

Risk Factors Comparison 2024-02-29 to 2023-02-27 Form: 10-K

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Investing in our common stock involves a high degree of risk. You should carefully consider the following risk factors and all other information contained in this Annual Report on Form 10-K or in the documents incorporated by reference herein before making an investment decision. The occurrence of any of the following risks could materially harm our business, adversely affect the market price of our common stock and could cause you to suffer a partial or complete loss of your investment. Additional risks not presently known to us or that we currently deem immaterial may also materially harm our business and operations. See “Cautionary Notice Regarding Forward-Looking Statements.” Risks Related to Extensive Regulation of Our U. S. Business If Capella University and ~~Strayer University and Capella University~~ fail to comply with the extensive legal and regulatory requirements for higher education institutions, they could face significant monetary or other liabilities and penalties, including loss of access to federal student loans and grants for their students. As providers of higher education, Capella University and ~~Strayer University and Capella University~~ are subject to extensive laws and regulation on both the federal and state levels and by accrediting agencies. In particular, the Higher Education Act and related regulations subject Capella University, ~~Strayer University, Capella University,~~ and all other higher education institutions that participate in the various Title IV programs to significant regulatory scrutiny. The Higher Education Act mandates specific regulatory responsibilities for each of the following components of the higher education regulatory triad: (1) the federal government through the Department of Education; (2) the accrediting agencies recognized by the Secretary of Education; and (3) state education regulatory bodies. In addition, other federal agencies such as the CFPB, Federal Trade Commission (“FTC”), and Federal Communications Commission and various state agencies and state attorneys general enforce consumer protection, calling and texting, marketing, privacy and data security, and other laws applicable to post-secondary educational institutions. Findings of noncompliance could result in monetary damages, fines, penalties, injunctions, or restrictions or obligations that could have a material adverse effect on our business. Some of these laws also include private rights of action. On October 8, 2021, the Department of Education announced establishment of an Office of Enforcement within the Department’s Office of Federal Student Aid, designed to strengthen oversight over and enforcement against post-secondary schools that participate in federal student loan, grant, and work-study programs. The Office of Enforcement restores an office first established by the Department in 2016. The Department announced the Office of Enforcement would comprise four existing divisions: Administrative Actions and Appeals Services Group, Borrower Defense Group, Investigations Group, and Resolution and Referral Management Group. The Department intends the Office of Enforcement to coordinate with other state and federal partners, including the U. S. Department of Justice, CFPB, FTC, state attorneys general, and other state and federal partners. On October 6, 2021, the FTC announced that it is resurrecting Penalty Offense Authority under Section 5 (m) of the FTC Act (the “Act”). Under the Act, the FTC may secure penalties against entities not a party to an original proceeding if the FTC can show that the entity had actual knowledge that the conduct in question was found to be unfair or deceptive. In an effort to establish actual knowledge and create a pathway for penalties in the event of post-notice acts or practices, the FTC issued that same day an informational notice to the 70 largest for-profit schools based on enrollment and revenues. The notice included a list of acts and practices that the FTC has determined are unfair or deceptive, including but not limited to acts relating to misrepresentation of employment opportunities and other benefits, together with citation to various prior determinations from cases previously litigated by the FTC. Capella University and ~~Strayer University and Capella University~~ received the FTC’s notice on October 7, 2021, although the FTC made clear that receipt of the notice itself does not reflect any assessment by the FTC as to whether Capella University or ~~Strayer University or Capella University~~ has engaged in deceptive or unfair conduct. On April 4, 2022, the Company received correspondence from the CFPB, in which the CFPB took the position that it has supervisory authority over the Company as a covered person that offers or provides private education loans pursuant to 12 U. S. C. 5514 (a) (1) (D) and further indicated the CFPB is considering whether to cite violations based on preliminary findings that the Company may have violated the Dodd-Frank Wall Street Reform and Consumer Protection Act, 12 U. S. C. 5301 et seq., due to alleged student loan servicing and collections practices or policies. Specifically, the CFPB referred to Capella University and Strayer University’s historical practice of withholding official transcripts from students who were delinquent in paying amounts due, a practice which both universities discontinued prior to receipt of the correspondence. While the Company disagrees with CFPB’s position as to its supervisory authority and disputes any alleged legal or regulatory violations, SEI is the Company cooperating cooperated ~~with~~ CFPB’s inquiry and responded to CFPB as requested on April 25, 2022. The CFPB subsequently sent a letter on July 8, 2022, indicating that it believed the withholding of transcripts was a violation, and requiring the Company to cease withholding transcripts for those with an outstanding balance and to take other remedial actions. The Company had already discontinued its historical practice prior to the CFPB’s notice, and informed the CFPB that it completed the remedial actions in the allotted 30 days. On April 26, 2022, the CFPB informed the Company that it intended to conduct an announced education loan exam in June 2022. The examination started on June 13, 2022, ~~and fieldwork fieldwork~~ concluded on August 5, 2022. On September 12, 2022, the CFPB informed the Company of a preliminary finding related to a product that is no longer utilized, and invited the Company’s response. The Company timely responded to the CFPB’s letter, disagreeing with the preliminary finding and noting that the product to which it related is no longer utilized. On November 29, 2022, the CFPB informed the Company that, within 90 days, it should remediate the finding for any impacted students, and it also identified areas for the Company to address to ensure regulatory compliance. The Company ~~took has taken~~ remedial action and responded to the CFPB within the 90-day deadline. On December 15, 2023, the Company provided answers to questions from the CFPB in the first of two

annual telephone conversations as part of the CFPB's periodic monitoring practice. The laws, regulations, standards, and policies applicable to our business frequently change, and changes in, or new interpretations of, applicable laws, regulations, standards, or policies could have a material adverse effect on our accreditation, authorization to operate in various states, permissible activities, ability to communicate with prospective students, receipt of funds under Title IV programs, or costs of doing business. The Department of Education periodically engages in negotiated rulemaking sessions to revise regulations that govern the federal Title IV student financial aid programs. ~~As discussed in Note 23, Regulation, in the consolidated financial statements appearing in Part II, Item 8 of this report under "Current Negotiated Rulemaking," the Department of Education convened negotiated rulemaking committees to address issues such as borrower defense to repayment, misrepresentation, arbitration proceedings, gainful employment rules, and federal government oversight into changes in ownership for institutions of higher education, among others.~~ Certain proposals or new rules related to these issues could raise the cost of compliance for **Capella University or Strayer University or Capella University** or require changes in the educational programs offered by **Capella University and Strayer University and Capella University**. We cannot predict whether the Department of Education will promulgate any regulations that would negatively affect **Capella University or Strayer University or Capella University**. Title IV requirements are enforced by the Department of Education and, in some instances, by private plaintiffs or other third parties. If **Capella University and Strayer University and Capella University** are found not to be in compliance with these laws, regulations, standards, or policies, they could lose access to Title IV program funds and face related monetary liability, which would have a material adverse effect on the Company. Congressional examination of for-profit post-secondary education could lead to legislation or other governmental action that may negatively affect the industry. Since 2010, Congress has increased its focus on for-profit higher education institutions, including regarding participation in Title IV programs and oversight by the Department of Defense of tuition assistance and by the VA of veterans education benefits for military service members and veterans, respectively, attending for-profit colleges. The Senate Committee on Health, Education, Labor and Pensions and other congressional committees have held hearings into, among other things, the proprietary education sector and its participation in Title IV programs, the standards and procedures of accrediting agencies, credit hours and program length, the portion of federal student financial aid going to proprietary institutions, and the receipt of military tuition assistance and veterans education benefits by students enrolled at proprietary institutions. **Capella University and Strayer University and Capella University** have cooperated with these inquiries. A number of legislators have variously requested the Government Accountability Office to review and make recommendations regarding, among other things, recruitment practices, educational quality, student outcomes, the sufficiency of integrity safeguards against waste, fraud, and abuse in Title IV programs, and the percentage of proprietary institutions' revenue coming from Title IV and other federal funding sources. This activity may result in legislation, further rulemaking