

February 20, 2024

Via E-Mail and Hand Delivery

The Honorable Katie Hobbs
Governor of the State of Arizona
1700 West Washington Street
Phoenix, AZ 85007

Re: Report Regarding the University of Arizona Global Campus

Dear Governor Hobbs:

We are in receipt of your letter dated January 25, 2024, to Arizona Board of Regents (“**ABOR**”) Chair Fred DuVal and ABOR Executive Director John Arnold, in which you stated the following:

4 – Finally, I would like to see a report that details the rationale and process that were used to assess the purchase of Ashford University and its subsequent rebranding as the University of Arizona Global Campus by February 20, 2024, and how it was vetted by university and ABOR officials. In addition to the financial concerns raised during the process, significant ethical problems with Ashford University’s business model appear to have been brushed aside by university leadership during the acquisition. In light of those concerns, I request the report include academic performance metrics for the Global Campus and information detailing the steps taken to ensure the Global Campus provides the same high-quality education given to students in the university’s other divisions.

UArizona’s response to this request is set forth below.

A. Rationale for the Possible Acquisition of Ashford University.

In March 2020, the University of Arizona (“**UArizona**”) became aware of a potential opportunity to acquire an all-online university with over 35,000 students. The for-profit university was owned and operated by Ashford University, LLC (“**Ashford**”), a wholly-owned subsidiary of Zovio Inc (“**Zovio**”). Zovio was a publicly-traded (NASDAQ) corporation offering educational technology services and specializing in online program management (“**OPM**”) services, including providing OPM services to Ashford.

UArizona leaders were intrigued by the possibility of acquiring an established all-online institution. Their articulated rationale included the factors set forth below.

- Opportunity for national extension of UArizona’s land grant mission of offering expanded educational opportunity and access to diverse groups of students.
- Expanded demographic and geographic reach.
- High-quality online platform, with 35,000 students.

- Flexible operations and a lower cost structure, permitting responsive innovation and growth.
- Potential positive revenue generation for UArizona.
- Designated pathways and transfer agreements to propel increased enrollment for UArizona’s existing primary online initiative, Arizona Online.
- Potential opportunities for online students to move to UArizona’s main campus programs.
- Potential platform for global expansion, complementing UArizona’s international programs and micro-campuses.

While UArizona had been interested in expansion of its online programs for some time, the onset of the COVID-19 pandemic that same month (March 2020) brought a sense of urgency, as colleges and universities around the country shut down their on-campus programs.

Although UArizona conceivably might have targeted other online universities for acquisition, Ashford University presented certain unique advantages, including those set forth below.

- Nearly 90% of Ashford students were over the age of 25.
- A majority of Ashford students were non-white, with 71% female and 25% associated with the military.
- An innovative award-winning approach to all-online education, offering students one five-week course at a time, with 50 academic starts each year (rather than the typical semester or trimester approach).
- Small average class size and low student-to-faculty ratio.
- Highly-rated by students relative to other peers in the online higher education market.
- Academically challenging based on external reviews and rankings, comparable to the top 10% of four-year colleges in the U.S.
- Over 2,300 faculty, over 50% of whom held Ph.D. or other doctoral degrees.

UArizona leaders viewed this opportunity as consistent with UArizona’s land grant heritage, aligned with UArizona’s strategic plan, and a chance to tap into a unique market opportunity. Based on these initial considerations, UArizona leadership decided to undertake a thorough investigation of this opportunity.

B. Extensive Diligence Process, Consideration of Acquisition and Operational Options, and Negotiation of Terms.

- (i) UArizona engaged a team of highly qualified outside advisors to supplement the expertise of UArizona’s internal academic and financial leaders.***

UArizona leadership assembled a small group of senior personnel to evaluate a potential acquisition of Ashford. This initial “core” group of UArizona leaders included, in addition to President Robbins, UArizona’s Chief Financial Officer, General Counsel, Provost, Vice Provost for Global Affairs, and Dean Emeritus of UArizona’s College of Engineering (acting as Special Advisor to the President). Given Zovio’s status as a publicly-traded corporation, UArizona was required to undertake its work on a confidential and “need to know” basis, including execution of non-disclosure agreements and measures to preserve confidentiality.

