GRAND CANYON EDUCATION

RESPONSE TO RECENT REPORT BY CITRON RESEARCH

January 29, 2020

On July 1, 2018, Grand Canyon Education, Inc. (the "Company") sold Grand Canyon University ("GCU") to an Arizona nonprofit corporation (the "Transaction"). The details of the Transaction are well known and have been publicly detailed in numerous securities filings.[1]

By letter dated November 6, 2019 (the "Decision Letter"), the Department of Education (the "Department") approved the Transaction and awarded GCU a provisional program participation agreement ("PPPA") that permits the University to participate in Title IV programs through September 30, 2022. In that letter, however, the Department also took the position that GCU did not satisfy the Department's definition of a nonprofit institution and, as a result, will continue to be treated as a proprietary institution for purposes of its participation in Title IV programs. The Company previously disclosed the conclusions reached in the Decision Letter.[2] On November 12, 2019, GCU published a detailed and comprehensive response to the Decision Letter (the "GCU Response").[3] The GCU Response detailed numerous factual inaccuracies, misapplications of law and other errors in the Department's analysis. To the Company's knowledge, the Department's conclusion regarding GCU's nonprofit status for Title IV purposes remains subject to review and challenge.

Yesterday, Citron Research, a self-described "activist short seller" that purports to provide independent "research" that tends to portray publicly traded stocks as overvalued, released a report (the "Citron Report") calling into question various aspects of the Transaction, including the ongoing financial terms of the Master Services Agreement and the Credit Agreement to which the Company and GCU are parties.

The Company has no intention of engaging in a point by point rebuttal of the inaccurate and misleading Citron Report. There are, however, a few points that bear emphasizing:

- *The Department of Education approved the Transaction*. Citron makes much of the Department's decision to continue to treat GCU as a proprietary institution for Title IV purposes, a status that GCU has operated under since 2004. Citron fails to mention, however, that the Department *approved the Transaction* and granted GCU a PPPA that permits it to participate in Title IV programs through September 30, 2022. Further, this approval was granted without restriction, including any letter of credit requirements, evidencing GCU's financial strength.

[1] See the Company's Current Reports on Form 8-K, filed January 5, 2018 and July 2, 2018, and related filings.
[2] See the Company's Current Report on Form 8-K, filed November 7, 2019.
[3] See https://news.gcu.edu/2019/11/gcu-statement-regarding-dept-of-education-decision/.

- *GCU is an independent entity with an independent board subject to fiduciary duties*. GCU is a separate nonprofit corporation with a board of trustees that is entirely independent from the Company. In connection with its consideration and negotiation of the Transaction, GCU's board engaged a Big Four accounting firm to provide a transfer pricing analysis. It also engaged: an independent tax advisor (another Big Four accounting firm) and an independent legal advisor to guide GCU and its board through the 501(c)(3) application process, as well as an independent financial advisor, an independent tax advisor, two other independent law firms, independent real estate advisors, independent appraisers and others to guide GCU and its board through the negotiation and evaluation of the Transaction and into its life as an independent nonprofit institution. The terms of the Transaction, including the agreements that are the focus of the Citron Report, reflect market terms that resulted from arm's length negotiation between GCU and the Company. As an independent nonprofit corporation, there is no equity relationship between GCU and the Company; Citron's description of GCU as a "captive subsidiary" is false.

- *GCU is financially successful*. The Citron Report makes various speculative claims regarding GCU's financial health. In fact, GCU's audited financial statements for its fiscal year ended June 30, 2019, its first full year operating as an independent institution, have been publicly available on the website of the Federal Audit Clearinghouse for over two months.[4] These financials show among other things, that GCU increased its net assets by $387.6 million in a single year. In reality, if GCU were a "captive subsidiary" of the Company (as suggested by Citron) and its financial results were consolidated with the Company's (as they were before the Transaction), the Company's consolidated results would be even stronger than they are.

- *Citron apparently does not understand the services arrangement; other statements in the Citron Report are simply false*. The examples are many, but here are three:

    - The Citron Report asserts that the Company should only be entitled to share in GCU's online tuition and fee revenue and not in other sources of revenue. This assertion ignores that (i) in addition to servicing GCU's online operations, the Company also provides services that support GCU's 20,000+ ground campus students, and (ii) the Company provides categories of services, supporting both ground and online students, that no other education services company provides, including transcript evaluation, financial aid processing, accounting services, and human resources services, among others. Citron's attempts to compare the agreements between the Company and GCU with different arrangements involving other service providers, and the financial terms of those arrangements, are misleading.

    - Citron purports to have "discovered" a UCC-1 financing statement filed with the Arizona Secretary of State by TCF National Bank and, on that basis, alleges that GCU "is taking out more and more debt securitized by virtually every asset" in order to "feign a healthy financial state / ability to repay the CapEx loan to LOPE shareholders," while strongly implying that GCU took out a substantial loan to pay back a portion of the debt that GCU owes to the Company. Citron further questions the Company's statement in its third quarter 2019 earnings call that GCU repaid $60 million on the outstanding CapEx loan during the third quarter of 2019 and another $40 million in October 2019. In fact, GCU has confirmed to the Company that the TCF financing statement relates to an ordinary

[4] See https://harvester.census.gov/facdissem/Main.aspx

course and immaterial lease by GCU of *golf carts for use at the university's 18-hole golf course*. And, further, GCU's publicly available audited financial statements confirm that "[s]ubsequent to June 30, 2019, [GCU] has repaid [to the Company] $100 million of funds borrowed for capital expenditures as of October 31, 2019."[5]

- Citron states that the Company "has not organically" signed up any new clients since the Transaction. In fact, since acquiring its Orbis business in January 2019, the Company, through Orbis, has acquired five new university partners and, due to increased demand, expects to open eleven additional Orbis sites over approximately the next 12 months, including seven new sites in Fall 2020 and four more new sites in Spring 2021.

[5] See Note 5 to the audited financial statements of GCU linked above.