in the exercise of its sole discretion) to withhold from those unrestricted shares of Stock to be delivered to you upon vesting the whole number of shares sufficient to satisfy the Tax Withholding Obligation. Share withholding will result in the delivery of a lower number of unrestricted shares of Stock to you.

(ii) *By Sale of Shares.* Unless the Corporation permits you to satisfy the Tax Withholding Obligation by some other means in accordance with clause (iii) below, and provided that the terms of this clause (ii) do not violate Section 13(k) of the Securities Exchange Act of 1934, as amended, your acceptance of the Restricted Stock constitutes your instruction and authorization to the Corporation (in the exercise of its sole discretion) and any brokerage firm determined acceptable to the Corporation or an Affiliate for such purpose to sell on your behalf a whole number of shares from those unrestricted shares of Stock to be delivered to you upon vesting of the shares of Restricted Stock as the Corporation or an Affiliate determines to be appropriate to generate cash proceeds sufficient to satisfy the applicable Tax Withholding Obligation. Such shares will be sold on the day such Tax Withholding Obligation arises (e.g., a vesting date) or as soon thereafter as practicable. You will be responsible for all brokers' fees and other costs of sale, and you agree to indemnify and hold the Corporation and its Affiliates harmless from any losses, costs, damages, or expenses relating to any such sale. To the extent the proceeds of such sale exceed the Tax Withholding Obligation, the Corporation agrees to pay such excess in cash to you. You acknowledge that the Corporation or its designee is under no obligation to arrange for such sale at any particular price, and that the proceeds of any such sale may not be sufficient to satisfy the Tax Withholding Obligation. Accordingly, you agree to pay to the Corporation or an Affiliate as soon as practicable, including through additional payroll withholding, any amount of the Tax Withholding Obligation that is not satisfied by the sale of shares described above.

(iii) *By Check, Wire Transfer or Other Means.* At any time not less than sixty (60) days (or such fewer number of days as determined by the Committee or its designee) before any Tax Withholding Obligation arises (e.g., a vesting date), and provided that at the time of such request the Corporation is not in a "black-out period" and/or subject to applicable securities laws that could subject you to liability for engaging in any transaction involving the sale of the Corporation's

common stock, you may request permission to satisfy the Tax Withholding Obligation by check, wire transfer or other means, by submitting such request, in writing, to the Corporation. Alternatively, the Corporation may require that you satisfy any Tax Withholding Obligation in any such manner. If the Corporation approves your request, or so requires, within five (5) business days of a vesting date (or such fewer number of days as determined by the Committee or its designee) you must deliver to the Corporation the amount that the Corporation determines is sufficient to satisfy the Tax Withholding Obligation by (x) wire transfer to such account as the Corporation may direct, (y) delivery of a certified check payable to the Corporation, or (z) such other means as specified from time to time by the Committee or its designee.

**Section 83(b)  
Election**

Under Section 83 of the Internal Revenue Code of 1986, as amended (the "Code"), the difference between the purchase price (if any) paid for the shares of Stock and their fair market value on the date any forfeiture restrictions applicable to such shares lapse will be reportable as ordinary income at that time. For this purpose, "forfeiture restrictions" include the forfeiture as to unvested Stock described above. You may elect to be taxed at the time the shares are acquired, rather than when such shares cease to be subject to such forfeiture restrictions, by filing an election under Section 83(b) of the Code with the Internal Revenue Service within thirty (30) days after the Grant Date, in an amount equal to the Tax Withholding Obligation that the Corporation or an Affiliate determines is required to be withheld under applicable tax laws with respect to the shares. You may satisfy the foregoing requirement by making a payment to the Corporation in cash or, with the consent of the Corporation, by authorizing the Corporation or an Affiliate to withhold cash otherwise due to you. You will have to make a tax payment to the extent the purchase price is less than the fair market value of the shares on the Grant Date. No tax payment will have to be made to the extent the purchase price is at least equal to the fair market value of the shares on the Grant Date. The form for making this election is attached as [Exhibit B](#) hereto. Failure to make this filing within the thirty (30) day period will result in the recognition of ordinary income by you (in the event the fair market value of the shares as of the vesting date exceeds the purchase price) as the forfeiture restrictions lapse.

**YOU ACKNOWLEDGE THAT IT IS YOUR SOLE RESPONSIBILITY, AND NOT THE CORPORATION'S, TO DETERMINE WHETHER OR NOT TO MAKE A FILING, AND IF YOU DETERMINE TO MAKE SUCH A FILING, TO FILE A TIMELY ELECTION UNDER SECTION 83(b), EVEN IF YOU REQUEST THE CORPORATION OR ITS REPRESENTATIVES TO MAKE THIS FILING ON YOUR BEHALF. YOU ARE RELYING SOLELY ON YOUR OWN ADVISORS WITH RESPECT TO THE DECISION AS TO WHETHER OR NOT TO FILE ANY 83(b) ELECTION.**

**Non-Competition**

In addition to, and not in lieu of, any actions otherwise prohibited by an employment or other agreement between the Corporation and you, and to the extent permitted by applicable laws and professional regulations and subject to Exhibit C hereto, during the period you are providing Services to the Corporation and for a period of one year immediately after your employment ends for any reason (the "Restricted Period"), within the Geographic Territory, you agree that you shall not directly or indirectly, engage in Competitive Activity for a Competing Company, which restrictions are in addition to, and not in lieu of, any actions otherwise prohibited by an employment or other agreement between the Corporation and you or by applicable law.

For purposes of this Agreement, the phrase "Competing Company" means yourself and/or any business, company, entity, activity, or enterprise, which is then materially competitive with the business of the Corporation or any division or operation of the Corporation or any of its subsidiaries or affiliated companies (collectively, the "Company Group"). For the avoidance of doubt, you acknowledge that businesses competitive with the Company Group shall include those that engage in: (i) the business of providing for-profit post-secondary education, non-degree course offerings, online competency-based course offerings, and investment in related third party technologies and companies, and (ii) such other related businesses in which a member of the Company Group may be engaged as of the date that you ceased providing Services for the Corporation, or in the 12 months prior to such date. [REDACTED] A Competing Company includes, but is not limited to, the following institutions and companies: [\_\_\_\_\_].

For purposes of this Agreement, the phrase "Competitive Activity" means acting for yourself and/or as an owner, stockholder, partner, manager, member, lender, agent, consultant, or employee (wherein you would serve in the same or similar position(s) for a Competing Company for which you provided Service with the Corporation or any of its subsidiaries), or acting in any other capacity that would result in your performing duties in material competition with the Company Group or any of the potential businesses or programs that you knew or had reason to know were in development by the Company Group during the period of your employment, and/or acting in any other capacity that would likely result in your use or disclosure of the Corporation's trade secrets and/or confidential information; provided, however, this clause shall not prohibit you from acting as an employee or contractor for any such person or entity if, in such capacity, you have no direct or indirect responsibilities for any aspect of such person's or entity's business that competes with (or is materially planning to compete with) the Corporation. Competitive Activity does not include merely holding a passive investment of less than five percent (5%) ownership in any publicly-traded Competing Company.

Finally, you acknowledge that because the Corporation and its subsidiaries and affiliated companies operate on a national scale, throughout the United States, through physical campuses as well as extensive, on-line learning programs, which are utilized by students in all 50 states of the United States as well as in certain foreign countries, that the term "Geographic Territory" as used above is defined as follows, and is reasonable and necessary to protect the Corporation's interests:

- (a) In the county(ies), state(s) or province(s) of the office(s) in which you are (or were, during the last two years of your Service with the Corporation) assigned to work for the Corporation; and
- (b) In the state(s) or province(s) over which you have or (or had, during the last two years of your Service with the Corporation) management or supervisory responsibility concerning the business of the Company Group; and
- (c) In any country in which you work (or worked, during the last two years of your Service with the Corporation) for the Corporation related to the business of the Company Group in such country (or countries, as applicable), including but not limited to your exposure to the Corporation's trade secrets and/or confidential information that could be used on behalf of a Competing Company in such country (or countries, as applicable).

**Non-Disclosure; Non-Solicitation**

In addition to, and not in lieu of, any actions otherwise prohibited by an employment or other agreement between the Corporation and you, and to the extent permitted by applicable laws and professional regulations and subject to Exhibit C hereto, during the Restricted Period, you shall not engage in the actions described below, which restrictions are in addition to, and not in lieu of, any actions otherwise prohibited by an employment or other agreement between the Corporation and you or by applicable law. Accordingly, it shall be a violation of this Agreement for you to take any of the following actions during the Restricted Period, including but not limited to within the Geographic Territory, without the written consent of the Corporation, directly or indirectly: solicit, recruit or attempt to recruit or direct anyone else to solicit, recruit or attempt to recruit any person who is then employed or contracted with the Corporation or who was employed or contracted with the Corporation during the then-prior three (3) month period (a) to terminate their employment or other relationship with the Corporation, (b) to seek or accept employment with you or any third party (including but not limited to forwarding or providing a resume or a candidate); provided that the foregoing shall exclude actions which are the result of persons responding to general advertisements not directed toward any person otherwise covered by the restrictions in this paragraph, and you do not otherwise violate the restrictions in this paragraph following the posting of, or response to, any such general advertisements, or (c) interfere or attempt to interfere, directly or indirectly, with any relationship between the Corporation and any employee or independent contractor of the Corporation in a manner that is intended to, or has the effect of, being detrimental to the Corporation's business interests, including but not limited to encouraging any person who is then an employee or contractor of the Corporation to terminate or alter their employment or other relationship with the Corporation.

It shall further be a violation of this Agreement for you to take any of the following actions during the Restricted Period, including but not limited to within the Geographic Territory: without the written consent of the Corporation, directly or indirectly solicit, divert, or take away, or direct anyone else to solicit, divert or take away any existing or prospective students/learners or business customers for the purpose of providing products or services the same as or substantially similar to the goods or services provided or offered by the Corporation. The Corporation's students/learners, customers and prospective students/learners and customers to whom this provision applies include those: (i) whom you became aware of, or accessed, received, or reviewed information about during your employment with the Corporation; and/or (ii) with whom you had contact during your employment with the Corporation.