affecting participation in Title IV programs, and other governmental actions. In addition, concerns generated by congressional activity may adversely affect enrollment in, and revenues of, for-profit educational institutions. Limitations on the amount of federal student financial aid for which our students are eligible under Title IV could materially and adversely affect our business. **Capella University and Strayer University and Capella University** are dependent on the renewal and maintenance of Title IV programs. The Higher Education Act is subject to periodic reauthorization. Congress completed the most recent reauthorization through multiple pieces of legislation and may reauthorize the HEA in a piecemeal manner in the future. Additionally, Congress determines the funding level for each Title IV program on an annual basis. Any action or inaction by Congress that significantly reduces funding for Title IV programs or the ability of **Capella University, Strayer University, Capella University**, or their students to participate in these programs could materially harm our business. A reduction in government funding levels could lead to lower enrollments at our schools and require us to arrange for alternative sources of financial aid for our students. Lower student enrollments or our inability to arrange such alternative sources of funding could adversely affect our business. In addition, **Strayer-Capella University's** and **Capella-Strayer University's** ability to conduct their business, including obtaining necessary approvals from the Department of Education, may be affected by staffing levels or review procedures at the Department and the volume of applications and other requests to the Department. If the Department lacks adequate personnel or adopts time-consuming procedures or the Department's workload exceeds its capacity, action by the Department on requests by the Universities could be significantly delayed, and such delays could have a material adverse effect on the Universities and our business. **Capella University and Strayer University and Capella University** are subject to compliance reviews, which, if they ~~resulted~~ **result** in a material finding of noncompliance, could affect their ability to participate in Title IV programs. Because the Universities operate in a highly regulated industry, they are subject to compliance reviews and claims of noncompliance and related lawsuits by government agencies, accrediting agencies, and third parties, including claims brought by third parties on behalf of the federal government. For example, the Department of Education regularly conducts program reviews of educational institutions that are participating in Title IV programs, and the Office of Inspector General of the Department of Education regularly conducts audits and investigations of such institutions. The Department of Education could limit, suspend, or terminate our participation in Title IV programs or impose other penalties such as requiring the Universities to make refunds, pay liabilities, or pay an administrative fine upon a material finding of noncompliance. In June 2019, the Department conducted an announced, on-site program review at Capella University, focused on Capella University's FlexPath program. The review covered the 2017-2018 and 2018-2019 federal financial aid years. The Department issued its preliminary program report on November 13, 2020, and Capella University responded to the report. On February 9, 2021, Capella University received the Department's Final Program Review Determination, which closed the Program Review without further action required on the part of Capella University. On March 17, 2021, the Department informed Strayer University that it planned to conduct an announced, remote program review. The review commenced on April 19, 2021 and covered the 2019-2020 and 2020-2021 federal student financial aid years. On September 21, 2021, Strayer University received the Department's Final Program Review Determination, which closed the Program Review without further action required on the part of Strayer University. On December 13, 2021, the Department and Strayer University executed a

new Program Participation Agreement, approving Strayer University's continued participation in Title IV programs with full certification through September 30, 2025. On ~~January~~ **April 18, 2023** 2019, consistent with standard procedure upon a Title IV institution's change of ownership, the Department and Capella University executed a new ~~Provisional~~ **Provisional** Program Participation Agreement, approving Capella University's continued participation in Title IV programs with ~~provisional~~ **full** certification through ~~December 31, 2022~~. ~~Capella University filed its application for recertification in advance of the September 30, 2022~~ **2025** deadline and, per Department of Education practice, continues to offer federal financial aid under a ~~Provisional Program Participation Agreement until the recertification application is addressed~~. If either **Capella University or** Strayer University or Capella University fails to maintain its institutional accreditation or if its institutional accrediting body loses recognition by the Department of Education, the University would lose its ability to participate in Title IV programs. The loss of **Capella University's accreditation by the Higher Learning Commission or the Higher Learning Commission's loss of recognition by the Department of Education would render Capella University ineligible to participate in Title IV programs and would have a material adverse effect on our business. Similarly, the loss of** Strayer University's accreditation by Middle States or Middle States' loss of recognition by the Department of Education would render Strayer University ineligible to participate in Title IV programs and would have a material adverse effect on our business. ~~Similarly, the loss of Capella University's accreditation by the Higher Learning Commission or the Higher Learning Commission's loss of recognition by the Department of Education would render Capella University ineligible to participate in Title IV programs and would have a material adverse effect on our business.~~ In addition, an adverse action by ~~Middle States or the Higher Learning Commission~~ **or Middle States** other than loss of accreditation, such as issuance of a warning, could have a material adverse effect on our business. The Higher Education Act charges the National Advisory Committee on Institutional Quality and Integrity ("NACIQI") with recommending to the Secretary of Education which accrediting or state approval agencies should be recognized as reliable authorities for judging the quality of post-secondary institutions and programs. ~~In June 2017~~ **On May 31, 2023, the Department of Education, acting on the recommendation of** NACIQI recommended renewal of Middle States recognition for six months and required Middle States to demonstrate compliance with certain requirements. NACIQI reviewed ~~renewed~~ **renewed** Middle States at its February 2018 meeting and recommended that the Secretary of Education extend its recognition ~~of~~ for five years. NACIQI also reviewed the Higher Learning Commission ("HLC") at its February 2018 meeting and recommended that the Secretary of Education extend its recognition for ~~a period of five years~~ **and required it provide**. ~~On July 29, 2020, NACIQI held a meeting to review monitoring report regarding one item of substantial compliance by HLC with Department, and continued the current recognition of Education requirements Middle States for one year recognized accrediting agencies. On October 26, 2020, a Senior Department Official ("SDO") found HLC non-compliant compliance, in part. While the SDO required that HLC submit periodic reporting report regarding one item for twelve months, the SDO did not restrict HLC's scope of noncompliance accreditation or ability to accredit new institutions. HLC did not appeal the Secretary's decision. Increased scrutiny of accreditors by the Secretary of Education in connection with the Department of Education's recognition process may result in increased scrutiny of institutions by accreditors or have other adverse consequences. NACIQI will review both HLC and Middle States' applications for renewal of recognition at the winter 2023 NACIQI meeting.~~ If either **Capella University or** 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.~~ **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 Capella University or 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. **The disclosure rules have been modified by U. S. Department of Education regulations effective July 1, 2024, as described below.** An institution must also notify students within 14 days if it determines that a program does not meet a state's requirements. If one of the Universities failed to make any of these disclosures, the Department of Education could limit, suspend, or terminate its participation in Title IV programs or impose other penalties such as requiring the Universities to make refunds, pay liabilities, or pay an administrative fine upon a material finding of noncompliance. **Capella University and 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 **Capella University or Strayer University fails or Capella University failed** to comply with the requirements to participate in SARA or state licensing or authorization requirements to provide distance education in a non- SARA state, the University could lose its ability to participate in SARA or may be subject to the loss of state licensure or authorization to provide distance education in that non- SARA state, respectively. On November 1, 2019, the Department released final regulations on accreditation and state authorization of distance education, which became effective July 1, 2020. The rules maintain the requirement from the 2016 rule that institutions offering post- secondary education through distance education or correspondence courses to students located in a state in which the institution is not located meet state requirements in that state or participate in a state authorization reciprocity agreement. In addition, an institution must make disclosures readily available to enrolled and prospective students regarding whether programs leading to professional licensure or certification meet state educational requirements, and provide a direct disclosure to students in writing if the program leading to professional licensure or certification does not meet state educational requirements in the state in which the student is located, or if no determination for such state has been made by the institution. **The disclosure rules have been modified by U. S. Department of Education regulations effective July 1, 