

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

☒ Quarterly Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2023

or

☐ Transition Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

For the transition period from to

Commission File No. 0-21039

Strategic Education, Inc.

(Exact name of registrant as specified in this charter)

Maryland

(State or other jurisdiction of
incorporation or organization)

2303 Dulles Station Boulevard
Herndon, VA

(Address of principal executive offices)

52-1975978

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

20171

(Zip Code)

Registrant's telephone number, including area code: (703) 561-1600

Securities Registered Pursuant to Section 12(b) of the Exchange Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	STRA	Nasdaq Global Select Market

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of April 14, 2023, there were outstanding 24,591,375 shares of Common Stock, par value \$0.01 per share, of the Registrant.

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PART I — FINANCIAL INFORMATION
Item 1. Financial Statements

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

	December 31, 2022	March 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 213,667	\$ 202,824
Marketable securities	9,156	24,490
Tuition receivable, net	62,953	71,860
Assets held for sale	—	3,793
Other current assets	43,285	54,046
Total current assets	329,061	357,013
Property and equipment, net	132,845	124,298
Right-of-use lease assets	125,248	120,533
Marketable securities, non-current	13,123	12,699
Intangible assets, net	260,541	256,715
Goodwill	1,251,277	1,243,330
Other assets	49,652	51,180
Total assets	<u>\$ 2,161,747</u>	<u>\$ 2,165,768</u>
LIABILITIES & STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 90,588	\$ 93,147
Income taxes payable	6,989	2,371
Contract liabilities	88,488	122,984
Lease liabilities	23,879	23,207
Total current liabilities	209,944	241,709
Long-term debt	101,396	101,344
Deferred income tax liabilities	34,605	36,338
Lease liabilities, non-current	134,006	131,908
Other long-term liabilities	46,006	44,040
Total liabilities	525,957	555,339
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value \$0.01; 32,000,000 shares authorized; 24,402,891 and 24,591,375 shares issued and outstanding at December 31, 2022 and March 31, 2023, respectively	244	246
Additional paid-in capital	1,510,924	1,511,590
Accumulated other comprehensive loss	(35,068)	(44,300)
Retained earnings	159,690	142,893
Total stockholders' equity	1,635,790	1,610,429
Total liabilities and stockholders' equity	<u>\$ 2,161,747</u>	<u>\$ 2,165,768</u>

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

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

	For the three months ended March 31,	
	2022	2023
Revenues	\$ 258,855	\$ 256,606
Costs and expenses:		
Instructional and support costs	144,624	152,938
General and administration	94,784	95,465
Amortization of intangible assets	3,738	3,532
Merger and integration costs	410	425
Restructuring costs	1,858	5,595
Total costs and expenses	245,414	257,955
Income (loss) from operations	13,441	(1,349)
Other income (expense)	(1,171)	398
Income (loss) before income taxes	12,270	(951)
Provision for income taxes	5,241	1,077
Net income (loss)	\$ 7,029	\$ (2,028)
Earnings (loss) per share:		
Basic	\$ 0.29	\$ (0.09)
Diluted	\$ 0.29	\$ (0.09)
Weighted average shares outstanding:		
Basic	23,948	23,430
Diluted	24,114	23,430

STRATEGIC EDUCATION, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)

	For the three months ended March 31,	
	2022	2023
Net income (loss)	\$ 7,029	\$ (2,028)
Other comprehensive income (loss):		
Foreign currency translation adjustment	20,499	(9,340)
Unrealized gains (losses) on marketable securities, net of tax	(517)	108
Comprehensive income (loss)	\$ 27,011	\$ (11,260)

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

STRATEGIC EDUCATION, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share data)

For the three months ended March 31, 2022							
	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total	
	Shares	Par Value					
Balance at December 31, 2021	24,592,098	\$ 246	\$ 1,529,969	\$ 174,572	\$ 9,203	\$ 1,713,990	
Stock-based compensation	—	—	5,068	—	—	5,068	
Issuance of restricted stock, net	437,946	5	(2,749)	—	—	(2,744)	
Repurchase of common stock	(66,502)	(1)	(3,960)	—	—	(3,961)	
Common stock dividends (\$0.60 per share)	—	—	—	(15,051)	—	(15,051)	
Foreign currency translation adjustment	—	—	—	—	20,499	20,499	
Unrealized losses on marketable securities, net of tax	—	—	—	—	(517)	(517)	
Net income	—	—	—	7,029	—	7,029	
Balance at March 31, 2022	24,963,542	\$ 250	\$ 1,528,328	\$ 166,550	\$ 29,185	\$ 1,724,313	

For the three months ended March 31, 2023							
	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total	
	Shares	Par Value					
Balance at December 31, 2022	24,402,891	\$ 244	\$ 1,510,924	\$ 159,690	\$ (35,068)	\$ 1,635,790	
Stock-based compensation	—	—	5,632	—	—	5,632	
Exercise of stock options, net	1,322	—	55	—	—	55	
Issuance of restricted stock, net	187,162	2	(5,021)	—	—	(5,019)	
Common stock dividends (\$0.60 per share)	—	—	—	(14,769)	—	(14,769)	
Foreign currency translation adjustment	—	—	—	—	(9,340)	(9,340)	
Unrealized gains on marketable securities, net of tax	—	—	—	—	108	108	
Net loss	—	—	—	(2,028)	—	(2,028)	
Balance at March 31, 2023	24,591,375	\$ 246	\$ 1,511,590	\$ 142,893	\$ (44,300)	\$ 1,610,429	

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

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

	For the three months ended March 31,	
	2022	2023
Cash flows from operating activities:		
Net income (loss)	\$ 7,029	\$ (2,028)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Amortization of deferred financing costs	138	138
Amortization of investment discount/premium	15	3
Depreciation and amortization	16,272	14,651
Deferred income taxes	(4,955)	1,872
Stock-based compensation	5,068	5,632
Impairment of right-of-use lease assets	—	3,649
Changes in assets and liabilities:		
Tuition receivable, net	(12,669)	(8,892)
Other assets	(6,374)	(10,891)
Accounts payable and accrued expenses	2,972	1,831
Income taxes payable and income taxes receivable	9,660	(4,613)
Contract liabilities	41,012	34,035
Other liabilities	(1,573)	(145)
Net cash provided by operating activities	56,595	35,242
Cash flows from investing activities:		
Purchases of property and equipment	(9,686)	(8,270)
Purchases of marketable securities	—	(17,103)
Proceeds from marketable securities	1,100	1,960
Proceeds from other investments	—	457
Other investments	(175)	(118)
Cash paid for acquisition, net of cash acquired	—	(211)
Net cash used in investing activities	(8,761)	(23,285)
Cash flows from financing activities:		
Common dividends paid	(15,018)	(14,755)
Net payments for stock awards	(2,849)	(4,964)
Repurchase of common stock	(3,961)	—
Net cash used in financing activities	(21,828)	(19,719)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	2,097	(887)
Net increase (decrease) in cash, cash equivalents, and restricted cash	28,103	(8,649)
Cash, cash equivalents, and restricted cash — beginning of period	279,212	227,454
Cash, cash equivalents, and restricted cash — end of period	\$ 307,315	\$ 218,805
Non-cash transactions:		
Non-cash additions to property and equipment	\$ 5,111	\$ 1,447
Right-of-use lease assets obtained in exchange for operating lease liabilities	\$ 418	\$ 5,124

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

STRATEGIC EDUCATION, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

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.

The accompanying condensed 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 University and Capella 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 15.

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.

All information as of March 31, 2022 and 2023, and for the three months ended March 31, 2022 and 2023 is unaudited but, in the opinion of management, contains all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the condensed consolidated financial position, results of operations, and cash flows of the Company. The condensed consolidated balance sheet as of December 31, 2022 has been derived from the audited consolidated financial statements at that date. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been condensed or omitted. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2022. The results of operations for the three months ended March 31, 2023 are not necessarily indicative of the results to be expected for the full fiscal year.

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 acquisition of 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 Capella Education Company and 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 associated with vacating leased space in connection with the Company’s restructuring plans. See Note 4 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’ 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 unaudited condensed consolidated statements of income (loss).

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 \$1.4 million and \$1.5 million of these unpaid obligations as of December 31, 2022 and March 31, 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, 2022 and March 31, 2023, the Company had approximately \$11.9 million and \$14.0 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 unaudited condensed consolidated balance sheets.

As part of 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 unaudited condensed consolidated statements of cash flows as of March 31, 2022 and 2023 (in thousands):

	As of March 31,	
	2022	2023
Cash and cash equivalents	\$ 293,419	\$ 202,824
Restricted cash included in other current assets	13,396	15,481
Restricted cash included in other assets	500	500
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	\$ 307,315	\$ 218,805

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 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 marketable securities consist of tax-exempt municipal securities and corporate debt 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’ 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' 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. 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 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, 2022 and March 31, 2023 (in thousands):

	December 31, 2022	March 31, 2023
Tuition receivable	\$ 110,066	\$ 117,146
Allowance for credit losses	(47,113)	(45,286)
Tuition receivable, net	\$ 62,953	\$ 71,860

Approximately \$2.7 million and \$2.5 million of tuition receivable, net, are included in other assets as of December 31, 2022 and March 31, 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 the three months ended March 31, 2022 and 2023 (in thousands).

	For the three months ended March 31,	
	2022	2023
Allowance for credit losses, beginning of period	\$ 48,783	\$ 47,113
Additions charged to expense	7,217	9,654
Write-offs, net of recoveries	(11,108)	(11,481)
Allowance for credit losses, end of period	\$ 44,892	\$ 45,286

Assets Held for Sale

The Company classifies assets and liabilities as held for sale ("disposal group") when management, having the authority to approve the action, commits to a plan to sell the disposal group, the sale is probable to be completed within one year, and the disposal group is available for immediate sale in its present condition. The Company also considers whether an active program to locate a buyer has been initiated, whether the disposal group is marketed actively for sale at a price that is reasonable in relation to its current fair value, and whether actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. The Company initially measures a disposal group that is classified as held for sale at the lower of its carrying amount or fair value less costs to sell. Any loss resulting from this measurement is recognized in the period in which the held for sale criteria are met. Gains are not recognized until the date of sale. Assets are not depreciated

or amortized while they are classified as held for sale. Upon determining that a disposal group meets the criteria to be classified as held for sale, the Company reports the assets and liabilities of the disposal group as assets held for sale and liabilities held for sale in its unaudited condensed consolidated balance sheets.

Over the last several years, the Company has been evaluating its owned and leased real estate portfolio to identify underutilized facilities to either downsize or exit. One facility identified is an owned U.S. Higher Education campus, which the Company began marketing for sale in the fourth quarter of 2022. The long-lived assets being marketed for sale consist of land, buildings, and building improvements. The Company determined that it met all of the criteria to classify these assets as held for sale as of March 31, 2023. No impairment charge was recorded as the carrying amount of the net assets was less than the fair value less costs to sell. Fair value was determined based upon the anticipated sales price of these assets. Upon close, the Company will record any gain related to the sale of these assets in its consolidated statements of income (loss).