UArizona then engaged Prager & Co., a nationally recognized higher education investment banking and advisory firm, to assist in financial diligence and undertake financial analysis of various scenarios for Ashford

University's future operations. From a legal standpoint, UArizona enlisted its long-standing transaction counsel. Given the heightened regulatory scrutiny of the online for-profit higher education sector, UArizona also recognized a need for specialized counsel on higher education regulatory and accreditation matters. As a result, UArizona engaged the former General Counsel of the U.S. Department of Education during the Obama administration (now in private practice) and his colleagues to advise on education regulatory matters.

(ii) *The multi-faceted UArizona team undertook exhaustive due diligence regarding Ashford's operations and its potential impacts on UArizona and its mission.*

The UArizona team promptly established work groups for academic, operational, financial, and legal diligence, with each group having designated work plan responsibilities and deliverables. The work groups focused primarily on conducting intensive due diligence across an array of academic, financial, operational and legal matters, over a period of four months (April-July 2020). Diligence efforts included a number of separate diligence requests by subject matter, and the hosting of multiple virtual data rooms – one (hosted by Zovio's counsel) for Zovio's posting of requested diligence documents, and the other (hosted by UArizona's counsel) for internal sharing of reports, analyses, and related communications within the UArizona team. Throughout this timeframe, UArizona leaders kept ABOR apprised through regular briefings and status updates, as further described below.

With the assistance of their outside advisors, the UArizona team sought to avoid the perceived missteps from other highly scrutinized similar transactions (including Purdue Global's acquisition of Kaplan University in 2018). That transaction and others involving formerly for-profit online institutions remained under substantial scrutiny from federal and state regulators, accrediting agencies, industry press, and faculty groups. In addition, UArizona's team became aware of investigations and actions by various federal and state agencies alleging that Ashford and Zovio used illegal and unethical methods to recruit and enroll students, including a lawsuit by the California Attorney General's Office. See California v. Ashford University, LLC, et al., filed Nov. 19, 2017. In follow up, UArizona team members interviewed Ashford and Zovio personnel to address marketing/enrollment matters and the allegations of impropriety, including what changes had been implemented in response to the allegations.

The UArizona team was clear-eyed in recognizing the headwinds facing Ashford, including repercussions from the alleged aggressive marketing and debt collection practices, declining enrollments due to competition from other public and non-profit universities, federal and state investigations, and declining retention and graduation rates. With these factors in mind, UArizona's team engaged in financial modeling for a range of future state scenarios and considered options for structuring a potential acquisition and the post-closing operation of an accredited fully online university.

The UArizona team engaged in multiple day-long work sessions, including on weekends, to address these and other topics. By May 2020, it became critical to enlist the expertise and insights of a broader range of UArizona academic, financial and operational leaders. Conditioned upon execution of individual non-disclosure agreements to ensure confidentiality, the UArizona team brought over 200 internal leaders into the diligence process and evaluation of a potential transaction. These leaders were given access to the virtual data room with transaction diligence materials and analyses, ultimately providing critical insights and feedback to the UArizona leadership team. The UArizona team carefully considered all feedback, both positive and negative, including from faculty leaders.

During this period of due diligence, financial analysis, and assessment of regulatory issues, UArizona leaders identified several “Guiding Principles” for a potential transaction:

- Minimize downside risk to UArizona;
- Protect UArizona’s academic reputation and brand;
- Maintain high academic standards and opportunities for the students;
- Continue accreditation of the online university;
- Establish positive funds flow from the online university to UArizona;
- Maintain flexibility to permit innovation and growth; and
- Protect UArizona’s interests through the transaction and corporate structure, governance, and affiliation agreement.

After extensive analysis and deliberation, UArizona leadership ultimately determined that a new Arizona non-profit corporation, The University of Arizona Global Campus, Inc. (“**UAGC Corporation**”), should be formed to acquire the operations and assets of Ashford and to operate a separately accredited online university in affiliation with UArizona. As part of its assessment, UArizona leadership considered this approach to be advantageous in continuing the accreditation of the online university, obtaining approval of the U.S. Department of Education, minimizing risks to UArizona, providing a national fully online platform for serving students who might not otherwise seek out UArizona, including veterans and active duty military, and potentially providing a platform to expand fully online educational opportunities internationally. At the closing of this acquisition, the separately accredited online university formerly known as Ashford University would be renamed the University of Arizona Global Campus (“**UAGC**”) and would be governed and operated by UAGC Corporation.