2024, as described below. On March 1, 2023, SARA's coordinating entity, the National Council for State Authorization Reciprocity Agreements ("NC- SARA"), held its first of two public comment forums to seek input on potential changes to NC- SARA policies. The forum included a discussion of 63 proposed policy changes, some of which, if adopted, would have significantly altered the distance education reciprocity agreements, including a proposal that NC- SARA permit states to apply more stringent standards to for- profit institutions or to eliminate the ability of for- profit institutions to participate in the agreements altogether. In addition to the public comment forums, written comments were accepted through May 17, 2023. In September 2023, NC- SARA's four regional compacts completed evaluation of the proposed policy changes and unanimously approved six proposed policy changes to be voted upon by the NC- SARA board of directors. On October 24- 25, 2023 the NC- SARA board of directors approved five policy modifications, none of which permitted states to apply more stringent standards to for- profit institutions or exclude for- profit institutions from NC- SARA participation. Nonetheless, the process demonstrates the possibility that the adoption of certain NC- SARA proposals in the future, including the earlier proposal to alter standards or to eliminate the ability of for- profit institutions to participate in the agreements, could have a material adverse effect on Capella University, Strayer University, and the Company. For example, if excluded from the ability to participate in the agreements, Capella University and Strayer University would need to seek authorization in each state, which would increase costs and present the risk that certain jurisdictions would decline authorization. Pursuant to new U. S. Department of Education regulations, beginning July 1, 2024, in each state where an institution is located and students enrolled by the institution are located, the institution must determine that each program eligible for Title IV: (i) is programmatically accredited if the state or a Federal agency requires such accreditation, including as a condition for employment in the occupation for which the program prepares the student and (ii) satisfies the applicable educational requirements for professional licensure or certification requirements in the state so that a student who enrolls in the program, and seeks employment in that state after completing the program, qualifies to take any licensure or certification exam that is needed for the student to practice or find employment in an occupation that the program prepares students to enter; and (iii) complies with all state laws related to closure, including record retention, teach- out plans or agreements, and tuition recovery funds or surety bonds. Institutions may not enroll for Title IV purposes a student located in a state in which the program does not meet such requirements, unless at the time of initial enrollment the student attests their intent to seek employment in another state that would satisfy such requirements. Beginning in January 2024, the Department convened a negotiated rulemaking committee to consider new proposed regulations on, among other things, state authorization and state authorization reciprocity agreements. If either Capella University or Strayer University or Capella University fails to obtain recertification by the Department of Education when required, that University would lose its ability to participate in Title IV programs. An institution generally must seek recertification from the Department of Education at least every six years and possibly more frequently depending on various factors, such as whether it is provisionally certified. The Department of Education may also review an institution's continued eligibility and certification to participate in Title IV programs, or scope of eligibility and certification, in the event the institution undergoes a change in ownership resulting in a change of control or expands its activities in certain ways, such as the addition of certain types of new programs, or, in certain cases, changes to the academic credentials that it offers. In certain circumstances, the Department of Education must provisionally certify an institution. The Department of Education may withdraw either University's certification**

if the Department determines that the University is not fulfilling material requirements for continued participation in Title IV programs. If the Department of Education does not renew or withdraws either University's certification to participate in Title IV programs, its students would no longer be able to receive Title IV program funds. Such a loss would have a material adverse effect on our business. Each institution participating in Title IV programs must enter into a Program Participation Agreement with the Department of Education. Under the agreement, the institution agrees to follow the Department of Education's rules and regulations governing Title IV programs. On December 13, 2021, the Department and Strayer University executed a new Program Participation Agreement, approving Strayer University's continued participation in Title IV programs with full certification through September 30, 2025. On ~~January 18, 2019~~ **April 18, 2023**, **Capella University and** consistent with standard procedure upon a Title IV institution's change of ownership, the Department ~~of Education and Capella University~~ executed a new ~~Provisional~~ **Provisional** Program Participation Agreement, approving Capella University's continued participation in Title IV programs with ~~provisional~~ **full** certification through ~~December 31, 2022~~. ~~Capella University filed its application for recertification in advance of the September 30, 2022 deadline and, per Department of Education practice, continues to offer federal financial aid under a Provisional Program Participation Agreement, until the recertification application is addressed.~~ A failure to demonstrate financial responsibility or administrative capability may result in the loss of eligibility to participate in Title IV programs. To be eligible to participate in Title IV programs, ~~Capella University and Strayer University and Capella University~~ must comply with specific standards and procedures set forth in the Higher Education Act and the regulations issued thereunder by the Department of Education, including, among other things, certain standards of financial responsibility and administrative capability. If one of the Universities fails to demonstrate financial responsibility or maintain administrative capability under the Department of Education's regulations, the University could lose its eligibility to participate in Title IV programs or have that eligibility adversely conditioned. Such developments could have a material adverse effect on our business. Student loan defaults in the U. S. could result in the loss of eligibility to participate in Title IV programs. In general, under the Higher Education Act, an educational institution may lose its eligibility to participate in some or all Title IV programs if, for three consecutive federal fiscal years, 30 % or more of its students who were required to begin repaying their student loans in the relevant federal fiscal year default on their payment by the end of the second federal fiscal year following that fiscal year. Institutions with a cohort default rate equal to or greater than 15 % for any of the three most recent fiscal years for which data are available are subject to a 30- day delayed disbursement period for first- year, first- time borrowers. In addition, an institution may lose its eligibility to participate in some or all Title IV programs if its default rate for a federal fiscal year was greater than 40 %. If **Capella University or** Strayer University ~~and /or Capella University~~ ~~lose~~ **loses** eligibility to participate in Title IV programs because of high student loan default rates, the loss would have a material adverse effect on our business. ~~Strayer Capella~~ University's three- year cohort default rates for federal fiscal years ~~2017, 2018, and 2019~~ , ~~and 2020~~ were ~~5.1. 3%, 8. 6%, and 2. 2 %~~ , **1. 1 %**, ~~and 0. 0 %~~ , respectively. ~~Capella Strayer~~ University's three- year cohort default rates for federal fiscal years ~~2017, 2018, and 2019~~ , ~~and 2020~~ were ~~8. 6 -5%, 5-2. 2 %, and 1-0. 1-0 %~~ , respectively. The average official cohort default rates for proprietary institutions nationally were ~~14. 7%, 11. 2 %, and 3. 1 %~~ , ~~and 0. 0 %~~ for federal fiscal years ~~2017, 2018, and 2019, and 2020~~ , respectively. ~~The Federal government's elimination of COVID-19 pandemic and the preventative measures taken to contain the pandemic may continue to have adverse economic consequences. Despite the pause on federal student loan payments and interest accrual, such conditions~~ could result in an increase in the number of borrowers defaulting on their student loans, including among our graduates. ~~Capella University or Strayer University or Capella University~~ could lose its eligibility to participate in federal student financial aid programs or be provisionally certified with respect to such participation if the percentage of its revenues derived from those programs were too high, or could be restricted from enrolling students in certain states if the percentage of the University's revenues from federal or state programs were too high. A proprietary institution may lose its eligibility to participate in the federal Title IV student financial aid program if it derives more than 90 % of its revenues, on a cash basis, from Title IV programs for two consecutive fiscal years. A proprietary institution of higher education that violates the 90 / 10 Rule for any fiscal year will be placed on provisional status for up to two fiscal years. **For fiscal year 2022** Using the formula specified in the Higher Education Act, ~~Strayer Capella~~ University derived approximately ~~82-65. 30~~ **95 %** of its cash- basis revenues from these programs in 2021. ~~Capella University derived approximately 67. 06% of its cash- basis revenues from Title IV program funds in.~~ **For fiscal year 2021-2022** , using the formula specified in the Higher Education Act, ~~Strayer University derived approximately 80. 