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.

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 24,402,891 and 24,591,375 shares were issued and outstanding as of December 31, 2022 and March 31, 2023, respectively. 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.

In February 2023, the Company's Board of Directors declared a regular, quarterly cash dividend of \$0.60 per share of common stock. The dividend was paid on March 13, 2023.

Net Income (Loss) Per Share

Basic earnings per share is computed by dividing net income (loss) 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. 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 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 (loss) per share for the three months ended March 31, 2022 and 2023 (in thousands):

	For the three months ended March 31,	
	2022	2023
Weighted average shares outstanding used to compute basic earnings (loss) per share	23,948	23,430
Incremental shares issuable upon the assumed exercise of stock options	2	—
Unvested restricted stock and restricted stock units	164	—
Shares used to compute diluted earnings (loss) per share	24,114	23,430
Anti-dilutive shares excluded from the diluted earnings (loss) per share calculation	420	593

Comprehensive Income (Loss)

Comprehensive income (loss) includes net income (loss) 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, 2022 and March 31, 2023, the balance of accumulated other comprehensive loss was \$35.1 million, net of tax of \$0.1 million and \$44.3 million, net of tax of \$0.1 million, respectively. There were no reclassifications out of accumulated other comprehensive income (loss) to net income (loss) for the three months ended March 31, 2022 and 2023.

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

Accounting Standards Updates 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. 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. 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 three months ended March 31, 2022 and 2023 (in thousands):

	For the three months ended March 31,	
	2022	2023
U.S. Higher Education Segment		
Tuition, net of discounts, grants and scholarships	\$ 187,355	\$ 188,780
Other ⁽¹⁾	8,411	8,115
Total U.S. Higher Education Segment	195,766	196,895
Australia/New Zealand Segment		
Tuition, net of discounts, grants and scholarships	47,536	40,422
Other ⁽¹⁾	976	1,081
Total Australia/New Zealand Segment	48,512	41,503
Education Technology Services Segment ⁽²⁾	14,577	18,208
Consolidated revenue	\$ 258,855	\$ 256,606

⁽¹⁾ Other revenue is primarily comprised of academic fees, sales of course materials, placement fees and other non-tuition revenue streams.

⁽²⁾ 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 unaudited condensed consolidated balance sheets based on when the benefit is expected to be realized.

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 \$18.9 million and is included as a current contract liability in the unaudited condensed 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 (in thousands):

	For the three months ended March 31,	
	2022	2023
Balance at beginning of period	\$ 52,024	\$ 46,842
Revenue deferred	4,368	4,652
Benefit redeemed	(5,182)	(5,574)
Balance at end of period	<u>\$ 51,210</u>	<u>\$ 45,920</u>

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 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 our ANZ segment. These costs are deferred and then amortized over the period of benefit which ranges from one year to two years.

4. Restructuring and Related Charges

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 the 2020 restructuring plan during the three months ended March 31, 2022 (in thousands):

	2020 Restructuring Plan
Balance at December 31, 2021	\$ 1,612
Restructuring and other charges	1,462
Payments	(2,382)
Balance at March 31, 2022	<u>\$ 692</u>

The final severance payments under the 2020 restructuring plan were made in the third quarter of 2022.

From time to time, the Company also incurs severance and other employee separation costs related to reduction in force actions that are not tied to a formal restructuring plan. During the first quarter of 2023, the Company incurred severance and other employee separation costs related to involuntary employee terminations due to the elimination of certain positions. As a result, the Company recorded \$2.3 million of severance and other employee separation charges during the three months ended March 31, 2023. Substantially all severance charges related to this action were paid during the first quarter of 2023.

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 three months ended March 31, 2023, the Company recorded right-of-use lease asset charges of approximately \$3.6 million related to facilities that were consolidated during the quarter. There were no right-of-use lease asset charges during the three months ended March 31, 2022. The Company recorded fixed asset impairment charges of approximately \$0.2 million during the three months ended March 31, 2022. There were no fixed asset impairment charges recorded during the three months ended March 31, 2023. All severance and other employee separation charges and right-of-use lease asset and fixed asset impairment charges are included in Restructuring costs on the unaudited condensed consolidated statements of income (loss).

5. Marketable Securities

The following is a summary of available-for-sale and held-to-maturity securities as of March 31, 2023 (in thousands):

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized (Losses)	Estimated Fair Value
Available-for-sale securities:				
Tax-exempt municipal securities	\$ 14,793	\$ 2	\$ (400)	\$ 14,395
Corporate debt securities	6,237	—	(170)	6,067
Total available-for sale securities	<u>\$ 21,030</u>	<u>\$ 2</u>	<u>\$ (570)</u>	<u>\$ 20,462</u>
Held-to-maturity securities:				
Term deposits	\$ 16,727	\$ —	\$ —	\$ 16,727

The following is a summary of available-for-sale securities as of December 31, 2022 (in thousands):

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized (Losses)	Estimated Fair Value
Available-for-sale securities:				
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 Company had no held-to-maturity securities as of December 31, 2022.

The unrealized gains and losses on the Company's investments in corporate debt and municipal securities as of December 31, 2022 and March 31, 2023 were caused by changes in market values primarily due to interest rate changes. As of March 31, 2023, the fair value of the Company's securities which were in an unrealized loss position for a period longer than twelve months was \$19.5 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. As such, no impairment charges were recorded during the three months ended March 31, 2022 and 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, 2022 and March 31, 2023 (in thousands):

	December 31, 2022		March 31, 2023	
	Available-for-sale securities	Held-to-maturity securities	Available-for-sale securities	Held-to-maturity securities
Due within one year	\$ 9,156	\$ —	\$ 7,763	\$ 16,727
Due after one year through three years	13,123	—	12,699	—
Total	<u>\$ 22,279</u>	<u>\$ —</u>	<u>\$ 20,462</u>	<u>\$ 16,727</u>

The following table summarizes the proceeds from the maturities and sales of available-for-sale securities for the three months ended March 31, 2022 and 2023 (in thousands):

	For the three months ended March 31,	
	2022	2023
Maturities of marketable securities	\$ 1,100	\$ 1,960
Sales of marketable securities	—	—
Total	<u>\$ 1,100</u>	<u>\$ 1,960</u>

The Company did not record any gross realized gains or losses in net income (loss) during the three months ended March 31, 2022 and March 31, 2023.

6. Fair Value Measurement

Assets measured at fair value on a recurring basis consist of the following as of March 31, 2023 (in thousands):

	March 31, 2023	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market funds	\$ 100,323	\$ 100,323	\$ —	\$ —
Available-for-sale securities:				
Tax-exempt municipal securities	14,395	—	14,395	—
Corporate debt securities	6,067	—	6,067	—
Total assets at fair value on a recurring basis	\$ 120,785	\$ 100,323	\$ 20,462	\$ —

Assets and liabilities measured at fair value on a recurring basis consist of the following as of December 31, 2022 (in thousands):

	December 31, 2022	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market funds	\$ 217	\$ 217	\$ —	\$ —
Available-for-sale securities:				
Tax-exempt municipal securities	15,347	—	15,347	—
Corporate debt securities	6,932	—	6,932	—
Total assets at fair value on a recurring basis	\$ 22,496	\$ 217	\$ 22,279	\$ —

The Company measures the above items on a recurring basis at fair value as follows:

- Money market funds – Classified in Level 1 is excess cash the Company holds in money market funds, which are included in cash and cash equivalents in the accompanying unaudited condensed 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, 2022 and March 31, 2023 approximate fair value and are not disclosed in the above tables because of the short-term nature of the financial instruments.
- 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 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 three months ended March 31, 2022 and 2023.

Changes in the fair value of the Company's Level 3 liabilities during the three months ended March 31, 2022 are as follows (in thousands):

	As of March 31, 2022
Balance as of the beginning of period	\$ 658
Amounts paid	(658)
Other adjustments to fair value	—
Balance at end of period	\$ —

7. Goodwill and Intangible Assets

Goodwill

The following table presents changes in the carrying value of goodwill by segment for the three months ended March 31, 2023 (in thousands):

	U.S. Higher Education	Australia / New Zealand	Education Technology Services	Total
Balance as of December 31, 2022	\$ 632,075	\$ 519,202	\$ 100,000	\$ 1,251,277
Additions	—	—	—	—
Impairments	—	—	—	—
Currency translation adjustments	—	(7,947)	—	(7,947)
Adjustments to prior acquisitions	—	—	—	—
Balance as of March 31, 2023	\$ 632,075	\$ 511,255	\$ 100,000	\$ 1,243,330

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. No events or circumstances occurred in the three months ended March 31, 2023 to indicate an impairment to goodwill at any of its segments. There were no impairment charges related to goodwill recorded during the three months ended March 31, 2022 and 2023.

Intangible Assets

The following table represents the balance of the Company's intangible assets as of December 31, 2022 and March 31, 2023 (in thousands):

	December 31, 2022			March 31, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
<i>Subject to amortization</i>						
Student relationships	\$ 200,185	\$ (191,125)	\$ 9,060	\$ 200,107	\$ (193,862)	\$ 6,245
<i>Not subject to amortization</i>						
Trade names	251,481	—	251,481	250,470	—	250,470
Total	\$ 451,666	\$ (191,125)	\$ 260,541	\$ 450,577	\$ (193,862)	\$ 256,715

The Company's finite-lived intangible assets are comprised of student relationships, which are being 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 \$2.9 million and \$2.7 million for the three months ended March 31, 2022 and 2023, respectively.

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. No events or circumstances occurred in the three months ended March 31, 2023 to indicate an impairment to indefinite-lived intangible assets. There were no impairment charges related to indefinite-lived intangible assets recorded during the three months ended March 31, 2022 and 2023.

8. Other Current Assets

Other current assets consist of the following as of December 31, 2022 and March 31, 2023 (in thousands):

	December 31, 2022	March 31, 2023
Prepaid expenses	\$ 19,073	\$ 27,650
Restricted cash	13,287	15,481
Cloud computing arrangements	7,859	7,587
Other	3,066	3,328
Other current assets	<u>\$ 43,285</u>	<u>\$ 54,046</u>

9. Other Assets

Other assets consist of the following as of December 31, 2022 and March 31, 2023 (in thousands):

	December 31, 2022	March 31, 2023
Prepaid expenses, net of current portion	\$ 18,192	\$ 17,975
Equity method investments	13,879	14,874
Cloud computing arrangements, net of current portion	7,507	9,032
Other investments	3,396	2,806
Tuition receivable, net, non-current	2,673	2,539
Other	4,005	3,954
Other assets	<u>\$ 49,652</u>	<u>\$ 51,180</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 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, 2022 and March 31, 2023, \$17.7 million and \$17.3 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 \$2.6 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 three months ended March 31, 2022 and 2023 (in thousands):

	For the three months ended March 31,	
	2022	2023
Limited partnership investments, beginning of period	\$ 15,582	\$ 13,879
Capital contributions	—	118
Pro-rata share in the net income (loss) of limited partnerships	(313)	877
Distributions	(1,382)	—
Limited partnership investments, end of period	<u>\$ 13,887</u>	<u>\$ 14,874</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 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 to third party international agents, and refundable security deposits associated with the Company's leased campus and office space.

10. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following as of December 31, 2022 and March 31, 2023 (in thousands):

	December 31, 2022	March 31, 2023
Trade payables	\$ 45,826	\$ 54,497
Accrued compensation and benefits	32,608	28,330
Accrued student obligations and other	12,154	10,320
Accounts payable and accrued expenses	<u>\$ 90,588</u>	<u>\$ 93,147</u>

11. 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. 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.

Borrowings under the Revolving Credit Facility bear interest at a per annum rate equal to LIBOR 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 terms of the Amended Credit Facility as of March 31, 2023.

As of December 31, 2022 and March 31, 2023, the Company had approximately \$101.4 million and \$101.3 million, respectively, outstanding under the Revolving Credit Facility. Approximately \$3.4 million and \$3.3 million was denominated in Australian dollars as of December 31, 2022 and March 31, 2023, respectively.

During the three months ended March 31, 2022 and 2023, the Company paid \$0.4 million and \$2.4 million, respectively, of interest and unused commitment fees related to its Revolving Credit Facility.

12. Other Long-Term Liabilities

Other long-term liabilities consist of the following as of December 31, 2022 and March 31, 2023 (in thousands):

	December 31, 2022	March 31, 2023
Contract liabilities, net of current portion	\$ 36,540	\$ 34,881
Asset retirement obligations	6,283	5,966
Other	3,183	3,193
Other long-term liabilities	<u>\$ 46,006</u>	<u>\$ 44,040</u>

Contract Liabilities

As discussed in Note 3, 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.

13. Equity Awards

The following table sets forth the amount of stock-based compensation expense recorded in each of the expense line items for the three months ended March 31, 2022 and 2023 (in thousands):

	For the three months ended March 31,	
	2022	2023
Instructional and support costs	\$ 1,607	\$ 1,866
General and administration	3,461	3,766
Stock-based compensation expense included in operating expense	5,068	5,632
Tax benefit	1,334	1,479
Stock-based compensation expense, net of tax	<u>\$ 3,734</u>	<u>\$ 4,153</u>

During the three months ended March 31, 2022 and 2023, the Company recognized shortfall tax impacts of approximately \$1.3 million and \$1.4 million, respectively, related to share-based payment arrangements, which were adjustments to the provision for income taxes.

14. Income Taxes

During the three months ended March 31, 2022 and 2023, the Company recorded income tax expense of \$5.2 million and \$1.1 million, respectively. Income tax expense for the three months ended March 31, 2022 and 2023 include shortfall tax impacts of approximately \$1.3 million and \$1.4 million, respectively, related to share-based payment arrangements.

The Company had \$0.9 million of unrecognized tax benefits as of December 31, 2022 and March 31, 2023. Interest and penalties, including those related to uncertain tax positions, are included in the provision for income taxes in the unaudited condensed consolidated statements of income (loss).

The Company paid \$0.5 million and \$3.8 million in income taxes during the three months ended March 31, 2022 and 2023, respectively.

The tax years since 2019 remain open for federal tax examination, the tax years since 2018 remain open to examination by certain states, and the tax years since 2017 remain open to examination by foreign taxing jurisdictions in which the Company is subject to taxation.

15. Segment Reporting

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 University and Capella 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 are an important source of student enrollment for Strayer University and Capella University, and the majority of the revenue attributed to the Education Technology Services division 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 three months ended March 31, 2022 and 2023 is presented in the following table (in thousands):

	For the three months ended March 31,	
	2022	2023
Revenues		
U.S. Higher Education	\$ 195,766	\$ 196,895
Australia/New Zealand	48,512	41,503
Education Technology Services	14,577	18,208
Consolidated revenues	\$ 258,855	\$ 256,606
Income (loss) from operations		
U.S. Higher Education	\$ 15,483	\$ 9,589
Australia/New Zealand	(749)	(7,182)
Education Technology Services	4,713	5,796
Amortization of intangible assets	(3,738)	(3,532)
Merger and integration costs	(410)	(425)
Restructuring costs	(1,858)	(5,595)
Consolidated income (loss) from operations	\$ 13,441	\$ (1,349)

16. 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.

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. 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 court granted final approval of the settlement on November 16, 2022. Intervenor appeals the court's order and moved to stay the court's final judgment approving the settlement pending resolution of the appeal. Intervenor attempts to stay the judgment pending full consideration of appeal have been denied.

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 discharged loans, 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.

17. Regulation

Our higher education institutions are subject to uncertain and varying laws and regulations, and any changes to these laws or regulations or their application to us may materially adversely affect our business, financial condition, and results of operations. Other than as set forth below, there have been no material changes to the laws and regulations affecting our higher education institutions that are described in our Annual Report on Form 10-K for the year ended December 31, 2022.

United States Regulation

CARES Act

On March 27, 2020, the President signed into law the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. Among other things, the CARES Act suspended payments 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 November 22, 2022, when the Department announced an extension to “alleviate uncertainty for borrowers” as the U.S. Supreme Court prepared to decide the legality of broad debt relief. In that announcement, the Department indicated that payments will resume 60 days after the Department is permitted to implement the program or the litigation is resolved. If the litigation has not been resolved by June 30, 2023, payments will resume 60 days after that. The U.S. Supreme Court heard oral arguments on February 28, 2023 and has yet to issue a decision.

American Rescue Plan Act of 2021

On March 11, 2021, President Biden signed into law the American Rescue Plan Act of 2021. Among other things, the legislation amended the “90/10 Rule” to include “all federal education assistance” in the “90” side of the ratio calculation. See “Item 1. Business – Regulation – U.S. Regulatory Environment – The 90/10 Rule” of the Company’s Annual Report on Form 10-K for the year ended December 31, 2022 for a description of 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, the Institutional and Programmatic Eligibility negotiated rulemaking committee reached consensus on changes to the 90/10 Rule. On October 27, 2022, 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 of Education. On December 20, 2022, the Department published guidance indicating that non-Title IV eligible programs offered in part or in whole via distance education are not eligible to be counted in the “10” side of the ratio calculation. On December 21, 2022, the Department released a non-exhaustive 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. The new 90/10 regulations are effective for fiscal years beginning on or after January 1, 2023.

Current Negotiated Rulemaking

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 deferments and forbearances, third-party servicers and related issues, cash management, return of federal funds, state authorization, accreditation and related issues, and TRIO programs. The Department invited interested parties to comment on the topics suggested by the Department at three public hearings held from April 11-13, 2023. The Department also accepted written comments through April 24, 2023.

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.

Borrower Defenses to Repayment

On March 16, 2022, Federal Student Aid (“FSA”) announced that it is monitoring complaints and borrower defense to repayment (“BDTR”) applications from veterans, service members and their family members who report claims of deceptive recruitment and enrollment practices, including misrepresentations related to cost, financing, and application of military and veteran benefits. The Department indicated that it will seek all appropriate corrective measures pursuant to the BDTR regulations if it finds that an institution has engaged in substantial misrepresentation or fraudulent conduct, and that it will share information and complaints with the Department of Defense and Department of Veterans Affairs.

On March 14, 2023, the Department of Education announced that the Office of Enforcement of FSA will use “secret shoppers” to monitor post-secondary institutions’ compliance with the laws and regulations governing participation in federal student aid programs. The Department indicated that secret shoppers will evaluate recruitment, enrollment, financial aid, and other practices of post-secondary institutions to help identify potentially deceptive or predatory practices used to recruit and enroll students. The Department noted that findings from secret shopping may serve as evidence in ongoing investigations and reviews or serve as the basis for opening new investigations and reviews. The Department further noted that, where appropriate and permissible, FSA may refer secret shopping findings to other offices within the Department, as well as other state and federal enforcement agencies.

Accrediting Agencies 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. Both Middle States and HLC appeared before NACIQI in February-March 2023 as part of the recognition process. NACIQI voted to recommend renewal of recognition for five years in the case of both HLC and Middle States. The Senior Department Official will review NACIQI’s recommendations and make final determinations on agency recognition within 90 days of the NACIQI meeting.

State Authorization Reciprocity Agreement (SARA)

Strayer University and Capella University participate in the State Authorization Reciprocity Agreement (“SARA”), which allows the Universities to enroll students in distance education programs in each SARA member state, including 49 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. 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. 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 significantly alter 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 are accepted through May 17, 2023. NC-SARA’s four regional compacts and the NC-SARA board of directors will vote on each proposal presented by September 1, 2023, and October 25, 2023, respectively. We cannot predict whether NC-SARA will adopt any of these proposals. The adoption of certain proposals, including the 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 Strayer University, Capella University, and the Company.

Title IX

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, and the Department has indicated its intention to publish a final Title IX rule in May 2023. When the Department publishes the final Title IX rule, it will indicate an effective date.

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. On February 15, 2023 the Department released a Dear Colleague Letter (“DCL”) (GEN 23-03) with updated guidance expanding the definition of third-party 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, 2023. On February 28, 2023, the Department extended the effective date of the updated guidance and reporting requirements from May 1, 2023 to September 1, 2023. 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. Until that time, DCLs GEN 12-08, GEN 15-01, and GEN 16-15 (as amended by the March 8, 2017, electronic announcement) remain in effect. Additionally, in March 2023, the Department indicated via Federal Register publication its intention to establish a negotiated rulemaking committee in 2023 to consider new proposed regulations on third-party servicers and related issues. There is also litigation challenging the Department’s guidance because the Department did not use the negotiated rulemaking process; the complaint was filed on April 4, 2023.

Program Participation Agreement

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, 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 subjected 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 of the September 30, 2022 deadline, and on April 18, 2023, Capella University and the Department of Education executed a fully certified Program Participation Agreement, approving Capella University's continued participation in Title IV programs through September 30, 2025.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations is a supplement to and should be read in conjunction with our condensed consolidated financial statements and the related notes and other financial information included elsewhere in this Quarterly Report on Form 10-Q and with our Annual Report on Form 10-K for the year ended December 31, 2022.

