UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2017

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from_____to_____

Commission File Number: 001-34272

BRIDGEPOINT EDUCATION, INC.

(Exact name of registrant as specified in its charter)

Delaware	**59-3551629**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

8620 Spectrum Center Blvd.
San Diego, CA 92123
(Address, including zip code, of principal executive offices)

(858) 668-2586
(Registrant's telephone number, including area code)

None
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☒	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The total number of shares of common stock outstanding as of October 20, 2017 , was 29,176,487 .

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

BRIDGEPOINT EDUCATION, INC.
Condensed Consolidated Balance Sheets
(Unaudited)
(In thousands, except par value)

	As of September 30, 2017	As of December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 165,176	$ 307,802
Restricted cash	19,921	24,533
Investments	26,965	49,434
Accounts receivable, net	34,303	26,457
Prepaid expenses and other current assets	24,548	23,467
Total current assets	270,913	431,693
Property and equipment, net	10,894	12,218
Goodwill and intangibles, net	15,237	17,419
Other long-term assets	5,209	2,046
Total assets	$ 302,253	$ 463,376
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 69,840	$ 77,866
Deferred revenue and student deposits	61,715	74,666
Total current liabilities	131,555	152,532
Rent liability	8,125	16,508
Other long-term liabilities	12,632	13,630
Total liabilities	152,312	182,670
Commitments and contingencies (see Note 13)		
Stockholders' equity:		
Preferred stock, $0.01 par value:		
20,000 shares authorized; zero shares issued and outstanding at both September 30, 2017, and December 31, 2016	—	—
Common stock, $0.01 par value:		
300,000 shares authorized; 64,794 issued and 29,165 outstanding at September 30, 2017; 64,035 issued and 46,478 outstanding at December 31, 2016	648	641
Additional paid-in capital	200,859	195,854
Retained earnings	437,503	421,281
Accumulated other comprehensive income (loss)	—	(1)
Treasury stock, 35,629 and 17,557 shares at cost at September 30, 2017, and December 31, 2016, respectively	(489,069)	(337,069)
Total stockholders' equity	149,941	280,706
Total liabilities and stockholders' equity	$ 302,253	$ 463,376

The accompanying notes are an integral part of these condensed consolidated financial statements.

BRIDGEPOINT EDUCATION, INC.
Condensed Consolidated Statements of Income (Loss)
(Unaudited)
(In thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenue	$ 119,367	$ 136,583	$ 373,438	$ 407,555
Costs and expenses:				
Instructional costs and services	57,756	64,095	181,943	200,129
Admissions advisory and marketing	43,669	52,590	132,133	156,798
General and administrative	11,441	11,604	37,019	36,709
Legal settlement expense	—	16,752	—	32,918
Restructuring and impairment charges	8,004	365	8,004	2,766
Total costs and expenses	120,870	145,406	359,099	429,320
Operating income (loss)	(1,503)	(8,823)	14,339	(21,765)
Other income, net	381	557	1,165	1,892
Income (loss) before income taxes	(1,122)	(8,266)	15,504	(19,873)
Income tax expense (benefit)	(1,161)	1,211	(718)	(3,622)
Net income (loss)	$ 39	$ (9,477)	$ 16,222	$ (16,251)
Income (loss) per share:				
Basic	$ 0.00	$ (0.20)	$ 0.49	$ (0.35)
Diluted	$ 0.00	$ (0.20)	$ 0.47	$ (0.35)
Weighted average number of common shares outstanding used in computing income (loss) per share:				
Basic	29,123	46,315	33,333	46,180
Diluted	29,671	46,315	34,193	46,180

The accompanying notes are an integral part of these condensed consolidated financial statements.

BRIDGEPOINT EDUCATION, INC.
Condensed Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)
(In thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income (loss)	$ 39	$ (9,477)	$ 16,222	$ (16,251)
Other comprehensive income, net of tax:				
Unrealized gains (losses) on investments	—	(46)	1	148
Comprehensive income (loss)	$ 39	$ (9,523)	$ 16,223	$ (16,103)

The accompanying notes are an integral part of these condensed consolidated financial statements.

BRIDGEPOINT EDUCATION, INC.
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)
(In thousands)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Total
	Shares	Par Value					
Balance at December 31, 2015	63,407	$ 634	$ 188,863	$ 451,321	$ (99)	$ (337,069)	$ 303,650
Stock-based compensation	—	—	5,679	—	—	—	5,679
Exercise of stock options	185	2	140	—	—	—	142
Stock issued under employee stock purchase plan	16	1	111	—	—	—	112
Stock issued under stock incentive plan, net of shares held for taxes	275	2	(1,843)	—	—	—	(1,841)
Net loss	—	—	—	(16,251)	—	—	(16,251)
Unrealized gains on investments, net of tax	—	—	—	—	148	—	148
Balance at September 30, 2016	63,883	$ 639	$ 192,950	$ 435,070	$ 49	$ (337,069)	$ 291,639

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Total
	Shares	Par Value					
Balance at December 31, 2016	64,035	$ 641	$ 195,854	$ 421,281	$ (1)	$ (337,069)	$ 280,706
Stock-based compensation	—	—	2,834	—	—	—	2,834
Exercise of stock options	479	4	3,795	—	—	—	3,799
Stock issued under employee stock purchase plan	15	—	141	—	—	—	141
Stock issued under stock incentive plan, net of shares held for taxes	265	3	(1,765)	—	—	—	(1,762)
Stock repurchase	—	—	—	—	—	(152,000)	(152,000)
Net income	—	—	—	16,222	—	—	16,222
Unrealized gains on investments, net of tax	—	—	—	—	1	—	1
Balance at September 30, 2017	64,794	$ 648	$ 200,859	$ 437,503	$ —	$ (489,069)	$ 149,941

The accompanying notes are an integral part of these condensed consolidated financial statements.

BRIDGEPOINT EDUCATION, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(In thousands)

	Nine Months Ended September 30,	
	2017	2016
Cash flows from operating activities:		
Net income (loss)	$ 16,222	$ (16,251)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Provision for bad debts	24,440	23,565
Depreciation and amortization	6,821	10,068
Amortization of premium/discount	20	38
Deferred income taxes	25	—
Stock-based compensation	2,834	5,679
Write-off or impairment of student loans receivable	—	7,542
Net gain on marketable securities	(193)	(103)
Loss on termination of leased space	5,829	—
Loss on disposal or impairment of fixed assets	66	809
Changes in operating assets and liabilities:		
Accounts receivable	(32,286)	(29,929)
Prepaid expenses and other current assets	(1,081)	(2,802)
Student loans receivable	—	876
Other long-term assets	(3,164)	2,607
Accounts payable and accrued liabilities	(13,920)	5,508
Deferred revenue and student deposits	(12,952)	(13,049)
Other liabilities	(9,405)	(7,490)
Net cash used in operating activities	(16,744)	(12,932)
Cash flows from investing activities:		
Capital expenditures	(2,876)	(1,562)
Purchases of investments	(83)	(20,237)
Capitalized costs for intangible assets	(438)	(649)
Maturities of investments	22,725	14,714
Net cash provided by (used in) investing activities	19,328	(7,734)
Cash flows from financing activities:		
Proceeds from exercise of stock options	3,799	142
Proceeds from the issuance of stock under employee stock purchase plan	141	112
Tax withholdings on issuance of stock awards	(1,762)	(1,841)
Repurchase of common stock	(152,000)	—
Net cash used in financing activities	(149,822)	(1,587)
Net decrease in cash, cash equivalents and restricted cash	(147,238)	(22,253)
Cash, cash equivalents and restricted cash at beginning of period	332,335	306,830
Cash, cash equivalents and restricted cash at end of period	$ 185,097	$ 284,577
Supplemental disclosure of non-cash transactions:		
Purchase of equipment included in accounts payable and accrued liabilities	$ 67	$ —
Issuance of common stock for vested restricted stock units	$ 4,520	$ 4,696

The accompanying notes are an integral part of these condensed consolidated financial statements.

BRIDGEPOINT EDUCATION, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited)

1. Nature of Business

Bridgepoint Education, Inc. (together with its subsidiaries, the "Company"), incorporated in 1999, is a provider of postsecondary education services. Its wholly-owned subsidiaries, Ashford University ® and University of the Rockies SM , are regionally accredited academic institutions, which deliver programs primarily online. Ashford University offers associate's, bachelor's and master's programs, and University of the Rockies offers master's and doctoral programs.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The condensed consolidated financial statements include the accounts of Bridgepoint Education, Inc. and its wholly owned subsidiaries. Intercompany transactions have been eliminated in consolidation.

Unaudited Interim Financial Information

The condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the U.S. ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, these financial statements do not include all of the information and footnotes required by GAAP for complete annual financial statements and should be read in conjunction with the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 , which was filed with the Securities and Exchange Commission (the "SEC") on March 7, 2017 . In the opinion of management, the condensed consolidated financial statements include all adjustments, consisting of normal recurring adjustments, considered necessary to present a fair statement of the Company's condensed consolidated financial position, results of operations and cash flows as of and for the periods presented.

Operating results for any interim period are not necessarily indicative of the results that may be expected for the full year. The year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP for complete annual financial statements.

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts in the condensed consolidated financial statements. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to the prior financial statements to conform to the current year presentation. During 2016, the Company adopted Accounting Standards Update ("ASU") 2016-18, *Statement of Cash Flows (Topic 230)* and reclassified certain restricted cash amounts for the period ended September 30, 2016 within the condensed consolidated statements of cash flows. These reclassifications had no effect on previously reported results of operations or retained earnings. The following table provides a reconciliation of cash and cash equivalents, and restricted cash reported within the condensed consolidated balance sheets to the amounts shown in the condensed consolidated statements of cash flows.

	As of September 30, 2017	As of December 31, 2016
Cash and cash equivalents	$ 165,176	$ 307,802
Restricted cash	19,921	24,533
Total cash, cash equivalents and restricted cash	$ 185,097	$ 332,335

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (the "FASB") issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* , which supersedes the revenue recognition requirements in Accounting Standards Codification ("ASC") Topic 605, *Revenue Recognition* . This literature is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The accounting guidance also requires additional disclosure regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 can be adopted using one of two retrospective application methods. In August 2015, the FASB issued ASU 2015-14, *Deferral of the Effective Date,* which deferred the effective date of ASU 2014-09 by one year, to fiscal years beginning after December 15, 2017. The FASB subsequently issued various updates affecting the guidance in ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* . The effective dates and transition requirements for each of the following updates are the same as those described for ASU 2014-09 noted above. The Company plans to adopt ASU 2014-09 and all its related topics in the first quarter of 2018 and currently expects to use the modified retrospective application method. During the first three quarters of 2017, the Company continued to progress in its evaluation of the impact on accounting policies and internal processes and controls the new standard may have on its revenue streams. During the current quarter, the Company neared completion of its technical accounting analysis for all contracts. Further, it commenced efforts in quantifying the impact of anticipated model changes, drafting enhanced disclosures, and designing the related changes in processes and internal controls. Under Topic 605, tuition revenues are recognized pro-rata over the applicable period of instruction, which the Company believes is consistent with the revenue recognition method required by the new standard. Also under Topic 605, the Company recognizes revenue upon the receipt of cash in situations where collectibility is not reasonably assured. This accounting treatment is not allowed under Topic 606 and will require changes to be made. Further, the Company will be required to expand its current disclosures to be in compliance with Topic 606. As the Company completes its evaluation, additional impacts may be identified. The Company has not finalized its quantification efforts, however, the transition to Topic 606 could have a material impact on the Company's condensed consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842).* Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the lease commencement date: (i) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (ii) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. The new lease guidance simplifies the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing. Public companies should apply the amendments in ASU 2016-02 for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application is permitted. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach. The Company continues to evaluate the impact the adoption of ASU 2016-02 will have on the Company's condensed consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* . The update includes multiple provisions intended to simplify various aspects of the accounting for share-based payments. The update was aimed at reducing the cost and complexity of the accounting for share-based payments. ASU 2016-09 became effective for public companies for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The Company adopted this update as of January 1, 2017. The adoption of ASU 2016-09 did not have a material impact on the Company's condensed consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* . The update simplifies the measurement of goodwill by eliminating Step 2 from the goodwill impairment test. The annual or interim goodwill impairment test is performed by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the

reporting unit's fair value. The update also eliminates the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The update should be applied on a prospective basis. For public companies, the update is effective for any annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company early adopted ASU 2017-04 as of January 1, 2017, and there was no impact on the Company's condensed consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, *Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting* . The update provides clarity and reduces diversity in practice regarding the modification of the terms and conditions of a share-based payment award. The amendments in ASU 2017-09 include guidance on determining which changes to the terms and conditions of share-based payment awards require an entity to apply modification accounting under Topic 718. The amendments are effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. The Company does not believe that the adoption of ASU 2017-09 will have a material impact on the Company's condensed consolidated financial statements.