57 % of its cash- basis revenues from these programs~~ . On March 11, 2021, President Biden signed into law the American Rescue Plan Act of 2021, which amends the " 90 / 10 Rule " to include " all federal education assistance " in the " 90 " side of the ratio calculation. The legislation required the Department to conduct a negotiated rulemaking process to modify related Department regulations, which was considered by the Institutional and Programmatic Eligibility negotiated rulemaking committee. ~~The Meetings of this negotiated rulemaking committee occurred January- March 2022, the Department issued and received public comments on the proposed rule in July- August 2022, and the Department of Education released final 90 / 10 regulations on October 27, 2022. The final regulations provided for an expanded definition of " federal education assistance " that will be periodically defined by the Secretary. On December 21, 2022, the Department released a list of federal agencies and federal education assistance programs that must be included as federal revenue in the 90 / 10 calculation. Such agencies include the U. S. Department of Defense (military tuition assistance) and the Department of Veterans Affairs (veterans education benefits) in addition to the Title IV programs already covered by the 90 / 10 Rule. These revisions to the 90 / 10 Rule will apply to institutional fiscal years beginning on or after January 1, 2023. Further legislation has been introduced in both chambers of Congress that seek to modify the 90 / 10 Rule further, including proposals to change the ratio requirement to 85 / 15 (federal to nonfederal revenue). We cannot predict whether Congress will pass any of these legislative proposals. If one of the Universities were to violate the 90 / 10 Rule, the loss of eligibility to participate in the federal student financial aid programs would have a material adverse effect on our business. Certain states have also proposed legislation that would prohibit enrollment of their residents based on a state and federal funding threshold that is more restrictive~~

than the federal 90 / 10 Rule. If such legislation were to be enacted, and the Universities were unable to meet the threshold, loss of eligibility to enroll students in certain states would have a material adverse effect on our business. The failure by **Capella University or Strayer University or Capella University** to comply with the Department of Education's incentive compensation rules could result in sanctions and other liability. If one of the Universities pays a bonus, commission, or other incentive payment in violation of applicable Department of Education rules or if the Department of Education or other third parties interpret a University's compensation practices as noncompliant, the University could be subject to sanctions or other liability. Such penalties could have a material adverse effect on our business. The failure by **Capella University or Strayer University or Capella University** to comply with the Department of Education's misrepresentation rules could result in sanctions and other liability. The Higher Education Act prohibits an institution that participates in Title IV programs from engaging in "substantial misrepresentation" of the nature of its educational program, its financial charges, or the employability of its graduates. Final regulations that defined misrepresentation to include "any statement that has the likelihood or tendency to mislead under the circumstances" and "any statement that omits information in such a way as to make the statement false, erroneous, or misleading" were scheduled to take effect July 1, 2017 but, after a series of delays, became effective October 16, 2018. On August 30, 2019, the Department released final Borrower Defense to Repayment regulations that included a new definition of "misrepresentation," which became effective July 1, 2020. The final rule defines a "misrepresentation" as: a statement, act, or omission by an eligible school to a borrower (a) that is false, misleading, or deceptive, (b) that was made with knowledge of its false, misleading, or deceptive nature or with a reckless disregard for the truth, and (c) that directly and clearly relates to either (1) enrollment or continuing enrollment at the institution or (2) the provision of educational services for which the loan was made. In 2021, the Department began the process to amend the Borrower Defense to Repayment rules, including the definition of misrepresentation, and on October 31, 2022, the Department released final Borrower Defense to Repayment regulations, which include among other defenses "substantial misrepresentation," with a significantly expanded definition of misrepresentation that also includes "omissions of fact." Specifically, the new rule defines a "misrepresentation" to include any false, erroneous or misleading statement made by the institution or its representatives, or its marketing, advertising, recruiting or admissions agents, as well as any omission of fact that a reasonable person would have considered in deciding to enroll in or continue attendance at the institution. A statement is deemed misleading if it has the likelihood or tendency to mislead under the circumstances. A misrepresentation includes statements and omissions made in any medium, whether directly or indirectly, to a student, prospective student or any member of the public, or to an accrediting agency, to a State agency, or to the Secretary of Education. Misrepresentation also includes the dissemination of a student endorsement or testimonial that a student gives either under duress or because the institution required such an endorsement or testimonial to participate in a program. This new definition is effective July 1, 2023. On June 22, 2022, in litigation in which neither SEI nor Capella University is a party, Sweet, et al. v. Miguel Cardona and the United States Department of Education, the Department joined a proposed class settlement agreement that ~~would result~~ **resulted** 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~~ **provided** certain expedited review of borrower defense claims related to schools excluded from the automatic relief list, as well as for borrowers **regardless of which institution they attended** who applied during the period after execution of the settlement and before final approval (i. e., from June 23, 2022 to November 15, 2022) (the "post- class applicants"). **The district court granted final approval of the settlement on November 16, 2022. Intervenor, including multiple intervening higher education institutions and companies, appealed the district court's order. Intervenor's request to stay the district court's final judgment approving the settlement pending resolution of the appeal has been denied. It is unclear whether the Department might seek recovery for the amounts of loans discharged pursuant to the automatic relief provision in the Sweet settlement.** In a July 25, 2022 filing in the same litigation, the Department stated that providing automatic relief to such borrowers "does not constitute the granting or adjudication of a borrower defense pursuant to the Borrower Defense Regulations, and therefore provides no basis to the Department for initiating a borrower defense recoupment proceeding against any institution identified" on the list. ~~It is unclear whether the Department would attempt to seek recovery from Capella University for the amounts of discharged loans.~~ The Department has indicated that any recoupment against institutions "could be imposed only after the Department initiated a separate, future proceeding, in accordance with regulations that require the Department to prove a sufficient basis for liability and provide schools with notice and an opportunity to be heard." If the Department ~~were to seek~~ **seek recovery for the amounts of automatically discharged loans of Capella University students under the Sweet settlement, Capella University would dispute and defend against such efforts. If the Department were to successfully seek** recovery for the amounts of discharged loans from Capella University in future proceedings, any such recovery could have a material adverse effect on our business. ~~The District Court~~ **As a result of Northern California has approved the Fifth Circuit settlement agreement. Intervenor have appealed the court's order and moved to stay August 7, 2023 nationwide injunction of the 2022 Borrower Defense to Repayment Regulations, the Department announced that while it will not adjudicate any borrower defense applications under the 2022 Borrower Defense to Repayment Regulations unless and until the effective date is reinstated, it will continue to adjudicate applications under a prior version of the rule if required pursuant to a court ordered settlement. For the Sweet post- class applicants, the Department agreed to adjudicate such claims under the 2016 BDTR Rule, and, if the Department does not adjudicate the applications by January 28, 2026, it will provide the applicants "Full Settlement Relief" (i. e., federal student loan (s) associated with the borrower's final judgment approving attendance at the school will be discharged, the Department will refund any amounts paid to the Department on the those settlement loans, and the credit tradeline for those loans will be deleted from the borrower's credit report). The Department has informed institutions that: it is notifying most schools of all applications received from June 23, 2022 to November 15, 2022 in a single send (and anticipates completing**

notification to all schools by approximately April 2024); it is not reviewing applications prior to pending sending resolution of the them appeal to institutions; it is optional for institutions to respond to the applications; and not responding will result in no negative inference by the Department. The Department has also explained that it will separately decide whether to seek recoupment on any approved claim. Moreover, any recoupment actions the Department chooses to initiate will have their own notification and response processes, which include providing additional evidence to the institution. The Department has indicated that an institution will learn of the Department's determination only if it approves a BDTR application and the Department seeks recoupment. As described in Note 21, Litigation, in the consolidated financial statements appearing in Part II, Item 8 of this report, on January 25, 2024, Capella University received notice from the Department of Borrower Defense to Repayment applications, and on February 1, 2024, Strayer University received notice from the Department of Borrower Defense to Repayment applications. In the event of substantial misrepresentation, the Department of Education may revoke or terminate an institution's program participation agreement, limit the institution's participation in Title IV programs, deny applications from the institution, such as to add new programs or locations, initiate proceedings to fine the institution or limit, suspend, or terminate its eligibility to participate in Title IV programs; relieve the borrower of the obligation to repay federal education loans in whole or in part and require