Cautionary Notice Regarding Forward-Looking Statements

Certain of the statements included in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" as well as elsewhere in this Quarterly Report on Form 10-Q are forward-looking statements made pursuant to the Private Securities Litigation Reform Act of 1995 ("Reform Act"). Such statements may be identified by the use of words such as "expect," "estimate," "assume," "believe," "anticipate," "may," "will," "forecast," "outlook," "plan," "project," "potential" or similar words, and include, without limitation, statements relating to future enrollment, revenues, revenues per student, earnings growth, operating expenses, capital expenditures and the ultimate effect of the COVID-19 pandemic on the Company's business and results. These statements are based on the Company's current expectations and are subject to a number of assumptions, risks and uncertainties. In accordance with the Safe Harbor provisions of the Reform Act, the Company has identified important factors that could cause the actual results to differ materially from those expressed in or implied by such statements. The assumptions, risks and uncertainties include the pace of student enrollment, our continued compliance with Title IV of the Higher Education Act, 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 Department or other governmental entities, including without limitation action related to borrower defense to repayment applications, 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, 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. Further information about these and other relevant risks and uncertainties may be found in Part II, "Item 1A. Risk Factors" of this Quarterly Report on Form 10-Q, Part I, "Item 1A. Risk Factors" of the Company's Annual Report on Form 10-K and in the Company's other filings with the Securities and Exchange Commission. The Company undertakes no obligation to update or revise forward-looking statements, except as required by law.

Additional Information

We maintain a website at <http://www.strategiceducation.com>. The information on our website is not incorporated by reference in this Quarterly Report on Form 10-Q, and our web address is included as an inactive textual reference only. We make available, free of charge through 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 Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission.

Background

Strategic Education, Inc. ("SEI," "we," "us" or "our") 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 University and Capella 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.

Segments Overview

As of March 31, 2023, we had the following reportable segments:

U.S. Higher Education Segment

- The USHE segment provides flexible and affordable certificate and degree programs to working adults primarily through Strayer University and Capella 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.
- 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 the first quarter of 2023, USHE enrollment increased 2.3% to 79,935 compared to 78,172 for the same period in 2022.
- Trailing 4-quarter student persistence within USHE was 87.4% in the fourth quarter of 2022 compared to 86.8% for the same period in 2021. 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.

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

- Trailing 4-quarter government provided grants and loans per credit earned within USHE decreased 6.2% as of the end of the fourth quarter of 2022. 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.

Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
(15.1)%	(17.2)%	(15.1)%	(11.3)%	(8.1)%	(6.4)%	(5.3)%	(6.2)%

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 are an important source of student enrollment for Strayer University and Capella University, and the majority of the revenue attributed to the Education Technology Services division 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 continue to be attributed to the division until the student graduates or withdraws, even if his or her employment status changes or if the partnership contract expires.
- In the first quarter of 2023, employer affiliated enrollment as a percentage of USHE enrollment was 26.3% compared to 23.0% for the same period in 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 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 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 the first quarter of 2023, Australia/New Zealand enrollment decreased 6.3% to 19,269 compared to 20,575 for the same period in 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 University and Capella 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 three months ended March 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 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. 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 606, 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 University and Capella 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 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 March 31, 2023, we had

deferred \$45.9 million for estimated redemptions earned under the Graduation Fund, as compared to \$46.8 million at 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. For the first quarter of 2023, our bad debt expense was 3.8% of revenue, compared to 2.8% for the same period in 2022. A change in our allowance for credit losses of 1% of gross tuition receivable as of March 31, 2023 would have changed our income (loss) from operations by approximately \$1.2 million.

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. Goodwill and indefinite-lived intangible assets are assessed at least annually for impairment. No events or circumstances occurred in the three months ended March 31, 2023 to indicate an impairment to goodwill or indefinite-lived intangible assets. Accordingly, no impairment charges related to goodwill or indefinite-lived intangible assets were recorded during the three month periods ended March 31, 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 three month periods ended March 31, 2023.

Other estimates — We record estimates for certain of our accrued expenses and for income tax liabilities. We estimate the useful lives of our property and equipment and intangible assets and 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, carrying amount of goodwill and intangible assets, stock-based compensation expense, and income tax liabilities may be required.

Results of Operations

In the first quarter of 2023, we generated \$256.6 million in revenue compared to \$258.9 million in 2022. Our loss from operations was \$1.3 million for the first quarter of 2023 compared to income from operations of \$13.4 million in 2022, principally due to lower earnings in the USHE segment, higher losses in the ANZ segment, and higher restructuring costs. Net loss in the first quarter of 2023 was \$2.0 million compared to net income of \$7.0 million for the same period in 2022. Diluted loss per share was \$0.09 compared to diluted earnings per share of \$0.29 for the same period in 2022.

Three Months Ended March 31, 2023 Compared to the Three Months Ended March 31, 2022

Revenues. Consolidated revenue decreased to \$256.6 million in the first quarter of 2023, compared to \$258.9 million in the same period in the prior year, primarily due to timing of ANZ academic term start dates and unfavorable foreign currency exchange impacts, partially offset by an increase in USHE enrollment. In the USHE segment for the three months ended March 31, 2023, total enrollment increased 2.3% to 79,935 from 78,172 for the same period in 2022. USHE segment revenue increased 0.6% to \$196.9 million compared to \$195.8 million in 2022 primarily due to the increase in enrollment, partially offset by lower revenue per student. In the Australia/New Zealand segment for the three months ended March 31, 2023, total enrollment decreased 6.3% to 19,269, compared to 20,575 for the same period in 2022. Australia/New Zealand segment revenue decreased 14.4% to \$41.5 million compared to \$48.5 million in 2022, primarily driven by the timing of the first academic term of the year and unfavorable foreign currency exchange impacts. In the Education Technology Services segment, revenue for the three months ended

March 31, 2023 increased 24.9% to \$18.2 million compared to \$14.6 million in 2022, primarily as a result of growth in Sophia Learning and higher employer affiliated enrollment.

Instructional and support costs. Consolidated instructional and support costs increased to \$152.9 million, compared to \$144.6 million in the same period in the prior year, principally due to increases in bad debt expense, student material costs, and technology-related costs, partially offset by lower facility costs and favorable foreign currency exchange impacts. Consolidated instructional and support costs as a percentage of revenues increased to 59.6% in the first quarter of 2023 from 55.9% in the first quarter of 2022.

General and administration expenses. Consolidated general and administration expenses increased to \$95.5 million in the first quarter of 2023 compared to \$94.8 million in the prior year, principally due to increased investments in branding initiatives and partnerships with brand ambassadors, partially offset by favorable foreign currency exchange impacts. Consolidated general and administration expenses as a percentage of revenues increased to 37.2% in the first quarter of 2023 from 36.6% in the first quarter of 2022.

Amortization of intangible assets. Amortization of intangible assets decreased to \$3.5 million in the first quarter of 2023 compared to \$3.7 million in 2022, due to foreign currency exchange impacts.

Merger and integration costs. Merger and integration costs were \$0.4 million in the first quarter of 2023 and 2022, and are primarily related to integration expenses associated with the Company's acquisition of ANZ.

Restructuring costs. Restructuring costs increased to \$5.6 million in the first quarter of 2023 compared to \$1.9 million in 2022, primarily due to a \$3.6 million right-of-use lease asset impairment charge associated with vacating leased space in the first quarter of 2023 and higher severance and other personnel-related expenses from involuntary employee terminations.

Income (loss) from operations. Consolidated income (loss) from operations decreased to a loss from operations of \$1.3 million in the first quarter of 2023 compared to income from operations of \$13.4 million in the first quarter of 2022, principally due to lower earnings in the USHE segment, higher losses in the ANZ segment, and higher restructuring costs. In the USHE segment, income from operations was \$9.6 million in the first quarter of 2023, compared to \$15.5 million in the first quarter of 2022, primarily due to increased investments in marketing initiatives, partially offset by higher revenue due to an increase in enrollments. In the Australia/New Zealand segment, loss from operations was \$7.2 million in the first quarter of 2023, compared to \$0.7 million in the first quarter of 2022, primarily driven by lower revenue due to the timing of the first academic term of the year, increased investments in marketing initiatives, and unfavorable foreign currency impacts. In the Education Technology Services segment, income from operations increased 23.0% to \$5.8 million in the first quarter of 2023, compared to \$4.7 million in 2022 as a result of growth in Sophia Learning and an increase in employer affiliated enrollment, partially offset by increased investment in outreach to corporate partners.

Other income (expense). Other income (expense) was \$0.4 million of income in the first quarter of 2023 compared to \$1.2 million of expense in the first quarter of 2022, as a result of an increase in investment income from our limited partnership investments and an increase in interest income, partially offset by an increase in interest expense due to higher interest rates. We incurred \$1.8 million of interest expense in the three months ended March 31, 2023 compared to \$0.9 million in the three months ended March 31, 2022.

Provision for income taxes. Income tax expense was \$1.1 million in the first quarter of 2023, compared to \$5.2 million in the first quarter of 2022. Income tax expense for the three months ended March 31, 2023 and 2022 include shortfall tax impacts of approximately \$1.4 million and \$1.3 million, respectively, related to share-based payment arrangements.

Net income (loss). Net income (loss) decreased to \$2.0 million of net loss in the first quarter of 2023 compared to \$7.0 million of net income in the first quarter of 2022 due to the factors discussed above.

Non-GAAP Financial Measures

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:

- amortization and depreciation expense related to intangible assets and software assets acquired through our acquisition of Torrens University and associated assets in Australia and New Zealand;

- 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 and right-of-use lease asset impairment charges associated with our restructuring;
- 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 three months ended March 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 income from operations was \$8.2 million in the first quarter of 2023 compared to \$19.4 million in 2022. Adjusted net income was \$5.8 million in the first quarter of 2023 compared to \$13.1 million in 2022, and adjusted diluted earnings per share was \$0.24 in the first quarter of 2023 compared to \$0.54 in 2022.

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 three months ended March 31, 2023

	As Reported (GAAP)	Non-GAAP Adjustments					As Adjusted (Non-GAAP)
		Amortization of intangible assets ⁽¹⁾	Merger and integration costs ⁽²⁾	Restructuring costs ⁽³⁾	Income from other investments ⁽⁴⁾	Tax adjustments ⁽⁵⁾	
Revenues	\$ 256,606	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 256,606
Total costs and expenses	\$ 257,955	\$ (3,532)	\$ (425)	\$ (5,595)	\$ —	\$ —	\$ 248,403
Income (loss) from operations	\$ (1,349)	\$ 3,532	\$ 425	\$ 5,595	\$ —	\$ —	\$ 8,203
Operating margin	-0.5%						3.2%
Income (loss) before income taxes	\$ (951)	\$ 3,532	\$ 425	\$ 5,595	\$ (325)	\$ —	\$ 8,276
Net income (loss)	\$ (2,028)	\$ 3,532	\$ 425	\$ 5,595	\$ (325)	\$ (1,406)	\$ 5,793
Diluted earnings (loss) per share	\$ (0.09)						\$ 0.24
Weighted average diluted shares outstanding ⁽⁶⁾	23,430						24,023

Reconciliation of Reported to Adjusted Results of Operations for the three months ended March 31, 2022

	As Reported (GAAP)	Non-GAAP Adjustments					As Adjusted (Non-GAAP)
		Amortization of intangible assets ⁽¹⁾	Merger and integration costs ⁽²⁾	Restructuring costs ⁽³⁾	Loss from other investments ⁽⁴⁾	Tax adjustments ⁽⁵⁾	
Revenues	\$ 258,855	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 258,855
Total costs and expenses	\$ 245,414	\$ (3,738)	\$ (410)	\$ (1,858)	\$ —	\$ —	\$ 239,408
Income from operations	\$ 13,441	\$ 3,738	\$ 410	\$ 1,858	\$ —	\$ —	\$ 19,447
Operating margin	5.2%						7.5%
Income before income taxes	\$ 12,270	\$ 3,738	\$ 410	\$ 1,858	\$ 387	\$ —	\$ 18,663
Net income	\$ 7,029	\$ 3,738	\$ 410	\$ 1,858	\$ 387	\$ (358)	\$ 13,064
Diluted earnings per share	\$ 0.29						\$ 0.54
Weighted average diluted shares outstanding	24,114						24,114

- (1) Reflects amortization and depreciation expense of intangible assets and software assets acquired through the Company's acquisition of Torrens University and associated assets in Australia and New Zealand.
- (2) Reflects integration expenses associated with the Company's merger with Capella Education Company and the Company's acquisition of Torrens University and associated assets in Australia and New Zealand.
- (3) Reflects severance costs and right-of-use lease asset impairment charges 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% for the three months ended March 31, 2023 and 2022.
- (6) For the three months ended March 31, 2023, 593 shares issuable in connection with stock options, restricted stock and restricted stock units were excluded from the diluted loss per share calculation because the effect would have been anti-dilutive due to the Company's net loss during the period.