As a result, UAGC Corporation was formed in July 2020 and was initially governed by a small board of directors designated by UArizona. UArizona collaborated with its affiliated institutions to facilitate the arrangement by serving as the corporate member of UAGC Corporation – The Law College Association of The University of Arizona initially served in this role and was later replaced by the University of Arizona Foundation.¹

In addition, the UArizona team concluded that the various challenges facing Ashford could be effectively addressed by UAGC Corporation through various responsive measures including: control over debt collection and marketing practices; affiliation with UArizona to improve market position and grow enrollment; strict oversight to ensure compliance with federal and state regulations; and continued focus on improving student retention and graduation rates.

(iii) UAGC Corporation’s acquisition of Ashford’s assets and operations was the product of robust negotiation between UArizona leaders and Zovio.

During a five-month period, from March through July 2020, UArizona and Zovio intensely negotiated the terms and conditions of UAGC Corporation’s acquisition of Ashford’s assets and operations. From the outset of serious discussions, Zovio insisted on a very compressed timeline, including completion of negotiations by the end of June 2020 and execution of the definitive purchase agreement by July 1, 2020.

¹ In its capacity as the sole corporate member of UAGC Corporation, the University of Arizona Foundation has certain limited authority, including the right to appoint one member of UAGC Corporation’s board of directors and the authority to approve any dissolution of UAGC Corporation, consistent with the Arizona Nonprofit Corporation Act.

Early in negotiations, Zovio insisted that the acquisition would be comprised of two separate components, each with its own definitive agreement: (i) the purchase and sale of Ashford’s assets and operations; and (ii) a 15-year agreement under which Zovio would provide OPM services to UAGC Corporation. As UArizona and Zovio negotiated the Asset Purchase and Sale Agreement and Strategic Services Agreement for OPM services, a range of difficult and complex issues surfaced and were addressed in countless virtual meetings, given pandemic restrictions, and punctuated by several in-person meetings of each party’s senior leaders.

The majority of the most difficult issues related to the Strategic Services Agreement, including the authority and responsibilities to be vested in Zovio as the OPM service provider, UAGC Corporation’s oversight and monitoring authority with respect to Zovio’s performance, performance standards applicable to Zovio, and economic terms, including certain financial safeguards to protect UAGC Corporation and its successful operation of the online university. In this regard, UArizona retained an expert in higher education operations, Paul Pastorek, who developed and negotiated a robust set of key performance indicators to measure and monitor Zovio’s effectiveness and compliance in providing OPM services. Given these intense negotiations, the Asset Purchase and Sale Agreement was ultimately executed on August 1, 2020.²

During this same time period, the UArizona team laid the groundwork for the online university’s continued accreditation as UAGC by the WASC Senior College and University Commission (“**WSCUC**”). In confidential discussions with WSCUC staff, the UArizona team identified a range of accreditation parameters that directly impacted the organizational and governance structure of UAGC Corporation and the new UAGC, which required a separate UArizona internal workstream to navigate these questions even while negotiations with Zovio were ongoing.

(iv) ABOR was vigilant and highly engaged throughout the diligence and negotiation process.

UArizona’s senior leadership notified ABOR regarding the potential opportunity of acquiring Ashford’s assets and operations shortly after first learning of it. During April through July 2020, the proposed transaction was addressed in multiple ABOR meetings, with briefings from UArizona leadership, its negotiating team, and its outside advisors and with extensive questions and discussion. Between ABOR meetings, Regents were individually provided with regular updates. In these sessions, the UArizona team was candid and direct with the Regents about the challenges facing UAGC – some unique to Ashford and some pervasive among the for-profit online higher education sector. Regents were highly engaged on the proposed transaction, on multiple occasions presenting the UArizona team with detailed questions on key matters, including the potential impacts of the transaction on UArizona, financial projections and risks, academic requirements and standards, accreditation issues, oversight of Zovio’s performance, and regulatory and legal issues. The Regents also voiced hesitation about the pace and compressed timeline of the transaction, which was driven by Zovio. With guidance and direction from ABOR, the UArizona team pursued a range of risk mitigation terms and approaches, identifying a series of provisions for inclusion in the definitive agreements to protect the interests of UArizona and UAGC, along with additional diligence measures.