3. Restructuring and Impairment Charges

The Company has implemented various restructuring plans to better align its resources with its business strategy and the related charges are recorded in the restructuring and impairment charges line item on the Company's condensed consolidated statements of income (loss). During each of the three and nine months ended September 30, 2017 , the Company recognized $8.0 million , respectively, as restructuring charges, whereas for the three and nine months ended September 30, 2016 these charges were $0.4 million and $2.8 million , respectively.

During the third quarter of 2017, the Company executed a strategic reorganization resulting in reductions in force. The reorganization event was part of the Company's overall reassessment of resources based upon benchmarking activities with competitors in the Company's industry. As a result, for the three and nine months ended September 30, 2017 , the Company recognized $2.2 million as restructuring charges relating to severance costs for wages and benefits. There were no such charges during the three months ended September 30, 2016 . During the nine months ended September 30, 2016 , the Company recognized $2.2 million as restructuring charges relating to severance costs for wages and benefits. The Company anticipates these costs will be paid out by the end of the fourth quarter of 2017 from existing cash on hand.

The Company had previously vacated or consolidated properties in San Diego and Denver and subsequently reassessed its obligations on non-cancelable leases. The fair value estimate of these non-cancelable leases is based on the contractual lease costs over the remaining term, partially offset by estimated future sublease rental income. The estimated rental income considers subleases the Company has executed or expects to execute, current commercial real estate market data and conditions, and comparable transaction data and qualitative factors specific to the related facilities. As of September 30, 2017 , the Company was unable to secure subleases for certain of its San Diego properties. As such, the Company concluded that the amount of expected future cash flows from sublease income associated with pre-existing restructuring liabilities have changed. As a result, the Company recorded an incremental restructuring charge. During each of the three and nine months ended September 30, 2017 , the Company recognized $5.8 million as restructuring charges relating to lease exit costs. During the three and nine months ended September 30, 2016 , the Company recorded $0.5 million and $0.7 million , respectively, as restructuring charges relating to lease exit and other costs, due to the reassessment of estimates relating to the closure of the Ashford Clinton Campus.

The Company closed Ashford University's residential campus in Clinton, Iowa during the second half of 2016. With this closure, ground-based Ashford University students were provided opportunities to continue to pursue their degrees as reflected in their respective student transfer agreements. The Company previously recorded restructuring charges relating to future cash expenditures for student transfer agreements. For the three and nine months ended September 30, 2017 , no amounts were added to the amount previously recorded.

The following table summarizes the changes in the Company's restructuring and impairment liability by type during the nine months ended September 30, 2017 (in thousands):

	Student Transfer Agreement Costs	Severance Costs	Lease Exit and Other Costs	Total
Balance at December 31, 2016	$ 1,592	$ 567	$ 18,457	$ 20,616
Restructuring and impairment charges	—	2,175	5,829	8,004
Payments	(867)	(1,457)	(9,856)	(12,180)
Balance at September 30, 2017	$ 725	$ 1,285	$ 14,430	$ 16,440

The restructuring liability amounts are recorded within either the (i) accounts payable and accrued liabilities account, (ii) rent liability account or (iii) other long-term liabilities account on the condensed consolidated balance sheets.

4. Investments

The following tables summarize the fair value information for investments as of September 30, 2017 and December 31, 2016 , respectively (in thousands):

	As of September 30, 2017			
	Level 1	Level 2	Level 3	Total
Mutual funds	$ 1,965	$ —	$ —	$ 1,965
Certificates of deposit	—	25,000	—	25,000
Total	$ 1,965	$ 25,000	$ —	$ 26,965

	As of December 31, 2016			
	Level 1	Level 2	Level 3	Total
Mutual funds	$ 1,688	$ —	$ —	$ 1,688
Corporate notes and bonds	—	22,746	—	22,746
Certificates of deposit	—	25,000	—	25,000
Total	$ 1,688	$ 47,746	$ —	$ 49,434

The tables above include mutual funds, which are considered Level 1 investments and consist of investments relating to the Company’s deferred compensation plan. The tables above also include amounts related to investments classified as other investments, such as certificates of deposit, which are carried at amortized cost. The amortized cost of such other investments approximated fair value at each balance sheet date. The assumptions used in these fair value estimates are considered other observable inputs and therefore these investments are categorized as Level 2 investments under the accounting guidance. The Company’s Level 2 investments are valued using readily available pricing sources that utilize market observable inputs, including the current interest rate for similar types of instruments. There were no transfers between level categories for our investments during the periods presented. The Company also holds money market securities, which are recorded in the cash and cash equivalents line item on the Company’s condensed consolidated balance sheets that are classified as Level 1 securities.

The following tables summarize if there are any differences between amortized cost and fair value of investments as of September 30, 2017 and December 31, 2016 , respectively (in thousands):

	September 30, 2017				
			Gross unrealized		
	Maturities	Amortized Cost	Gain	Loss	Fair Value
Short-term					
Certificates of deposit	1 year or less	$ 25,000	$ —	$ —	$ 25,000
Total		$ 25,000	$ —	$ —	$ 25,000

The above table does not include the $2.0 million of mutual funds as of September 30, 2017 , which are recorded as trading securities.

	December 31, 2016				
			Gross unrealized		
	Maturities	Amortized Cost	Gain	Loss	Fair Value
Short-term					
Corporate notes and bonds	1 year or less	$ 22,747	$ 2	$ (3)	$ 22,746
Certificates of deposit	1 year or less	25,000	—	—	25,000
Total		$ 47,747	$ 2	$ (3)	$ 47,746

The above table does not include the $1.7 million of mutual funds as of December 31, 2016 , which are recorded as trading securities.

The Company records changes in unrealized gains and losses on its investments during the period in the accumulated other comprehensive income (loss) line item on the Company's condensed consolidated balance sheets. There were no net unrealized gains for the three months ended September 30, 2017 . For the three months ended September 30, 2016 , the Company recorded net unrealized losses of $46,000 in accumulated other comprehensive income (loss). For the nine months ended September 30, 2017 and 2016 , the Company recorded net unrealized gains of $1,000 and $148,000 , respectively, in accumulated other comprehensive income (loss).

There were no reclassifications out of accumulated other comprehensive income (loss) during either the nine months ended September 30, 2017 and 2016 .

5. Accounts Receivable, Net

Accounts receivable, net, consists of the following (in thousands):

	As of September 30, 2017	As of December 31, 2016
Accounts receivable	$ 52,356	$ 42,611
Less allowance for doubtful accounts	(18,053)	(16,154)
Accounts receivable, net	$ 34,303	$ 26,457

As of September 30, 2017 and December 31, 2016 , there was an immaterial amount of accounts receivable with a payment due date of greater than one year.

The following table presents the changes in the allowance for doubtful accounts for accounts receivable for the periods indicated (in thousands):

	Beginning Balance	Charged to Expense	Deductions(1)	Ending Balance
Allowance for doubtful accounts receivable:				
For the nine months ended September 30, 2017	$ (16,154)	$ 24,440	$ (22,541)	$ (18,053)
For the nine months ended September 30, 2016	$ (10,114)	$ 23,406	$ (19,395)	$ (14,125)

(1) Deductions represent accounts written off, net of recoveries.

6. Other Significant Balance Sheet Accounts

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consists of the following (in thousands):

	As of September 30, 2017	As of December 31, 2016
Prepaid expenses	$ 6,225	$ 7,160
Prepaid licenses	5,764	5,183
Income tax receivable	8,448	7,432
Prepaid insurance	1,420	1,291
Insurance recoverable	1,159	1,027
Other current assets	1,532	1,374
Total prepaid expenses and other current assets	$ 24,548	$ 23,467

Property and Equipment, Net

Property and equipment, net, consists of the following (in thousands):

	As of September 30, 2017	As of December 31, 2016
Furniture and office equipment	$ 42,977	$ 41,528
Software	12,049	11,979
Leasehold improvements	5,238	4,332
Vehicles	22	22
Total property and equipment	60,286	57,861
Less accumulated depreciation	(49,392)	(45,643)
Total property and equipment, net	$ 10,894	$ 12,218

For the three months ended September 30, 2017 and 2016 , depreciation expense was $1.3 million and $2.0 million , respectively. For the nine months ended September 30, 2017 and 2016 , depreciation expense was $4.2 million and $6.5 million , respectively.

Goodwill and Intangibles, Net

Goodwill and intangibles, net, consists of the following (in thousands):

	September 30, 2017		
Definite-lived intangible assets:	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Capitalized curriculum costs	$ 21,348	$ (18,849)	$ 2,499
Purchased intangible assets	15,850	(5,679)	10,171
Total definite-lived intangible assets	$ 37,198	$ (24,528)	$ 12,670
Goodwill and indefinite-lived intangibles			2,567
Total goodwill and intangibles, net			$ 15,237

	December 31, 2016		
Definite-lived intangible assets:	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Capitalized curriculum costs	$ 21,153	$ (17,397)	$ 3,756
Purchased intangible assets	15,850	(4,754)	11,096
Total definite-lived intangible assets	$ 37,003	$ (22,151)	$ 14,852
Goodwill and indefinite-lived intangibles			2,567
Total goodwill and intangibles, net			$ 17,419

For the three months ended September 30, 2017 and 2016 , amortization expense was $0.8 million and $1.1 million , respectively. For the nine months ended September 30, 2017 and September 30, 2016 , amortization expense was $2.6 million and $3.6 million , respectively.

The following table summarizes the estimated remaining amortization expense as of each fiscal year ended below (in thousands):

Year Ended December 31,	
Remainder of 2017	$ 758
2018	2,481
2019	1,758
2020	1,461
2021	1,277
Thereafter	4,935
Total future amortization expense	$ 12,670

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consists of the following (in thousands):

	As of September 30, 2017	As of December 31, 2016
Accounts payable	$ 1,496	$ 4,519
Accrued salaries and wages	6,738	8,967
Accrued bonus	6,507	5,087
Accrued vacation	9,546	9,313
Accrued litigation and fees	8,041	13,946
Accrued expenses	17,737	15,793
Rent liability	16,766	17,232
Accrued insurance liability	3,009	3,009
Total accounts payable and accrued liabilities	$ 69,840	$ 77,866

Deferred Revenue and Student Deposits

Deferred revenue and student deposits consists of the following (in thousands):

	As of September 30, 2017	As of December 31, 2016
Deferred revenue	$ 22,143	$ 21,733
Student deposits	39,572	52,933
Total deferred revenue and student deposits	$ 61,715	$ 74,666

Other Long-Term Liabilities

Other long-term liabilities consists of the following (in thousands):

	As of September 30, 2017	As of December 31, 2016
Uncertain tax positions	$ 8,290	$ 8,216
Student transfer agreement costs	81	630
Other long-term liabilities	4,261	4,784
Total other long-term liabilities	$ 12,632	$ 13,630

7 . Credit Facilities

The Company has issued letters of credit that are collateralized with cash in the aggregate amount of $8.3 million , which is included in restricted cash as of September 30, 2017 .

As part of its normal business operations, the Company is required to provide surety bonds in certain states in which the Company does business. The Company has entered into a surety bond facility with an insurance company to provide such bonds when required. As of September 30, 2017 , the Company's total available surety bond facility was $3.5 million and the surety had issued bonds totaling $3.3 million on the Company's behalf under such facility.