the institution to reimburse the Department of Education for those amounts. If the Department of Education or other third parties interpret statements made by one of the Universities or on the University's behalf to be in violation of the new regulations, the University could be subject to sanctions and other liability, which could have a material adverse effect on our business. Our failure to comply with the Department of Education's gainful employment regulations effective July 1, 2024 could result in heightened disclosure requirements and loss of Title IV eligibility. To be eligible for Title IV funding, academic programs offered by proprietary institutions of higher education generally must prepare students for gainful employment in a recognized occupation. On September 27, 2023, the Department of Education released final regulations on gainful employment, effective July 1, 2024. The gainful employment final rule establishes two independent metrics, both of which must be passed by a gainful employment program in order to maintain Title IV eligibility. The two metrics are 1) a debt- to- earnings ratio that compares the median annual earnings and median discretionary earnings of graduates who received federal financial aid to the median annual payments on loan debt borrowed for the program (a program passes if the annual debt- to- earnings ratio is less than or equal to 8 % of annual earnings or 20 % of discretionary earnings), and 2) an earnings premium test that compares the median annual earnings of graduates from a program that received federal financial aid to an " earnings threshold " based on a typical high school graduate in their state (or, in some cases, nationally) and within a certain age range in the labor force (a program passes if the median annual earnings exceed the earnings threshold). Beginning on July 1, 2026, any gainful employment program that fails either or both metrics in a single year would be required to provide a warning to all to current and prospective students that meets certain minimum requirements specified by the Department of Education, including that the program failed one or both metrics for the year and may be subject to loss of Title IV eligibility. Any such program that fails the same metric in two out of three consecutive years for which the program's metrics are calculated would lose its access to Title IV funding. The Department has indicated that it will release metrics beginning in the 2025 financial aid award year, and, if so, we expect that the earliest a program could lose eligibility is 2026. The requirements associated with the gainful employment regulations may substantially increase our administrative burdens and could affect our program offerings, student enrollment, persistence and retention. At this time, it is difficult to predict whether our programs will satisfy the gainful employment metrics. Further, the continuing eligibility of our academic programs will be affected by factors beyond management's control such as changes in our graduates' employment and income levels, changes in student borrowing levels, increases in interest rates, and various other factors. Even if we were able to correct any deficiency in the gainful employment metrics in a timely manner, the disclosure requirements associated with a program's failure to meet at least one metric may adversely affect student enrollments in that program and may adversely affect the reputation of our institution. The failure by Capella University or Strayer University or Capella University to comply with the Department of Education's credit hour or direct assessment rules could result in sanctions and other liability. Title IV regulations define the term " credit hour " and require accrediting agencies and state authorization agencies to review the reliability and accuracy of an institution's credit hour assignments. If an accreditor does not comply with this requirement, its recognition by the Department of Education could be jeopardized. If an accreditor identifies systematic or significant noncompliance in one or more of an institution's programs, the accreditor must notify the Secretary of Education. In addition to the credit hour model, the Department of Education has granted approvals for a small number of institutions, including Capella University, to operate direct assessment academic programs. Instead of measuring student progress through the number of credit hours spent in the course, these direct assessment programs allow students to progress through courses by showing mastery over material through the completion of assessments, sometimes in less time than it would take to complete a course under a credit hour model. If the Department of Education determines that an institution is out of compliance with the credit hour definition or direct assessment requirements, the Department of Education could impose liabilities or other sanctions. Such penalties could have a material adverse effect on our business. The failure by Capella University or Strayer University or Capella University to comply with the Clery Act or Title IX could result in sanctions and other liability. Capella University and Strayer University and Capella University must comply with the campus safety and security reporting requirements as well as other requirements in the Clery Act, including changes made to the Clery Act by the Violence Against Women Reauthorization Act of 2013. On October 20, 2014, the Department of Education promulgated final regulations implementing amendments to the Clery Act. In addition, the Department of Education has interpreted Title IX, which prohibits discrimination on the basis of sex in education programs that receive funding from the federal government, to categorize sexual violence as a form of prohibited sex discrimination and to require institutions to follow certain disciplinary procedures with respect to such

offenses. Failure to comply with the Clery Act or Title IX requirements or regulations thereunder could result in action by the Department of Education to require corrective action, fine the University, or limit or suspend its participation in Title IV programs, which could lead to litigation and could harm the University's reputation. In addition, individuals alleging sex discrimination may sue an institution under Title IX for corrective action and monetary damages. On May 6, 2020, the Department of Education published final rules related to implementation of Title IX, which prohibits discrimination on the basis of sex in education programs that receive funding from the federal government. The final rules define what constitutes sexual harassment for purposes of Title IX in the administrative enforcement context, describe what actions trigger an institution's obligation to respond to incidents of alleged sexual harassment, and specify how an institution must respond to allegations of sexual harassment. Among other things, the 2020 rules include a requirement for live hearings on Title IX sexual harassment claims, which includes direct and cross-examination of parties, university-provided advisors (in the event a student or party does not provide an advisor), rulings on questions of relevance by decision-makers, and the creation and maintenance of a record of the live hearing proceedings. The final rule became effective August 14, 2020. On August 24, 2021, the Department of Education Office for Civil Rights issued guidance indicating it would cease enforcement of the rules' prohibition against consideration of statements made by individuals failing to submit to cross-examination at a live hearing. On June 23, 2022, the Department of Education released proposed Title IX regulations for public comment. Among other changes, the proposed rule would address all forms of sex-based harassment (not only sexual harassment); clarify that Title IX's prohibition against sex discrimination includes discrimination on the basis of sex stereotypes, sex characteristics, pregnancy or related conditions, sexual orientation and gender identity; and eliminate the requirement for live hearings at the post-secondary level. The public comment period on the proposed rule ended on September 12, 2022. When the Department publishes a final Title IX rule, it will indicate an effective date. On October 4, 2022, ~~OCR~~ **the Department of Education's Office for Civil Rights** released a resource document for students and institutions in which it reinforced that current Title IX regulations prohibit discrimination based on pregnancy, childbirth, false pregnancy, termination of pregnancy or recovery therefrom. The resource document further emphasized that Title IX requires institutions to treat pregnancy, childbirth, false pregnancy, termination of pregnancy and recovery therefrom the same as other temporary disabilities with respect to medical benefits, services, plans, and policies, and detailed requirements for leave and reinstatement for both students and employees. Failure to comply with these final rules and the resulting sanctions could have a material adverse effect on our business. **Capella University and Strayer University and Capella University** are subject to sanctions if they fail to calculate accurately and make timely payment of refunds of Title IV program funds for students who withdraw before completing their educational program. The Higher Education Act and Department of Education regulations require the Universities to calculate refunds of unearned Title IV program funds disbursed to students who withdraw from their educational program before completing it. If refunds are not properly calculated or timely paid, the University may be required to post a letter of credit with the Department of Education or be subject to sanctions or other adverse actions by the Department of Education. Such consequences could have a material adverse effect on our business. Investigations, legislative and regulatory developments, and general credit market conditions related to the student loan industry may result in fewer lenders and loan products and increased regulatory burdens and costs in the U. S. The Higher Education Act regulates relationships between lenders to students and post-secondary education institutions. In 2009, the Department of Education promulgated regulations that address these relationships, and state legislators have also passed or may be considering legislation related to relationships between lenders and institutions. In addition, new procedures introduced and recommendations made by the CFPB create uncertainty about whether Congress will impose new burdens on private student lenders. These developments, as well as legislative and regulatory changes, such as those relating to gainful employment and repayment rates, create uncertainty in the industry, and general credit