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

	For the three months ended March 31, 2023		
	As Adjusted (Non-GAAP)	Constant currency adjustment ⁽¹⁾	As Adjusted with Constant Currency (Non-GAAP)
Revenues	\$ 256,606	\$ 2,978	\$ 259,584
Total costs and expenses	\$ 248,403	\$ 2,846	\$ 251,249
Income from operations	\$ 8,203	\$ 132	\$ 8,335
Operating margin	3.2%		3.2%
Income before income taxes	\$ 8,276	\$ 155	\$ 8,431
Net income	\$ 5,793	\$ 109	\$ 5,902
Diluted earnings per share	\$ 0.24		\$ 0.25
Weighted average diluted shares outstanding	24,023		24,023

- (1) Reflects an adjustment to translate foreign currency results for the three months ended March 31, 2023 at a constant exchange rate of 0.72 Australian Dollars to U.S. Dollars, respectively, which was the average exchange rate for the same period in 2022.

Liquidity and Capital Resources

At March 31, 2023, we had cash, cash equivalents, and marketable securities of \$240.0 million compared to \$235.9 million at December 31, 2022 and \$321.5 million at March 31, 2022. We maintain our cash and cash equivalents primarily in demand deposit bank accounts and money market funds at high credit quality financial institutions, which are included in cash and cash equivalents at March 31, 2023 and 2022. We also hold marketable securities, which primarily include tax-exempt municipal securities and corporate debt securities. During the three months ended March 31, 2023 and 2022, we earned interest income of \$1.8 million and \$0.2 million, respectively.

We are party to a credit facility (the "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 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 March 31, 2023. As of March 31, 2023 and 2022, we had \$101.3 million and \$141.7 million, respectively, outstanding under our Revolving Credit Facility. During the three months ended March 31, 2023 and 2022, we paid \$2.4 million and \$0.4 million, respectively, of interest and unused commitment fees related to our Revolving Credit Facility.

Our net cash provided by operating activities for the three months ended March 31, 2023 decreased to \$35.2 million, compared to \$56.6 million for the same period in 2022. The decrease in net cash from operating activities was primarily driven by lower earnings, an increase in cash used for working capital, and higher tax payments.

Our net cash used in investing activities for the three months ended March 31, 2023 increased to \$23.3 million, compared to \$8.8 million for the same period in 2022. The increase in net cash used in investing activities was primarily driven by \$17.1 million in purchases of marketable securities, partially offset by a decrease in capital expenditures and higher cash proceeds from marketable securities and other investments. Capital expenditures decreased to \$8.3 million for the three months ended March 31, 2023, compared to \$9.7 million for the same period in 2022, primarily due to the timing of capital projects.

Our net cash used in financing activities for the three months ended March 31, 2023 decreased to \$19.7 million, compared to \$21.8 million for the same period in 2022. The decrease in net cash used in financing activities was primarily driven by a \$4.0 million decrease in repurchases of common stock, partially offset by an increase in net payments for employee stock awards.

The Board of Directors declared a regular, quarterly cash dividend of \$0.60 per share of common stock in the first quarter of 2023. During the three months ended March 31, 2023, we paid a total of \$14.8 million in cash dividends on our common stock, compared to \$15.0 million for the same period in 2022. During the three months ended March 31, 2023, we did not repurchase any shares of common stock in the open market under our repurchase program. As of March 31, 2023, we had \$246.8 million of share repurchase authorization remaining to use through December 31, 2023.

For the first quarter of 2023 and 2022, bad debt expense as a percentage of revenue was 3.8% and 2.8%, respectively.

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.

ITEM 3: 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 bank overnight deposits, money market funds 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, 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 March 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 March 31, 2023, we had \$101.3 million outstanding under our Amended Credit Facility. Borrowings under the Amended Credit Facility bear interest at LIBOR 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 would affect interest expense on any outstanding balance of the Revolving Credit Facility. For every 100 basis points increase in LIBOR, 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 would cease after December 2021 and publication of the remainder of the LIBOR settings will cease after June 2023. At March 31, 2023, we had no exposure to the discontinued LIBOR settings and had approximately \$101.3 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 16.2% of our consolidated revenues for the three months ended March 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 (loss) as expressed in the USD. For the three months ended March 31, 2023, a hypothetical 10% adverse change in the average foreign currency exchange rates would have decreased our consolidated revenues by approximately \$4.2 million. In addition, the effect of exchange rate changes on cash, cash equivalents, and restricted cash for the three months ended March 31, 2023 was a decrease of \$0.9 million. We do not use foreign exchange contracts or derivatives to hedge any foreign currency exposures.

ITEM 4: CONTROLS AND PROCEDURES

- a) *Disclosure 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 March 31, 2023. Based upon such review, the Chief Executive Officer and Chief Financial Officer have concluded that the Company had in place, as of March 31, 2023, effective disclosure 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 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.
- b) *Internal Control Over Financial Reporting.* There have not been any changes in the Company’s internal control over financial reporting during the quarter ended March 31, 2023 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. 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 16, Litigation, in the condensed consolidated financial statements appearing in Part I, Item 1 of this report for additional information regarding our legal proceedings and related matters, which information is incorporated herein by reference.

Item 1A. Risk Factors

You should carefully consider the factors discussed in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2022, which could materially affect 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. There have been no material changes to the risk factors previously described in Part I, “Item 1A. Risk Factors” included in our Annual Report on Form 10-K for the year ended December 31, 2022, other than the revised risk factor included below. The risks described below and in our Annual Report on Form 10-K are not the only risks facing the Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also could materially adversely affect our business. See “Cautionary Notice Regarding Forward-Looking Statements.”

If either Strayer University or Capella 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.

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 University or Capella 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. 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 University and Capella 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 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.

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 significantly alter 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 are accepted through May 17, 2023. NC-SARA’s four regional compacts and the NC-SARA board of directors will vote on each proposal presented by September 1, 2023, and October 25, 2023, respectively. We cannot predict whether NC-SARA will adopt any of these proposals. The adoption of certain proposals, including the 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 Strayer University, Capella University, and the Company. For example, if excluded from the ability to participate in the agreements, Strayer University and Capella University would need to seek authorization in each state, which would increase costs and present the risk that certain jurisdictions would decline authorization.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the three months ended March 31, 2023, the Company did not repurchase any shares of common stock under its repurchase program. The remaining authorization for common stock repurchases was \$246.8 million as of March 31, 2023, and is available for use through December 31, 2023.

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

Submission of Matters to a Vote of Security Holders

The Company held its 2023 Annual Meeting of Stockholders on April 26, 2023. There were 24,590,980 shares of common stock eligible to be voted at the Annual Meeting and 22,025,277 shares were presented by proxy at the meeting which constituted a quorum to conduct business.

There were four proposals submitted to the Company's stockholders at the Annual Meeting. All proposals were passed. The final results of voting on each of the proposals are as follows:

Proposal 1: Elect eleven directors to the Board of Directors.

Nominee	Votes For	Votes Against	Abstain	Broker Non-Vote
Robert S. Silberman	19,718,615	1,419,215	5,924	881,523
Dr. John T. Casteen, III	18,994,679	2,143,347	5,727	881,524
Dr. Charlotte F. Beason	19,611,563	1,526,384	5,807	881,523
Rita D. Brogley	20,232,047	905,904	5,805	881,521
Robert R. Grusky	19,823,956	1,313,653	6,145	881,523
Jerry L. Johnson	21,045,607	85,036	13,112	881,522
Karl McDonnell	20,713,950	416,708	13,096	881,523
Dr. Michael A. McRobbie	21,050,117	87,822	5,817	881,521
William J. Slocum	21,075,799	62,081	5,875	881,522
Michael J. Thawley	21,048,924	88,686	6,145	881,522
G. Thomas Waite, III	19,573,083	1,557,329	13,341	881,524

Proposal 2: Ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2023.

Votes For	Votes Against	Abstain	Broker Non-Vote
20,797,478	1,225,502	2,297	0

Proposal 3: Approval on an advisory basis of the compensation of the named executive officers.

Votes For	Votes Against	Abstain	Broker Non-Vote
19,488,056	1,400,527	255,172	881,522

Proposal 4: Determine on an advisory basis, the frequency of stockholder votes on executive compensation.

1 Year	2 Years	3 Years	Abstain	Broker Non-Vote
20,260,746	1,233	871,499	10,277	881,522

Amendment of Employment Agreement of Robert S. Silberman

On April 26, 2023, the Company amended and restated the Employment Agreement of Robert S. Silberman, dated April 6, 2001 and as previously amended on March 11, 2005, May 2, 2013, and April 24, 2014, in connection with his transition from Executive Chairman to Chairman. Under the amended Employment Agreement, Mr. Silberman's term of employment as Chairman is five years, and is automatically renewable thereafter for additional one-year terms unless the Company or Mr. Silberman provides notice otherwise. The amended agreement memorializes Mr. Silberman's current annual base salary of \$800,000, which is subject to annual cost-of-living increases and any other increases that may be approved by the Board of Directors from time to time. Under the amended agreement, Mr. Silberman will no longer participate in the Company's annual non-equity incentive compensation pool, but is eligible to receive annual grants of equity incentive compensation, which grants will be subject to the Company's equity compensation program in effect from time to time. In the event of a termination due to a change of control, under the amended agreement Mr. Silberman would receive all payments to which he would be entitled for any "without cause" termination, as well as a one-time payment of \$2,925,000 (an amount equal to three times his most recent non-equity incentive compensation award). All other material terms and conditions remain the same. The foregoing description of the amended Employment Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the amended Employment Agreement, which is filed as Exhibit 10.1 to this report.