8. Lease Obligations

Operating Leases

The Company leases certain office facilities and office equipment under non-cancelable lease arrangements that expire at various dates through 2023. The office leases contain certain renewal options. Rent expense under non-cancelable operating lease arrangements is accounted for on a straight-line basis and totaled $11.3 million and $17.4 million for the nine months ended September 30, 2017 and 2016 , respectively. Rent expense in certain periods also includes the restructuring and impairment charges recorded and therefore, may differ significantly from cash payments. For additional information, refer to Note 3, "Restructuring and Impairment Charges."

The following table summarizes the future minimum rental payments under non-cancelable operating lease arrangements in effect at September 30, 2017 (in thousands):

Year Ended December 31,	
Remainder of 2017	$ 9,080
2018	31,400
2019	20,833
2020	9,504
2021	5,112
Thereafter	1,949
Total minimum payments	$ 77,878

9. Income (Loss) Per Share

Basic income (loss) per share is calculated by dividing net income (loss) available to common stockholders for the period by the weighted average number of common shares outstanding for the period.

Diluted income (loss) per share is calculated by dividing net income (loss) available to common stockholders for the period by the sum of (i) the weighted average number of common shares outstanding for the period, plus (ii) potentially dilutive securities outstanding during the period, if the effect is dilutive. Potentially dilutive securities for the periods presented include stock options, unvested restricted stock units ("RSUs") and unvested performance stock units ("PSUs").

The following table sets forth the computation of basic and diluted income (loss) per share for the periods indicated (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Numerator:				
Net income (loss)	$ 39	$ (9,477)	$ 16,222	$ (16,251)
Denominator:				
Weighted average number of common shares outstanding	29,123	46,315	33,333	46,180
Effect of dilutive options and stock units	548	—	860	—
Diluted weighted average number of common shares outstanding	29,671	46,315	34,193	46,180
Income (loss) per share:				
Basic	$ 0.00	$ (0.20)	$ 0.49	$ (0.35)
Diluted	$ 0.00	$ (0.20)	$ 0.47	$ (0.35)

During periods in which the Company reports a net loss, basic and diluted loss per share are the same. The following table sets forth the number of stock options, RSUs and PSUs, excluded from the computation of diluted income (loss) per share for the periods indicated below because their effect was anti-dilutive (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Stock options	2,625	4,258	1,858	4,468
RSUs and PSUs	19	588	9	991

During the nine months ended September 30, 2017 , the Company repurchased approximately 18.1 million shares of the Company's common stock for an aggregate purchase price of approximately $150.0 million .

10. Stock-Based Compensation

The Company recorded $1.1 million and $1.4 million of stock-based compensation expense for the three months ended September 30, 2017 and 2016 , respectively, and $2.8 million and $5.7 million of stock-based compensation expense for the nine months ended September 30, 2017 and 2016 , respectively.

The related income tax benefit was $0.4 million and $0.5 million for the three months ended September 30, 2017 and 2016 , respectively, and $1.1 million and $2.1 million for the nine months ended September 30, 2017 and 2016 , respectively.

During the nine months ended September 30, 2017 , the Company granted 0.5 million RSUs at a grant date fair value of $10.48 and 0.4 million RSUs vested. During the nine months ended September 30, 2016 , the Company granted 0.5 million RSUs at a grant date fair value of $10.18 and 0.5 million RSUs vested.

During the nine months ended September 30, 2017 and 2016 , the Company did not grant any performance-based or market-based PSUs and no performance-based or market-based PSUs vested.

During the nine months ended September 30, 2017 , the Company granted 0.3 million stock options at a grant date fair value of $4.76 and 0.5 million stock options were exercised. During the nine months ended September 30, 2016 , the Company granted 0.4 million stock options at a grant date fair value of $3.28 and 0.2 million stock options were exercised.

As of September 30, 2017 , there was unrecognized compensation cost of $6.8 million related to unvested stock options, RSUs and PSUs.

11. Income Taxes

The Company uses the asset-liability method to account for taxes. Under this method, deferred income tax assets and liabilities result from temporary differences between the tax basis of assets and liabilities and their reported amounts in the condensed consolidated financial statements that will result in income and deductions in future years.

The Company recognizes deferred tax assets if realization of such assets is more-likely-than-not. In order to make this determination, the Company evaluates a number of factors including the ability to generate future taxable income from reversing taxable temporary differences, forecasts of financial and taxable income or loss, and the ability to carryback certain operating losses to refund taxes paid in prior years. The cumulative loss incurred over the three-year period ended September 30, 2017 constituted significant negative objective evidence against the Company's ability to realize a benefit from its federal deferred tax assets. Such objective evidence limited the ability of the Company to consider in its evaluation certain subjective evidence such as the Company's projections for future growth. On the basis of its evaluation, the Company determined that its deferred tax assets were not more-likely-than-not to be realized and that a valuation allowance against its deferred tax assets should continue to be maintained as of September 30, 2017 .

The Company determines the interim income tax provision by applying the estimated effective income tax rate expected to be applicable for the full fiscal year to income before income taxes for the period. In determining the full year estimate, the

Company does not include the estimated impact of unusual and/or infrequent items, which may cause significant variations in the customary relationship between income tax expense and income before income taxes.

The Company's current effective income tax rate that has been applied to normal, recurring operations for the nine months ended September 30, 2017 was 1.8% . The Company's actual effective income tax rate was (4.6)% for the nine months ended September 30, 2017 , which includes a discrete tax benefit associated with return to provision adjustments related prior years as well as a discrete tax expense associated with unrecognized tax benefit for the nine months ended September 30, 2017 .

At September 30, 2017 , the Company had $18.8 million of gross unrecognized tax benefits, of which $12.3 million , would impact the effective income tax rate if recognized. At December 31, 2016 , the Company had $20.2 million of gross unrecognized tax benefits, of which $13.2 million , would impact the effective income tax rate if recognized. It is reasonably possible that the total amount of the unrecognized tax benefit could change during the next 12 months. Although the Company cannot predict the timing of resolution with taxing authorities, if any, the Company believes it is reasonably possible that the total of the unrecognized tax benefits could change in the next twelve months due to settlement with tax authorities or expiration of the applicable statute of limitations. These unrecognized tax benefits primarily relate to apportionment of on-line service revenues for corporate income tax purposes. Although the Company believes the tax accruals provided are reasonable, the final determination of tax returns under review or returns that may be reviewed in the future and any related litigation could result in tax liabilities that materially differ from our historical income tax provisions and accruals.

The Company is currently under Internal Revenue Service audit examinations of the Company's income and payroll tax returns for the years 2013 through 2015.

The Company's income tax returns are being audited by the California Franchise Tax Board for the years 2008 through 2015. The Company was notified by the Franchise Tax Board in March 2017 that they are continuing to challenge the Company's filing position. The Company continues to work toward resolution, and based on all available information the Company has accrued for any uncertain tax positions that may be addressed in the audit.

The Company's income tax returns are being audited by the Oregon Department of Revenue for the years 2012 through 2014. In January 2017, the Oregon Department of Revenue issued Notices of Deficiencies, which were appealed by the Company.

12. Regulatory

The Company is subject to extensive regulation by federal and state governmental agencies and accrediting bodies. In particular, the Higher Education Act of 1965, as amended (the "Higher Education Act"), and the regulations promulgated thereunder by the U.S. Department of Education (the "Department") subject the Company to significant regulatory scrutiny on the basis of numerous standards that institutions of higher education must satisfy in order to participate in the various federal student financial aid programs under Title IV of the Higher Education Act.

Ashford University is regionally accredited by WASC Senior College and University Commission ("WSCUC") and University of the Rockies is regionally accredited by the Higher Learning Commission ("HLC").

Department of Education Open Program Review of Ashford University

On July 7, 2016, Ashford University was notified by the Department that an off-site program review had been scheduled to assess Ashford's administration of the Title IV programs in which it participates. The program review commenced on July 25, 2016 and covered students identified in the 2009-2012 calendar year data previously provided by Ashford University to the Department in response to a request for information received from the Multi-Regional and Foreign School Participation Division of the Department's Office of Federal Student Aid (the "FSA") on December 10, 2015, but may be expanded if appropriate.

On December 9, 2016, the Department informed Ashford that it intended to continue the program review on-site at Ashford. The on-site program review commenced on January 23, 2017 and initially covers the 2015-2016 and 2016-2017 award years, but may be expanded if appropriate.

Program Participation Agreement for Ashford University

On October 20, 2017, Ashford University received an updated Program Participation Agreement from the U.S. Department of Education ("Department"). Based on the updated Program Participation Agreement, Ashford University is provisionally certified to participate in Federal Student Financial Aid Programs until December 31, 2018. Ashford University was previously eligible to participate on a month-to-month basis while its reapplication for certification was pending with the Department. As a result of the updated Program Participation Agreement, Ashford University's pending educational programs have been approved and Ashford University is required to submit its reapplication for continued certification by September 30, 2018.

WSCUC Accreditation of Ashford University

In July 2013, WSCUC granted Initial Accreditation to Ashford University for five years, until July 15, 2018. In December 2013, Ashford effected its transition to WSCUC accreditation and designated its San Diego, California facilities as its main campus and its Clinton, Iowa campus as an additional location. As part of a continuing monitoring process, Ashford hosted a visiting team from WSCUC in a special visit in April 2015. In July 2015, Ashford received an Action Letter from WSCUC outlining the findings arising out of its visiting team's special visit. The Action Letter stated that the WSCUC visiting team found evidence that Ashford continues to make progress in all six areas recommended by WSCUC in 2013. As part of its institutional review process, WSCUC will conduct a comprehensive review of Ashford scheduled to commence with an off-site review in spring 2018, followed by an on-site review in fall 2018.

Substantial Misrepresentation

The Higher Education Act prohibits an institution participating in Title IV programs from engaging in substantial misrepresentation regarding the nature of its educational programs, its financial charges or the employability of its graduates. Under the Department's rules, a "misrepresentation" is any false, erroneous or misleading statement an institution, one of its representatives or any ineligible institution, organization or person with whom the institution has an agreement to provide educational programs or marketing, advertising, recruiting, or admissions services makes directly or indirectly to a student, prospective student or any member of the public, or to an accrediting agency, a state agency or the Department. The Department's rules define a "substantial misrepresentation" as any misrepresentation on which the person to whom it was made could reasonably be expected to rely, or has reasonably relied, to that person's detriment. For-profit educational institutions are also subject to the general deceptive practices jurisdiction of the Federal Trade Commission and the Consumer Financial Protection Bureau (the "CFPB").

On December 10, 2015, Ashford University received a request for information from the Multi-Regional and Foreign School Participation Division of the FSA for (i) advertising and marketing materials provided to prospective students regarding the transferability of certain credits, (ii) documents produced in response to the August 10, 2015 Civil Investigative Demand from the CFPB related to the CFPB's investigation to determine whether for-profit postsecondary education companies or other unnamed persons have engaged in or are engaging in unlawful acts or practices related to the advertising, marketing or origination of private student loans, (iii) certain documents produced in response to subpoenas and interrogatories issued by the Attorney General of the State of California (the "CA Attorney General") and (iv) records created between 2009 and 2012 related to the disbursement of certain Title IV funds. The FSA is reviewing representations made by Ashford University to potential and enrolled students, and has asked the Company and Ashford to assist in its assessment of Ashford's compliance with the prohibition on substantial misrepresentations. The Company and Ashford University are cooperating fully with the FSA with a view toward demonstrating the compliant nature of their practices.

As discussed above, the Department is currently conducting a program review to assess Ashford University's administration of the Title IV programs in which it participates, which covers in part students identified in the 2009-2012 calendar year data provided by Ashford to the Department in response to the FSA's December 10, 2015 request for information.