During the period of your Service to the Corporation and at all times thereafter you shall not engage in the actions described below, which restrictions are in addition to, and not in lieu of, any actions otherwise prohibited by an employment or other agreement between the Corporation and you. Accordingly, it shall be a violation of this agreement for you to take any of the following actions during the period of your Service to the Corporation and at all times thereafter: fail to keep strictly confidential all confidential business information disclosed by the Corporation to you, or which is obtained by you or otherwise disclosed to you in connection with performing Services for the Corporation, or use any such confidential information for any purpose other than performing Services for the Corporation; provided, however, that the foregoing shall not apply to information which (1) at the time of disclosure to you is already a matter of public knowledge, (2) after disclosure to you becomes a matter of public knowledge, except by your breach of this provision, (3) was already in your possession at the time of disclosure and does not solely constitute specific and detailed information regarding the Corporation (it being acknowledged that you possessed extensive industry experience and general knowledge of the education sector prior to joining the Corporation); or (4) which is required to be disclosed by law or regulation.<sup>1</sup>

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<sup>1</sup>If (and only if) it is required by controlling state law for the restriction to be enforceable, the post-employment restriction on your use of confidential information that does not constitute a trade secret will expire three years after your employment ends. Trade secret information will have no such time limit and will remain protected for as long as the information would qualify as a trade secret absent this Agreement.

Notwithstanding any other language in this Agreement to the contrary, you understand that you may not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made (i) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney if such disclosure is made solely for the purpose of reporting or investigating a suspected violation of law or for pursuing an anti-retaliation lawsuit; or (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal and you do not disclose the trade secret except pursuant to a court order.

You acknowledge and agree that any material breach by you of any of the provisions of this Non-Disclosure; Non-Solicitation Section and the Non-Competition Section above (collectively, the "Restrictive Covenants") would result in irreparable injury and damage for which money damages would not provide an adequate remedy. Therefore, if you materially breach, or threaten to materially breach, any of the Restrictive Covenants, the Corporation and its Affiliates shall have the right to have the Restrictive Covenants specifically enforced (without posting bond and without the need to prove damages) by any court having equity jurisdiction, including, without limitation, the right to an entry against you of restraining orders and injunctions (preliminary, mandatory, temporary and permanent) against violations, threatened or actual, and whether or not then continuing, of such covenants. These rights and remedies shall be in addition to, and not in lieu of, all other rights and remedies available to the Corporation and its Affiliates under law or in equity (including, without limitation, the recovery of damages). In addition, in the event of such a material breach of any of the Restrictive Covenants the Corporation shall have the right to cause a forfeiture of your Restricted Stock Agreement and the value of any shares of Restricted Stock that vested in the twelve (12) months prior to your material breach.

You acknowledge that your agreement to the Restrictive Covenants is a condition of your Service or continued Service in which you have accepted the benefits of this Agreement, and that the Restrictive Covenants are ancillary to such Service and supported by adequate consideration. In entering into this Agreement, you agree that the Restrictive Covenants are reasonable in all respects and necessary to protect the Corporation's confidential information, goodwill, customer relationships, and other legitimate business interests. You further acknowledge and agree that the Restrictive Covenants do not impose an undue hardship on you and do not violate public policy.

You further understand and agree that if you violate any of the Restrictive Covenants during the applicable restricted period, then any such violation will toll and suspend the running of such restricted period from the date the violation commences until the date of its cessation. The period of time will also be tolled during any time period required for litigation during which the Corporation seeks to enforce its rights under this Agreement.

The Restrictive Covenants, and each provision and portion thereof, are severable and separate, and the unenforceability of any specific covenant (or portion thereof) shall not affect the provisions of any other covenant (or portion thereof). Moreover, in the event any arbitrator or court of competent jurisdiction shall determine that the scope, time or territorial restrictions set forth are unreasonable, then it is the intention of the parties that such restrictions be enforced to the fullest extent which such arbitrator or court deems reasonable, and this Agreement shall thereby be reformed.

#### Retention Rights

Neither your Restricted Stock nor this Agreement give you the right to be retained by the Corporation (or any Subsidiaries) in any capacity, and subject to applicable legal requirements or contractual provisions, the Corporation (and any Subsidiaries) reserve the right to terminate your Service at any time and for any reason subject to the terms of your employment agreement, if applicable.

**Clawback**

This Award is subject to mandatory repayment by you to the Corporation to the extent you are or in the future become subject to any Corporation "clawback" or recoupment policy, and to the extent the Company seeks recoupment of all or part of this Award pursuant to such policy.

If the Corporation is required to prepare an accounting restatement due to the material noncompliance of the Corporation, as a result of misconduct, with any financial reporting requirement under the securities laws and you knowingly engaged in the misconduct, were grossly negligent in engaging in the misconduct, knowingly failed to prevent the misconduct or were grossly negligent in failing to prevent the misconduct, you shall reimburse the Corporation the amount of any payment in settlement of this Award earned or accrued during the 12-month period following the first public issuance or filing with the United States Securities and Exchange Commission (whichever first occurred) of the financial document that contained information affected by such material noncompliance.

Notwithstanding any other provision of the Plan or any provision of this Agreement, if the Corporation is required to prepare an accounting restatement, then you shall forfeit any cash or Stock received in connection with this Award (or an amount equal to the Fair Market Value of such Stock on the date of delivery if you no longer hold the Stock) if pursuant to the terms of this Agreement, the amount of the Award earned or the vesting in the Award was explicitly based on the achievement of pre-established performance goals set forth in this Agreement (including earnings, gains, or other performance criteria) that are later determined, as a result of the accounting restatement, not to have been achieved.

**Shareholder Rights**

You have the right to vote the Restricted Stock and if so noted on the cover page, you have the right to receive any cash dividends declared or paid on such stock unless and until forfeited. Any stock distributions you receive as a result of any stock split, stock dividend, combination of shares or other similar transaction shall be deemed to be a part of the Restricted Stock and subject to the same conditions and restrictions applicable thereto. Except as described in the Plan, no adjustments are made for dividends or other rights if the applicable record date occurs before your stock certificate is issued.

**Adjustments**

In the event of a stock split, a stock dividend or a similar change in the Corporation stock, the number of shares covered by this grant may be adjusted (and rounded down to the nearest whole number) pursuant to the Plan. Your Restricted Stock shall be subject to the terms of the agreement of merger, liquidation or reorganization in the event the Corporation is subject to such corporate activity.

**Legends**

All certificates representing the Stock issued in connection with this grant shall, where applicable, have endorsed thereon the following legends:

"THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER SET FORTH IN AN AGREEMENT BETWEEN THE CORPORATION AND THE REGISTERED HOLDER, OR HIS OR HER PREDECESSOR IN INTEREST. A COPY OF SUCH AGREEMENT IS ON FILE AT THE PRINCIPAL OFFICE OF THE CORPORATION AND WILL BE FURNISHED UPON WRITTEN REQUEST TO THE SECRETARY OF THE CORPORATION BY THE HOLDER OF RECORD OF THE SHARES REPRESENTED BY THIS CERTIFICATE."

**Applicable Law**

Subject to Exhibit C hereto, this Agreement will be interpreted and enforced under the laws of the State of Maryland, other than any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction.

**The Plan**

The text of the Plan is incorporated in this Agreement by reference. **Certain capitalized terms used in this Agreement are defined in the Plan, and have the meaning set forth in the Plan.**

This Agreement and the Plan constitute the entire understanding between you and the Corporation regarding this grant of Restricted Stock. Any prior agreements, commitments or negotiations concerning this grant are superseded. For the avoidance of doubt, this Agreement and the Plan are in addition to and complement (and do not supersede or replace) any other obligation that you may have to the Corporation under any other agreement or under any other law (including common law) with respect to confidentiality, non-disclosure, non-competition, or non-solicitation.

**Consent to Electronic Delivery**

The Corporation may choose to deliver certain informational materials relating to the Plan in electronic form. By accepting this grant you agree that the Corporation will deliver the Plan prospectus and the Corporation's annual report to you in an electronic format available through your E\*Trade account.

If at any time you would prefer to receive paper copies of these documents, as you are entitled to, the Corporation would be pleased to provide copies. Please contact the General Counsel of the Corporation to request paper copies of these documents.

**Corporate Activity**

Your grant shall be subject to the terms of any applicable agreement of merger, liquidation or reorganization in the event the Corporation is subject to such corporate activity.

**Data Privacy**

In order to administer the Plan, the Corporation may process personal data about you. Such data includes, but is not limited to, information provided in this Agreement and any changes thereto, other appropriate personal and financial data about you such as your contact information, payroll information and any other information that might be deemed appropriate by the Corporation to facilitate the administration of the Plan.

By accepting this grant, you give explicit consent to the Corporation to process any such personal data.

**Code Section 409A**

It is intended that this Award comply with Code Section 409A or an exemption to Code Section 409A. To the extent that the Corporation determines that you would be subject to the additional 20% tax imposed on certain non-qualified deferred compensation plans pursuant to Code Section 409A as a result of any provision of this Agreement, such provision shall be deemed amended to the minimum extent necessary to avoid application of such additional tax. The nature of any such amendment shall be determined by the Corporation. For purposes of this Award, a termination of Service only occurs upon an event that would be a Separation from Service within the meaning of Code Section 409A.

**By signing the cover sheet of this Agreement, you agree to all of the terms and conditions described above and in the Plan.**

**EXHIBIT A****PERFORMANCE GOALS****AND NUMBER OF SHARES OF STOCK**

Performance Goal(s)	Number of Shares Vesting	Date Vesting
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**EXHIBIT B**

**ELECTION UNDER SECTION 83(b) OF  
THE INTERNAL REVENUE CODE**

The undersigned hereby makes an election pursuant to Section 83(b) of the Internal Revenue Code with respect to the property described below and supplies the following information in accordance with the regulations promulgated thereunder:

1. The name, address and social security number of the undersigned:

Name:  
Address:  
Social Security No. :

2. Description of property with respect to which the election is being made:

shares of common stock of Strategic Education, Inc., a Maryland corporation, (the "Corporation").

