



**Special Board Meeting  
June 28th, 2024  
Idaho State Board of Education  
OSBE Conference Room  
650 West State Street  
Suite 307  
Boise, ID 83720**

A special meeting of the Idaho State Board of Education was held at the offices of the Idaho State Board of Education on June 28th, 2024. Board President Dr. Linda Clark called the meeting to order at 8:30 a.m. (Mountain Time).

**Present**

Dr. Linda Clark, President	Cindy Siddoway
William G. Gilbert, Jr., Vice-President	Cally Roach
Kurt Liebich	

**Absent**

Superintendent Critchfield, Secretary	Shawn Keough
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**Friday, June 28th, 2024 – 8:30 a.m. (MT)**

**BUSINESS AFFAIRS AND HUMAN RESOURCES**

1. UI – University of Phoenix Amendment to Asset Purchase Agreement – Action Item

Mr. Gilbert said today's agenda item relates to the University of Phoenix transaction and an amendment to the asset purchase agreement deadline. Under the asset purchase agreement the deadline to close on the transaction was May 31st, 2024. Parties have verbally agreed to extend that to June 30th, 2024, pending negotiations. Parties have negotiated an amendment. The salient provisions of which are to extend the closing date to June 10, 2025; sellers to pay \$5 million in outside date extension fee; the exclusivity terms have been dropped; sellers can solicit other buyers either through private sale or IPO.

Mr. Liebich offered a little historical perspective on the University of Phoenix negotiations. Mr. Liebich was asked to be Board point person for this proposal and in this capacity he was able to travel to the University of Phoenix to meet with the

accreditors when seeking accreditation approval. He also traveled to the US Department of Education in Washington, DC to discuss this potential acquisition with various constituencies. He has consistently monitored the University of Phoenix progress and performance over the past year.

Referencing the micro trends being seen across the country as they pertain to higher education, and the recommendations from former Governor Otter's task force on higher education, Mr. Liebich shared the following.

1. Online learning is the most cost effective and best delivery mode for many types of content. This trend toward offering online learning has grown rapidly since the task force met 10 years ago.
2. In order for higher education to grow it must focus on the tens of millions of adults in the United States who have some college and no degree, many of whom are citizens of Idaho. The message needs to be that if people finish their degree they will have a better economic future. With AI perhaps taking jobs away from college graduates, having a career with one employer is most likely not in the cards for many, which means higher education institutions should be focusing on helping these new lifelong learners who will need new skill sets to stay employed.
3. The demographic cliff. Latest statistics show that in the next five years there will be upwards of 10 percent fewer traditional age college students in the US. That will impact every college and university in the United States. Higher education must figure out how to diversify their educational offerings or many will go out of business.
4. Appropriations to our public universities have not kept pace with inflation for at least 15 years, meaning institutions need to think about other sources of potential revenue to help their organizations thrive. This in turn helps them help our citizenry in getting degrees and certificates to drive our economy forward.

Further, Mr. Liebich shared that even though the Board approved this transaction a year ago, legal challenges have prevented the University of Idaho from moving forward because they would not be able to issue bonds due to ongoing legal challenges. Therefore, in his opinion, the only path forward is for the Board to work with the Legislature to make this transaction happen.

Scott Green, President, University of Idaho then shared the following with the Board. He said the purpose of the request before the Board today would:

- Create an opportunity to engage the Idaho Legislature and seek legislative solutions to meet state educational objectives.
- Collaborate to align structure and governance with HB 708.
- Provide the legislature with additional time and opportunities to better understand University of Phoenix operations and success.
- Any final purchase agreement would be approved by Regents at a later date.
- In return for the non-exclusivity clause being dropped the University of Idaho will receive \$5 million upon signing this extension. If the deal does not close by June

30<sup>th</sup>, 2025, UI will receive an additional \$5 million. If University of Phoenix sells to another buyer, UI will receive an additional \$15 million in total compensation.

Further, President Green gave University of Phoenix financial and enrollment updates to the Board.

**Financial Performance:**

- Adjusted EBITDA in excess of \$200 million.
- Well over \$200 million in free cash flow.