If the Department determines that one of the Company's institutions has engaged in substantial misrepresentation, the Department may (i) revoke the institution's program participation agreement, if the institution is provisionally certified, (ii) impose limitations on the institution's participation in Title IV programs, if the institution is provisionally certified, (iii) deny participation applications made on behalf of the institution or (iv) initiate proceedings to fine the institution or to limit, suspend

or terminate the participation of the institution in Title IV programs. Because Ashford University is provisionally certified, if the Department determined that Ashford has engaged in substantial misrepresentation, the Department may take the actions set forth in clauses (i) and (ii) above in addition to any other actions taken by the Department.

GI Bill Benefits

On May 20, 2016, the Company received a letter from the Iowa Department of Education (the "Iowa DOE") indicating that, as a result of the planned closure of Ashford University's residential campus in Clinton, Iowa, the Iowa State Approving Agency (the "ISAA") would no longer continue to approve Ashford's programs for GI Bill benefits after June 30, 2016, and recommending Ashford seek approval through the State Approving Agency of jurisdiction for any location that meets the definition of a "main campus" or "branch campus". Ashford University began the process of applying for approval through the State Approving Agency in California ("CSAAVE"), and the Company subsequently disclosed that on June 20, 2016 it received a second letter from the Iowa DOE indicating that the Iowa DOE had issued a stay of the ISAA's withdrawal of approval of Ashford's programs for GI Bill benefits effective immediately until the earlier of (i) 90 days from June 20, 2016 or (ii) the date on which CSAAVE completed its review and issued a decision regarding the approval of Ashford in California. Ashford received communication from CSAAVE indicating that additional information and documentation would be required before Ashford's application could be considered for CSAAVE approval. Ashford subsequently withdrew the CSAAVE application and continued working with the U.S. Department of Veterans Affairs ("VA"), the Iowa DOE and the ISAA to obtain continued approval of Ashford's programs for GI Bill benefits and to prevent any disruption of educational benefits to Ashford's veteran students.

On September 15, 2016, in response to a Petition for Declaratory and Injunctive Relief (the "Petition") filed by Ashford University, the Iowa District Court for Polk County entered a written order (the "Order") staying the Iowa DOE's announced intention to withdraw the approval of Ashford as a GI Bill eligible institution until the entry of a final and appealable order and judgment in the action. On June 23, 2017, the Iowa District Court held a hearing on Ashford's Petition and on July 17, 2017, the Court ruled in favor of the Iowa DOE and denied the petition. Ashford filed a motion for reconsideration of this ruling, which was denied on August 17, 2017. On August 23, 2017, Ashford filed a Petition to Vacate or Modify the Iowa District Court's July 17, 2017 ruling, based on material evidence, newly discovered, which could not with reasonable diligence have been previously discovered by Ashford (the "Petition to Vacate"). The Petition to Vacate is pending. On September 18, 2017, Ashford posted an appeal bond, which stays this matter pending resolution of Ashford's appeal, and as a result, Ashford's approval was not withdrawn, and Ashford's programs remain approved for GI Bill purposes. The Assistant Attorney General handling this matter on behalf of the Iowa DOE also advised Ashford that the Iowa DOE would take no action pending the post-ruling motions and appeal. On October 12, 2017, the Iowa District Court judge that issued the July 17, 2017 ruling filed a Disclosure Statement revealing family ties to the Iowa Attorney General's Office, and following a motion by Ashford for recusal, the judge recused herself from further proceedings concerning the Petition to Vacate on October 20, 2017. On October 24, 2017, Ashford moved to vacate the July 17, 2017 ruling and all other material orders entered by the judge, or in the alternative, for a limited remand of this matter. This motion is pending. On July 6, 2017, Ashford University received approval from the Arizona State Approving Agency to provide GI Bill benefits to its students. On September 13, 2017, the VA accepted the Arizona State Approving Agency's approval, subject to Ashford's continued compliance with the approval requirements, which was the final step needed for Ashford University to continue to certify eligible students for GI Bill benefits.

13 . Commitments and Contingencies

Litigation

From time to time, the Company is a party to various lawsuits, claims and other legal proceedings that arise in the ordinary course of business. When the Company becomes aware of a claim or potential claim, it assesses the likelihood of any loss or exposure. In accordance with GAAP, the Company records loss contingencies in its financial statements only for matters in which losses are probable and can be reasonably estimated. Where a range of loss can be reasonably estimated, the best estimate within that range should be accrued. If no estimate is better than another, the Company records the minimum estimated liability in the range. If the loss is not probable or the amount of the loss cannot be reasonably estimated, the Company discloses the nature of the specific claim if the likelihood of a potential loss is reasonably possible and the amount involved could be material. The Company continuously assesses the potential liability related to the Company's pending litigation and revises its estimates when additional information becomes available. Below is a list of material legal proceedings to which the Company or its subsidiaries is a party.

Compliance Audit by the Department's Office of the Inspector General

In January 2011, Ashford University received a final audit report from the Department's Office of Inspector General (the "OIG") regarding the compliance audit commenced in May 2008 and covering the period July 1, 2006 through June 30, 2007. The audit covered Ashford University's administration of Title IV program funds, including compliance with regulations governing institutional and student eligibility, awards and disbursements of Title IV program funds, verification of awards and returns of unearned funds during that period, and compensation of financial aid and recruiting personnel during the period May 10, 2005 through June 30, 2009.

The final audit report contained audit findings, in each case for the period July 1, 2006 through June 30, 2007, which are applicable to award year 2006-2007. Each finding was accompanied by one or more recommendations to the FSA. Ashford University provided the FSA a detailed response to the OIG's final audit report in February 2011. In June 2011, in connection with two of the six findings, the FSA requested that Ashford University conduct a file review of the return to Title IV fund calculations for all Title IV recipients who withdrew from distance education programs during the 2006-2007 award year. The institution cooperated with the request and supplied the information within the time frame required.

Ashford University received a final audit determination on February 22, 2017 from the Department that was dated February 14, 2017. The determination maintained that Ashford University owed the Department $0.3 million as a result of incorrect refund calculations and refunds that were not made or were made late, and that Ashford ensure it properly enforces its policies and is in compliance with regulations related to disbursement of Title IV funds. The Department closed or required no further action on all other prior OIG findings. Ashford University made the required payment to the Department during the first quarter of 2017 and the matter is now concluded.

New York Attorney General Investigation of Bridgepoint Education, Inc.

In May 2011, the Company received from the Attorney General of the State of New York (the "NY Attorney General") a subpoena relating to the NY Attorney General's investigation of whether the Company and its academic institutions have complied with certain New York state consumer protection, securities and finance laws. Pursuant to the subpoena, the NY Attorney General requested from the Company and its academic institutions documents and detailed information for the time period March 17, 2005 to present. The Company cooperated with this request and cannot predict the eventual scope, duration or outcome of the investigation at this time.

North Carolina Attorney General Investigation of Ashford University

In September 2011, Ashford University received from the Attorney General of the State of North Carolina (the "NC Attorney General") an Investigative Demand relating to the NC Attorney General's investigation of whether the university's business practices complied with North Carolina consumer protection laws. Pursuant to the Investigative Demand, the NC Attorney General requested from Ashford University documents and detailed information for the time period January 1, 2008 to present. Ashford University cooperated with this request and cannot predict the eventual scope, duration or outcome of the investigation at this time.

California Attorney General Investigation of For-Profit Educational Institutions

In January 2013, the Company received from the Attorney General of the State of California (the "CA Attorney General") an Investigative Subpoena relating to the CA Attorney General's investigation of for-profit educational institutions. Pursuant to the Investigative Subpoena, the CA Attorney General requested documents and detailed information for the time period March 1, 2009 to present. On July 24, 2013, the CA Attorney General filed a petition to enforce certain categories of the Investigative Subpoena related to recorded calls and electronic marketing data. On September 25, 2013, the Company reached an agreement with the CA Attorney General to produce certain categories of the documents requested in the petition and stipulated to continue the hearing on the petition to enforce from October 3, 2013 to January 9, 2014. On January 13, 2014 and June 19, 2014, the Company received additional Investigative Subpoenas from the CA Attorney General each requesting additional documents and information for the time period March 1, 2009 through the current date.

Representatives from the Company met with representatives from the CA Attorney General's office on several occasions to discuss the status of the investigation, additional information requests, and specific concerns related to possible unfair business practices in connection with the Company's recruitment of students and debt collection practices. The parties continue to discuss a potential resolution involving injunctive relief, other non-monetary remedies and a payment to the CA Attorney General. The Company currently estimates that a reasonable range of loss for this matter is between $8.0 million and $20.0 million . The Company has accrued an expense of $8.0 million related to the cost of resolution of this matter.

Massachusetts Attorney General Investigation of Bridgepoint Education, Inc. and Ashford University

On July 21, 2014, the Company and Ashford University received from the Attorney General of the State of Massachusetts (the "MA Attorney General") a Civil Investigative Demand (the "MA CID") relating to the MA Attorney General's investigation of for-profit educational institutions and whether the university's business practices complied with Massachusetts consumer protection laws. Pursuant to the MA CID, the MA Attorney General has requested from the Company and Ashford University documents and information for the time period January 1, 2006 to present. The Company is cooperating with the investigation and cannot predict the eventual scope, duration or outcome of the investigation at this time.

Consumer Financial Protection Bureau Subpoena of Bridgepoint Education, Inc. and Ashford University

On August 10, 2015, the Company and Ashford University received from the CFPB Civil Investigative Demands related to the CFPB's investigation to determine whether for-profit postsecondary education companies or other unnamed persons have engaged in or are engaging in unlawful acts or practices related to the advertising, marketing or origination of private student loans. The Company and Ashford University provided documents and other information to the CFPB and the CFPB attended several meetings with representatives from the Company and the CA Attorney General's office to discuss the status of both investigations, additional information requests, and specific concerns related to possible unfair business practices in connection with the Company's recruitment of students and debt collection practices.

All of the parties met again in the spring of 2016 to discuss the status of the investigations and explore a potential joint resolution involving injunctive relief, other non-monetary remedies and a payment to the CA Attorney General and the CFPB. On September 7, 2016, the Company consented to the issuance of a Consent Order (the "Consent Order") by the CFPB in full resolution of the CFPB's allegations stemming from the Civil Investigative Demands. The Consent Order includes payment by the Company of $8.0 million in penalties to the CFPB and approximately $5.0 million to be used for restitution to students who incurred debt from student loans made by the Company's institutions, and forgiveness by the Company of approximately $18.6 million of outstanding institutional loan debt. The Consent Order also outlines certain compliance actions the Company must undertake, including that the Company must require certain students to utilize the CFPB's Electronic Financial Impact Platform before enrolling in one of the Company's institutions, the Company must implement a compliance plan designed to ensure its institutional loan program complies with the terms of the Consent Order, and the Company must submit reports describing its compliance with the Consent Order to the CFPB at designated times and upon request by the CFPB. The institutional loan programs were discontinued by the Company's institutions before the CFPB investigation began. As of the end of the first quarter of 2017, the amount accrued related to this matter was paid in full.

Department of Justice Civil Investigative Demand

On July 7, 2016, the Company received from the U.S. Department of Justice (the "DOJ") a Civil Investigative Demand (the "DOJ CID") related to the DOJ's investigation concerning allegations that the Company may have misstated Title IV refund revenue or overstated revenue associated with private secondary loan programs and thereby misrepresented its compliance with the 90/10 rule of the Higher Education Act. Pursuant to the DOJ CID, the DOJ has requested from the Company documents and information for fiscal years 2011-2014. The Company is cooperating with the DOJ and cannot predict the eventual scope, duration or outcome of the investigation at this time. The Company has not accrued any liability associated with this action.

Securities Class Action

Zamir v. Bridgepoint Education, Inc., et al.

On February 24, 2015, a securities class action complaint was filed in the U.S. District Court for the Southern District of California by Nelda Zamir naming the Company, Andrew Clark and Daniel Devine as defendants. The complaint asserts violations of Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder, claiming that the defendants made false and materially misleading statements and failed to disclose material adverse facts regarding the Company's business, operations and prospects, specifically regarding the Company's improper application of revenue recognition methodology to assess collectability of funds owed by students. The complaint asserts a putative class period stemming from August 7, 2012 to May 30, 2014 and seeks unspecified monetary relief, interest and attorneys' fees. On July 15, 2015, the Court granted plaintiff's motion for appointment as lead plaintiff and for appointment of lead counsel.