3. The date on which the property was transferred is \_\_\_\_\_, [ ].

4. The taxable year to which this election relates is calendar year [ ].

5. Nature of restrictions to which the property is subject:

The shares of stock are subject to the provisions of a Restricted Stock Agreement between the undersigned and the Corporation. The shares of stock are subject to forfeiture under the terms of the Agreement.

6. The fair market value of the property at the time of transfer (determined without regard to any lapse restriction) was \$\_\_\_\_\_ per share, for a total of \$\_\_\_\_\_.

7. The amount paid by taxpayer for the property was \$\_\_\_\_\_.

8. A copy of this statement has been furnished to the Corporation.

Dated: \_\_\_\_\_, [ ]

  
\_\_\_\_\_  
Taxpayer's Signature

  
\_\_\_\_\_  
Taxpayer's Printed Name

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**PROCEDURES FOR MAKING ELECTION  
UNDER INTERNAL REVENUE CODE SECTION 83(b)**

The following procedures **must** be followed with respect to the attached form for making an election under Internal Revenue Code section 83(b) in order for the election to be effective:

1. You must file one copy of the completed election form with the IRS Service Center where you file your federal income tax returns within 30 days after the Grant Date of your Restricted Stock.
2. At the same time you file the election form with the IRS, you must also give a copy of the election form to the Secretary of the Corporation.
3. **You must file another copy of the election form with your federal income tax return (generally, Form 1040) for the taxable year in which the stock is transferred to you.**

**1Whether or not to make the election is your decision and may create tax consequences for you. You are advised to consult your tax advisor if you are unsure whether or not to make the election.**

#### **EXHIBIT C**

##### **STATE LAW MODIFICATIONS**

The purpose of this Exhibit C to the Restricted Stock Agreement is to modify certain terms of the Agreement while you are providing services to the Corporation in certain states and territories as described below.

The Agreement remains in effect and applies to you while you are employed by the Corporation or any of its Affiliates. However, if you are employed by the Corporation or any of its Affiliates in one of the states or territories listed below, the provisions for that state or territory modify the Agreement as indicated, but only while you remain employed by the Corporation or any of its Affiliates in that state or territory or as otherwise provided by applicable law. If, at any time, you are relocated by the Corporation or any of its Affiliates to another state or territory, then this Agreement's provisions for the new location will apply, instead of the provisions for your former location.

If no specific modifications are listed for the state or territory in which you are employed, this Exhibit C does not apply. For purposes of this Exhibit C, you are employed by the Corporation or one of its Affiliates in only one state or territory at any given time.

#### **CALIFORNIA**

While you are employed by the Corporation or any of its Affiliates in California, the post-employment restrictions included in the Non-Competition Section of the Agreement shall not apply.

While you are employed by the Corporation or any of its Affiliates in California, the post-employment non-solicitation restrictions included in the Non-Disclosure; Non-Solicitation Section of the Agreement shall be limited to prohibit such solicitation activities only if you use or disclose the trade secrets of the Corporation or any of its Affiliates in connection with engaging in such activities.

While you are employed by the Corporation or any of its Affiliates in California, the Non-Disclosure; Non-Solicitation Section shall not be applied in a manner that prohibits you from disclosing any factual information related to a claim filed in a civil action or a charge filed with a governmental agency as specifically permitted under Section 1001 of the California Code of Civil Procedure, or from discussing or disclosing information about unlawful acts in the workplace such as harassment or discrimination or any other conduct that you have reasonable cause to believe is unlawful as specifically permitted under Section 12964.5 of the California Government Code.

While you are employed by the Corporation or any of its Affiliates in California, disregard the Applicable Law Section of the Agreement; it does not apply.

#### **COLORADO**

While you are employed by the Corporation or any of its Affiliates in Colorado, the Non-Disclosure; Non-Solicitation Section shall not be applied in a manner that prohibits you from discussing or disclosing, either orally or in writing, information or underlying facts of any alleged discriminatory or unfair employment practice, or any other conduct as specifically permitted under Colorado Revised States Section 34-34-407.

While you are employed by the Corporation or any of its Affiliates in Colorado, disregard the Applicable Law Section of the Agreement; it does not apply.

While you are employed by the Corporation or any of its Affiliates in Colorado, the following Notice Section is added immediately below the Code Section 409A Section:

#### **Notice**

You understand that you have 14 days from the date you receive this Agreement to consider whether you wish to sign this Agreement. If you sign this Agreement before the end of the 14-day period, it will be your voluntary decision to do so because you have decided that you do not need any additional time to decide whether to sign this Agreement. You also agree that any changes made to this Agreement before you sign it, whether material or immaterial, will not restart the 14-day period. You understand that this Agreement contains non-competition and non-solicitation obligations which could, among other things, restrict your options for subsequent employment following your separation from employment with the Corporation or any of its Affiliates.

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## **ILLINOIS**

While you are employed by the Corporation or any of its Affiliates in Illinois, by signing the cover sheet above, you agree that the Restricted Stock you may earn in connection with this Agreement, the sufficiency and receipt of which you acknowledge, is adequate consideration as required under 820 ILCS 90/15.

While you are employed by the Corporation or any of its Affiliates in Illinois, the following Notice Section is added immediately below the Code Section 409A Section:

**Notice**

You understand and acknowledge that you are hereby being advised by the Corporation to consult with an attorney prior to signing this Agreement. Your decision whether to sign this Agreement is your voluntary decision and made with full knowledge that the Corporation has advised you to consult with an attorney at your own expense. You understand that you have 14 days from the date you receive this Agreement to consider whether you wish to sign this Agreement. If you sign this Agreement before the end of the 14-day period, it will be your voluntary decision to do so because you have decided that you do not need any additional time to decide whether to sign this Agreement. You also agree that any changes made to this Agreement before you sign it, whether material or immaterial, will not restart the 14-day period.

## **LOUISIANA**

While you are employed by the Corporation or any of its Affiliates in Louisiana, the post-employment geographic scope of the non-competition restrictions and the non-solicitation restrictions concerning students/learners, customers and prospective students/learners and customers included in the Non-Disclosure; Non-Solicitation Section of the Agreement shall be limited to any municipality or parish in which you performed services for the Corporation or any of its Affiliates during your employment with the Corporation or any of its Affiliates.

## **MASSACHUSETTS**

While you are employed by the Corporation or any of its Affiliates in Massachusetts, by signing the cover sheet above, you agree that the Stock you may earn in connection with this Agreement, the sufficiency and receipt of which you acknowledge, is adequate consideration as required under Mass. Gen. L. ch. 149 § 24L.

If you are, and for at least 30 days immediately preceding the termination of your employment with the Corporation or any of its Affiliates for any reason, a resident or employed in Massachusetts, the following language replaces the Applicable Law Section in its entirety:

**Applicable Law**

This Agreement will be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts, without giving effect to its laws pertaining to conflict of laws. The parties mutually agree that any litigation regarding the interpretation or enforcement of this Agreement shall be brought in the Business Litigation Section of the Superior Court of Suffolk County, Massachusetts, and you consent to the exercise of personal jurisdiction over you by that court. You agree that the Business Litigation Section of the Superior Court of Suffolk County, Massachusetts shall be the exclusive forum for litigation regarding the interpretation or enforcement of this Agreement. By so agreeing, you understand that you are surrendering the right to commence litigation against the Corporation outside that court. If any provision of this Agreement is determined by any court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, such provision will be enforced to the maximum extent possible given the intent of the parties hereto. If such clause or provision cannot be so enforced, such provision shall be stricken from this Agreement and the remainder of this Agreement shall be enforced as if such invalid, illegal or unenforceable clause or provision had (to the extent not enforceable) never been contained in this Agreement.

While you are employed by the Corporation or any of its Affiliates in Massachusetts, the following Notice Section is added immediately below the Code Section 409A Section:

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**Notice**

You understand and acknowledge that you are hereby being advised by the Corporation to consult with an attorney prior to signing this Agreement. Your decision whether to sign this Agreement is your voluntary decision and made with full knowledge that the Corporation has advised you to consult with an attorney at your own expense. You acknowledge that you have read and understand this Agreement, and that you are voluntarily signing this Agreement. You understand that you have 10 business days from the date you receive this Agreement to consider whether you wish to sign this Agreement. If you sign this Agreement before the end of the 10-day period, it will be your voluntary decision to do so because you have decided that you do not need any additional time to decide whether to sign this Agreement. You also agree that any changes made to this Agreement before you sign it, whether material or immaterial, will not restart the 10-day period.

**MINNESOTA**

While you are employed by the Corporation or any of its Affiliates in Minnesota, the post-employment restrictions included in the Non-Competition Section of the Agreement shall not apply.

While you are employed by the Corporation or any of its Affiliates in Minnesota, disregard the Applicable Law Section of the Agreement; it does not apply.

**NEBRASKA**

While you are employed by the Corporation or any of its Affiliates in Nebraska, the post-employment scope of the non-solicitation restrictions concerning students/learners, customers and prospective students/learners and customers included in the Non-Disclosure; Non-Solicitation Section of the Agreement shall be limited to any students/learners, customers and prospective students/learners and customers you solicited or accepted business from, or serviced, solicited, or contacted in any way, during your employment with the Corporation or any of its Affiliates, or about which you had trade secret information or confidential information as a result of your employment with the Corporation or any of its Affiliates.

**NORTH DAKOTA**

While you are employed by the Corporation or any of its Affiliates in North Dakota, the post-employment restrictions included in the Non-Competition Section of the Agreement shall not apply.

While you are employed by the Corporation or any of its Affiliates in North Dakota, the post-employment non-solicitation restrictions included in the Non-Disclosure; Non-Solicitation Section of the Agreement shall be limited to prohibit such solicitation activities only if you use or disclose the trade secrets of the Corporation or any of its Affiliates in connection with engaging in such activities.

**OKLAHOMA**

While you are employed by the Corporation or any of its Affiliates in Oklahoma, the post-employment restrictions included in the Non-Competition Section of the Agreement shall not apply.