During this time period, UArizona leadership continuously briefed the Regents regarding key elements of the transaction and the results of ongoing due diligence. The Regents remained vigilant throughout the transaction negotiation process, including after the signing of the Asset Purchase and Sale Agreement on August 1, 2020, and through closing of the transaction on December 1, 2020 (the “**Closing**”). Yet today,

² During the four-month period following the execution of the Asset Purchase and Sale Agreement, the parties collaborated on fulfillment of the various conditions to closing, including external approvals. The transaction ultimately closed on December 1, 2020.

ABOR continues to be actively engaged in oversight and monitoring of developments with respect to UAGC and its evolution to date.

- (v) *The organizational structure for UAGC Corporation's acquisition of Ashford's assets and operations reflected a balance between UAGC's academic and governance independence required for separate WSCUC accreditation and UArizona's mandate to ensure alignment of the respective missions and strategies of UArizona and UAGC.***

The continuation of the online university's WSCUC accreditation was critical as it was acquired by UAGC Corporation and became UAGC. During the UArizona leaders' discussions with WSCUC regarding the process for maintaining the online university's accreditation, the WSCUC senior executive team identified the key factors the Commission would view as central to its approval of the change in ownership of Ashford to UAGC Corporation. As a result of these discussions, it became clear that an essential factor for continued WSCUC accreditation was for UAGC Corporation to be governed by an independent board of directors, which under WSCUC's policies required a majority of independent directors (not appointed by UArizona or the University of Arizona Foundation). In addition, UAGC would need to operate administratively and academically as a separate institution with its own operating policies, academic faculty, administration, student body, and staff. The full independence of UAGC was not, however, readily compatible with ensuring fulfillment of the established Guiding Principles as established by UArizona's leadership (in particular, minimizing downside risk, protecting UArizona's reputation, and maintaining high academic standards). In light of these WSCUC requirements, the UArizona team explored various organizational options aimed at balancing the respective considerations, identifying critical risk factors with each. During this time, UArizona also consulted with the U.S. Department of Education regarding UAGC Corporation's potential acquisition of Ashford's assets and operations and UAGC's operations after the closing of the acquisition.

In November 2020, the Board of Directors of UAGC Corporation was reconstituted to include nine voting members, five of whom met established criteria for independence, thus meeting the WSCUC requirement that UAGC Corporation be governed by an independent board in order to maintain UAGC's separate accreditation after completion of the change in ownership. UAGC Corporation's Board also included three members appointed by UArizona and one appointed by the University of Arizona Foundation (as the sole corporate member). This composition was set forth in the Bylaws of UAGC Corporation, which further prohibited UAGC Corporation's Board from including any individual having any ownership or employment relationship with Ashford or Zovio.

To achieve envisioned alignment, UArizona and UAGC Corporation entered into an Affiliation Agreement, which acknowledged the composition of UAGC Corporation's Board and certain major corporate actions that would require a supermajority of directors to approve (thus including the vote of at least one of UArizona's appointees or the Foundation's appointee). The Affiliation Agreement also provided for the UArizona President to play a role in the identification and hiring of the UAGC President. The Affiliation Agreement and an attached Trademark License Agreement established parameters for UAGC's use of UArizona's names and marks, with meaningful rights and protections for UArizona to ensure the protection of those names and marks, while at the same time seeking to avoid student and public confusion. The Affiliation Agreement set forth terms on which UAGC could use certain UArizona resources and called for the parties to collaborate in establishing pathways for transfer of students and academic credits from UAGC to UArizona (including Arizona Online). UArizona agreed to provide UAGC with administrative support services as would be agreed from time to time in one or more statements of work. The parties agreed to collaborate in establishing complementary course offerings and to convene a Joint Academic Advisory Council to advise on matters such as academic partnerships and other areas of potential collaboration. The

Affiliation Agreement set forth a financial arrangement by which UArizona would directly share in any positive financial returns driven by UAGC's newly established ties to UArizona. Finally, the Affiliation Agreement provided UArizona with an option to acquire UAGC at any time following the third anniversary of the effective date of the Affiliation Agreement.³

The Bylaws of UAGC Corporation and the Affiliation Agreement were submitted to WSCUC in connection with its consideration of the application for the change in ownership of Ashford to UAGC Corporation. In November 2020, WSCUC approved this application and the continued accreditation of UAGC following the Closing.

C. Measures to Address Past Ethical Problems and Regulatory Noncompliance by Ashford University.

(i) ABOR and UArizona leaders took concerns regarding Ashford University's past noncompliance very seriously.