On September 18, 2015, the plaintiff filed a substantially similar amended complaint that asserts a putative class period stemming from March 12, 2013 to May 30, 2014. The amended complaint also names Patrick Hackett, Adarsh Sarma, Warburg Pincus & Co., Warburg Pincus LLC, Warburg Pincus Partners LLC, and Warburg Pincus Private Equity VIII, L.P. as additional defendants. On November 24, 2015, all defendants filed motions to dismiss. On July 25, 2016, the Court granted the motions to dismiss and granted plaintiff leave to file an amended complaint within 30 days. Plaintiffs subsequently filed a second amended complaint and the Company filed a second motion to dismiss on October 24, 2016, which was granted by the Court with leave to amend. Plaintiffs filed a third amended complaint on April 19, 2017 and the defendants filed a third motion to dismiss, which is currently pending with the court. The outcome of this legal proceeding is uncertain at this point because of the many questions of fact and law that may arise. The Company has not accrued any liability associated with this action.

Shareholder Derivative Actions

In re Bridgepoint, Inc. Shareholder Derivative Action

On July 24, 2012, a shareholder derivative complaint was filed in California Superior Court by Alonzo Martinez. In the complaint, the plaintiff asserts a derivative claim on the Company's behalf against certain of its current and former officers and directors. The complaint is captioned *Martinez v. Clark, et al.* and generally alleges that the individual defendants breached their fiduciary duties of candor, good faith and loyalty, wasted corporate assets and were unjustly enriched. The lawsuit seeks unspecified monetary relief and disgorgement on behalf of the Company, as well as other equitable relief and attorneys' fees. On September 28, 2012, a substantially similar shareholder derivative complaint was filed in California Superior Court by David Adolph-Laroche. In the complaint, the plaintiff asserts a derivative claim on the Company's behalf against certain of its current and former officers and directors. The complaint is captioned *Adolph-Laroche v. Clark, et al.* and generally alleges that the individual defendants breached their fiduciary duties of candor, good faith and loyalty, wasted corporate assets and were unjustly enriched.

On October 11, 2012, the Adolph-Laroche action was consolidated with the Martinez action and the case is now captioned *In re Bridgepoint, Inc. Shareholder Derivative Action* . A consolidated complaint was filed on December 18, 2012 and the defendants filed a motion to stay the case while the underlying securities class action is pending. The motion was granted by the Court on April 11, 2013. A status conference was held on October 10, 2013, during which the Court ordered the stay continued for the duration of discovery in the underlying securities class action, but permitted the plaintiff to receive copies of any discovery responses served in the underlying securities class action. The stay was lifted following the settlement of the

underlying securities class action and all defendants filed demurrers on October 3, 2016, which were granted with leave to amend on October 6, 2017.

Reardon v. Clark, et al.

On March 18, 2015, a shareholder derivative complaint was filed in the Superior Court of the State of California in San Diego. The complaint asserts derivative claims on the Company's behalf against certain of its current and former officers and directors. The complaint is captioned *Reardon v. Clark, et al.* and generally alleges that the individual defendants breached their fiduciary duties of candor, good faith and loyalty, wasted corporate assets and were unjustly enriched. The lawsuit seeks unspecified monetary relief and disgorgement, as well as other equitable relief and attorneys' fees. Pursuant to a stipulation among the parties, on May 27, 2015, the Court ordered the case stayed during discovery in the underlying *Zamir* securities class action, but permitted the plaintiff to receive copies of any discovery conducted in the underlying *Zamir* securities class action.

Larson v. Hackett, et al.

On January 19, 2017, a shareholder derivative complaint was filed in the Superior Court of the State of California in San Diego. The complaint asserts derivative claims on the Company's behalf against certain of its current and former officers and directors. The complaint is captioned *Larson v. Hackett, et al.* and generally alleges that the individual defendants breached their fiduciary duties of candor, good faith and loyalty, wasted corporate assets and were unjustly enriched. The lawsuit seeks unspecified monetary relief and disgorgement, as well as other equitable relief and attorneys' fees. The parties have not yet responded to the complaint, but will most likely seek to have the case dismissed or stayed during discovery in the underlying *Zamir* securities class action.

Nieder v. Ashford University, LLC

On October 4, 2016, Dustin Nieder filed a purported class action against Ashford University in the Superior Court of the State of California in San Diego. The complaint is captioned *Dustin Nieder v. Ashford University, LLC* and generally alleges various wage and hour claims under California law for failure to pay overtime, failure to pay minimum wages and failure to provide rest and meal breaks. The lawsuit seeks back pay, the cost of benefits, penalties and interest on behalf of the putative class members, as well as other equitable relief and attorneys' fees. The Company filed an answer denying the claims and the case is currently in discovery. The outcome of this legal proceeding is uncertain at this point because of the many questions of fact and law that may arise. Based on information available to the Company at present, it cannot reasonably estimate a range of loss for this action. Accordingly, the Company has not accrued any liability associated with this action.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following Management's Discussions and Analysis of Financial Condition and Results of Operations should be read in conjunction with our condensed consolidated financial statements and related notes thereto included in Part I, Item 1 of this report. For additional information regarding our financial condition and results of operations, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2016 (the "Form 10-K"), filed with the Securities and Exchange Commission (the "SEC") on March 7, 2017, as well as our consolidated financial statements and related notes thereto included in Part II, Item 8 of the Form 10-K.

Unless the context indicates otherwise, in this report the terms "Bridgepoint," "the Company," "we," "us" and "our" refer to Bridgepoint Education, Inc., a Delaware corporation, and its wholly owned and indirect subsidiaries.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements may include, among others, statements regarding future events, future financial and operating results, strategies, expectations, the competitive environment, regulation and the availability of financial resources, including, without limitation, statements regarding:

- Ashford University's ability to continue to operate an accredited institution subject to the requirements of the State of California, Department of Consumer Affairs, Bureau for Private Postsecondary Education;
- our ability to comply with the extensive and continually evolving regulatory framework applicable to us and our institutions, including Title IV of the Higher Education Act of 1965, as amended (the "Higher Education Act"), and its implementing regulations, the gainful employment rules and regulations, the "defense to repayment" regulations, state laws and regulatory requirements, and accrediting agency requirements;
- projections, predictions and expectations regarding our business, financial position, results of operations and liquidity, and enrollment trends at our institutions;
- expectations regarding the effect of the closure of Ashford University's residential campus in Clinton, Iowa on our business;
- our ability to obtain continued approval of Ashford's programs for GI Bill benefits through the Iowa State Approving Agency (the "ISAA"), or the Arizona State Approving Agency, and to prevent any disruption of educational benefits to Ashford's veteran students;
- new initiatives focused on student success and academic quality;
- changes in our student fee structure;
- expectations regarding the adequacy of our cash and cash equivalents and other sources of liquidity for ongoing operations;
- expectations regarding investment in online and other advertising and capital expenditures;
- our anticipated seasonal fluctuations in results of operations;
- management's goals and objectives; and
- other similar matters that are not historical facts.

Forward-looking statements may generally be identified by the use of words such as "may," "should," "could," "would," "predicts," "potential," "continue," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates" and similar expressions, as well as statements in the future tense.

Forward-looking statements should not be interpreted as a guarantee of future performance or results and will not necessarily be accurate indications of the times at or by which such performance or results will be achieved. Forward-looking statements are based on information available at the time such statements are made and the current good faith beliefs,

expectations and assumptions of management regarding future events. Such statements are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. For a discussion of some of these risks and uncertainties, see Part II, Item 1A, “Risk Factors” as well as the discussion of such risks and uncertainties contained in our other filings with the SEC, including the Form 10-K.

All forward-looking statements in this report are qualified in their entirety by the cautionary statements included in this report, and you should not place undue reliance on any forward-looking statements. These forward-looking statements speak only as of the date of this report. We assume no obligation to update or revise any forward-looking statements contained herein to reflect actual results or any changes in our assumptions or expectations or any other factors affecting such forward-looking statements, except to the extent required by applicable securities laws. If we do update or revise one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

Overview

We are a provider of postsecondary education services through our regionally accredited academic institutions, Ashford University ® and University of the Rockies SM . Ashford University offers associate’s, bachelor’s and master’s programs, and University of the Rockies offers master’s and doctoral programs. As of September 30, 2017 , our academic institutions offered approximately 1,140 courses and approximately 80 degree programs. We are also focused on providing innovative technologies to enhance the student experience and support faculty and student engagement.

Key operating data

In evaluating our operating performance, management focuses in large part on our revenue and operating income (loss) and period-end enrollment at our academic institutions. The following table, which should be read in conjunction with our condensed consolidated financial statements included in Part I, Item I of this report, presents our key operating data for each of the periods presented (in thousands, except for enrollment data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Consolidated Statement of Income (Loss) Data:				
Revenue	$ 119,367	$ 136,583	$ 373,438	$ 407,555
Operating income (loss)	$ (1,503)	$ (8,823)	$ 14,339	$ (21,765)
Consolidated Other Data:				
Period-end enrollment (1)				
Online	42,065	47,733	42,065	47,733
Campus-based	67	98	67	98
Total	42,132	47,831	42,132	47,831

(1) We define period-end enrollment as the number of active students on the last day of the financial reporting period. A student is considered active if the student has attended a class within the prior 15 days or is on an institutionally-approved break not to exceed 45 days, unless the student has graduated or provided notice of withdrawal.

Key enrollment trends

Enrollment at our academic institutions decreased 11.9% to 42,132 students at September 30, 2017 as compared to 47,831 students at September 30, 2016 . Enrollment decreased by 6.6% since the end of the preceding fiscal year, from 45,087 students at December 31, 2016 to 42,132 students at September 30, 2017 .

We believe the decline in enrollment over the past few years is partially attributable to a general weakening in the overall industry due to increased regulatory scrutiny, and has also been caused by the initiatives our institutions have put in place to help ensure student preparedness, raise academic quality and improve student outcomes. In addition, we believe total enrollment has also been impacted by the recent changes in our marketing strategy. This change in our marketing strategy

reflects a shift in our advertising mix in an effort to attract prospective students who have a higher probability of being academically successful, while concurrently making meaningful improvements to the efficiency of our advertising, admissions and marketing spend.

We continue to focus our efforts on stabilizing and restarting enrollment growth. We recently received approval from the Department of Education on 16 new programs and are looking forward to offering these programs to students. We plan to launch a number of these new program offerings throughout 2018 and beyond to help achieve this goal relating to restarting new enrollment growth and over time growing total enrollments. One other area in which we continue to experience positive enrollment trends is within our Educational Partnerships programs with various employers. These corporate partnership programs provide companies with the opportunity to allow their employees to pursue and complete a college degree without incurring any student debt. Enrollments through these programs remains relatively small compared to our total enrollment but are growing as a percentage year over year.

Trends and uncertainties regarding revenue and continuing operations

Restructuring and impairment charges

We have implemented various restructuring plans to better align our resources with our business strategy and the related charges are recorded in the restructuring and impairment charges line item on our condensed consolidated statements of income (loss). The restructuring and impairment charges are primarily comprised of (i) severance costs related to headcount reductions, (ii) estimated lease costs related to facilities vacated or consolidated, (iii) charges related to the write-off of certain fixed assets and assets abandoned and (iv) student transfer agreement costs for Ashford University ground-based students. As required by GAAP, the estimated lease losses include sublease assumptions. Changes to these estimates could have a material impact on the Company's condensed consolidated financial statements. For information regarding the restructuring and impairment charges recorded, refer to Note 3, "Restructuring and Impairment Charges" to our condensed consolidated financial statements included in Part I, Item 1 of this report.