While you are employed by the Corporation or any of its Affiliates in Oklahoma, the post-employment non-solicitation restrictions included in the Non-Disclosure; Non-Solicitation Section of the Agreement shall be limited to prohibit such solicitation activities only if you use or disclose the trade secrets of the Corporation or any of its Affiliates in connection with engaging in such activities.

**OREGON**

While you are employed by the Corporation or any of its Affiliates in Oregon, the following Notice Section is added immediately below the Code Section 409A Section:

**Notice**

You understand and acknowledge that you are hereby being advised by the Corporation to consult with an attorney prior to signing this Agreement. Your decision whether to sign this Agreement is your voluntary decision and made with full knowledge that the Corporation has advised you to consult with an attorney at your own expense. You understand that you have 14 days from the date you receive this Agreement to consider whether you wish to sign this Agreement. If you sign this Agreement before the end of the 14-day period, it will be your voluntary decision to do so because you have decided that you do not need any additional time to decide whether to sign this Agreement. You also agree that any changes made to this Agreement before you sign it, whether material or immaterial, will not restart the 14-day period.

## WASHINGTON

While you are employed by the Corporation or any of its Affiliates in Washington, disregard the Applicable Law Section of the Agreement; it does not apply.

## WISCONSIN

While you are employed by the Corporation or any of its Affiliates in Wisconsin, the post-employment scope of the non-solicitation restrictions concerning students/learners, customers and prospective students/learners and customers included in the Non-Disclosure; Non-Solicitation Section of the Agreement shall be limited to any students/learners, customers and prospective students/learners and customers you solicited or accepted business from, or serviced, solicited, or contacted in any way, during your employment with the Corporation or any of its Affiliates, or about which you had trade secret information or confidential information as a result of your employment with the Corporation or any of its Affiliates.

**Exhibit 10.13**

### **STRATEGIC EDUCATION, INC. FORM OF RESTRICTED STOCK AGREEMENT (NON-EMPLOYEE DIRECTORS) GRANTED UNDER THE 2018 EQUITY COMPENSATION PLAN**

#### **STRATEGIC EDUCATION, INC. 2018 EQUITY COMPENSATION PLAN RESTRICTED STOCK AGREEMENT**

Strategic Education, Inc., a Maryland corporation (the "Corporation"), hereby grants shares of its common stock, \$.01 par value (the "Stock") to the Grantee named below, subject to the vesting conditions set forth below and in the attachment. Additional terms and conditions of the grant are set forth in this cover sheet, in the attached Restricted Stock Agreement (together the "Agreement"), and in the Corporation's 2018 Equity Compensation Plan (the "Plan").

Grant Date: \_\_\_\_\_

Name of Grantee: \_\_\_\_\_

Number of Shares of Stock Covered by Grant: \_\_\_\_\_

Vesting: \_\_\_\_\_  
Subject to special provisions for Termination of Service and Change in Control Resulting in Termination as described in the Agreement and the Plan, the restricted stock will vest as follows:

- In three (3) equal annual installments beginning [ ]

Cash Dividends: \_\_\_\_\_  
Grantee will have the right to receive any cash dividends declared or paid on the restricted stock unless and until forfeited.

*By signing this cover sheet, you agree to all of the terms and conditions described in the Agreement and in the Plan, a copy of which is attached. IN PARTICULAR, YOU ACKNOWLEDGE THAT YOUR SIGNING BELOW AND ACCEPTANCE OF THIS RESTRICTED STOCK GRANT CONSTITUTES YOUR ACCEPTANCE OF THE RESTRICTIVE COVENANTS (AS DEFINED BELOW) CONTAINED IN THE AGREEMENT. You acknowledge that you have carefully reviewed the Plan, and agree that the Plan will control in the event any provision of this Agreement should appear to be inconsistent.*

Grantee: \_\_\_\_\_  
(Signature)

Corporation: \_\_\_\_\_  
(Signature)

Title: \_\_\_\_\_

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Attachment

*This is not a stock certificate or a negotiable instrument.*

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**STRATEGIC EDUCATION, INC.  
2018 EQUITY COMPENSATION PLAN  
RESTRICTED STOCK AGREEMENT**

**Restricted Stock**

This grant is an award of Stock in the number of shares set forth on the cover sheet subject to the vesting conditions set forth in the cover sheet and described below ("Restricted Stock" or the "Award").

**Transfer of Unvested Restricted Stock**

To the extent not yet vested, your Restricted Stock may not be transferred, assigned, pledged or hypothecated, whether by operation of law or otherwise, nor may the Restricted Stock be made subject to execution, attachment or similar process. If you attempt to do any of these things, you will immediately forfeit the shares of Restricted Stock.

**Issuance and Vesting**

The Corporation will issue your Restricted Stock in the name set forth on the cover sheet of this Agreement as of the Grant Date.

Your right to the Stock under this Restricted Stock Agreement vests in accordance with the vesting schedule on the cover sheet.

Notwithstanding the vesting schedule on the cover sheet, the shares of Restricted Stock shall become fully vested upon the occurrence of your death or Disability, or a Change in Control Resulting in Termination. For purposes of this Agreement, a Change in Control Resulting in Termination shall occur when there is a Change in Control, as that term is defined in the Plan, and (1) you are asked to resign from the Board without cause within six (6) months of the effective date of the Change in Control or (2) there occurs a material reduction in your authority, functions, duties or responsibilities which causes your resignation from the Board within six (6) months of the effective date of the Change in Control.

No additional shares of Restricted Stock will vest after your Service has terminated for any reason other than death or Disability, or a Change in Control Resulting in Termination.

**Evidence of Issuance**

The issuance of the Stock under the grant of Restricted Stock evidenced by this Agreement shall be evidenced in such a manner as the Corporation, in its discretion, deems appropriate, including, without limitation, book-entry, direct registration or issuance of one or more share certificates (which may be held in escrow at the option of the Corporation until vested), with any unvested shares of Restricted Stock bearing the appropriate restrictions imposed by this Agreement. As your interest in the Restricted Stock vests, the recordation of the number of shares of Restricted Stock attributable to you will be appropriately modified if necessary.

**Death or Disability**

If your Service terminates because of your death, then your shares of Restricted Stock will immediately become fully vested. If your Service terminates because of your Disability, then your shares of Restricted Stock will immediately become fully vested.

**Escrow**

If the Restricted Stock is certificated, the certificates for the Restricted Stock shall be deposited in escrow with the Secretary of the Corporation to be held in accordance with the provisions of this paragraph. Each deposited certificate shall be accompanied by a duly executed Assignment Separate from Certificate. The deposited certificates shall remain in escrow until such time or times as the certificates are to be released or otherwise surrendered for cancellation as discussed below. Upon delivery of the certificates to the Corporation, you shall be issued an instrument of deposit acknowledging the number of shares of Stock delivered in escrow to the Secretary of the Corporation.

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If so noted on the cover page, all regular cash dividends on the Stock (or other securities at the time held in escrow) shall be paid directly to you and shall not be held in escrow. However, in the event of any stock dividend, stock split, recapitalization or other change affecting the Corporation's outstanding common stock as a class effected without receipt of consideration or in the event of a stock split, a stock dividend or a similar change in the Corporation Stock, any new, substituted or additional securities or other property which is by reason of such transaction distributed with respect to the Stock shall be immediately delivered to the Secretary of the Corporation to be held in escrow hereunder, but only to the extent the Stock is at the time subject to the escrow requirements hereof.

The release of any vested shares (or other vested assets and securities) from escrow shall be effected within thirty (30) days following the date on which such shares first become vested.

#### Withholding Taxes

You agree, as a condition of this Agreement, that if, and to the extent, the Corporation is required to withhold any tax amounts in respect of the Restricted Stock granted hereunder you will make acceptable arrangements to pay any withholding or other taxes that may be due relating to your Restricted Stock and the issuance of shares of Stock with respect to the Restricted Stock under this Agreement. Prior to the occurrence of any event involving the Restricted Stock that the Corporation or an Affiliate determines may result in any tax withholding obligation (e.g., vesting), whether United States federal, state or local taxes or any applicable foreign taxes and including any employment tax obligation (the "Tax Withholding Obligation"), and except in cases in which you make an election under Section 83(b) of the Code as provided below, you must agree to the satisfaction of such Tax Withholding Obligation in a manner acceptable to the Corporation, including by means of one of the following methods:

(i) *By Share Withholding*. Unless the Corporation permits you to satisfy the Tax Withholding Obligation by some other means in accordance with clause (iii) below, you authorize the Corporation (in the exercise of its sole discretion) to withhold from those unrestricted shares of Stock to be delivered to you upon vesting the whole number of shares sufficient to satisfy the Tax Withholding Obligation. Share withholding will result in the delivery of a lower number of unrestricted shares of Stock to you.

(ii) *By Sale of Shares*. Unless the Corporation permits you to satisfy the Tax Withholding Obligation by some other means in accordance with clause (iii) below, and provided that the terms of this clause (ii) do not violate Section 13(k) of the Securities Exchange Act of 1934, as amended, your acceptance of the Restricted Stock constitutes your instruction and authorization to the Corporation (in the exercise of its sole discretion) and any brokerage firm determined acceptable to the Corporation or an Affiliate for such purpose to sell on your behalf a whole number of shares from those unrestricted shares of Stock to be delivered to you upon vesting of the shares of Restricted Stock as the Corporation or an Affiliate determines to be appropriate to generate cash proceeds sufficient to satisfy the applicable Tax Withholding Obligation. Such shares will be sold on the day such Tax Withholding Obligation arises (e.g., a vesting date) or as soon thereafter as practicable. You will be responsible for all brokers' fees and other costs of sale, and you agree to indemnify and hold the Corporation and its Affiliates harmless from any losses, costs, damages, or expenses relating to any such sale. To the extent the proceeds of such sale exceed the Tax Withholding Obligation, the Corporation agrees to pay such excess in cash to you. You acknowledge that the Corporation or its designee is under no obligation to arrange for such sale at any particular price, and that the proceeds of any such sale may not be sufficient to satisfy the Tax Withholding Obligation. Accordingly, you

agree to pay to the Corporation or an Affiliate as soon as practicable, including through additional payroll withholding, any amount of the Tax Withholding Obligation that is not satisfied by the sale of shares described above.