Item 6. Exhibits

3.1	<u>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).</u>
3.2	<u>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).</u>
10.1	<u>Amended and Restated Employment Agreement, dated as of April 26, 2023, between Strategic Education, Inc. and Robert S. Silberman.</u>
31.1	<u>Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934.</u>
31.2	<u>Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934.</u>
32.1	<u>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.</u>
32.2	<u>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.</u>
101.	INS Inline XBRL Instance Document
101.	SCH Inline XBRL Schema Document
101.	CAL Inline XBRL Calculation Linkbase Document
101.	DEF Inline XBRL Definition Linkbase Document
101.	LAB Inline XBRL Label Linkbase Document
101.	PRE XBRL Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements 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/ Daniel W. Jackson

Daniel W. Jackson

Executive Vice President and Chief Financial Officer

Date: April 28, 2023

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this “Agreement”) is made and entered into as of April 26, 2023 (the “Effective Date”), by and between STRATEGIC EDUCATION, INC., a Maryland corporation (the “Company”), and ROBERT S. SILBERMAN (the “Executive”).

WHEREAS, the Executive has been employed by the Company and its predecessor and currently serves as its Executive Chairman pursuant to an employment agreement by and between Executive and Strayer Education, Inc. dated as of April 6, 2001 and amended and restated as of March 11, 2005, May 2, 2013 and April 24, 2014 (the “Prior Agreement”); and

WHEREAS, the Company desires to continue to employ the Executive from and after the Effective Date in the capacity of its Chairman and the Executive desires to continue to be employed by the Company in such capacity pursuant to the terms set forth herein; and

WHEREAS, the Company and the Executive desire to amend and restate the prior Employment Agreement in its entirety, in order to set forth the terms and conditions of the Executive’s employment with the Company as Chairman, commencing as of the Effective Date.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained, it is agreed as follows:

1. Employment. The Company hereby agrees to employ the Executive and the Executive hereby agrees to be employed by the Company as its Chairman upon the terms and conditions set forth herein.

2. Term. The Executive’s employment shall be for a term (the “Employment Term”) commencing on the Effective Date and, subject to earlier termination under Section 8, expiring on April 26, 2028; provided, however, that commencing on April 26, 2028 and each April 26 thereafter, the Employment Term will automatically be extended for an additional year unless, not later than February 1 of the same year, the Company or the Executive shall have given written notice to the other that it or the Executive, as the case may be, does not wish to have the Employment Term extended.

3. Duties of the Executive. The Executive shall serve as the Company’s Chairman with such responsibilities as are reasonably assigned to him in his capacity as Chairman by the Company’s Board of Directors (the “Board”), as well as Chairing all Board and Shareholder meetings during the Employment Term. The Executive shall report solely to the Company’s Board of Directors and shall be assigned only those executive policy and management duties that are consistent with the Executive’s position as Chairman of the Company. The Executive shall devote substantially all of his working time and his best efforts, full attention and energies to the business of the Company; provided, however, that it shall not be a violation of this Agreement for Executive to (a) devote reasonable periods of time to charitable and community activities and engaging in industry or professional activities (including membership on the board of directors or governing body of other corporations or entities and participation on governmental panels and commissions), and/or (b) manage personal business interests and investments, in each case so long as such activities do not interfere with the performance of Executive’s responsibilities under this Agreement. The Company shall include the Executive in the management slate for election as a director (and Chairman of the Board) at every stockholders’ meeting during the Employment Term at which his term as a director would otherwise expire.

4. Compensation.

(a) Base Salary. During the Employment Term, the Company shall pay to the Executive a base salary of not less than \$800,000 per annum (the “Base Salary”). The Board shall review Executive’s Base Salary annually (after approval of the forthcoming year’s budget and receipt of the prior year’s financial statements) and increase it by an amount no less than the increase in the consumer price index for the Washington, D.C. metropolitan area from the immediately preceding year.

(b) Equity Awards. In addition to the Base Salary, the Executive shall be eligible to receive an annual incentive equity award based on or otherwise settled into the Company’s common stock (the “Incentive Equity”) for each fiscal year of the Company that ends during the Employment Term, under the Company’s 2018 Equity Compensation Plan or any successor thereto (the “Plan”). The terms and conditions of the Incentive Equity shall be governed by the definitive grant agreement and the Plan. The share grant shall be awarded at the customary time for executive share grants (typically in February), with a four-year cliff vesting schedule and applicable performance criteria as may be established by the Compensation Committee of the Board.

5. Executive Benefits.

(a) General. In addition to the compensation described in Section 4, during the Employment Term, the Company shall make available to the Executive, on the most favorable terms and conditions available to executive and management employees of the Company, (i) all Company sponsored employee benefit plans or arrangements and such other usual and customary benefits now or hereafter generally available to employees of the Company, and (ii) such benefits and perquisites as may be made available to senior executives of the Company as a group, including, without limitation, equity and cash incentive programs, director and officer insurance which includes coverage for service on other boards of directors at the request of the Company, governmental panels, etc., vacations, and retirement, deferred compensation and welfare plans.

(b) Attorneys' Fees. The Company shall pay or reimburse the Executive for all reasonable attorneys' fees and disbursements incurred by the Executive in connection with the negotiation and execution and enforcement of this Agreement.

6. Expenses. The Company shall also pay or reimburse the Executive for reasonable and necessary expenses incurred by the Executive in connection with his duties on behalf of the Company in accordance with the expense policy of the Company applicable to members of senior management of the Company.

7. Place of Performance. In connection with his employment by the Company, unless otherwise agreed by the Executive, the Executive shall be based at the principal executive offices of the Company in Herndon, Virginia, except for travel reasonably required for Company business and the Company shall provide the Executive with appropriate office facilities, support staff and resources to perform his duties at such location.

8. Termination.

(a) Termination By the Company without Cause. The Executive's employment hereunder and the Employment Term may be terminated by the Company for any reason by written notice as provided in Section 17. For purposes of this Agreement, the Executive will be treated as having been terminated by the Company without Cause if the Executive terminates his employment with the Company under the following circumstances: (i) the Company breaches any material provision of this Agreement and fails to cure such breach within thirty (30) calendar days after receiving notice thereof from the Executive; (ii) the Company directly or indirectly causes a material reduction in the Executive's title, authority, functions, duties or responsibilities as provided in Section 3 and the Company fails to restore to the Executive such authority, functions, duties or responsibilities within thirty (30) calendar days after receiving notice thereof from the Executive; or (iii) the Executive's employment is (A) terminated without cause within six (6) months of the effective date of a Change in Control (as defined in Section 10) or (B) there occurs a material reduction in the Executive's authority, function, duties or responsibilities which causes the Executive's resignation from the Company within six (6) months of the effective date of a Change in Control (as defined in Section 10) (a "COC Termination"). In the event of such a termination without Cause pursuant to any of subsections 8(a)(i)-(iii) above or any other termination of the Executive's employment by the Company for any reason other than Cause (as defined in Section 9(d) herein), the Executive shall be entitled to the payments and benefits set forth in Section 9(a).

For the avoidance of doubt, the Termination events set forth in this Subsection 8(a) shall apply independently during the entire Employment Term and any Termination without Cause that occurs under Section 8(a)(i) or 8(a)(ii) of this Agreement will result in the payments and benefits under Section 9(a), including any such termination during the Employment Term that occurs subsequent to any Change in Control event.

(b) Termination By the Company for Cause or Voluntary Termination By the Executive. The Executive may voluntarily terminate his employment under this Agreement at any time by notice to the Company as provided in Section 17. In the event of a termination of the Executive's employment by the Executive during the Employment Term other than pursuant to Section 8(a) hereof or a termination by the Company for Cause (as defined in Section 9(d) herein) during the Employment Term, the Executive shall be entitled to the payments and benefits set forth in Section 9(b).

(c) Termination Due to Death or Disability. In the event of a termination of the Executive's employment during the Employment Term due to death or Disability (as defined herein), the Executive shall be entitled to the payments and benefits set forth in Section 9(c).

9. Compensation and Benefits Upon Termination of Employment.

(a) Termination by Company Without Cause. If the Executive's employment hereunder is terminated by the Company (including within the meaning of any of subsections 8(a)(i)-(iii) herein) for any reason

other than for Cause (as defined in Section 9(d) herein) during the Employment Term, the Company shall be obligated to pay to the Executive the following termination payments and make available the following benefits:

(i) Accrued Rights. The Company shall within ten (10) days of the date of termination pay the Executive a lump-sum amount equal to the sum of (A) his earned but unpaid Base Salary through the date of termination and (B) any business expenses due to the Executive from the Company as of the date of termination. In addition, the Company shall provide to the Executive all payments, rights and benefits due as of the date of termination under the terms of the Company's employee and fringe benefit plans and programs (other than severance plans or programs) in which the Executive participated during the Employment Term (together with such lump-sum payment, the "Accrued Rights").

(ii) Severance Payment. The Company shall within thirty (30) days of the date of termination pay the Executive a lump sum payment in an amount equal to (A) three times the Base Salary (at the highest rate in effect for any period prior to the date of termination), plus (B) in the case of a COC Termination only, a lump sum cash payment of \$2,925,000, which is equal to (x) three (3) times (y) the value of the Executive's non-equity incentive compensation award for fiscal year 2022 performance.

(iii) Medical Benefits. For a period of three (3) years following the date of termination, except as provided in Section 9(f), the Company will arrange to provide the Executive with medical benefits substantially similar to those that the Executive was receiving or entitled to receive immediately prior to the date of termination, provided that if and to the extent that any benefit described in this paragraph is not or cannot be paid or provided under any policy, plan, program or arrangement of the Company or any subsidiary, as the case may be, then the Company will itself pay or provide for the payment to the Executive, his dependents and beneficiaries, of such benefits.

(iv) Incentive Equity. As of the date of the Executive's termination hereunder for any reason, including under Section 8(a) hereof, (other than a voluntary resignation or termination for Cause covered by Section 9(b) below), any unvested awards of Incentive Equity then held by the Executive shall immediately and fully vest.

(b) Voluntary Resignation or Termination for Cause or Change in Status of Employment.

(i) If the Executive's employment hereunder is terminated during the Employment Term because of his voluntary resignation (other than pursuant to Section 8(a) or 9(b)(ii)) in order for the Executive to serve in a senior position (including elected official) in local, State or Federal government, or in any non-profit entity or tax-exempt organization which plays an advocacy role or is active in research or developing policy proposals related to the post-secondary education sector, as at least a part of its mission, and which does not constitute a "Non-Profit Competitor" as defined in Section 13(a) hereof (in each case, a "Specified Position"), the Company shall have no further obligations to the Executive under this section, except to pay or provide to the Executive any and all Accrued Rights. In addition, in the event of such a voluntary resignation, if Executive is required to divest his security holdings in the Company in order to take such a Specified Position, notwithstanding anything to the contrary contained in any Incentive Equity agreement (including any Restricted Share agreement), any post-termination holding period associated with an equity award shall terminate immediately upon the date of such voluntary resignation and Executive shall be permitted to divest Company securities.