Valuation allowance

We recognize deferred tax assets if realization of such assets is more-likely-than-not. In order to make this determination, we evaluate factors including the ability to generate future taxable income from reversing taxable temporary differences, forecasts of financial and taxable income or loss, and the ability to carryback certain operating losses to refund taxes paid in prior years. The cumulative loss incurred over the three-year period ended September 30, 2017 constituted significant negative objective evidence against our ability to realize a benefit from our federal deferred tax assets. Such objective evidence limited our ability to consider our evaluation of other subjective evidence such as our projections for future growth. On the basis of our evaluation, we determined that our deferred tax assets were not more-likely-than-not to be realized and that a valuation allowance against our deferred tax assets should continue to be maintained as of September 30, 2017 .

Recent Regulatory Developments

Negotiated Rulemaking and Other Executive Action

On December 16, 2016, the Department released final regulations to clarify state authorization requirements for postsecondary institutions offering distance education that participate in federal student loan programs, as required by the Higher Education Act. Among other things, the final regulations (i) require institutions offering distance education or correspondence courses to be authorized by each state in which they enroll students, if such authorization is required by the state, (ii) require institutions to document the state process for resolving student complaints regarding distance education programs, (iii) require public and individualized disclosures to enrolled and prospective students in distance education programs, including disclosures regarding adverse actions taken against the institution, the institution's refund policies and whether each of the institution's programs meet applicable state licensure or certification requirements, and (iv) require institutions to explain to students the consequences of moving to a state where the school is not authorized, which could include loss of eligibility for federal student aid. The final regulations recognize authorization through participation in a state authorization reciprocity agreement, as long as the agreement does not prevent a state from enforcing its own consumer laws. The final regulations are scheduled to take effect on July 1, 2018.

Gainful Employment

On October 31, 2014, the Department published gainful employment regulations impacting programs required to prepare

graduates for gainful employment in a recognized occupation. Almost all academic programs offered by Title IV-participating private sector institutions of higher education must prepare students for gainful employment in a recognized occupation. The gainful employment regulations became effective July 1, 2015, with certain disclosure requirements that became effective in early 2017. The gainful employment regulations have a framework with three components:

- Certification: Institutions must certify that each of their gainful employment programs meet state and federal licensure, certification and accreditation requirements.
- Accountability Measures: To maintain Title IV eligibility, gainful employment programs will be required to meet minimum standards for the debt burden versus the earnings of their graduates.
    - Pass: Programs whose graduates have annual loan payments less than 8% of total earnings or less than 20% of discretionary earnings.
    - Zone: Programs whose graduates have annual loan payments between 8% and 12% of total earnings or between 20% and 30% of discretionary earnings.
    - Fail: Programs whose graduates have annual loan payments greater than 12% of total earnings and greater than 30% of discretionary earnings.

  Programs that fail in two out of any three consecutive years or are in the Zone for four consecutive years will be disqualified from participation in the Title IV programs.
- Transparency: Institutions will be required to make public disclosures regarding the performance and outcomes of their gainful employment programs. The disclosures will include information such as costs, earnings, debt and completion rates.

The accountability measures will typically weigh a calculated debt burden from graduates who completed their studies three and four years prior to the measuring academic year and earnings from the most recent calendar year prior to the conclusion of the measuring academic year. Thus for the 2014-2015 academic year, the two-year cohort will include graduates from the 2010-2011 and 2011-2012 academic years and earnings for these graduates from calendar year 2014.

On October 20, 2016, we received draft debt-to-earnings rates and certain underlying data from the Department for the first gainful employment measurement year, and on January 8, 2017 we received our institutions' final debt-to-earnings rates for the first gainful employment measurement year. Based on the final rates, none of our programs were determined to fail. Two of our current programs, including the Associate of Arts in Early Childhood Education and the Bachelor of Arts in Early Childhood Education/Administration, were determined to be in the zone. At September 30, 2017 , approximately 3% of our institutions' students were enrolled in the Associate of Arts in Early Childhood Education and approximately 8% of our institutions' students were enrolled in the Bachelor of Arts in Early Childhood Education/Administration. During the three months ended September 30, 2017 , we derived revenue of approximately $3.8 million from the Associate of Arts in Early Childhood Education and approximately $11.3 million from the Bachelor of Arts in Early Childhood Education/Administration. The Company is currently working to determine what, if any, measures it might implement in order to bring these programs into the "pass" category.

The fact that none of our programs were determined to fail and only two of our current programs were determined to be in the zone is significant given the framework discussed above, as a program would be disqualified from participation in Title IV programs only if it were to fail for two out of three consecutive years, or either fail or be in the zone for three out of four consecutive years. The gainful employment regulations contemplate a transition period in the first several years to afford institutions the opportunity to make changes to their programs and retain Title IV eligibility.

On June 15, 2017, the Department announced its intention to conduct additional negotiated rulemaking on certain issues related to gainful employment. On June 30, 2017, the Department also granted institutions until July 1, 2018 to comply with disclosure provisions related to promotional materials and prospective students, and extended the deadline for all programs to file alternate earnings appeals to a soon to be announced date. The Department did not change a July 1, 2017 deadline requiring institutions to provide a completed disclosure template, or a link thereto, on gainful employment program Web pages and our schools have complied with this requirement.

We continue to review the information provided by the Department to understand the potential impact of the gainful employment regulations on our programs, and we will continue to evaluate options related to new programs or adjustments to current programs that could help mitigate the potential adverse consequences of the regulations.

Defense to Repayment

On June 8, 2015, the Department announced processes that will be established to assist students who may have been the victims of fraud in gaining relief under the "defense to repayment" provisions of the William D. Ford Federal Direct Loan Program regulations. Rarely used in the past, the defense to repayment provisions currently in effect allow a student to assert as a defense against repayment of federal direct loans any commission of fraud or other violation of applicable state law by the school related to such loans or the educational services for which the loans were provided.

On June 16, 2016, the Department published proposed regulations regarding borrower defense to repayment and related matters, and on October 28, 2016, the Department published its final regulations with an effective date of July 1, 2017. The new regulations allow a borrower to assert a defense to repayment on the basis of a substantial misrepresentation, any other misrepresentation in cases where certain other factors are present, a breach of contract or a favorable nondefault contested judgment against a school for its act or omission relating to the making of the borrower's loan or the provision of educational services for which the loan was provided. In addition, the financial responsibility standards contained in the new regulations establish the conditions or events that trigger the requirement for an institution to provide the Department with financial protection in the form of a letter of credit or other security against potential institutional liabilities. Triggering conditions or events include, among others, certain state, federal or accrediting agency actions or investigations, and in the case of publicly traded companies, receipt of certain warnings from the SEC or the applicable stock exchange, or the failure to timely file a required annual or quarterly report with the SEC. The new regulations also prohibit schools from requiring that students agree to settle future disputes through arbitration.

On June 14, 2017, the Department announced a postponement of the defense to repayment regulations and its intention to resubmit the regulations through the negotiated rulemaking process. The Department announced an additional postponement on October 24, 2017. While rulemaking occurs, the Department will continue to process claims under the current borrower defense rules.

Cohort Default Rate

For each federal fiscal year, the Department calculates a rate of student defaults over a three-year measuring period for each educational institution, which is known as a "cohort default rate." An institution may lose its eligibility to participate in the Direct Loan Program and the Federal Pell Grant Program if, for each of the three most recent federal fiscal years, 30% or more of its students who became subject to a repayment obligation in that federal fiscal year defaulted on such obligation by the end of the following federal fiscal year.

The most recent official three-year cohort default rates for Ashford University for the 2014, 2013 and 2012 federal fiscal years were 14.9%, 14.5% and 15.3%, respectively. The most recent official three-year cohort default rates for University of the Rockies for the 2014, 2013 and 2012 federal fiscal years were 5.5%, 3.8% and 4.3%, respectively.

For additional information regarding the regulatory environment and related risks, see Part I, Item 1, "Business" and Part I, Item 1A, "Risk Factors" of the Form 10-K.

Seasonality

Our operations are generally subject to seasonal trends. We generally experience a seasonal increase in new enrollments during the first quarter of each year, subsequent to holiday break, as well as during the third quarter each year, when most other colleges and universities begin their fall semesters. While we enroll students throughout the year, our fourth quarter revenue generally is lower than other quarters due to the holiday break in December, with an increase in the first quarter of each year.

Critical Accounting Policies and Use of Estimates

The critical accounting policies and estimates used in the preparation of our consolidated financial statements are described in "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Use of Estimates" included in Part II, Item 7 of the Form 10-K. There were no material changes to these critical accounting policies and estimates during the nine months ended September 30, 2017 .

The Iran Threat Reduction and Syria Human Rights Act of 2012

During the three months ended September 30, 2017 , Santander Asset Management Investment Holdings Limited (“SAMIH”) engaged in certain activities that are subject to disclosure pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 and Section 13(r) of the Exchange Act. These activities are disclosed in Exhibit 99.1 to this report. Affiliates of Warburg Pincus, LLC (i) beneficially own more than 10% of our outstanding common stock and are members of our board of directors and (ii) beneficially own more than 10% of the equity interests of and have the right to designate members of the board of directors of SAMIH. We will be required to separately file with the SEC, concurrently with this report, a notice that such activities have been disclosed in this report, which notice must also contain the information required by Section 13(r) of the Exchange Act.

Results of Operations

The following table sets forth our condensed consolidated statements of income (loss) data as a percentage of revenue for each of the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenue	100.0 %	100.0 %	100.0 %	100.0 %
Costs and expenses:				
Instructional costs and services	48.4	46.9	48.7	49.1
Admissions advisory and marketing	36.6	38.5	35.4	38.5
General and administrative	9.6	8.5	9.9	9.0
Legal settlement expense	—	12.3	—	8.1
Restructuring and impairment charges	6.7	0.3	2.1	0.7
Total costs and expenses	101.3	106.5	96.1	105.4
Operating income (loss)	(1.3)	(6.5)	3.9	(5.4)
Other income, net	0.3	0.4	0.3	0.5
Income (loss) before income taxes	(1.0)	(6.1)	4.2	(4.9)
Income tax expense (benefit)	(1.0)	0.9	(0.2)	(0.9)
Net income (loss)	— %	(7.0)%	4.4 %	(4.0)%

Three Months Ended September 30, 2017 Compared to Three Months Ended September 30, 2016

Revenue. Our revenue for the three months ended September 30, 2017 was $119.4 million , representing a decrease of $17.2 million , or 12.6% , as compared to revenue of $136.6 million for the three months ended September 30, 2016 . The decrease between periods was primarily due to a decrease of 11.3% in average weekly enrollment at our academic institutions, from 47,657 students for the three months ended September 30, 2016 to 42,280 students for the three months ended September 30, 2017 . Tuition revenue decreased by approximately $15.4 million, which is primarily due to the decrease in average weekly enrollment, partially offset by the approximate 2.0% tuition increase on April 1, 2017. The decrease in revenue between periods was also due to higher scholarships for the period of $0.6 million, as well as a decrease in net revenue generated from course digital materials of approximately $0.5 million.

Instructional costs and services. Our instructional costs and services for the three months ended September 30, 2017 were $57.8 million , representing a decrease of $6.3 million , or 9.9% , as compared to instructional costs and services of $64.1 million for the three months ended September 30, 2016 . In addition to the decline in enrollment, specific decreases between periods primarily include decreases in direct compensation (including financial aid processing fees) of $2.2 million, corporate support services of $2.1 million, instructor fees of $1.0 million, license fees of $1.0 million, and facilities costs of $0.8 million, partially offset by an increase in information technology costs of $0.6 million. Instructional costs and services increase d as a percentage of revenue to 48.4% for the three months ended September 30, 2017 , as compared to 46.9% for the three months ended September 30, 2016 . The increase of 1.5% as a percentage of revenue primarily included increases in information technology costs of 1.0% and bad debt of 0.7%. As a percentage of revenue, bad debt expense was 6.3% for the three months ended September 30, 2017 , compared to 5.6% for three months ended September 30, 2016 .