**(iii) By Check, Wire Transfer or Other Means.** At any time not less than sixty (60) days (or such fewer number of days as determined by the Committee or its designee) before any Tax Withholding Obligation arises (e.g., a vesting date), and provided that at the time of such request the Corporation is not in a "black-out period" and/or subject to applicable securities laws that could subject you to liability for engaging in any transaction involving the sale of the Corporation's common stock, you may request permission to satisfy the Tax Withholding Obligation by check, wire transfer or other means, by submitting such request, in writing, to the Corporation. Alternatively, the Corporation may require that you satisfy any Tax Withholding Obligation in any such manner. If the Corporation approves your request, or so requires, within five (5) business days of a vesting date (or such fewer number of days as determined by the Committee or its designee) you must deliver to the Corporation the amount that the Corporation determines is sufficient to satisfy the Tax Withholding Obligation by (x) wire transfer to such account as the Corporation may direct, (y) delivery of a certified check payable to the Corporation, or (z) such other means as specified from time to time by the Committee or its designee.

**Section 83(b)  
Election**

Under Section 83 of the Internal Revenue Code of 1986, as amended (the "Code"), the difference between the purchase price (if any) paid for the shares of Stock and their fair market value on the date any forfeiture restrictions applicable to such shares lapse will be reportable as ordinary income at that time. For this purpose, "forfeiture restrictions" include the forfeiture as to unvested Stock described above. You may elect to be taxed at the time the shares are acquired, rather than when such shares cease to be subject to such forfeiture restrictions, by filing an election under Section 83(b) of the Code with the Internal Revenue Service within thirty (30) days after the Grant Date. You will incur a tax liability to the extent the purchase price is less than the fair market value of the shares on the Grant Date, however, no tax liability will arise to the extent the purchase price is at least equal to the fair market value of the shares on the Grant Date. If the Corporation or an Affiliate determines a Tax Withholding Obligation is incurred in connection with your choice to file an election under Section 83(b) of the Code, you may satisfy the foregoing requirement by making a payment to the Corporation in cash or, with the consent of the Corporation, by authorizing the Corporation or an Affiliate to withhold cash otherwise due to you. The form for making this election is attached as Exhibit A hereto. Failure to make this filing within the thirty (30) day period will result in the recognition of ordinary income by you (in the event the fair market value of the shares as of the vesting date exceeds the purchase price) as the forfeiture restrictions lapse.

**YOU ACKNOWLEDGE THAT IT IS YOUR SOLE RESPONSIBILITY, AND NOT THE CORPORATION'S, TO DETERMINE WHETHER OR NOT TO MAKE A FILING, AND IF YOU DETERMINE TO MAKE SUCH A FILING, TO FILE A TIMELY ELECTION UNDER SECTION 83(b), EVEN IF YOU REQUEST THE CORPORATION OR ITS REPRESENTATIVES TO MAKE THIS FILING ON YOUR BEHALF. YOU ARE RELYING SOLELY ON YOUR OWN ADVISORS WITH RESPECT TO THE DECISION AS TO WHETHER OR NOT TO FILE ANY 83(b) ELECTION.**

## Non-Competition

In addition to, and not in lieu of, any actions otherwise prohibited by any agreement between the Corporation and you, and to the extent permitted by law and applicable laws and professional regulations and subject to Exhibit C hereto, during the period you are providing Services to the Corporation and for a period of one year immediately after your Service ends for any reason (the "Restricted Period"), within the Geographic Territory, you agree that you shall not directly or indirectly, engage in Competitive Activity for a Competing Company, which restrictions are in addition to, and not in lieu of, any actions otherwise prohibited by an employment or other agreement between the Corporation and you or by applicable law.

For purposes of this Agreement, the phrase "Competing Company" means yourself and/or any business, company, entity, activity, or enterprise, which is then materially competitive with the business of the Corporation or any division or operation of the Corporation or any of its subsidiaries or affiliated companies (collectively, the "Company Group"). For the avoidance of doubt, you acknowledge that businesses competitive with the Company Group shall include those that engage in: (i) the business of providing for-profit post-secondary education, non-degree course offerings, online competency-based course offerings, and investment in related third party technologies and companies, and (ii) such other related businesses in which a member of the Company Group may be engaged as of the date that you ceased providing Services for the Corporation, or in the 12 months prior to such date. [REDACTED] A Competing Company includes, but is not limited to, the following institutions and companies: [\_\_\_\_\_].

For purposes of this Agreement, the phrase "Competitive Activity" means acting for yourself and/or as an owner, stockholder, partner, manager, member, lender, agent, consultant, or employee (wherein you would serve in the same or similar position(s) for a Competing Company for which you provided Service with the Corporation or any of its subsidiaries), or acting in any other capacity that would result in your performing duties in material competition with the Company Group or any of the potential businesses or programs that you knew or had reason to know were in development by the Company Group during the period of your Service, and/or acting in any other capacity that would likely result in your use or disclosure of the Corporation's trade secrets and/or confidential information; provided, however, this clause shall not prohibit you from acting as an employee or contractor for any such person or entity if, in such capacity, you have no direct or indirect responsibilities for any aspect of such person's or entity's business that competes with (or is materially planning to compete with) the Corporation. Competitive Activity does not include merely holding a passive investment of less than five percent (5%) ownership in any publicly-traded Competing Company.

Finally, you acknowledge that because the Corporation and its subsidiaries and affiliated companies operate on a national scale, throughout the United States, through physical campuses as well as extensive, on-line learning programs which are utilized by students in all 50 states of the United States as well as in certain foreign countries, that the term "Geographic Territory" as used above is defined as follows, and is reasonable and necessary to protect the Corporation's interests:

- (a) In the county(ies), state(s) or province(s) of the office(s) in which you perform services for the Corporation; and
- (b) In the state(s) or province(s) over which you have or (or had, during the last two years of your Service with the Corporation) supervisory responsibility concerning the business of the Company Group; and
- (c) In any country in which you provide services (or provided services, during the last two years of your Service with the Corporation) for the Corporation related to the business of the Company Group in such country (or countries, as applicable), including but not limited to your exposure to the Corporation's trade secrets and/or confidential information that could be used on behalf of a Competing Company in such country (or countries, as applicable).

**Non-Disclosure; Non-Solicitation**

In addition to, and not in lieu of, any actions otherwise prohibited by any agreement between the Corporation and you, and to the extent permitted by applicable laws and professional regulations and subject to Exhibit C hereto, during the Restricted Period, you shall not engage in the actions described below, which restrictions are in addition to, and not in lieu of, any actions otherwise prohibited by an agreement between the Corporation and you or by applicable law. Accordingly, it shall be a violation of this Agreement for you to take any of the following actions during the Restricted Period, including but not limited to within the Geographic Territory, without the written consent of the Board, directly or indirectly: solicit, recruit or attempt to recruit or direct anyone else to solicit, recruit or attempt to recruit any person who is then employed or contracted with the Corporation or who was employed or contracted with the Corporation during the then-prior three (3) month period (a) to terminate their employment or other relationship with the Corporation, (b) to seek or accept employment with you or any third party (including but not limited to forwarding or providing a resume or a candidate); provided that the foregoing shall exclude actions which are the result of persons responding to general advertisements not directed toward any person otherwise covered by the restrictions in this paragraph, and you do not otherwise violate the restrictions in this paragraph following the posting of, or response to, any such general advertisements, or (c) interfere or attempt to interfere, directly or indirectly, with any relationship between the Corporation and any employee or independent contractor of the Corporation in a manner that is intended to, or has the effect of, being detrimental to the Corporation's business interests, including but not limited to encouraging any person who is then an employee or contractor of the Corporation to terminate or alter their employment or other relationship with the Corporation.

It shall further be a violation of this Agreement for you to take any of the following actions during the Restricted Period, including but not limited to within the Geographic Territory without the written consent of the Board: solicit, divert or take away, or direct anyone else to solicit, divert or take away any existing or prospective students/learners or business customers for the purpose of providing products or services the same as or substantially similar to the goods or services provided or offered by the Corporation. The Corporation's students/learners, customers and prospective students/learners and customers to whom this provision applies include those: (i) whom you became aware of, or accessed, received, or reviewed information about during your Service with the Corporation; and/or (ii) with whom you had contact during your Service with the Corporation.

During the period of your Service to the Corporation and at all times thereafter you shall not engage in the actions described below, which restrictions are in addition to, and not in lieu of, any actions otherwise prohibited by an agreement between the Corporation and you. Accordingly, it shall be a violation of this agreement for you to take any of the following actions during the period of your Service to the Corporation and at all times thereafter: fail to keep strictly confidential all confidential business information disclosed by the Corporation to you, or which is obtained by you or otherwise disclosed to you in connection with performing Services for the Corporation, or use any such confidential information for any purpose other than performing Services for the Corporation; provided, however, that the foregoing shall not apply to information which (1) at the time of disclosure to you is already a matter of public knowledge, (2) after disclosure to you becomes a matter of public knowledge, except by your breach of this provision, (3) was already in your possession at the time of disclosure and does not solely constitute specific and detailed information regarding the Corporation (it being acknowledged that you possessed extensive industry experience and general knowledge of the education sector prior to joining the Corporation); or (4) which is required to be disclosed by law or regulation.<sup>1</sup>

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<sup>1</sup>If (and only if) it is required by controlling state law for the restriction to be enforceable, the post-Service restriction on your use of confidential information that does not constitute a trade secret will expire three years after your Service ends. Trade secret information will have no such time limit and will remain protected for as long as the information would qualify as a trade secret absent this Agreement.

Notwithstanding any other language in this Agreement to the contrary, you understand that you may not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made (i) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney if such disclosure is made solely for the purpose of reporting or investigating a suspected violation of law or for pursuing an anti-retaliation lawsuit; or (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal and you do not disclose the trade secret except pursuant to a court order.