As described above, in the transaction due diligence and negotiation process, UArizona leaders and ABOR were appropriately concerned about documented and substantiated allegations of Ashford's past noncompliance, including matters described in the California Attorney General's pending lawsuit and other regulatory actions, as well as borrower defense to repayment ("BDR") claims asserted by hundreds of former Ashford students regarding purported misleading, unethical, and improper recruitment and enrollment practices. The UArizona team and ABOR took these matters very seriously – entirely contrary to any assertion that these problems were "brushed aside."

As indicated above, the UArizona team undertook further diligence on these matters and obtained repeated assurances from Zovio leadership that these practices had been corrected. Nonetheless, UArizona pursued a number of risk mitigation strategies, including the negotiation of provisions in the definitive agreements aimed at protecting the interests of both UArizona and UAGC from the lingering consequences of the bad acts of Ashford and Zovio. UArizona leadership also recognized that UAGC would need a strong and principled leader to take the helm immediately upon Closing. Accordingly, UArizona proposed Mr. Pastorek to UAGC Corporation to serve, at least initially, in an interim leadership role to operationalize UAGC and guide the transition after the Closing.

(ii) UArizona negotiated vigorously to ensure that liabilities arising from prior bad acts would remain with Zovio and not extend to UAGC or UArizona, and to establish performance criteria for Zovio under its services arrangement.

In assessing the risks associated with the past bad acts of Zovio and Ashford, the UArizona team took some comfort in the fact that, as of that time (mid-2020), the U.S. Department of Education (the "Department") had never previously sought recoupment for asserted and approved BDR claims other than against universities that had shut down their operations, becoming "closed schools" under the Department's regulations and policies. Nonetheless, given the breadth of the allegations and the pending actions by the California Attorney General and other regulators, the UArizona team carefully negotiated provisions of the Asset Purchase and Sale Agreement specifying that Zovio and Ashford would retain all liabilities associated with operation of the university prior to the Closing. The Agreement further required Zovio and Ashford leaders to make extensive representations and warranties regarding compliance with applicable law and

³ In a First Amendment dated January 3, 2022, UArizona and UAGC agreed to eliminate the three-year waiting period, thus allowing UArizona to proceed to exercise its option to acquire UAGC. As discussed below, UArizona acquired UAGC's assets and operations as of June 30, 2023.

regulation, with robust indemnification in case those representations and warranties were later proven to be false or inaccurate. The UArizona team also obtained representations and warranties insurance (at Zovio's expense) so as to ensure a source of financial recovery in the event of a breach of certain representations and warranties.

Just as significantly, the UArizona team was focused on ensuring that the improper practices would not continue after Closing. Accordingly, in connection with the Strategic Services Agreement for Zovio's continued provision of OPM services to UAGC, the UArizona team negotiated extensively regarding the degree of authority to be vested in Zovio versus the authority to be retained by UAGC Corporation and, as to certain matters, by UArizona itself. Ultimately, the final Strategic Services Agreement signed at Closing confirmed that UAGC Corporation would have meaningful oversight authority of Zovio in the latter's performance of OPM services, including the ability to impose financial penalties for Zovio's failure to meet 26 agreed-upon key performance indicators.

(iii) Upon Closing, UAGC Corporation immediately instituted measures to retrain the former Ashford workforce, to implement new policies and procedures ensuring compliance, and to monitor Zovio's adherence to its contractual commitments, including compliance with regulatory and ethical standards.

Upon Closing on December 1, 2020, leadership of UAGC Corporation – specifically, Mr. Pastorek, initially in the role of advisor, then as Interim President, and eventually as President of UAGC Corporation – immediately asserted oversight of Zovio's performance of OPM services to prevent the occurrence of any questionable practices in marketing and enrolling students. Under Mr. Pastorek's leadership, UAGC Corporation established various internal functions to oversee Zovio's performance of OPM services, as described below.