Admissions advisory and marketing. Our admissions advisory and marketing expenses for the three months ended September 30, 2017 were $43.7 million , representing a decrease of $8.9 million , or 17.0% , as compared to admissions advisory and marketing expenses of $52.6 million for the three months ended September 30, 2016 . As a result of our change in marketing strategy and the shift in advertising mix, specific factors contributing to the overall decrease between periods were decrease s in compensation of $5.4 million, advertising costs of $2.4 million and facilities costs of $1.7 million, partially offset by an increase in corporate support services of $1.1 million. As a percentage of revenue, our admissions advisory and marketing expenses decrease d to 36.6% for the three months ended September 30, 2017 , as compared to 38.5% for the three months ended

September 30, 2016 . The decrease of 1.9% as a percentage of revenue was primarily due to a decrease in compensation of 2.0%.

General and administrative. Our general and administrative expenses for the three months ended September 30, 2017 were $11.4 million , representing a decrease of $0.2 million , or 1.4% , as compared to general and administrative expenses of $11.6 million for the three months ended September 30, 2016 . The decrease between periods was primarily due to decreases in facilities costs of $0.5 million and administrative compensation of $0.5 million, offset by increases in corporate support services of $1.0 million. Our general and administrative expenses increase d as a percentage of revenue to 9.6% for the three months ended September 30, 2017 , as compared to 8.5% for the three months ended September 30, 2016 . The increase of 1.1% as a percentage of revenue was primarily due to increases in administrative compensation of 0.5% and professional fees of 0.4%.

Legal settlement expense. For the three months ended September 30, 2017 , we had no expenses relating to legal settlements. The expenses for the cost of resolution of the previously disclosed civil investigative demands from the Consumer Financial Protection Bureau and the Attorney General of the State of California for the three months ended September 30, 2016 were $16.8 million .

Restructuring and impairment charges. We had $8.0 million restructuring and impairment charges for the three months ended September 30, 2017 , comprised primarily of revised estimates of lease charges as well as severance costs resulting from a reduction in force. For the three months ended September 30, 2016 , restructuring and impairment charges were $0.4 million , comprised primarily of severance costs resulting from a reduction in force.

Other income, net. Our other income, net, was $0.4 million for the three months ended September 30, 2017 and $0.6 million for the three months ended September 30, 2016 . The decrease between periods was primarily due to decrease d interest income on average cash balances.

Income tax expense (benefit). We recognized an income tax benefit of $1.2 million and an income tax expense of $1.2 million for the three months ended September 30, 2017 and 2016 , at effective tax rates of 103.4% and (14.7)% , respectively.

Net income. Our net income was $39,000 for the three months ended September 30, 2017 , compared to net loss of $9.5 million for the three months ended September 30, 2016 , which represents a $9.5 million increase in net income as a result of the factors discussed above.

Nine Months Ended September 30, 2017 Compared to Nine Months Ended September 30, 2016

Revenue. Our revenue for the nine months ended September 30, 2017 was $373.4 million , representing a decrease of $34.2 million , or 8.4% , as compared to revenue of $407.6 million for the nine months ended September 30, 2016 . The decrease between periods was primarily due to a decrease of 9.6% in average weekly enrollment at our academic institutions, from 49,204 students during the nine months ended September 30, 2016 to 44,469 students during the nine months ended September 30, 2017 . Tuition revenue decreased by approximately $33.8 million, which is primarily due to the decrease in average weekly enrollment, partially offset by the approximate 2.0% tuition increase on April 1, 2017. The decrease in revenue between periods was also due to a decrease in net revenue generated from course digital materials of approximately $1.5 million.

Instructional costs and services. Our instructional costs and services for the nine months ended September 30, 2017 were $181.9 million , representing a decrease of $18.2 million , or 9.1% , as compared to instructional costs and services of $200.1 million for the nine months ended September 30, 2016 . In addition to the decline in enrollment, specific decrease s between periods include direct compensation costs of $5.8 million, corporate support services of $4.9 million, instructor fees of $3.5 million, facilities costs of $3.0 million, and license fees of $1.7 million, partially offset by an increase in information technology costs of $1.2 million. Instructional costs and services decreased as a percentage of revenue to 48.7% for the nine months ended September 30, 2017 , as compared to 49.1% for the nine months ended September 30, 2016 . The decrease of 0.4% as a percentage of revenue primarily included decreases in corporate support services of 0.6% and facilities costs of 0.5%, partially offset by an increase in bad debt expense of 0.8%. As a percentage of revenue, bad debt expense was 6.5% for the nine months ended September 30, 2017 , compared to 5.8% for the nine months ended September 30, 2016 .

Admissions advisory and marketing. Our admissions advisory and marketing expenses for the nine months ended September 30, 2017 were $132.1 million , representing a decrease of $24.7 million , or 15.7% , as compared to admissions

advisory and marketing expenses of $156.8 million for the nine months ended September 30, 2016 . As a result of our change in marketing strategy and the shift in advertising mix, specific factors contributing to the overall decrease between periods include decreases in compensation of $14.9 million, advertising costs of $7.7 million, facilities costs of $5.5 million and information technology costs of $2.6 million. These decreases were partially offset by increases in corporate support services of $5.1 million and professional fees of $0.5 million. As a percentage of revenue, our admissions advisory and marketing expenses decrease d to 35.4% for the nine months ended September 30, 2017 as compared to 38.5% for the nine months ended September 30, 2016 . The decrease of 3.1% as a percentage of revenue was primarily due to decreases in compensation of 2.3%, facilities costs of 1.2%, and advertising costs of 0.6%, partially offset by an increase in corporate support services of 1.1%.

General and administrative. Our general and administrative expenses for the nine months ended September 30, 2017 were $37.0 million , representing an increase of $0.3 million , or 0.8% , as compared to general and administrative expenses of $36.7 million for the nine months ended September 30, 2016 . The increase between periods was primarily due to an increase in professional fees of $3.6 million, partially offset by decreases in other administrative costs of $1.4 million, administrative compensation of $1.1 million, and facilities costs of $1.1 million. Our general and administrative expenses increased as a percentage of revenue to 9.9% for the nine months ended September 30, 2017 , compared to 9.0% for the nine months ended September 30, 2016 . The increase of 0.9% as a percentage of revenue was primarily due to an increase in professional fees of 1.2% and administrative compensation of 0.4%, partially offset by a decrease in corporate support services of 0.5%.

Legal settlement expense. For the nine months ended September 30, 2017 , we had no expenses relating to legal settlements. The expenses for the cost of resolution of the previously disclosed civil investigative demands from the Consumer Financial Protection Bureau and the Attorney General of the State of California for the nine months ended September 30, 2016 were $32.9 million .

Restructuring and impairment charges. We had $8.0 million restructuring and impairment charges for the nine months ended September 30, 2017 , comprised primarily of revised estimates of lease charges as well as severance costs resulting from a reduction in force. For the nine months ended September 30, 2016 , restructuring and impairment charges were $2.8 million , comprised primarily of severance costs resulting from a reduction in force.

Other income, net. Our other income, net, was $1.2 million for the nine months ended September 30, 2017 , as compared to $1.9 million for the nine months ended September 30, 2016 , representing a decrease of $0.7 million . The decrease between periods was primarily due to decrease d interest income on average cash balances.

Income tax expense (benefit). We recognized an income tax benefit of $0.7 million and $3.6 million for the nine months ended September 30, 2017 and 2016 , at effective tax rates of (4.6)% and 18.2% , respectively.

Net income (loss). Our net income was $16.2 million for the nine months ended September 30, 2017 compared to net loss of $16.3 million for the nine months ended September 30, 2016 , a $32.5 million change as a result of the factors discussed above.

Liquidity and Capital Resources

We finance our operating activities and capital expenditures primarily through cash on hand and through cash provided by operating activities. At September 30, 2017 and December 31, 2016 , our cash and cash equivalents were $165.2 million and $307.8 million , respectively. At September 30, 2017 and December 31, 2016 , we had restricted cash of $19.9 million and $24.5 million , respectively, and investments of $27.0 million and $49.4 million , respectively. At September 30, 2017 , we had no long-term debt.

We manage our excess cash pursuant to the quantitative and qualitative operational guidelines of our cash investment policy. Our cash investment policy, which is managed by our Chief Financial Officer, has the following primary objectives: (i) preserving principal, (ii) meeting our liquidity needs, (iii) minimizing market and credit risk, and (iv) providing after-tax returns. Under the policy's guidelines, we invest our excess cash exclusively in high-quality, U.S. dollar-denominated financial instruments. For a discussion of the measures we use to mitigate the exposure of our cash investments to market risk, credit risk and interest rate risk, see Part I, Item 3, "Quantitative and Qualitative Disclosures About Market Risk."

There was a slight increase in the fair value of our investments at September 30, 2017 as compared to December 31, 2016 . We believe that any fluctuations we have recently experienced are temporary in nature and that while some of our

securities are classified as available-for-sale, we have the ability and intent to hold them until maturity, if necessary, to recover their full value.

Title IV and other governmental funding

Our institutions derive the substantial majority of their respective revenues from students who enroll and are eligible for various federal student financial assistance programs authorized under Title IV of the Higher Education Act. Our institutions are subject to significant regulatory scrutiny as a result of numerous standards that must be satisfied in order to participate in Title IV programs. For additional information regarding Title IV programs and the regulation thereof, see "Business—Regulation" included in Part I, Item 1 of the Form 10-K. The balance of revenues derived by our institutions is from government tuition assistance programs for military personnel, including veterans, payments made in cash by individuals, reimbursement from corporate affiliates and private loans.

If we were to become ineligible to receive Title IV funding or other governmental funding, our liquidity would be significantly impacted. The timing of disbursements under Title IV programs is based on federal regulations and our ability to successfully and timely arrange financial aid for our institutions' students. Title IV funds are generally provided in multiple disbursements before we earn a significant portion of tuition and fees and incur related expenses over the period of instruction. Students must apply for new loans and grants each academic year. These factors, together with the timing at which our institutions' students begin their programs, affect our revenues and operating cash flow.

Operating activities

Net cash used in operating activities was $16.7 million for the nine months ended September 30, 2017 , compared to net cash used in operating activities of $12.9 million for the nine months ended September 30, 2016 , an overall increase between periods in net cash used in operating activities of $3.8 million . This increase in cash used in operating activities was primarily attributable to changes in accounts payable and accrued liabilities, loss on impairment of student loan receivables in prior year, and changes in other long-term assets. This change was partially offset by the $32.5 million increase in net income between periods. Despite the cash used in operating activities during the period, we expect to generate cash from our operating activities for the foreseeable future.

Investing activities

Net cash provided by investing activities was $19.3 million for the nine months ended September 30, 2017 , compared to net cash used in investing activities of $7.7 million for the nine months ended September 30, 2016 . During the nine months ended September 30, 2017 , we had maturities of investments of $22.7 million , purchases of investments of $0.1 million and no sales of investments. This is compared to purchases of investments of $20.2 million , no sales of investments and $14.7 million maturities of investments for the nine months ended September 30, 2016 . Capital expenditures for the nine months ended September 30, 2017 were $2.9 million , compared to $1.6 million for the nine months ended September 30, 2016 . We expect our capital expenditures to be approximately $5.8 million for the year ending December 31, 2017 .

Financing activities

Net cash used in financing activities was $149.8 million for the nine months ended September 30, 2017 , compared to net cash used in financing activities of $1.6 million for the nine months ended September 30, 2016 . During the nine months ended September 30, 2017 , we repurchased approximately 18.1 million shares of our common stock for an aggregate purchase price of $150.0 million and $2.0 million of related fees. During each of the nine months ended September 30, 2017 and 2016 , net cash used in financing activities included tax withholdings related to the issuance of shares upon the vesting of restricted stock units, partially offset by the cash provided by stock option exercises.

Based on our current level of operations, we believe that our future cash flows from operating activities and our existing cash and cash equivalents will provide adequate funds for ongoing operations, planned capital expenditures and working capital requirements for at least the next 12 months. However, changes could occur that would consume our available capital resources before that time. Our capital requirements depend on numerous factors, including our ability to continue to generate revenue. There can be no assurance that additional funding, if necessary, will be available to us on favorable terms, if at all.

Off-Balance Sheet Arrangements and Significant Contractual Obligations

As part of our normal business operations, we are required to provide surety bonds in certain states where we do business. In May 2009, we entered into a surety bond facility with an insurance company to provide such bonds when required. As of September 30, 2017 , our total available surety bond facility was $3.5 million and the surety had issued bonds totaling $3.3 million on our behalf under such facility.