(ii) If the Executive elects to relinquish his title and duties as Chairman (other than pursuant to Section 8(a) or 9(b)(i)) and agrees to remain employed by the Company in a capacity (and with title, duties and responsibilities acceptable to him) whereby he is providing bona fide services to the Company, which, to the extent necessary to avoid taxes or penalties under Section 409A of the Internal Revenue Code ("Section 409A"), meets the service criteria required by Section 409A ("Continued Service"), or to serve as a Director or consultant, if appropriate and satisfactory to both the Company and the Executive, all Incentive Equity shall continue to vest during such Continued Service and shall vest in full on the earlier of a COC Termination or any other direct or indirect termination of such Continued Service without Cause (as defined under Section 8(a)) or upon Executive's death or Disability. In the event that Executive elects to relinquish his title as Chairman and remain employed to provide Continued Service or other service as aforesaid, the Executive and Company shall negotiate and execute a mutually agreeable amendment to this Agreement which shall make appropriate changes to the title, duties, compensation and other terms specified herein to reflect such change in Executive's employment status. In such amendment, the provisions of Section (8)(a), related to a Termination by the Company without Cause, and the provisions of 9(d), related to a Termination by the Company for Cause, shall remain in full effect as related to Executive's employment in providing Continued

Service or other service as aforesaid. (For the avoidance of doubt, to the extent any voluntary change in employment status may be characterized under either subsection 9(b)(i) or 9(b)(ii), Executive shall elect which subsection shall apply.)

(iii) If the Executive's employment hereunder is terminated during the Employment Term by the Company for Cause (as defined in Section 9(d) hereof) (1) the Company shall have no further obligations to the Executive under this section, except to pay or provide to the Executive any and all Accrued Rights, and (2) all unvested Incentive Equity shall terminate immediately and be of no further force or effect.

(c) Disability; Death. If the Executive's employment hereunder is terminated during the Employment Term by reason of the Executive's Disability (as defined herein) or death, the Company shall pay and provide the Executive (or his legal representative or estate) with the following:

(i) Accrued Rights. The Company shall pay and provide to the Executive (or his legal representative or estate) any and all Accrued Rights, including all disability or life insurance benefits as applicable;

(ii) Salary Continuation. The Company shall provide the Executive (or his legal representative or estate) with continued payment of the Executive's then-current Base Salary for a period of 12 months; provided, that such payments shall be reduced (but not below zero) by all amounts payable to the Executive (or his legal representative, estate, beneficiaries or dependents) under any Company-provided life insurance or disability benefit plans.

(iii) Incentive Equity. As of the date of the Executive's termination under this paragraph, any unvested awards of Incentive Equity shall immediately and fully vest.

(d) Termination for Cause. For purposes of this Agreement, "Cause" shall mean:

(i) the willful and continued failure by the Executive substantially to perform his duties hereunder (other than any such failure resulting from the Executive's Disability or the Company's breach of this Agreement), which failure is not or cannot be cured within thirty (30) business days after the Company has given written notice thereof to the Executive specifying in detail the particulars of the acts or omissions deemed to constitute such failure,

(ii) the engaging by the Executive in willful misconduct which is materially injurious to the Company, monetarily or otherwise,

(iii) the Executive's conviction of, or entry of a plea of nolo contendere with respect to, any felony, or

(iv) the Executive's breach of any material provision of this Agreement, if the Executive fails to cure such breach within thirty (30) business days after the Company has given written notice thereof to the Executive.

For purposes of this definition, no act, or failure to act, on the Executive's part shall be considered "willful" unless done, or omitted to be done, by the Executive in bad faith and without reasonable belief that the Executive's action or omission was in the best interests of the Company. The Executive shall not be deemed to have been terminated for Cause unless and until the Board finds that the Executive's termination for Cause is justified and has given the Executive written notice of termination, specifying in detail the particulars of the Executive's conduct found by the Board to justify such termination for Cause.

(e) Disability Defined. "Disability" shall mean the Executive's inability to perform the duties of his position with the Company by reason of a medically determined physical or mental impairment which has existed for a continuous period of at least twenty-six (26) weeks and which, in the written judgment of a physician, is likely to be of indefinite duration or to result in death.

(f) No Obligation to Mitigate. The Executive is under no obligation to mitigate damages or the amount of any payment provided for hereunder by seeking other employment or otherwise; provided, however, that the Executive's coverage under the Company's medical benefit plans will terminate when the Executive becomes covered under any employee medical plan made available by another employer. The Executive shall notify the Company within thirty (30) days after the commencement of any such benefits.

10. Change in Control. As used herein, a “Change in Control” of the Company shall mean the occurrence of any of the following:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) (a “Person”) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of more than fifty percent (50%) of either: (i) the then- outstanding shares of the Company’s Common Stock or (ii) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (“Voting Stock”); provided, however, that for purposes of this subsection (a), the following shall not constitute a Change in Control: any acquisition by any Person pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c) of this Section 10; or

(b) Individuals who constitute the Board of Directors of the Company as of the date hereof (the “Incumbent Board”) cease for any reason (other than death or disability) to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company’s shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination) shall be considered as though such individual were a member of the Incumbent Board, but excluding for this purpose any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest (within the meaning of Rule 14a-11 of the Exchange Act) with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board or any of the Investors; or

(c) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company with or to any Person (a “Business Combination”), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Common Stock and Voting Stock of the Company immediately prior to such Business Combination beneficially own, directly or indirectly, more than fifty percent (50%) of, respectively, the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity which as a result of such transaction owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries) in substantially the same proportions relative to each other as their ownership, immediately prior to such Business Combination, of the Common Stock and Voting Stock of the Company, as the case may be, (ii) no Person (excluding any entity resulting from such Business Combination or any employee benefit plan (or related trust) sponsored or maintained by the Company or such entity resulting from such Business Combination) beneficially owns, directly or indirectly, more than fifty percent (50%) of, respectively, the then-outstanding shares of common stock of the entity resulting from such Business Combination, or the combined voting power of the then-outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board providing for such Business Combination; or

(d) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

11. Confidentiality Agreement.

(a) The Executive acknowledges that, in the course of his employment by the Company, he will or may have access to and become informed of confidential or proprietary information which is a competitive asset of the Company (“Confidential Information”), including, without limitation, (i) the terms of any agreement between the Company and any employee, customer or supplier, (ii) pricing strategy, (iii) merchandising and marketing methods, (iv) product or course development ideas and strategies, (v) university and Company personnel training and development programs, (vi) financial results, (vii) strategic plans and demographic analyses, (viii) proprietary computer and systems software, and (ix) any non- public information concerning the Company, its employees, suppliers or customers. The Executive agrees that he will keep all Confidential Information in strict confidence during his employment by the Company and thereafter, and will never directly or indirectly make known, divulge, reveal, furnish, make available, or use any Confidential Information (except in the course of his regular authorized duties or as otherwise authorized on behalf of the Company). The Executive agrees that the obligations of confidentiality hereunder shall be in effect at all times during the Employment Term and shall survive termination of his employment at the Company for a period of six (6) years thereafter regardless of any actual or alleged breach by the Company of this Agreement, unless and until any such Confidential Information shall have become, through no fault of the Executive, generally known to the public or the Executive is required by law to make disclosure (after giving the Company notice and an opportunity to contest such requirement). The Executive’s obligations under this Section 11 are in addition to, and not in limitation of or preemption of, all other obligations of confidentiality which the Executive may have to the Company under general legal or equitable principles.

(b) Except in the ordinary course of the Company's business, or as otherwise authorized on behalf of the Company, the Executive may not make or cause to be made, any copies, pictures, duplicates, facsimiles or other reproductions or recordings or any abstracts or summaries including or reflecting Confidential Information. All such documents and other property furnished to the Executive by the Company or otherwise acquired or developed by the Company shall at all times be the property of the Company. Upon termination of the Executive's employment with the Company, the Executive will return to the Company or destroy any such documents or other property of the Company which are in the possession, custody or control of the Executive; provided that the Executive may maintain a copy in his possession (to be treated confidentially under this Section 11) of any information necessary for the Executive to enforce his legal rights under this Agreement or to file applicable tax returns.

(c) Without the prior written consent of the Company, except in the ordinary course of the Company's business, or to enforce his legal rights under this Agreement or support any tax filings referenced under subsection (b) above, or to comply with any legal disclosure requirement referenced in subsection (a) above, the Executive shall not at any time following the date of this Agreement use for the benefit or purposes of the Executive or for the benefit or purposes of any other person, firm, partnership, association, trust, venture, corporation or business organization, entity or enterprise or disclose in any manner to any person, firm, partnership, association, trust, venture, corporation or business organization, entity or enterprise any Confidential Information.

(d) Nothing contained in this Agreement or elsewhere shall prohibit the Executive from reporting a suspected violation of law to any governmental or regulatory agency and cooperating with such agency, receiving a monetary recovery for information provided to such agency, or making disclosures that are otherwise protected under applicable law or regulation. The Executive will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (i) is made (A) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney and (B) solely for the purpose of reporting or investigating a suspected violation of the law or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Additionally, if the Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, the Executive may disclose the trade secret to the Executive's attorney and use that information in the court proceeding only if the Executive files any documents containing the trade secret information under seal and does not disclose the trade secret, except pursuant to court order.

12. Investment in Company Common Stock. The Executive shall while the Executive's employment with the Company continues, hold Company Common Stock having a value at least equal to seventy percent (70%) of the amount of his Base Salary as in effect from time to time.

13. Covenant Not to Compete.

(a) For six (6) years after the date of termination of employment hereunder, the Executive shall not, directly or indirectly, individually or on behalf of any other person or entity, (A) engage or have an economic interest in (whether as owner, stockholder, partner, lender, consultant, employee, agent or otherwise) any business, activity or enterprise which is then directly competitive with a material portion of the business, taken as a whole, of the Company and of any division or operation of the Company and of the Company's subsidiaries (collectively, the "Company Group") in any region of the United States in which such business is then being conducted, it being understood that the Company Group currently is engaged primarily in the business of for-profit post-secondary education for working adults and non-traditional adult students, or (B) hire or employ any person who has been an employee of any member of the Company Group at any time within twelve (12) months prior to the Executive's termination of employment or solicit, aid or induce such person to leave his or her employment with any member of the Company Group to accept employment with any other person or entity. It is agreed that (i) any education entity which is primarily engaged in the not for profit post-secondary education sector will not be deemed to be a direct competitor of the Company Group hereunder unless: (y) such entity meets the direct and material competition standard with the business of the Company Group in any particular region as set forth in subsection 13(a)(A) above, and (z) a material portion of such entity's tuition and fee revenue is derived from working adult and non-traditional adult students who have demographic characteristics consistent with the demographic profile of the Company's primary student body (any such entity meeting (y) and (z) above being referred to herein as a "Non-Profit Competitor"), (ii) the Executive's ownership of less than one percent (1%) of any class of stock in a publicly-traded corporation or his membership on any board of directors that is permissible under Section 3 hereof shall not be deemed a breach of this Section 13, and (iii) nothing herein shall be construed to prohibit general solicitation of employment by means of advertising.