You acknowledge and agree that any material breach by you of any of the provisions of this Non-Disclosure; Non-Solicitation Section and the Non-Competition Section above (collectively, the "Restrictive Covenants") would result in irreparable injury and damage for which money damages would not provide an adequate remedy. Therefore, if you materially breach, or threaten to materially breach, any of the Restrictive Covenants, the Corporation and its Affiliates shall have the right to have the Restrictive Covenants specifically enforced (without posting bond and without the need to prove damages) by any court having equity jurisdiction, including, without limitation, the right to an entry against you of restraining orders and injunctions (preliminary, mandatory, temporary and permanent) against violations, threatened or actual, and whether or not then continuing, of such covenants. These rights and remedies shall be in addition to, and not in lieu of, all other rights and remedies available to the Corporation and its Affiliates under law or in equity (including, without limitation, the recovery of damages). In addition, in the event of such a material breach of any of the Restrictive Covenants the Corporation shall have the right to cause a forfeiture of your Restricted Stock Agreement and the value of any shares of Restricted Stock that vested in the twelve (12) months prior to your material breach.

You acknowledge that your agreement to the Restrictive Covenants is a condition of your Service or continued Service in which you have accepted the benefits of this Agreement, and that the Restrictive Covenants are ancillary to such Service and supported by adequate consideration. In entering into this Agreement, you agree that the Restrictive Covenants are reasonable in all respects and necessary to protect the Corporation's confidential information, goodwill, customer relationships, and other legitimate business interests. You further acknowledge and agree that the Restrictive Covenants do not impose an undue hardship on you and do not violate public policy.

You further understand and agree that if you violate any of the Restrictive Covenants during the applicable restricted period, then any such violation will toll and suspend the running of such restricted period from the date the violation commences until the date of its cessation. The period of time will also be tolled during any time period required for litigation during which the Corporation seeks to enforce its rights under this Agreement.

The Restrictive Covenants, and each provision and portion thereof, are severable and separate, and the unenforceability of any specific covenant (or portion thereof) shall not affect the provisions of any other covenant (or portion thereof). Moreover, in the event any arbitrator or court of competent jurisdiction shall determine that the scope, time or territorial restrictions set forth are unreasonable, then it is the intention of the parties that such restrictions be enforced to the fullest extent which such arbitrator or court deems reasonable, and this Agreement shall thereby be reformed.

#### Clawback

This Award is subject to mandatory repayment by you to the Corporation to the extent you are or in the future become subject to any Corporation "clawback" or recoupment policy, and to the extent the Company seeks recoupment of all or part of this Award pursuant to such policy.

**Shareholder Rights**

You have the right to vote the Restricted Stock and if so noted on the cover page, you have the right to receive any cash dividends declared or paid on such stock unless and until forfeited. Any stock distributions you receive as a result of any stock split, stock dividend, combination of shares or other similar transaction shall be deemed to be a part of the Restricted Stock and subject to the same conditions and restrictions applicable thereto. Except as described in the Plan, no adjustments are made for dividends or other rights if the applicable record date occurs before your stock certificate is issued.

**Adjustments**

In the event of a stock split, a stock dividend or a similar change in the Corporation stock, the number of shares covered by this grant may be adjusted (and rounded down to the nearest whole number) pursuant to the Plan. Your Restricted Stock shall be subject to the terms of the agreement of merger, liquidation or reorganization in the event the Corporation is subject to such corporate activity.

**Legends**

All certificates representing the Stock issued in connection with this grant shall, where applicable, have endorsed thereon the following legends:

"THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER SET FORTH IN AN AGREEMENT BETWEEN THE CORPORATION AND THE REGISTERED HOLDER, OR HIS OR HER PREDECESSOR IN INTEREST. A COPY OF SUCH AGREEMENT IS ON FILE AT THE PRINCIPAL OFFICE OF THE CORPORATION AND WILL BE FURNISHED UPON WRITTEN REQUEST TO THE SECRETARY OF THE CORPORATION BY THE HOLDER OF RECORD OF THE SHARES REPRESENTED BY THIS CERTIFICATE."

**Applicable Law**

Subject to [Exhibit C](#) hereto, this Agreement will be interpreted and enforced under the laws of the State of Maryland, other than any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction.

**The Plan**

The text of the Plan is incorporated in this Agreement by reference. *Certain capitalized terms used in this Agreement are defined in the Plan, and have the meaning set forth in the Plan.*

This Agreement and the Plan constitute the entire understanding between you and the Corporation regarding this grant of Restricted Stock. Any prior agreements, commitments or negotiations concerning this grant are superseded. For the avoidance of doubt, this Agreement and the Plan are in addition to and complement (and do not supersede or replace) any other obligation that you may have to the Corporation under any agreement or under any other law (including common law) with respect to confidentiality, non-disclosure, non-competition, or non-solicitation.

**Consent to Electronic Delivery**

The Corporation may choose to deliver certain informational materials relating to the Plan in electronic form. By accepting this grant you agree that the Corporation may deliver the Plan prospectus and the Corporation's annual report to you in an electronic format. If at any time you would prefer to receive paper copies of these documents, as you are entitled to, the Corporation would be pleased to provide copies. Please contact the General Counsel of the Corporation to request paper copies of these documents.

**Corporate Activity**

Your grant shall be subject to the terms of any applicable agreement of merger, liquidation or reorganization in the event the Corporation is subject to such corporate activity.

**Data Privacy**

In order to administer the Plan, the Corporation may process personal data about you. Such data includes, but is not limited to, information provided in this Agreement and any changes thereto, other appropriate personal and financial data about you such as your contact information, payroll information and any other information that might be deemed appropriate by the Corporation to facilitate the administration of the Plan.

By accepting this grant, you give explicit consent to the Corporation to process any such personal data.

**Code Section 409A**

It is intended that this Award comply with Code Section 409A or an exemption to Code Section 409A. To the extent that the Corporation determines that you would be subject to the additional 20% tax imposed on certain non-qualified deferred compensation plans pursuant to Code Section 409A as a result of any provision of this Agreement, such provision shall be deemed amended to the minimum extent necessary to avoid application of such additional tax. The nature of any such amendment shall be determined by the Corporation. For purposes of this Award, a termination of Service only occurs upon an event that would be a Separation from Service within the meaning of Code Section 409A.

*By signing the cover sheet of this Agreement, you agree to all of the terms and conditions described above and in the Plan.*

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**EXHIBIT A**

**ELECTION UNDER SECTION 83(b) OF  
THE INTERNAL REVENUE CODE**

The undersigned hereby makes an election pursuant to Section 83(b) of the Internal Revenue Code with respect to the property described below and supplies the following information in accordance with the regulations promulgated thereunder:

1. The name, address and social security number of the undersigned:

Name:  
Address:  
Social Security No.:

2. Description of property with respect to which the election is being made:

shares of common stock of Strategic Education, Inc., a Maryland corporation, (the "Corporation").

3. The date on which the property was transferred is \_\_\_\_\_. [ ].

4. The taxable year to which this election relates is calendar year [ ].

5. Nature of restrictions to which the property is subject:

The shares of stock are subject to the provisions of a Restricted Stock Agreement between the undersigned and the Corporation. The shares of stock are subject to forfeiture under the terms of the Agreement.

6. The fair market value of the property at the time of transfer (determined without regard to any lapse restriction) was \$\_\_\_\_\_ per share, for a total of \$\_\_\_\_\_.

7. The amount paid by taxpayer for the property was \$\_\_\_\_\_.

8. A copy of this statement has been furnished to the Corporation.

Dated: \_\_\_\_\_. [ ].

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Taxpayer's Signature

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Taxpayer's Printed Name

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**PROCEDURES FOR MAKING ELECTION  
UNDER INTERNAL REVENUE CODE SECTION 83(b)**

The following procedures **must** be followed with respect to the attached form for making an election under Internal Revenue Code section 83(b) in order for the election to be effective:

1. You must file one copy of the completed election form with the IRS Service Center where you file your federal income tax returns within 30 days after the Grant Date of your Restricted Stock.

2. At the same time you file the election form with the IRS, you must also give a copy of the election form to the Secretary of the Corporation.

3. ***You must file another copy of the election form with your federal income tax return (generally, Form 1040) for the taxable year in which the stock is transferred to you.***

<sup>1</sup>Whether or not to make the election is your decision and may create tax consequences for you. You are advised to consult your tax advisor if you are unsure whether or not to make the election.

#### **EXHIBIT C**

##### **STATE LAW MODIFICATIONS**

The purpose of this Exhibit C to the Restricted Stock Agreement is to modify certain terms of the Agreement while you are providing Services to the Corporation in certain states and territories as described below.

The Agreement remains in effect and applies to you while you are providing Services to the Corporation or any of its Affiliates. However, if you are providing Services to the Corporation or any of its Affiliates in one of the states or territories listed below, the provisions for that state or territory modify the Agreement as indicated, but only while you remain providing Services to the Corporation or any of its Affiliates in that state or territory or as otherwise provided by applicable law. If, at any time, you relocate to another state or territory, then this Agreement's provisions for the new location will apply, instead of the provisions for your former location.

If no specific modifications are listed for the state or territory in which you are providing Services to the Corporation, this Exhibit C does not apply. For purposes of this Exhibit C, you are providing Services to the Corporation or one of its Affiliates in only one state or territory at any given time.

#### **CALIFORNIA**

While you are providing Services to the Corporation or any of its Affiliates in California, the post-Service restrictions included in the Non-Competition Section of the Agreement shall not apply.

While you are providing Services to the Corporation or any of its Affiliates in California, the post-Service non-solicitation restrictions included in the Non-Disclosure; Non-Solicitation Section of the Agreement shall be limited to prohibit such solicitation activities only if you use or disclose the trade secrets of the Corporation or any of its Affiliates in connection with engaging in such activities.

While you are providing Services to the Corporation or any of its Affiliates in California, the Non-Disclosure; Non-Solicitation Section shall not be applied in a manner that prohibits you from disclosing any factual information related to a claim filed in a civil action or a charge filed with a governmental agency as specifically permitted under Section 1001 of the California Code of Civil Procedure, or from discussing or disclosing information about unlawful acts in the workplace such as harassment or discrimination or any other conduct that you have reasonable cause to believe is unlawful as specifically permitted under Section 12964.5 of the California Government Code.