- Service Provider Compliance and Oversight Team – This UAGC Corporation team developed a staffing model to review Zovio's performance against the statements of work (“SOWs”) and key performance indicators (“KPIs”) in the Strategic Services Agreement, and to review document utilization and training for accuracy. The associated UAGC Corporation staff included a Senior Director of Service Provider Compliance and Oversight, plus six full-time tenured staff to monitor and oversee Zovio's performance and compliance obligations.
- Call Monitoring – A separate UAGC Corporation team reviewed advisor calls with students and prospective students for adherence to specified compliance and quality assurance standards. The team also interacted with Zovio's compliance team to ensure Zovio's scorecards were being scored in a manner consistent with UAGC Corporation standards. The team also provided training and documentation to Zovio staff on various matters to ensure adherence to UAGC Corporation standards for advising students/prospective students regarding future salary expectations, WSCUC accreditation, the affiliation between UAGC Corporation and UArizona, tuition and financial aid, and transfer credits.
- Zovio Training Materials and Document Repository Reviews – This UAGC Corporation team worked with Zovio on new hire training materials to ensure compliance with UAGC Corporation's expectations. The team also actively participated in Zovio new hire training to ensure that new hires understood UAGC Corporation's culture, mission, vision and values.

The team worked closely with Zovio on specific trainings for student-facing advisors. Finally, the team conducted independent reviews of Zovio employee document repositories and resources to ensure alignment with a single-source-of-truth model where UAGC Corporation could ensure that all information was sanctioned for use.

- Regular Meetings with Zovio Leadership – UAGC Corporation personnel held weekly meetings with Zovio’s VP of Client Management to ensure alignment on the achievement of KPIs and fulfillment of requests for information/data. In addition, UAGC Corporation leaders met on a bi-monthly basis with Zovio’s AVP for Regulatory, Risk and Corporate Compliance to address call monitoring, compliance matters, and marketing accuracy committee questions. Finally, mid-senior level leadership from both UAGC Corporation and Zovio participated in weekly operations meetings to ensure processes were aligned with the KPIs and SOWs.
- SOW and KPI Tracking – This UAGC Corporation team worked with other UAGC Corporation stakeholders to summarize data and update an established dashboard to monitor and ensure Zovio’s compliance with its performance obligations across the 26 KPIs set forth in the Strategic Services Agreement. The team reported out to UAGC Corporation leadership in cases where Zovio’s performance was below the established thresholds, initiating remediation planning with Zovio to address and improve their performance. The team also provided notice to Zovio when SOWs required data delivery or performance meetings, and generally worked to ensure Zovio’s performance as set forth in SOWs and the KPIs.

In addition to the foregoing *internal* UAGC Corporation functions, UAGC Corporation also engaged (through counsel) the services of an *external* independent firm to perform “secret shopper” reviews, conducting 40 calls each calendar quarter to Zovio’s marketing and enrollment personnel to test compliance.

UAGC Corporation used the findings of both the internal and external reviews to ensure and enforce Zovio’s adherence to standards in the five identified compliance “pillars” for communications with students and prospective students: (i) financial aid; (ii) post-graduation salary potential; (iii) tuition; (iv) accreditation; and (v) transfer credits. UAGC Corporation also assessed whether Zovio’s enrollment advisors were accurately representing the affiliation relationship between UArizona and UAGC Corporation.

(iv) UAGC Corporation’s ability to ensure and monitor compliance was enhanced through its acquisition of the OPM assets and operations of Zovio on July 31, 2022.

On July 31, 2022, UAGC Corporation terminated the Strategic Services Agreement and acquired the OPM assets and operation of Zovio, and it ceased to have any further operational or financial relationship with Zovio. All Zovio employees providing services to UAGC Corporation were terminated from Zovio on July 31, 2022. UAGC Corporation was under no obligation whatsoever to hire any former Zovio employees. On August 1, 2022, after a careful vetting process, UAGC Corporation made offers of employment to 817 of Zovio’s 909 OPM related employees, and 791 accepted employment with UAGC.

In particular, UAGC Corporation’s hiring process included a prohibition on hiring any present or former C-suite employees of Zovio, as well as any present or former senior level compliance officers at Zovio; these two groups together included 16 individual leaders at Zovio. UAGC Corporation established a policy that all student-facing functions, including financial aid advising, enrollment, and student advising, would be

supervised by a newly recruited individual from an unrelated nonprofit university who would report directly to UAGC Corporation's President. UAGC Corporation conducted due diligence on each employee to ensure that the employee did not have a history of compliance violations on his/her/their record. UAGC Corporation rejected (did not hire) any Zovio employee who was found to have engaged in communications with students that were inconsistent with the regulatory standards applied to UAGC and the ethical standards set by UAGC Corporation's Board and the expectations of UArizona (as embodied in the Affiliation Agreement and/or communications with UArizona leadership). All new employees were required to sign an employee handbook outlining the expectations of employees at UAGC Corporation.