(b) The Executive acknowledges and agrees that a violation of Section 11 and the foregoing provisions of this Section 13 (referred to collectively as the Confidentiality and Noncompetition Agreement) would cause irreparable harm to the Company, and that the Company's remedy at law for any such violation would be inadequate. In recognition of the foregoing, the Executive agrees that, in addition to any other relief afforded by law or this Agreement, including damages sustained by a breach of this Agreement, and without the necessity or proof of actual damages, the Company shall have the right to seek specific enforcement of this Agreement, which may include, among other things, temporary and permanent injunctions, it being the understanding of the undersigned

parties hereto that seeking damages and injunctions shall all be proper modes of relief and are not to be considered as alternative remedies.

14. Agreement. This Agreement supersedes any and all prior and/or contemporaneous agreements (including the Prior Agreement), either oral or in writing, between the parties hereto, with respect to the subject matter hereof. Each party to this Agreement acknowledges that no representations, inducements, promises, or other agreements, orally or otherwise, have been made by any party, or anyone acting on behalf of any party, pertaining to the subject matter hereof, which are not embodied herein, and that no prior and/or contemporaneous agreement, statement or promise pertaining to the subject matter hereof that is not contained in this Agreement shall be valid or binding on either party.

15. Withholding of Taxes. The Company may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as the Company is required to withhold pursuant to any law or government regulation or ruling.

16. Successors and Binding Agreement.

(a) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all of the business or assets of the Company, by agreement in form and substance satisfactory to the Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform if no such succession had taken place. This Agreement will be binding upon and inure to the benefit of the Company and any successor to the Company, including without limitation any persons acquiring directly or indirectly all or substantially all of the business or assets of the Company whether by purchase, merger, consolidation, reorganization or otherwise (and such successor shall thereafter be deemed the "Company" for the purposes of this Agreement), but will not otherwise be assignable, transferable or delegable by the Company.

(b) This Agreement will inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees and legatees.

(c) This Agreement is personal in nature and neither of the parties hereto shall, without the consent of the other, assign, transfer or delegate this Agreement or any rights or obligations hereunder except as expressly provided in Sections 16(a) and 16(b). Without limiting the generality or effect of the foregoing, the Executive's right to receive payments and benefits hereunder will not be assignable, transferable or delegable by him, whether by pledge, creation of a security interest, or otherwise, other than by a transfer by the Executive's will or by the laws of descent and distribution and, in the event of any attempted assignment or transfer contrary to this Section 16(c), the Company shall have no liability to pay any amount so attempted to be assigned, transferred or delegated.

17. Notices. For all purposes of this Agreement, all communications, including without limitation notices, consents, requests or approvals, required or permitted to be given hereunder will be in writing and will be deemed to have been duly given when hand delivered or dispatched by electronic facsimile transmission (with receipt thereof confirmed), or five (5) business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, or three business days after having been sent by a nationally recognized overnight courier service such as Federal Express, UPS, or similar courier service, addressed to the Company (to the attention of the Secretary of the Company) at its principal executive offices and to the Executive at his principal residence, or to such other address as either party may have furnished to the other in writing and in accordance herewith, except that notices of changes of address shall be effective only upon receipt.

18. Governing Law. The validity, interpretation, construction and performance of this Agreement will be governed by and construed in accordance with the substantive laws of the State of Maryland, without giving effect to the principles of conflict of laws of such State.

19. Validity. If any provision of this Agreement or the application of any provision hereof to any person or circumstances is held invalid, unenforceable or otherwise illegal, the remainder of this Agreement and the application of such provision to any other person or circumstances will not be affected, and the provision so held to be invalid, unenforceable or otherwise illegal will be reformed to the extent (and only to the extent) necessary to make it enforceable, valid or legal. It is the desire and intent of the parties hereto that the provisions of this Agreement be enforced to the fullest extent permissible under the laws and public policies of each jurisdiction in which enforcement is sought. Accordingly, if, at the time of enforcement of Sections 11 and 13, a court holds that the restrictions stated herein are unreasonable under circumstances then existing, the parties agree that, to the extent permitted by applicable law, the maximum period, scope or geographical area reasonable under such circumstances will be substituted for the restricted period, scope or restricted territory, as applicable. Furthermore, such substitution will apply only with respect to the operation of such provision in the particular jurisdiction in which such adjudication is made.

20. Survival of Provisions. Notwithstanding any other provision of this Agreement, the parties' respective rights and obligations hereunder, will survive any termination or expiration of this Agreement or the termination of the Executive's employment for any reason whatsoever.

21. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is in writing and signed by the party against whom such modification, waiver or discharge is sought to be enforced. No waiver by either party hereto at any time of any breach by the other party hereto or compliance with any condition or provision of this Agreement to be performed by such other party will be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. Unless otherwise noted, references to "Sections" are to sections of this Agreement. The captions used in this Agreement are designed for convenient reference only and are not to be used for the purpose of interpreting any provision of this Agreement.

22. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same agreement. This Agreement may be executed and delivered via facsimile, electronic mail (in portable document format (PDF) or other format), or other electronic transmission of signatures of the parties complying with the U.S. federal ESIGN Act of 2000, the Uniform Electronic Transactions Act or other applicable law and, when so signed, will be deemed to have been duly and validly executed and delivered, and will be valid and effective for all purposes. At the request of either party hereto, the other party shall re-execute an original of this document and deliver it to the requesting party.

23. Board Membership.

(a) The Executive shall recuse himself from all decisions and actions taken by the Board with respect to this Agreement, including without limitation, decisions whether the Company will give any notice that the Employment Term shall not be extended pursuant to Section 2 and any decisions concerning the termination of the Executive's employment by the Company.

(b) Notwithstanding any other provision of this Agreement, upon the termination of the Executive's employment with the Company for any reason, unless otherwise requested by the Board he shall immediately resign from the Board and from all boards of directors of subsidiaries and affiliates of the Company of which he may be a member. The Executive hereby agrees to execute any and all reasonably requested documentation of such resignations upon request by the Company, but he shall be treated for all purposes as having so resigned upon termination of his employment, regardless of when or whether he executes any such documentation.

24. Indemnification under Company By-Laws. To the maximum extent provided in the Company's By-Laws and by law, during the term of this Agreement and thereafter, the Company shall indemnify and hold the Executive and his heirs, personal representatives, executors and administrators harmless, against any and all claims, damages liabilities, costs of investigation and reasonable legal expenses as a result of any threatened or actual third-party claim or proceeding (excluding claims and proceedings by the Company and any of its affiliates) against the Executive that arises by reason of the Executive having executed and performed under this Agreement (as it may be amended) or otherwise having provided service as an officer, director, employee of the Company, any affiliate of the Company or any other entity at the request of the Company.

25. Section 409A.

(a) It is intended that any amounts payable under this Agreement shall either be exempt from or comply with Section 409A of the Code and all regulations, guidance and other interpretive authority issued thereunder, including without limitation any such regulations or other guidance that may be issued in the future ("Section 409A") so as not to subject the Executive to payment of any additional tax, penalty or interest imposed under Section 409A. The provisions of this Agreement shall be construed and interpreted to avoid imputation of any such additional tax, penalty or interest under Section 409A yet preserve the intended benefit payable to the Executive.

(b) Notwithstanding anything herein to the contrary, if the Executive is a Specified Employee at the time of the Executive's termination of employment with the Company and the deferral of the commencement of any payments or benefits otherwise payable hereunder as a result of such termination of employment is necessary to prevent any accelerated or additional tax under Section 409A, then the Company will defer the commencement of any such payments or benefits hereunder to the extent that such payments or benefits (after taking into account all exclusions applicable to such payment under Section 409A) constitute "deferred compensation" subject to Section 409A (without any reduction in such payments or benefits ultimately paid or provided to the Executive) until the earlier of (i) the first business day after the expiration of six (6) months following the Executive's termination of employment or (ii) the Executive's death or Disability (the "Delayed Payment Date").

(c) For purposes of this Agreement, any references herein to the Executive's "termination of employment" or words of similar meaning shall refer to the Executive's "separation from service" with the Company within the meaning of Section 409A and Treasury Regulation Section 1.409A-1(h) (after giving effect to the presumptions contained therein) and the term "Specified Employee" shall have the meaning given such term in Section 409A and Treasury Regulation Section 1.409A-1(i) as determined in accordance with the Company's policy for determining Specified Employees.

(d) (i) To the extent any reimbursements or in-kind benefits due to the Executive under this Agreement constitute "nonqualified deferred compensation" subject to Section 409A, any such reimbursements or in-kind benefits shall be paid to the Executive in a manner consistent with Treasury Regulation Section 1.409A-3(i)(1)(iv), and (ii) to the extent that the Executive's receipt of any in-kind benefits from the Company or its affiliates must be delayed pursuant to this Section 25 due to the Executive's status as a Specified Employee, the Executive may elect to instead purchase and receive such benefits during the period in which the provision of benefits would otherwise be delayed by paying the Company (or its affiliates) for the fair market value of such benefits (as determined by the Company in good faith) during such period. Any amounts paid by the Executive pursuant to the preceding sentence shall be reimbursed to the Executive as described above on the Delayed Payment Date.

(e) Each payment made under this Agreement shall be treated as a separate payment and any right to a series of installment payments under this Agreement shall be treated as a right to a series of separate payments.

(f) The Company shall consult with the Executive in good faith regarding and shall use all reasonable efforts to agree with Executive on the appropriate implementation of the provisions of this Section 25.

[signature page follows]

IN WITNESS WHEREOF, with the Company signatory listed below having been duly authorized by the Company to enter into this Agreement by the Company, the parties hereto have executed this Agreement as of the day and year first written.

STRATEGIC EDUCATION, INC.

By: /s/ Lizette B. Herraiz
Name: Lizette B. Herraiz
Title: General Counsel

By: /s/ Robert S. Silberman
Name: Robert S. Silberman
Title: Chairman

CERTIFICATIONS

I, Karl McDonnell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Strategic Education, Inc.;
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: April 28, 2023

/s/ Karl McDonnell

Karl McDonnell
Chief Executive Officer

CERTIFICATIONS

I, Daniel W. Jackson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Strategic Education, Inc.;
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: April 28, 2023

/s/ Daniel W. Jackson

Daniel W. Jackson

Executive Vice President and
Chief Financial Officer

**CERTIFICATION PURSUANT TO RULE 13a – 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 Quarterly Report of Strategic Education, Inc. (the “Company”) on Form 10-Q for the period ended March 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

April 28, 2023

**CERTIFICATION PURSUANT TO RULE 13a – 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 Quarterly Report of Strategic Education, Inc. (the “Company”) on Form 10-Q for the period ended March 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

April 28, 2023