market conditions may cause some lenders to decide not to provide certain loan products and may impose increased administrative and regulatory costs. Such actions could reduce demand for and / or availability of private education loans, decrease ~~Strayer Capella University's or Capella Strayer University's~~ non-Title IV revenue, and thereby increase ~~Strayer Capella University's or Capella Strayer University's~~ 90 / 10 ratio, and have a material adverse effect on our business. We rely on one or more third parties for software and services necessary to administer ~~Strayer Capella University's and Capella Strayer University's~~ participation in Title IV programs and failure of such a third party to provide compliant software and services, or by us in our use of the software, could cause **Capella University or Strayer University or Capella University** to lose eligibility to participate in Title IV programs. Because each of **Capella University and Strayer University and Capella University** is jointly and severally liable to the Department of Education for the actions of third-party Title IV processing software providers, failure of such providers to comply with applicable regulations could have a material adverse effect on **Capella University or Strayer University or Capella University**, including loss of eligibility to participate in Title IV programs. If any of the third-party servicers discontinue providing software and services to one or both of the Universities, we may not be able to replace them in a timely, cost-efficient, or effective manner, or at all, and the Universities could lose their ability to comply with the requirements of Title IV programs. Such developments could adversely affect our enrollment, revenues, and results of operations. Our business could be harmed if **Capella University or Strayer University or Capella University** experience a disruption in their ability to process student loans under the Federal Direct Loan Program. Each of **Capella University and Strayer University and Capella University** collected the majority of its fiscal year ~~2022~~ **2023** total consolidated net revenue from receipt of Title IV financial aid program funds, principally from federal student loans under the Federal Direct Loan Program. Any processing disruptions by the Department of Education may affect our students' ability to obtain student loans on a timely basis. If either of the Universities experiences a disruption in its ability to process student loans through the Federal Direct Loan Program, either because of administrative challenges on the part of the University or the inability of the Department of Education to process the volume of direct loans on a timely basis, our business, financial condition, results of operations, and cash flows could be adversely and materially affected. Our business could be harmed if Congress makes changes to the availability of Title IV funds. Each of **Capella University and Strayer University and**

Capella University collected the majority of its fiscal year 2022-2023 total consolidated net revenue from receipt of Title IV financial aid program funds, principally from federal student loans under the Federal Direct Loan Program. Changes in the availability of these funds or a reduction in the amount of funds disbursed may have a material adverse effect on our enrollment, financial condition, results of operations, and cash flows. Congress eliminated further federal direct subsidized loans for graduate and professional students as of July 1, 2012. On August 9, 2013, Congress passed legislation that ties interest rates on Title IV loans to the rate paid on U. S. Treasury bonds. Interest rates are set every July 1st for loans taken out from July 1st to June 30th of the following year. In July 2012, Congress reduced eligibility for Pell Grants from 18 semesters to 12 semesters. To date, these changes have not had a material impact on our business, but future changes in the availability of Title IV funds could affect students' ability to fund their education and thus may have a material adverse effect on our enrollment, financial condition, results of operations, and cash flows. As enforcement of laws related to the accessibility of technology continues to evolve in the U. S., information technology development costs and compliance risks could increase. Strayer-Capella University and Capella-Strayer University's online education programs are made available to students through personal computers and other technological devices. For each of these programs, the curriculum makes use of a combination of graphics, pictures, videos, animations, sounds, and interactive content. Federal agencies, including the Department of Education and the Department of Justice, have considered or are considering how electronic and information technology should be made accessible to persons with disabilities. For example, Section 504 of the Rehabilitation Act of 1973 ("Section 504"), prohibits discrimination against a person with a disability by any organization that receives federal financial assistance. The Americans with Disabilities Act ("ADA") prohibits discrimination based on disability in several areas, including public accommodations. In 2010, the Department of Education's Office for Civil Rights, which enforces Section 504, together with the Department of Justice, which enforces the ADA, asserted that requiring the use of technology in a classroom environment when such technology is inaccessible to individuals with disabilities violates Section 504 and the ADA, unless those individuals are provided accommodations or modifications that permit them to receive all the educational benefits provided by the technology in an equally effective and integrated manner. In recent years, the Department of Education's OCR Office of Civil Rights and third parties have brought enforcement actions against institutions related to website accessibility of online course material. If Capella University or Strayer University or Capella University is found to have violated Section 504 or the ADA, it may be required to modify existing content and functionality of its online classroom or other uses of technology, including through adoption of specific technical standards. As a result of such enforcement action, or as a result of new laws and regulations that require greater accessibility, Capella University or Strayer University or Capella University may have to modify its online classrooms and other uses of technology to satisfy applicable requirements at potentially substantial cost. As with all nondiscrimination laws that apply to recipients of federal financial assistance, an institution may lose access to certain federal financial assistance if it does not comply with Section 504 requirements. In addition, private parties may file or threaten to file lawsuits alleging failure to comply with laws that prohibit discrimination on the basis of disability, such as Section 504 and the ADA, and defending against and resolving such actions may require Capella University or Strayer University or Capella University to incur costs of litigation and costs to modify its online classrooms and other uses of technology. Risks Related to Our Business Our enrollment rate is uncertain, and we may not be able to assess our future enrollments effectively. Our ability to grow enrollment depends on a number of factors, including macroeconomic factors like unemployment and the resulting lower confidence in job prospects, and many of the regulatory risks discussed above. Our enrollment in 2023-2024 will be affected by legislative uncertainty and regulatory activity in the U. S., and macroeconomic conditions globally, including those affected by the COVID-19 pandemic. It is likely that legislative, regulatory, and economic uncertainties will continue for the foreseeable future, and thus it is difficult to assess our long-term growth prospects. Since 2013, we have selectively closed physical locations of Strayer University to align our resources in keeping with the increasing preference of our current students for online course delivery. Although we plan to continue investing selectively in new campus facilities, and to pursue other growth opportunities in the future, there can be no assurance as to what our growth rate will be or as to the steps we may need to take to adapt to the changing regulatory, legislative, and economic conditions. Adding new locations, programs, and services is dependent on our forecast of the demand for those locations, programs, and services and on regulatory approvals. Adding new locations, programs, and services require us to expend significant resources, including making human capital and financial capital investments, incurring marketing expenses, and reallocating other resources. To open a new location, we are required to obtain appropriate federal, state, and accrediting agency approvals, which may be conditioned, delayed, or halted in a manner that could significantly affect our growth plans. We cannot assure investors that we will open new locations or add new programs or services in the future, or that any new locations, programs or services will be successful. Our future success depends in part upon our ability to recruit and retain key personnel. Our success to date has been, and our continuing success will be, substantially dependent upon our ability to attract and retain highly qualified executive officers, faculty, administrators, and other key personnel. If we cease to employ any of these integral personnel or fail to manage a smooth transition to new personnel, our business could suffer. Our success depends in part on our ability to update and expand the content of existing academic programs and develop new programs in a cost-effective manner and on a timely basis. Our success depends in part on our ability to update and expand the content of our academic programs, develop new programs in a cost-effective manner, and meet students' needs in a timely manner. Prospective employers of our graduates increasingly demand that their employees possess appropriate technological and other skills. The update and expansion of our existing programs and the development of new programs may not be received favorably by students, prospective employers, or the online education market. If we cannot respond to changes in industry requirements, our business may be adversely affected. Even if we are able to develop acceptable new programs, we may not be able to introduce these new programs at all, or as quickly as students require, due to regulatory constraints or as quickly as our competitors introduce competing new programs. Our financial performance depends in part on our ability to continue to increase awareness of the academic programs we offer among working adult students. Awareness of