While you are providing Services to the Corporation or any of its Affiliates in California, disregard the Applicable Law Section of the Agreement; it does not apply.

#### **COLORADO**

While you are providing Services to the Corporation or any of its Affiliates in Colorado, the Non-Disclosure; Non-Solicitation Section shall not be applied in a manner that prohibits you from discussing or disclosing, either orally or in writing, information or underlying facts of any alleged discriminatory or unfair employment practice, or any other conduct as specifically permitted under Colorado Revised Statutes Section 34-34-407.

While you are providing Services to the Corporation or any of its Affiliates in Colorado, disregard the Applicable Law Section of the Agreement; it does not apply.

While you are providing Services to the Corporation or any of its Affiliates in Colorado, the following Notice Section is added immediately below the Code Section 409A Section:

**Notice**

You understand that you have 14 days from the date you receive this Agreement to consider whether you wish to sign this Agreement. If you sign this Agreement before the end of the 14-day period, it will be your voluntary decision to do so because you have decided that you do not need any additional time to decide whether to sign this Agreement. You also agree that any changes made to this Agreement before you sign it, whether material or immaterial, will not restart the 14-day period. You understand that this Agreement contains non-competition and non-solicitation obligations which could, among other things, restrict your options for subsequent employment following your cessation of Services with the Corporation or any of its Affiliates.

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**ILLINOIS**

While you are providing services to the Corporation or any of its Affiliates in Illinois, by signing the cover sheet above, you agree that the Restricted Stock you may earn in connection with this Agreement, the sufficiency and receipt of which you acknowledge, is adequate consideration as required under 820 ILCS 90/15.

While you are providing Services to the Corporation or any of its Affiliates in Illinois, the following Notice Section is added immediately below the Code Section 409A Section:

**Notice**

You understand and acknowledge that you are hereby being advised by the Corporation to consult with an attorney prior to signing this Agreement. Your decision whether to sign this Agreement is your voluntary decision and made with full knowledge that the Corporation has advised you to consult with an attorney at your own expense. You understand that you have 14 days from the date you receive this Agreement to consider whether you wish to sign this Agreement. If you sign this Agreement before the end of the 14-day period, it will be your voluntary decision to do so because you have decided that you do not need any additional time to decide whether to sign this Agreement. You also agree that any changes made to this Agreement before you sign it, whether material or immaterial, will not restart the 14-day period.

**LOUISIANA**

While you are providing Services to the Corporation or any of its Affiliates in Louisiana, the post-Service geographic scope of the non-competition restrictions and the non-solicitation restrictions concerning students/learners, customers and prospective students/learners and customers included in the Non-Disclosure; Non-Solicitation Section of the Agreement shall be limited to any municipality or parish in which you performed services for the Corporation or any of its Affiliates during your Services with the Corporation or any of its Affiliates.

**MASSACHUSETTS**

While you are providing Services to the Corporation or any of its Affiliates in Massachusetts, by signing the cover sheet above, you agree that the Stock you may earn in connection with this Agreement, the sufficiency and receipt of which you acknowledge, is adequate consideration as required under Mass. Gen. L. ch. 149 § 24L.

If you are, and for at least 30 days immediately preceding the termination of Services with the Corporation or any of its Affiliates for any reason, a resident or employed in Massachusetts, the following language replaces the Applicable Law Section in its entirety:

**Applicable Law**

This Agreement will be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts, without giving effect to its laws pertaining to conflict of laws. The parties mutually agree that any litigation regarding the interpretation or enforcement of this Agreement shall be brought in the Business Litigation Section of the Superior Court of Suffolk County, Massachusetts, and you consent to the exercise of personal jurisdiction over you by that court. You agree that the Business Litigation Section of the Superior Court of Suffolk County, Massachusetts shall be the exclusive forum for litigation regarding the interpretation or enforcement of this Agreement. By so agreeing, you understand that you are surrendering the right to commence litigation against the Corporation outside that court. If any provision of this Agreement is determined by any court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, such provision will be enforced to the maximum extent possible given the intent of the parties hereto. If such clause or provision cannot be so enforced, such provision shall be stricken from this Agreement and the remainder of this Agreement shall be enforced as if such invalid, illegal or unenforceable clause or provision had (to the extent not enforceable) never been contained in this Agreement.

While you are providing Services to the Corporation or any of its Affiliates in Massachusetts, the following Notice Section is added immediately below the Code Section 409A Section:

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**Notice**

You understand and acknowledge that you are hereby being advised by the Corporation to consult with an attorney prior to signing this Agreement. Your decision whether to sign this Agreement is your voluntary decision and made with full knowledge that the Corporation has advised you to consult with an attorney at your own expense. You acknowledge that you have read and understand this Agreement, and that you are voluntarily signing this Agreement. You understand that you have 10 business days from the date you receive this Agreement to consider whether you wish to sign this Agreement. If you sign this Agreement before the end of the 10-day period, it will be your voluntary decision to do so because you have decided that you do not need any additional time to decide whether to sign this Agreement. You also agree that any changes made to this Agreement before you sign it, whether material or immaterial, will not restart the 10-day period.

**MINNESOTA**

While you are providing Services to the Corporation or any of its Affiliates in Minnesota, the post-Service restrictions included in the Non-Competition Section of the Agreement shall not apply.

While you are providing Services to the Corporation or any of its Affiliates in Minnesota, disregard the Applicable Law Section of the Agreement; it does not apply.

**NEBRASKA**

While you are providing Services to the Corporation or any of its Affiliates in Nebraska, the post-Service scope of the non-solicitation restrictions concerning students/learners, customers and prospective students/learners and customers included in the Non-Disclosure; Non-Solicitation Section of the Agreement shall be limited to any students/learners, customers and prospective students/learners and customers you solicited or accepted business from, or serviced, solicited, or contacted in any way, during your Services with the Corporation or any of its Affiliates, or about which you had trade secret information or confidential information as a result of your Services with the Corporation or any of its Affiliates.

**NORTH DAKOTA**

While you are providing Services to the Corporation or any of its Affiliates in North Dakota, the post-Service restrictions included in the Non-Competition Section of the Agreement shall not apply.

While you are providing Services to the Corporation or any of its Affiliates in North Dakota, the post-Service non-solicitation restrictions included in the Non-Disclosure; Non-Solicitation Section of the Agreement shall be limited to prohibit such solicitation activities only if you use or disclose the trade secrets of the Corporation or any of its Affiliates in connection with engaging in such activities.

**OKLAHOMA**

While you are providing Services to the Corporation or any of its Affiliates in Oklahoma, the post-Service restrictions included in the Non-Competition Section of the Agreement shall not apply.

While you are providing Services to the Corporation or any of its Affiliates in Oklahoma, the post-Service non-solicitation restrictions included in the Non-Disclosure; Non-Solicitation Section of the Agreement shall be limited to prohibit such solicitation activities only if you use or disclose the trade secrets of the Corporation or any of its Affiliates in connection with engaging in such activities.

**OREGON**

While you are providing Services to the Corporation or any of its Affiliates in Oregon, the following Notice Section is added immediately below the Code Section 409A Section:

**Notice**

You understand and acknowledge that you are hereby being advised by the Corporation to consult with an attorney prior to signing this Agreement. Your decision whether to sign this Agreement is your voluntary decision and made with full knowledge that the Corporation has advised you to consult with an attorney at your own expense. You understand that you have 14 days from the date you receive this Agreement to consider whether you wish to sign this Agreement. If you sign this Agreement before the end of the 14-day period, it will be your voluntary decision to do so because you have decided that you do not need any additional time to decide whether to sign this Agreement. You also agree that any changes made to this Agreement before you sign it, whether material or immaterial, will not restart the 14-day period.

**WASHINGTON**

While you are providing Services to the Corporation or any of its Affiliates in Washington, disregard the Applicable Law Section of the Agreement; it does not apply.

**WISCONSIN**

While you are providing Services to the Corporation or any of its Affiliates in Wisconsin, the post-Service scope of the non-solicitation restrictions concerning students/learners, customers and prospective students/learners and customers included in the Non-Disclosure; Non-Solicitation Section of the Agreement shall be limited to any students/learners, customers and prospective students/learners and customers you solicited or accepted business from, or serviced, solicited, or contacted in any way, during your Services with the Corporation or any of its Affiliates, or about which you had trade secret information or confidential information as a result of your Services with the Corporation or any of its Affiliates.