Further, UAGC Corporation implemented an employee onboarding process for former Zovio employees, which included specific compliance training and direct communication of expectations regarding adherence to federal and state regulatory compliance standards from the UAGC Corporation President, General Counsel, and Human Resources Director. The objective of the onboarding process was to ensure that all former Zovio employees – no matter their prior roles – fully understood and acknowledged the ethical and compliance standards set by UAGC Corporation. Thereafter, UAGC Corporation implemented a process of quarterly compliance reviews for all former Zovio employees involved in enrollment, student advisement, and financial aid; employees found to have failed to comply with UAGC Corporation's ethical and compliance standards were subject to termination.

(v) UArizona's acquisition of UAGC on June 30, 2023, has cemented UArizona's ability to ensure compliance with legal and ethical standards.

In the public session of an ABOR meeting on January 27, 2023, UArizona President Robbins announced an intention to proceed with UArizona's acquisition of UAGC. Accordingly, on June 30, 2023, UArizona acquired from UAGC Corporation substantially all of its assets and all of its operations. For now, UAGC remains a separately accredited institution within UArizona, and it is considered by the Department as a separate institution for the purposes of federal student aid under Title IV of the Higher Education Act of 1965, as amended. As soon as appropriate, UAGC Corporation will be wound down and dissolved.

Initially after UAGC's acquisition by UArizona, UAGC Corporation's former President, Mr. Pastorek, became UArizona's Senior Vice President for UAGC and he reported directly to UArizona's President Robbins. Other senior leaders of UAGC Corporation were employed by UArizona and provided with appropriate UAGC-related titles within UArizona's leadership structure. These UAGC senior leaders initially reported to Mr. Pastorek, as the Senior Vice President for UAGC, but they also reported to the corresponding substantive UArizona senior leaders. Accordingly, UArizona was well positioned to enforce and ensure that the operations of UAGC continued to be carried out in a manner compliant with applicable law, UAGC and UArizona policies, UArizona's ethical standards, and ABOR requirements and policies.

On November 30, 2023, President Robbins accepted Mr. Pastorek's resignation as Senior Vice President for UAGC. Effective December 1, 2023, President Robbins appointed Gary Packard, Ph.D., as Interim Senior Vice Provost for Online Initiatives at UArizona. Dr. Packard reports to Ronald Marx, Ph.D., UArizona's Interim Provost. Dr. Packard is now responsible for UArizona's two primary online initiatives, UAGC and Arizona Online. This new academic leadership and organizational structure will permit UArizona to align and coordinate its online academic initiatives and objectives, provide quality educational opportunities for all of its online students, realize efficiencies and cost savings, ensure measurement and reporting of success metrics across all its online offerings, and monitor and achieve compliance with respect to online education.

Dr. Packard brings a wealth of academic experience and expertise to his leadership of UAGC. Before he accepted this new position, he served as the Dean of UArizona's College of Applied Science and Technology, having successfully integrated into UArizona a partially separate entity known as UA South. Before coming to UArizona, Dr. Packard served as the Vice Dean of Curriculum and Strategy and Vice Dean of Faculty at the U.S. Air Force Academy.

Dr. Marx, Dr. Packard, Dean of UArizona's Eller College of Management Karthik Kannan, Ph.D., and their team have already begun a detailed department-by-department, program-by-program, and in some cases course-by-course review and analysis of UAGC and the development of a plan to complete the full integration of UAGC into UArizona, including ending UAGC's status as a separately accredited Title IV institution and its operation under its separate Office of Postsecondary Education Identification ("OPEID") number. While this work is being done, Arizona Online and UAGC will be operated in a coordinated fashion under Dr. Packard's leadership. This analysis is intended to determine which UAGC programs add net value and should be continued and incorporated into UArizona, which UAGC programs do not offer sufficient educational value and should be reduced or eliminated, and how to structure this integration to best serve UAGC's students and further the mission and objectives of UArizona.

This new leadership approach represents a significant change both in substance and policy for UAGC, and it acknowledges feedback and guidance from the Department, ABOR, lawmakers, the University of Arizona community, and the market. President Robbins firmly believes that, with the leadership of Dr. Marx and Dr. Packard, this approach will allow UArizona to achieve its academic, administrative, and compliance objectives in a manner that is consistent with and furthers the mission and values of UArizona and complies with ABOR's requirements for oversight, transparency, and accountability.