the academic programs we offer among working adult students in the U. S. is critical to the continued acceptance and growth of our programs. Our inability to increase awareness of the programs we offer through effective marketing and advertising could limit our enrollments and negatively affect our business. The following are some of the factors that could prevent us from successfully marketing our programs: • the emergence of more successful competitors; • customer dissatisfaction with our services and programs; • performance problems with our online systems; and • our failure to maintain or expand our brand or other factors related to our marketing. Congressional and other governmental activities in the U. S. could damage the reputation of **Capella University or Strayer University or Capella University** and limit our ability to attract and retain students. In recent years, Congress increased its focus on proprietary educational institutions, including administration of Title IV programs, military tuition assistance, veterans education benefits, and other federal programs. During a prior Administration, the Department of Education indicated to Congress that it intended to increase its regulation of and attention to proprietary educational institutions, and the Government Accountability Office released several reports of investigations into proprietary educational institutions. Several state Attorneys General have also undertaken extensive investigations of proprietary educational institutions. These and other governmental activities, including potential new regulations on program integrity and gainful employment, even if resulting in no adverse findings or actions against **Capella University or Strayer University or Capella University**, singly or cumulatively could affect public perception of proprietary higher education, damage the reputation of **Capella University or Strayer University or Capella University**, and limit our ability to attract and retain students. We face strong competition in the post- secondary education market. Post- secondary education is highly competitive. We compete with traditional public and private two- year and four- year colleges, other for- profit schools, vocational education organizations, and alternatives to higher education, such as employment and military service. Public colleges may offer programs similar to those of our Universities without tuition or at a lower tuition level as a result of government subsidies (including various “ free college ” programs), government and foundation grants, tax- deductible contributions, and other financial sources not available to proprietary institutions. Some of our competitors in both the public and private sectors have substantially greater financial and other resources than we do. While we believe that our Universities provide valuable education to their students, we may not always accurately predict the drivers of a student or potential students’ decisions to choose among the range of educational and other options available to them. This strong competition could adversely affect our business. **Capella University and Strayer University and Capella University**, with their online programs, operate in a highly competitive market with rapid technological changes, and they may not compete successfully. Online education is a highly fragmented and competitive market that is subject to rapid technological change. Competitors vary in size and organization from traditional colleges and universities, many of which have some form of online education programs, to for- profit schools, corporate universities, and software companies providing online education and training software. We expect the online education and training market to be subject to rapid changes in technologies. The Universities’ success will depend on their ability to adapt to these changing technologies. The Company relies on exclusive proprietary rights and intellectual property, and competitors may attempt to duplicate our programs and methods. Third parties may attempt to develop competing programs or duplicate or copy aspects of our curriculum, online library, quality management, and other proprietary content. Any such attempt, if successful, could adversely affect our business. In the ordinary course of business, we develop intellectual property of many kinds that is or will be the subject of copyright, trademark, service mark, patent, trade secret, or other protections. Such intellectual property includes, but is not limited to, courseware materials for classes taught online and on- ground, and business know- how and internal processes and procedures developed to respond to the requirements of its various education regulatory agencies. Seasonal and other fluctuations in our operating results could adversely affect the trading price of our common stock. Our business is subject to seasonal fluctuations, which cause our operating results to fluctuate from quarter to quarter. This fluctuation may result in volatility or have an adverse effect on the market price of our common stock. We experience, and expect to continue to experience, seasonal fluctuations in our revenue. Historically, our quarterly revenues and income from U. S. operations have been lowest in the third quarter (July through September) because fewer students are enrolled during the summer months. ANZ’ s quarterly revenues and income from operations have been lowest in the first quarter (January through March) because fewer students are enrolled during the summer season in Australia and New Zealand. We also incur significant expenses in the third quarter in preparing for our peak enrollment in the U. S. in the fourth quarter (October through December), including investing in online and campus infrastructure necessary to support increased usage. These investments result in fluctuations in our operating results which could result in volatility or have an adverse effect on the market price of our common stock. In addition, the online education market is a rapidly evolving market, and we may not be able to forecast accurately future enrollment growth and revenues. Regulatory requirements in the U. S. may make it more difficult to acquire us. A change in ownership resulting in a change of control of **Capella University or Strayer University or Capella University** (or of the Company) would trigger a requirement for recertification of the University (or the Universities) by the Department of Education for purposes of participation in federal student financial aid programs, a review of the University’ s accreditation by its institutional accrediting agency, and reauthorization of the University (or the Universities) by certain state licensing and other regulatory agencies. If we or one of the Universities underwent a change of control that required approval by any state authority, any institutional accrediting agency, or any federal agency, and any required regulatory approval were significantly delayed, limited, or denied, there could be a material adverse effect on our ability to offer certain educational programs, award certain degrees, diplomas, or certificates, operate one or more of our locations, admit certain students or participate in Title IV programs, which in turn, could have a material adverse effect on our business. These factors may diminish the Company’ s appeal as an acquisition target. Capacity constraints or system disruptions to a University’ s computer networks could damage the reputation of the institutions and limit our ability to attract and retain students. The performance and reliability of our Universities’ computer networks, especially the online educational platform, is critical to our reputation and ability to attract and retain students. Any system error or failure, or a sudden and significant increase in traffic, could result in the unavailability of the University’ s computer networks. We cannot

assure you that the Universities, including their online educational platforms, will be able to expand their program infrastructure on a timely basis sufficient to meet demand for their programs. The Universities' computer systems and operations could be vulnerable to interruption or malfunction due to events beyond their control, including natural disasters and, telecommunications failures, and cybersecurity incidents. Any interruption to the Universities' computer systems or operations could have a material adverse effect on our ability to attract and retain students. The Company's computer networks, and those of third parties we use in our operations, may be vulnerable to security-cybersecurity risks that could disrupt operations and require them to expend significant resources. The Company's computer networks, and those of third- parties we use in our operations, may be vulnerable to unauthorized access, computer hackers, computer viruses, and other security-cybersecurity problems, such as ransomware attacks, denial of service attacks, physical or electronic break- ins and similar disruptions. These systems may be subject to directed attacks intended to lead to interruptions in our service and operations as well as loss, misuse or theft of personal information (of third parties, employees, and our students) and other data, confidential information or intellectual property. A user who circumvents security measures could misappropriate proprietary information or cause interruptions or malfunctions in operations. These efforts require ongoing monitoring and updating as technologies change and efforts to overcome security measures become more sophisticated, and may limit the functionality of or otherwise negatively impact our service offering and systems. These systems also may be vulnerable to disruptions from other factors, including pandemic, violent incident, natural disaster, power loss, telecommunications and Internet failures, civil unrest, and other events beyond our reasonable control. As a result, we may be required to expend significant resources to protect against the threat of these security-cybersecurity breaches or disruptions to alleviate problems caused by these breaches or disruptions - The personal information that the Company collects may be vulnerable to breach, theft, or loss that could adversely affect our reputation and operations and is subject to privacy and data security laws which may impact operational efficiency. Possession and use of personal information in our operations subject us to risks and costs that could harm our business. The Universities collect, use, and retain large amounts of personal information regarding their students and their families, including social security numbers, tax return information, personal and family financial data, and credit card numbers. We also collect and maintain personal information