**Enrollment:**

- More than 8 percent enrollment growth year over year.
  - Specifically targeted to maintain and improve retention and graduation rates
- Continued expansion of professional development agreements with industry.
- Idaho's workforce and economy increasingly depend on place-bound educational opportunities.

**BOARD ACTION**

**M/S (Gilbert / Roach) I move to approve the proposed Amendment No. 1 to the Asset Purchase Agreement in substantial conformance to Attachment 1 and to authorize the president of the University of Idaho, or the president's designee to execute the amendment and to execute and deliver all such other documents, instruments, certificates, filings and other agreements, and to do and perform all such other acts as may be required to effectuate the intent and purposes of the Asset Purchase Agreement as amended thereby.** A roll call vote was taken, and the motion carried 6-0. Shawn Keough joined the meeting at 8:34 a.m. Superintendent Critchfield was absent from voting.

Mrs. Roach asked why would the sellers want to continue to work with us if an IPO or sale to another entity could generate a higher return. President Green said the sellers firmly believe that UI is the right match for this transaction. We have similar views where education is headed; UI has a unique position in the state with a large rural population that needs help adjusting to the global economy and they think we can be great partners in developing unique opportunities in reaching those adults learners.

Mrs. Roach asked if the Board were to approve the motion before it today would the nondisclosure agreement be lifted. President Green said no, the NDAs would still be in place.

Mrs. Siddoway asked if the approval of this amendment would require the Department of Education's review or approval. President Green said currently there was no review necessary from the US Department of Education, but he could not rule out there needing to be some discussions in the future.

Board President Dr. Clark said during the last legislative session there was a lot of talk about State entities forming corporations and wondered where did the legislature land on that and what statutory landscape are we operating in now with regard to that question. President Green said when talking about a legislative pathway one of the things UI was looking at is House Bill 708 which addressed legislative concerns over corporations created by state agencies. That bill prohibits

formation of Corporations by state agencies under the General Corporate laws of the state but those that have already been formed such as the 501c3 that UI had already formed creates a pathway for coming into compliance with the statute. That statute also discusses the use of public bodies that are created by the legislature as an alternative to general corporations. Many body politics exist today such as the Idaho lottery, the Idaho Health and Insurance Exchange and the State Insurance Fund. For our purposes going forward if the proposed amendment is approved and signed, we would discuss all those paths with our legislative partners. So, while House Bill 708 presents opportunities there may be other paths as well to explore.

Mrs. Roach asked if the sellers were required to notify UI if they entered into negotiations with other buyers. Kent Nelson, General Council, University of Idaho said initially no, University of Phoenix would not have to disclose this information. At some point however, when they have conversations with the US Department of Education in Washington, DC, those conversations will be disclosed as they will perhaps impact the transaction. However, the current agreement calls for Mr. Nelson and General Counsel for the University of Phoenix to meet monthly to discuss these types of conversations.

Board President Dr. Clark said there's reference in the Board materials to Talent Mobility and asked President Green to explain that to the Board. President Green said Talent Mobility is an enterprise owned by Apollo Education Group which is the parent company to the University of Phoenix, and it focuses on assisting corporations and large organizations in skills mapping. This platform helps employees needing upskilling to fill growing employer skill gaps. It is estimated that by 2030 there will be a shortage of 6.5 million college grads and 12.2 million occupational transitions due to generative AI and technology innovation. Talent Mobility uses AI to infer the skills of company employees and provides tools to help map those skills to jobs in the organization to get a better fit. Then the employee is given the educational tools necessary to fill that gap. The ability for companies to close critical skill gaps and to educate and promote from within is more important than ever and that is where Talent Mobility comes into play.

Board President Dr. Clark asked if approval of this amendment would have any impact on the UI's credit rating positively or negatively. President Green said the amendment itself would have no impact on UI's credit rating. The impact on the credit rating would come from any amended transaction structure, which would have to be analyzed further.

There were no further comments or questions from the Board.

There being no further business a motion to adjourn was entertained.

**BOARD ACTION**

**M/S (Roach / Liebich) I move to adjourn the meeting at 8:56 a.m. (MT).** A roll call vote was taken, and the motion carried 6-0. Superintendent Critchfield was absent from voting.