



University of Idaho's affiliation with University of Phoenix (UOP) will create opportunities for Idahoans in every corner of the state. In an era where dizzying change in technology and access is the norm, this deal meets the moment.

U of I will be uniquely positioned to serve the adult learner population who will continue to grow as industry needs for both numbers of graduates and level of skill increase.

The discussion around the deal has been rife with misinformation and speculation. Please consider the facts as you evaluate the future this action can bring to all.

Claim

The University of Idaho does not have the expertise to make such complicated business transactions.

Fact

The University of Idaho has used a team of national and state experts to evaluate this transaction and work through the steps needed to close it. These include Reith Jones Associates, Hawley Troxell, Hogan Lovells, Morgan Stanley, Citibank, PFM and U of I legal and financial teams.

Claim

The cost is \$550 million, paid for with \$685 million in debt with UOP as collateral. The risk for that kind of price tag isn't calculable for Idaho's financial minds.

Fact

The cost is valued fairly and is high because this is a profitable company. All financial data points toward continued profitability.

- A conservative estimate for annual debt service is \$60 million.
- UOP generates over \$800 million in gross revenue a year.
- EBITDA — the money left over after operating expenses are met — was most recently reported at \$150 million annually, will service the debt and provide continued investment in UOP.
- The \$550 million purchase price includes leaving \$200 million in unrestricted cash to be used for any unforeseen obstacles.



In the unlikely event that UOP revenues can't pay the bond debt:

- The state has **NO** obligation for payment of the bonds.
- The university's risk under the bonds is \$50 million — all of which would be paid for by other university funds, not by tax dollars.
- There is a cap of \$9.99 million per year, making it manageable within the university's non-appropriated funds.
- If at any time after the fifth year the debt service ratio is met, the \$50 million commitment is void and the university has no further obligation to repay bond debt.

Claim

This transaction benefits UOP's reputation, but there is no clear benefit for the residents of Idaho.

Fact

There is enormous opportunity for Idahoans to benefit from acquisition.

- Idaho's place-bound and working families will benefit almost overnight from one of the best online educational tools in the world, creating new chances to put Idahoans into industry that needs them.
- Industry needs can be addressed in real time with programs that can be completed in record time without sacrificing educational quality.
- As the needs and habits of students change, U of I will be well-positioned to nimbly adapt and excel in the educational landscape, benefiting Idaho industry and its coming generations.

Claim

Other universities have purchased online educational companies for \$1. U of I's purchase is much bolder.

Fact

These transactions are not comparable.

- In the other transactions the sellers retained post-transaction rights revenues.
- This transaction removes the sellers after the transaction closes so excess revenues can be reinvested in students and the institutions, with no obligation to the prior owners.
- UOP is in a stable financial position it continues to get even better. It makes money.
- UOP is being sold in its entirety.

Claim

The structure of the nonprofit Four Three Education is confusing and hard to understand how it will relate to the state.

Fact

Four Three Education is a separate and distinct nonprofit corporation. It will have an independent board that oversees the University of Phoenix, much like the Board of Regents does for U of I. The president of UOP will report to this board. The employees of each university will remain employees of their respective institution.

Claim

The university closed this deal without public meetings or knowledge.

Fact

The State Board of Education, in its role as the Board of Regents of the U of I, acted as appointed representatives of the state to vet this opportunity. Once the board did its due diligence and saw the deal to be sound, they brought it public.

The board exceeded its legal obligations for transparency and will continue to, including:

- The deal was first discussed in a public meeting on May 18, 2023 with all the elements of the acquisition presented.
- The board has met publicly an additional four times since May.
- Representatives for U of I, UOP and the board have made themselves available to answer questions from legislators, employees and citizens of Idaho.
- U of I created an online information center accessible to the public. It continues to be a repository for all facts about the deal.

Claim

The university did not seek approval from the state Legislature. It should have.

Fact

The Legislature controls state funding going to U of I. No public funds are being used in this purchase nor are any public funds at risk as part of the negotiated sale agreement.

**Claim**

University of Phoenix has a bad reputation.

Fact

The online university's reputation was tarnished by massive growth roughly 20 years ago. It has since changed ownership and refocused on its mission statement and educational focus. U of I diligence team reviewed UOP's compliance systems in detail and determined that they are operating well and there is not any substantial risk. UOP provides valuable education opportunities that have been aimed at working adult learners. It has been continually accredited since its inception 50 years ago.

Claim

U of I's relationship will be too close to UOP, putting its risk mitigation in jeopardy in the eyes of the law.

Fact

Case law has long held if the entity has an independent board, acting independently, there is no piercing of the corporate veil. Thus, the liability will remain within the entity. That is the structure UOP will have.

Claim

UOP or Four Three Education could be liable for repaying student loans that have been forgiven by the U.S. Department of Education.

Fact

The deal leaves \$200 million in unrestricted cash to cover any potential liability, including loan reimbursement.

Claim

U of I will be making \$10 million a year from UOP, co-mingling funds.

Fact:

U of I will receive \$10 million from UOP under a licensing agreement allowing UOP to use the U of I name to market the affiliation. University licensing agreements are common transactions, such as our license for the Kibbie Dome naming rights to P1FCU.