of our employees in the ordinary course of our business. Some of this personal information is held and managed by certain vendors. Although we use security and business controls to limit access to and use of personal information, a third party may be able to circumvent those security and business controls, potentially resulting in a breach of student or employee privacy. In addition, errors in the storage, use, or transmission of personal information could result in a breach of student or employee privacy. Possession and use of personal information in our operations also subjects us to various U.S. state and federal legislative and regulatory burdens that could, among other things, require notification of data breaches and restrict our use of personal information. The risk of hacking and cyber- attacks has increased, as has the sophistication of such attacks, including ransomware attacks and email phishing schemes targeting employees to give up their credentials. We cannot assure you that a breach, loss, or theft of personal information will not occur. A breach, theft, or loss of personal information regarding our students and their families or our employees that is held by us or our vendors could have a material adverse effect on our reputation and results of operations and result in liability under U.S. state and federal privacy statutes and legal actions by state authorities and private litigants, any of which could have a material adverse effect on our business. For example, the California Consumer Privacy Act (" CCPA "), which provides consumers with rights related to their personal information, likely applies to the Company. Were the CCPA to apply and if we were out of compliance, we could be subject to significant civil penalties or private lawsuits brought by consumers. Moreover, certain of our operations involve the collection of personal information from individuals outside the U.S., which may render us subject to global privacy and data security laws. For example, the European Union General Data Protection Regulation (" GDPR "), Australia's Federal Privacy Act and Australian Privacy Principles and New Zealand's Privacy Act, may impact or restrict the manner in which the Company is able to transfer and process personal information. Further, were a U.S. state regulator or a foreign regulator to find the Company out of compliance with applicable privacy laws or regulations, there is the potential for administrative, civil, or criminal liability with significant monetary penalties as well as reputational harm to the Company. Failure to maintain adequate processes to prevent and detect fraudulent activity related to student online enrollment or financial aid could adversely affect the Universities' operations. Our online environment is susceptible to an increased risk of fraudulent activity by outside parties with respect to the student online learning platform and student financial aid programs. While we have been able to detect past incidents of fraudulent activity, which have been isolated, and we have increased our internal capabilities to prevent and detect possible fraudulent activity, we cannot be certain that our systems and processes will continue to be adequate with increasingly sophisticated external fraud schemes. The Department of Education requires institutions that participate in Title IV programs to refer to the Office of the Inspector General any credible information related to fraudulent activity. If we do not maintain adequate systems to prevent and deter such fraudulent activity, the Department of Education may find a lack of " administrative capability " and could limit our access to Title IV funding. The Company operates institutions in the U. S., Australia, and New Zealand, and is subject to complex business, economic, legal, political, geopolitical, and foreign currency risks, which risks may be difficult to address adequately. With the acquisition of the ANZ portfolio, the Company now operates institutions in three different countries, each of which is subject to complex business, economic, legal, political, tax and foreign currency risks. We also either have operations in or contract with vendors who may have employees in various countries. We may have difficulty managing and administering an internationally dispersed business, which may materially adversely affect our business, financial condition and results of operation. Additional challenges associated with the international conduct of the business that may materially adversely affect our operating results include: • each of our institutions is subject to unique regulatory schemes, business challenges, and competitive pressures; • difficulty maintaining quality standards consistent with our brands and with local accreditation standards; • fluctuations in exchange rates, possible currency devaluations, inflation and hyperinflation; • compliance with a variety of domestic and foreign laws and regulations; • political elections and changes in government policies; • potential

economic, political, and geopolitical instability affecting the countries in which we and our vendors operate; and • limitations on the repatriation and investment of funds and foreign currency exchange restrictions. ~~The personal information that the Company collects..... our access to Title IV funding.~~ Integrating SEI and ~~the recently acquired~~ Torrens University and associated assets in Australia and New Zealand (“ ANZ ”) may be more difficult, costly or time consuming than expected, and the combined company may not realize all of the anticipated benefits of the acquisition. The success of the Company will depend on, among other things, our ability to integrate ANZ into SEI, in a manner that does not materially disrupt existing student relationships or adversely affect current revenues and investments in future growth. If the Company is not able to achieve these objectives, the anticipated benefits of the acquisition of ANZ may not be realized fully or at all or may take longer to realize than expected. The goodwill and indefinite- lived intangible assets recorded in connection with the acquisitions of Capella Education Company (“ CEC ”) and ANZ could become impaired in the future. We are required to assess goodwill and indefinite- lived intangible assets for impairment at least annually. To the extent goodwill or indefinite- lived intangible assets become impaired, we may be required to incur material charges relating to such impairment. Such a potential impairment charge could have a material impact on future operating results and statements of financial position of the Company. ~~Risks Related to the Pandemic~~ ~~The current~~ **impact of pandemics like the** COVID- 19 pandemic and other possible future public health emergencies may adversely affect our business, our future results of operations, and our overall financial performance. ~~The ongoing~~ COVID- 19 global pandemic ~~has~~ caused significant volatility and disruption to the domestic and global economy. ~~Like many other companies,~~ **The Company’ s transition** to comply with government mandates and to protect the safety and well- being of our students, faculty and staff, and the communities in which we live, we have at times instituted a remote work policy for the vast majority of our workforce, closed most physical campus locations, and **hybrid** moved our on- ground courses at Strayer University, which comprised less than 5 % of total seat count, to online- only instruction. The transition to remote- working involves many operational challenges and may adversely affect our ability to satisfy student needs. Remote working may **also** increase the chance of **cybersecurity incidents** ~~successful cyber- attacks~~, including ransomware attacks and email phishing schemes targeting employees to give up their credentials. **Any future** ~~Preparing our offices and campuses in anticipation of a portion of our workforce returning to physical office and campus locations also presents operational challenges as on- site staff adjust to new equipment, new protocols, and hybrid combinations of on- site and remote work. In addition, as the pandemic has continued~~ **could result in unpredictable**, we have seen sustained weakness in demand, especially in the United States, where total average enrollment in our- **or be accompanied** U. S. Higher Education segment decreased 6. 5 % in 2022 compared to 2021. Enrollment in ANZ also has been impacted by the pandemic and the related temporary closure of international borders in Australia, **any of which could disrupt our operations** and New Zealand **have a material effect on our business**. The extent to which **pandemics like** the COVID- 19 pandemic and future public health emergencies **will could** affect our business, operations and financial results is uncertain and will depend on numerous ~~evolving~~ factors that ~~remain uncertain and~~ are impossible to predict, including: the duration and scope of the pandemic; the impact on economic activity from the pandemic and actions taken in response, including those of governmental entities; the impact of the pandemic and the government response thereto on our employees, students, and business partners, including any suspensions or terminations of employer tuition reimbursement programs; our ability to operate and provide our services with employees working remotely and / or closures of our campus locations; potential exposure to claims for liability arising out of employees or students who may contract the virus; and the ability of our students to continue their education notwithstanding the pandemic. ~~COVID- 19 related regulatory and legislative changes may contain ambiguous provisions that could result in penalties in case of institutional noncompliance. The Coronavirus Aid, Relief, and Economic Security (“ CARES ”) Act, the Consolidated Appropriations Act of 2021, the American Rescue Plan Act of 2021 (“ ARP ”) and subsequent guidance from the Department of Education create several changes with regard to the administration of federal financial assistance programs. All of these changes include several ambiguities that make compliance difficult. In case of noncompliance, the Universities may face administrative sanctions, including penalties, Title IV program participation restrictions, debarment, and liabilities under applicable law, such as the False Claims Act, any of which could have a material adverse effect on our business. On January 30, 2023, the Biden Administration announced it will end the public health emergency (and national emergency) declarations on May 11, 2023. We are unable to predict whether Congress or the Department of Education plan to implement further changes related to federal financial assistance programs as a result of the COVID- 19 pandemic.~~