**Exhibit 21.1**

**Subsidiaries of the Registrant**

	<b>Jurisdiction of Incorporation</b>
Capella Education Company, Inc.	Minnesota, USA
Capella Learning Solutions, LLC	Delaware, USA
Capella University, LLC	Minnesota, USA
Hackbright Academy, LLC	Delaware, USA
SEI Newco, Inc.	Delaware, USA
Sophia Learning, LLC	Delaware, USA
Strayer University, LLC	Maryland, USA
Workforce Edge, LLC	Delaware, USA
Latino American Education Holdings Pty Ltd	Australia
SEI Australia Education Pty Ltd	Australia
SEI Australia Holdings Pty Ltd	Australia
SEI Higher Education Holdings Pty Ltd	Australia
Think: Colleges Pty Ltd	Australia
Think: Education Group Pty Ltd	Australia
Think: Education Services Pty Ltd	Australia
Torrens Global Education Holdings Pty Ltd	Australia
Torrens Global Education Services Pty Ltd	Australia
Torrens University Australia Ltd	Australia
Blue Mountains Hotel Management Consulting (Shanghai) Co., Ltd	China
Latin American Education S.A.S.	Colombia
Media Design School Limited	New Zealand
SEI New Zealand Limited	New Zealand
Visam Properties Limited	New Zealand

ht:120%">Employee

Exhibit 23.1

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-241005) and S-8 (Nos. 333-228284, 333-226471, 333-203860, 333-173732, 333-71182, 333-71104) of Strategic Education, Inc. of our report dated **February 27, 2023** **February 29, 2024** relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP  
Washington, DC  
February **27, 2023** **29, 2024**

Exhibit 31.1

**CERTIFICATION**

I, Karl McDonnell, certify that:

1. I have reviewed this annual report on Form 10-K of Strategic Education, Inc. (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **February 27, 2023** **February 29, 2024**

/s/ Karl McDonnell  
Karl McDonnell  
Chief Executive Officer

**Exhibit 31.2**

**CERTIFICATION**

I, Daniel W. Jackson, certify that:

1. I have reviewed this annual report on Form 10-K of Strategic Education, Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **February 27, 2023** **February 29, 2024**

/s/ Daniel W. Jackson  
Daniel W. Jackson  
Executive Vice President and  
Chief Financial Officer

**CERTIFICATION PURSUANT TO RULE 13b — 14(b) OF THE SECURITIES EXCHANGE ACT  
AND 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE  
SARBANES — OXLEY ACT OF 2002**

In connection with the Annual Report of Strategic Education, Inc. (the "Company") on Form 10-K for the year ended December 31, 2022 December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Karl McDonnell, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Karl McDonnell  
Karl McDonnell  
Chief Executive Officer

February 27, 2023 29, 2024

**CERTIFICATION PURSUANT TO RULE 13b — 14(b) OF THE SECURITIES EXCHANGE ACT  
AND 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE  
SARBANES — OXLEY ACT OF 2002**

In connection with the Annual Report of Strategic Education, Inc. (the "Company") on Form 10-K for the year ended December 31, 2022 December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Daniel W. Jackson, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Daniel W. Jackson  
Daniel W. Jackson  
Executive Vice President and Chief Financial Officer

February 27, 2023 29, 2024

**STRATEGIC EDUCATION, INC.  
RECOUPMENT POLICY**

**OVERVIEW**

Strategic Education, Inc. (the "Company") has adopted this Policy to provide for the recoupment, under the circumstances described below, of incentive compensation from current and former Executive Officers.

The Company is aware of and believes that it is in compliance with the provisions of the Higher Education Act ("HEA") and U.S. Department of Education ("ED") implementing regulations that generally prohibit higher education institutions participating in federal student financial aid programs from providing any commission, bonus, or other incentive payment based in any part, directly or indirectly, upon success in securing enrollments or the award of financial aid to any person or entity who is engaged in any student recruitment or admission activity, or in making decisions regarding the award of student financial aid funds under Title IV of the HEA. These provisions, 20 U.S.C. § 1094(a)(20) and 34 C.F.R. § 668.14(b)(22), are commonly known as the "Incentive Payment Rule".

This Policy is intended to assist the Company in implementing applicable recoupment requirements under applicable laws and regulations, including but not limited to the Sarbanes-Oxley Act of 2002 and the Dodd-Frank Wall Street Reform and Consumer Protection Act. It does not permit the Company to engage in any practices prohibited by the Incentive Payment Rule. Further, to the extent that any incentive compensation paid by the Company is determined to be in violation of the Incentive Payment Rule, this Policy is intended to provide for the recoupment of such incentive compensation.

## DEFINITIONS

### Section 1. Incentive Compensation.

"**Accounting Restatement**" means the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period. For the avoidance of doubt, a restatement resulting solely from the retrospective application of a change in generally accepted accounting principles is not an Accounting Restatement.

"**Executive Officer**" shall mean any current or former "executive officer" of the Company as defined by Rule 10D-1(d) under the Securities Exchange Act of 1934, as amended.

"**Incentive Compensation**" shall mean any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a financial reporting measure. For purposes of this definition, a "financial reporting measure" is (i) a measure that is determined and presented in accordance with the accounting principles used in preparing the Company's financial statements or derived wholly or in part from such measures, or (ii) the Company's stock price or total shareholder return.

"**Recoupment Period**" shall mean the last three (3) completed fiscal years preceding the Trigger Date.

"**Trigger Date**" means the earlier to occur of: (a) the date the Board of Directors, the Audit Committee of the Board of Directors, or the officer or officers of the Company authorized to take such action concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement; or (b) the date a court, regulator, or other legally authorized body directs the Company to prepare an Accounting Restatement.

### Section 2. Incentive Payment Rule Amounts.

"**Employee**" shall mean any employee of the Company or its affiliates who may be covered by the Incentive Payment Rule.

"**Incentive Payment Rule Amount**" shall mean a sum of money or something of value, other than a fixed salary or wage, including but not limited to Incentive Compensation, paid to or given to a person or any entity for services rendered and determined by ED or a court of competent jurisdiction to have been provided in violation of the Incentive Payment Rule.

"**Incentive Payment Rule Recoupment Period**" shall mean the applicable statute of limitations within which the U.S. government may bring a claim under the False Claims Act for violation of the Incentive Payment Rule.

"**Incentive Payment Rule Triggering Event**" shall mean a finding by ED or a court of competent jurisdiction that the Company provided Incentive Payment Rule Amounts to an Employee covered by the Incentive Payment Rule.

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## STATEMENT OF POLICY

### Section 1. Incentive Compensation.

Following an Accounting Restatement, and unless the Compensation Committee of the Board of Directors has made a determination that recovery would be impracticable as set forth below, the Company will reasonably promptly recoup from any Executive Officer any Incentive Compensation received during the Recoupment Period that was in excess of the Incentive Compensation that would have been received by such Executive Officer taking into account the Accounting Restatement (calculated on a pre-tax basis). Incentive Compensation is deemed "received" for purposes of this Policy in the fiscal period during which the measure specified in the Incentive Compensation award is attained, even if the payment or issuance of such Incentive Compensation occurs after the end of that period. For example, if the performance target for an award is based on revenue for the year ended December 31, 2023, the award will be deemed to have been received in 2023 even if paid in 2024.

This Policy will apply to all Incentive Compensation received during the Recoupment Period by a person (a) after beginning service as an Executive Officer, (b) who served as an Executive Officer at any time during the performance period for that Incentive Compensation and (c) while the Company has a class of securities listed on a national securities exchange or a national securities association. Accordingly, this Policy can apply to a person that is no longer an Executive Officer or Employee at the time of recovery. Notwithstanding the Recoupment Period, the Company will only apply this Policy to incentive-based compensation received on or after October 2, 2023.

Notwithstanding the preceding two paragraphs, the Company may recoup Incentive Compensation from Executive Officers and other Employees in cases involving fraud or intentional misconduct, even if such cases occur outside of the Recoupment Period, or if the Compensation Committee of the Board of Directors of the Company determines that that one or more performance metrics used for determining previously paid Incentive Compensation was incorrectly calculated and if calculated correctly would have resulted in a lower payment to one or more Executive Officers or Employees, even in the absence of an Accounting Restatement.

Misconduct on the part of any Executive Officer or Employee is not required for recoupment of Incentive Compensation under this Policy.

If the Compensation Committee cannot determine the amount of excess Incentive Compensation received by an Executive Officer or Employee directly from the information in the Accounting Restatement, then it shall make its determination based on a reasonable estimate of the effect of the Accounting Restatement and shall maintain documentation of such determination.

The Company shall not be required to recover Incentive Compensation pursuant to this Policy if the Compensation Committee has made a determination that recovery would be impracticable and one of the following conditions are met:

- (a) after making a reasonable and documented attempt to recover erroneously awarded Incentive Compensation, the Committee determines that the direct expenses that would be paid to a third party to assist in enforcing the Policy would exceed the amount to be recovered;
- (b) based on a legal opinion of counsel acceptable to the Nasdaq Stock Market, the Committee determines that recovery would violate a home country law adopted prior to November 28, 2022; or
- (c) the Committee determines that recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. § 401(a)(13) or 26 U.S.C. § 411(a) and regulations thereunder. For example, the Company may not seek recovery from an Executive Officer's 401(k) plan.

**Section 2. Incentive Payment Rule Amounts.**

Following an Incentive Payment Rule Triggering Event, the Company may (to the extent permitted by applicable law) recoup from the Employee any Incentive Payment Rule Amounts provided during the Incentive Payment Rule Recoupment Period.

**Section 3. No Indemnification or Advancement of Legal Fees.**

The Company shall not indemnify any Executive Officer against, or pay the premiums for any insurance policy to cover, any amounts recovered under this Policy or any expenses that an Executive Officer incurs in opposing Company efforts to recoup amounts pursuant to the Policy.

**Section 4. Non-Exclusive Remedy.**

Recoupment of Incentive Compensation or Incentive Payment Rule Amounts pursuant to this Policy shall not in any way limit or affect the rights of the Company to pursue disciplinary, legal, or other action or pursue any other remedies available to it. This Policy shall be in addition to any rights of the Company to recoup Incentive Compensation and Incentive Payment Rule Amounts from Executive Officers and Employees under applicable laws and regulations, including but not limited to the Sarbanes-Oxley Act of 2002, as amended, the Incentive Payment Rule, or pursuant to the terms of any employment agreement, equity award agreement, or similar agreement with an Executive Officer or Employee.

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**ADMINISTRATION**

This Policy shall be administered by the Company's Board of Directors, who may delegate its powers and authority with respect to this Policy to its Compensation Committee. This Policy is intended to comply with the listing requirements of the Nasdaq Stock Market and related rules of the Securities and Exchange Commission and shall be interpreted in a manner consistent with those requirements. The interpretation and construction by the Board of Directors or the Compensation Committee of any provision of this Policy or any Acknowledgment and Agreement shall be final, binding, and conclusive.

Any amendment to this Policy may apply to awards or other Incentive Compensation granted or paid before the date of such amendment if required by applicable law, rule, requirement, or regulation (including rules adopted by any national securities exchange on which the Company's securities may be listed), and any Incentive Compensation previously paid to an Executive Officer may be subject to this Policy as so amended. This Policy also may be amended by the Company's Board of Directors to comply with changes to the Incentive Payment Rule or the adoption of similar rules or regulations.

**ADOPTED BY THE BOARD OF DIRECTORS: February 2, 2016 (amended February 25, 2021 and November 1, 2023).**

#### DISCLAIMER

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