Within UArizona, UAGC currently retains much of the compliance infrastructure initially implemented during Zovio's tenure as its OPM provider, now evolved to reflect current circumstances. The UAGC compliance program today includes a particular focus on standards governing student-facing enrollment practices, with four layers of oversight:

- Internal operations compliance, including a team of 13 FTEs monitoring student-facing communications and marketing compliance;
- External compliance operation, including quarterly secret shopper surveys by an external independent firm and annual live comprehensive training;
- Enrollment leadership oversight, including real time coaching and bi-weekly issue-specific trainings to enrollment advisors driven by results of internal and external monitoring; and
- Weekly meetings with Human Resources to ensure that any necessary corrective personnel actions are timely and based on the most recent data.

The most recent external compliance reviews indicate that UAGC has made significant progress in reinforcing its culture of compliance. With a view toward continuous improvement, UAGC leaders are working on new tools to aid in compliance, including speech analytics software and improved retention of monitoring data, and have an established policy of ensuring that, if any student or prospective student might be inappropriately advised or given inaccurate information, UAGC affirmatively reaches out to correct any issues.

D. Academic Metrics and Quality of UAGC Programs.

UArizona’s acquisition of UAGC on June 30, 2023, has positioned UArizona to direct and determine the content and quality of online educational programs and coordinate their positioning within UArizona’s array of educational offerings to its diverse pool of current and potential students.

UAGC is now subject to the Enterprise-Wide Online Metrics adopted by ABOR in March 2022, which are used to oversee the online programs of all three of Arizona’s state universities (Arizona State University, Northern Arizona University, and UArizona). The metrics are set forth below.

- *Online course completion rate* – The ratio of total online course credits completed (for an A-C grade or a pass in a pass/fail course) to total online course credits attempted across an academic year.
- *Pace of progression to online degree* – Average credits completed per student in an academic year.
- *Online student continuation and persistence metric* – Number of completions and continuing students and stop-out behavior over a five-year period.
- *Courses taught by faculty with a doctorate or other relevant terminal degree* – The percentage of online courses taught by faculty with doctorate or other terminal degree in the field of instruction.
- *Courses taught by faculty who are benefits eligible* – The percentage of online courses taught by instructional faculty who are benefits eligible.
- *US News & World Report Online Program Rankings* – USNWR Online Program Rankings – Best Online Bachelor’s Programs.

As described above, Drs. Marx, Packard, and Kannan and their team are currently engaged in efforts to ensure that UAGC provides the same high-quality education given to UArizona’s other students.

UArizona leaders are also working to fully integrate UAGC into the UArizona, which would result in UAGC ceasing to be separately accredited but coming under UArizona’s WSCUC accreditation and ceasing to be a separate Title IV institution for federal student aid purposes, including termination of its currently existing OPEID number. Additional elements of this full integration may include a single faculty, single student body, UArizona approved curriculum, and administration and oversight by the Office of the Provost through the Senior Vice Provost for Online Initiatives.

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Effective as of February 14, 2024, ABOR has engaged Ernst & Young LLP (“EY”) to undertake the following activities:

- Conduct a financial and operational assessment of Arizona Online, UAGC, and the College of Applied Science and Technology (“CAST”);

- Assess the strategic alignment among Arizona Online, UAGC, and CAST, including identifying any synergies, assessing how these initiatives align with the long-term goals and objectives of UArizona in relation to its mission and financial strategy, and recommending potential strategies for altering long-term goals and organization design;
- Perform a detailed financial analysis of UAGC and Arizona Online, including recommending potential efficiencies;
- Assess the organizational alignment between UAGC and Arizona Online, including assessing the financial and resource impact of the combination, and sharing leading practices pertaining to educational organizational structure for aligning key operational areas;
- Identify and assess potential risks associated with the business and organizational combination of functions related to online education, including identifying potential risk mitigation strategies;
- Assist in the development of UArizona’s detailed implementation plan for the operational combination of Arizona Online and UAGC; and
- Estimate the potential costs associated with the entire organization realignment.

EY expects to perform these activities over a 12-week period to occur between February 15 and June 30, 2024.

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ABOR and UArizona leadership would be pleased to provide additional information or to discuss any questions you may have regarding the matters described above.

Sincerely,



Regent Fred DuVal
Chair, Arizona Board of Regents



John Arnold
Executive Director, Arizona Board of Regents