The following table sets forth, as of September 30, 2017 , certain significant cash and contractual obligations that will affect our future liquidity:

	Payments Due by Period						
(In thousands)	Total	2017	2018	2019	2020	2021	Thereafter
Operating lease obligations	$ 77,878	$ 9,080	$ 31,400	$ 20,833	$ 9,504	$ 5,112	$ 1,949
Other contractual obligations	49,332	4,229	12,535	10,592	8,549	3,427	10,000
Uncertain tax positions	8,290	—	8,290	—	—	—	—
Total	$ 135,500	$ 13,309	$ 52,225	$ 31,425	$ 18,053	$ 8,539	$ 11,949

Recent Accounting Pronouncements

For information regarding recent accounting pronouncements, refer to Note 2, “Summary of Significant Accounting Policies” to our condensed consolidated financial statements included in Part I, Item 1 of this report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Market and Credit Risk

Pursuant to our cash investment policy, we attempt to mitigate the exposure of our cash and investments to market and credit risk by (i) diversifying concentration to ensure we are not overly concentrated in a limited number of financial institutions, (ii) monitoring and managing the risks associated with the national banking and credit markets, (iii) investing in U.S. dollar-denominated assets and instruments only, (iv) diversifying account structures so that we maintain a decentralized account portfolio with numerous stable, highly rated and liquid financial institutions and (v) ensuring that our investment procedures maintain a defined and specific scope such that we will not invest in higher-risk investment accounts, including financial swaps or derivative and corporate equities. Accordingly, pursuant to the guidelines established by our cash investment policy, we invest our excess cash exclusively in high-quality, U.S. dollar-denominated financial instruments.

Despite the investment risk mitigation strategies we employ, we may incur investment losses as a result of unusual and unpredictable market developments, and we may experience reduced investment earnings if the yields on investments that are deemed to be low risk remain low or decline further in this time of economic uncertainty. Unusual and unpredictable market developments may also create liquidity challenges for certain of the assets in our investment portfolio.

We have no derivative financial instruments or derivative commodity instruments.

Interest Rate Risk

To the extent we borrow funds, we would be subject to fluctuations in interest rates. As of September 30, 2017 , we had no outstanding borrowings.

Our future investment income may fall short of expectations due to changes in interest rates. At September 30, 2017 , a hypothetical 10% increase or decrease in interest rates would not have a material impact on our future earnings, fair value or cash flows related to interest earned on our cash, cash equivalents or investments.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act, that are designed to provide reasonable assurance that information required to be disclosed by us in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of any possible controls and procedures.

Under the supervision and with the participation of our management, including our chief executive officer and our principal financial officer, we carried out an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report pursuant to Rule 13a-15(b) and Rule 15d-15(b) of the Exchange Act. Based on this evaluation, our chief executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of September 30, 2017 .

Changes in Internal Control Over Financial Reporting

We continually assess the adequacy of our internal control over financial reporting and make improvements as deemed appropriate. There have been no changes to our internal control over financial reporting during the three months ended September 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

For information regarding our legal proceedings, refer to Note 13 , “Commitments and Contingencies” to our condensed consolidated financial statements included in Part I, Item 1 of this report, which note is incorporated by reference into this Part II, Item 1.

Item 1A. Risk Factors.

Investing in our common stock involves risk. Before making an investment in our common stock, you should carefully consider the risk factors discussed in Part I, Item 1A, “Risk Factors” of the Form 10-K. The risks described in the Form 10-K are those which we believe are the material risks we face, and such risks could materially adversely affect our business, prospects, financial condition, cash flows and results of operations. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may impact us. Except as set forth below, there have been no material changes in our risk factors from those previously disclosed in the Form 10-K.

Our institutions could lose eligibility to participate in Title IV programs or face other sanctions if they derive more than 90% of their respective revenues from these programs.

Under the Higher Education Act, a proprietary institution loses eligibility to participate in Title IV programs if the institution derives more than 90% of its revenues (calculated in accordance with Department regulations) from Title IV program funds for two consecutive fiscal years. This rule is commonly referred to as the “90/10 rule.” Any institution that violates the 90/10 rule for two consecutive fiscal years becomes ineligible to participate in Title IV programs for at least two fiscal years. In addition, an institution whose rate exceeds 90% for any single fiscal year will be placed on provisional certification and may be subject to other enforcement measures. In the fiscal years ended December 31, 2016, 2015 and 2014, Ashford University derived 81.2%, 80.9% and 83.4%, respectively, and University of the Rockies derived 86.5%, 86.6% and 88.3%, respectively, of their respective revenues from Title IV program funds. Ashford University and University of the Rockies continue to monitor their respective 90/10 rule calculations and their compliance with the 90/10 rule.

Revenue derived from government tuition assistance for military personnel, including veterans, is not considered federal student aid for purposes of calculations under the 90/10 rule, and accordingly helps our institutions satisfy the 90/10 rule. As of December 31, 2016, approximately 25.6% of our institutions' students were affiliated with the military, some of whom are eligible to receive government tuition assistance that may be used to pursue postsecondary degrees. If there were a reduction in funding of government tuition assistance for military personnel, including veterans, or if our revenue derived from such funding were otherwise to decrease, it could be significantly more difficult for our institutions to satisfy the 90/10 rule. On May 20, 2016, the Company received a letter from the Iowa Department of Education (the “Iowa DOE”) indicating that, as a result of the planned closure of the Clinton Campus, the ISAA would no longer continue to approve Ashford’s programs for GI Bill benefits after June 30, 2016. The Iowa DOE subsequently issued a stay of the ISAA’s withdrawal of approval of Ashford’s programs for GI Bill benefits until 90 days from June 20, 2016. On September 15, 2016, in response to a Petition for Declaratory and Injunctive Relief filed by Ashford University, the Iowa District Court for Polk County entered a written order (the “Order”) staying the Iowa DOE’s announced intention to withdraw the approval of Ashford as a GI Bill eligible institution until the entry of a final and appealable order and judgment in the action. On June 23, 2017, the Iowa District Court held a hearing on Ashford’s Petition and on July 17, 2017, the Court ruled in favor of the Iowa DOE and denied the petition. Ashford University is evaluating a variety of options to ensure the continued approval of Ashford’s programs for GI Bill benefits, including filing of a motion for reconsideration and a potential appeal. The Iowa DOE has indicated that it will continue to approve Ashford’s programs for GI Bill benefits and take no further action, at least through the deadline to appeal, which is 30 days following a final decision by the Iowa District Court. In addition, on July 25, 2017, Ashford University received approval from the state of Arizona to provide GI Bill benefits to its students, and is currently awaiting the assignment of a facilities code from the U.S. Department of Veterans Affairs. The Company intends to continue to pursue its options in Iowa as well. At this time, we cannot predict the eventual outcome of this litigation, and any potential delays or gaps in coverage for GI Bill benefits could have a material adverse effect on current and future military student enrollment and the Company’s revenues, financial condition, cash flows and results of operations, and could make it significantly more difficult for our institutions to satisfy the 90/10 rule.

Changes in federal law that increase Title IV grant and loan limits may result in an increase in the revenues we receive from Title IV programs and make it more difficult for our institutions to satisfy the 90/10 rule. In addition, Congress could

propose and adopt legislation that amends the 90/10 rule in ways that make it more difficult for our institutions to satisfy the 90/10 rule. Failure to satisfy the 90/10 rule could result in our institutions losing eligibility to participate in Title IV programs, which would have a material adverse effect on enrollments and our revenues, financial condition, cash flows and results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit	Description
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) of the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) of the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, executed by Andrew S. Clark, President and Chief Executive Officer, and Joseph D'Amico, Interim Chief Financial Officer.
99.1	Disclosure required pursuant to Section 13(r) of the Securities Exchange Act of 1934.
101	The following financial information from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, filed with the SEC on October 25, 2017, formatted in Extensible Business Reporting Language ("XBRL"): (i) the Condensed Consolidated Balance Sheets as of September 30, 2017 and December 31, 2016; (ii) the Condensed Consolidated Statements of Income (Loss) for the three and nine months ended September 30, 2017 and 2016; (iii) the Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and nine months ended September 30, 2017 and 2016; (iv) the Condensed Consolidated Statements of Stockholders' Equity for the nine months ended September 30, 2017 and 2016; (v) the Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2017 and 2016; and (vi) the Notes to Condensed Consolidated Financial Statements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BRIDGEPOINT EDUCATION, INC.

October 25, 2017

/s/ JOSEPH D'AMICO

Joseph D'Amico
Interim Chief Financial Officer
(Principal financial officer and duly authorized to sign on behalf of the registrant)

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934,
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Andrew S. Clark, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Bridgepoint Education, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 25, 2017

/s/ ANDREW S. CLARK

Andrew S. Clark
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934,
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Joseph D'Amico, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Bridgepoint Education, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 25, 2017

/s/ JOSEPH D'AMICO

Joseph D'Amico
Interim Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the period ended September 30, 2017 (the "Report") of Bridgepoint Education, Inc. (the "Company"), each of the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"); and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 25, 2017

/s/ ANDREW S. CLARK

Andrew S. Clark
President and Chief Executive Officer
(Principal Executive Officer)

Dated: October 25, 2017

/s/ JOSEPH D'AMICO

Joseph D'Amico
Interim Chief Financial Officer
(Principal Financial Officer)

This certification shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent the Company specifically incorporates it by reference into such a filing.

A signed original of this certification has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 99.1

Disclosure pursuant to Section 13(r) of the Securities Exchange Act of 1934

Third quarter calendar year 2017

Pursuant to Section 13(r) of the Securities Exchange Act of 1934, we, Bridgepoint Education, Inc. ("Bridgepoint"), may be required to disclose in our annual and quarterly reports to the Securities and Exchange Commission (the "SEC") whether we or any of our "affiliates" knowingly engaged in certain activities, transactions or dealings relating to Iran or with certain individuals or entities targeted by US economic sanctions. Disclosure is generally required even where the activities, transactions or dealings were conducted in compliance with applicable law. Because the SEC defines the term "affiliate" broadly, it includes any entity under common "control" with us (and the term "control" is also construed broadly by the SEC).

The description of the activities below has been provided to Bridgepoint by Warburg Pincus LLC ("WP"), affiliates of which: (i) beneficially own more than 10% of our outstanding common stock and/or are members of our board of directors and (ii) beneficially own more than 10% of the equity interests of, and have the right to designate members of the board of directors of Santander Asset Management Investment Holdings Limited ("SAMIH"). SAMIH may therefore be deemed to be under common "control" with Bridgepoint; however, this statement is not meant to be an admission that common control exists.

The disclosure below relates solely to activities conducted by SAMIH and its affiliates. The disclosure does not relate to any activities conducted by Bridgepoint or by WP and does not involve our or WP's management. Neither Bridgepoint nor WP has had any involvement in or control over the disclosed activities, and neither Bridgepoint nor WP has independently verified or participated in the preparation of the disclosure. Neither Bridgepoint nor WP is representing as to the accuracy or completeness of the disclosure nor do we or WP undertake any obligation to correct or update it.

Bridgepoint understands that one or more SEC-reporting affiliates of SAMIH intends to disclose in its next annual or quarterly SEC report that:

(a) Santander UK plc ("Santander UK") holds two savings accounts and one current account for two customers resident in the United Kingdom ("UK") who are currently designated by the United States ("US") under the Specially Designated Global Terrorist ("SDGT") sanctions program. Revenues and profits generated by Santander UK on these accounts in the nine month period ended September 30, 2017 were negligible relative to the overall revenues and profits of Banco Santander SA.

(b) Santander UK holds two frozen current accounts for two UK nationals who are designated by the US under the SDGT sanctions program. The accounts held by each customer have been frozen since their designation and have remained frozen through the nine month period ended September 30, 2017. The accounts are in arrears (£1,844.73 in debit combined) and are currently being managed by Santander UK Collections & Recoveries department. No revenues or profits were generated by Santander UK on this account in the nine month period ended September 30, 2017.