
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of report (Date of earliest event reported): **August 1, 2020**

ZOVIO INC

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or other jurisdiction of incorporation)

001-34272

(Commission File Number)

59-3551629

(I.R.S. Employer Identification No.)

1811 E. Northrop Blvd, Chandler, AZ 85286

(Address of Principal Executive Offices, including zip code)

(858) 668-2586

(Registrant's telephone number, including area code)

None

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	ZVO	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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. ☐

Item 1.01. Entry into a Material Definitive Agreement.

Zovio Inc, a Delaware corporation (the “Company”), through its wholly owned subsidiary, Ashford University, LLC, a California limited liability company (“AU LLC”), owns and operates Ashford University, a regionally-accredited, online university (the “University”). On August 1, 2020, the Company and AU LLC entered into a definitive Asset Purchase and Sale Agreement (the “Purchase Agreement”), by and among the Company, AU LLC, the Arizona Board of Regents, a body corporate, for and on behalf of the University of Arizona (the “University of Arizona”), and the University of Arizona Global Campus, a newly formed Arizona nonprofit corporation (“University of Arizona Global Campus”). Upon the closing of the transaction contemplated by the Purchase Agreement (the “Sale”), University of Arizona Global Campus will own and operate the University in affiliation with the University of Arizona and with a focus on expanding access to education for non-traditional adult learners. The board of directors of the Company, on behalf of the Company and AU LLC and with the support of the University’s board of trustees, has approved the Purchase Agreement and the consummation of the Sale in accordance with its terms. University of Arizona and University of Arizona Global Campus have also received all authorizations necessary to enter into the Purchase Agreement and consummate the Sale in accordance with its terms and subject to the conditions set forth therein.

Pursuant to the Purchase Agreement, at the closing of the Sale, the Company and AU LLC have agreed to transfer to University of Arizona Global Campus the tangible and intangible academic and related operations and assets comprising the University to University of Arizona Global Campus for consideration of \$1.00 and University of Arizona Global Campus’s agreement to assume certain related liabilities. The transferred assets will include the University’s academic curriculum and content (subject to a license of that content back to the Company for use in its continuing business) and \$16.5 million in cash working capital and, at closing, the Company will make an additional cash payment to University of Arizona Global Campus of \$37.5 million. In addition, at the closing of the Sale, the University’s faculty, academic leadership and related staff will transfer their employment from AU LLC to University of Arizona Global Campus.

The Purchase Agreement includes customary representations, warranties, covenants, and indemnities by the parties, including (a) covenants generally requiring the Company and AU LLC to operate the University in the ordinary course prior to the closing, and (b) covenants generally requiring the respective parties to use commercially reasonable efforts to cause the transaction to be consummated. Other than the specific liabilities assumed by University of Arizona Global Campus, the Company and AU LLC will generally remain responsible for liabilities of the University relating to periods prior to the closing.

The closing of Sale is subject to customary closing conditions for transactions in this sector, including (a) the approval of the change in ownership of the University by the WASC Senior College and University Commission, the University’s institutional accrediting body, (b) the issuance by the U.S. Department of Education (“ED”) of a pre-acquisition review notice that does not require the University or University of Arizona Global Campus to post a letter of credit in order to obtain from ED a Temporary Provisional Program Participation Agreement (“TPPPA”) or a Provisional Program Participation Agreement (“PPPA”) or require the University of Arizona to co-sign the TPPPA or PPPA (either separately or as a condition of not receiving a letter of credit in order to obtain a TPPPA or PPPA); provided, however, that this condition generally will expire and be of no force and effect and University of Arizona Global Campus and University of Arizona shall be deemed to have waived this condition for all purposes, if ED does not issue such notice prior to December 1, 2020, and (c) the expiration or early termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended. The Company expects the transaction to close during the fourth quarter of 2020.

In connection with the closing of the Sale, the Company and University of Arizona Global Campus will enter into a long-term strategic services agreement (the “Strategic Services Agreement”) pursuant to which the Company will provide recruiting, financial aid, counseling, institutional support, information technology, and academic support services to University of Arizona Global Campus. The Strategic Services Agreement has an initial term of fifteen (15) years, subject to renewal options, although University of Arizona Global Campus has the right to terminate the agreement after seven (7) years subject to the payment of a termination fee equal to one-hundred (100%) of the services fees paid to the Company in the trailing twelve (12) month period (payable half in cash and half in an unsecured note).

In return for providing services under the Strategic Services Agreement, University of Arizona Global Campus, after covering its direct costs of operations (which may not be increased by more than 2% per year), will pay to the Company services fees equal to the Company’s direct costs to provide the services plus an additional amount equal to 19.5% of University of Arizona Global Campus’s tuition and fees revenue. If, in year seven or later, University of Arizona Global Campus’s tuition and fees revenue is \$440.0 million or less, then the Company’s revenue share percentage is subject to decrease on a sliding scale to between 18.1% and 15.5%, subject to increase back up to 19.5% if, in any subsequent year, University of Arizona Global Campus’s tuition and fee revenue again exceeds \$440.0 million. In addition, the parties have agreed on certain minimum profit levels to be achieved by University of Arizona Global Campus after payment of the Company’s services fees of \$12.5 million in the second year of the agreement, \$25.0 million in years 3-5, and \$10.0 million in

years 6-15; subject to certain limitations, the Company is required to adjust its fees in any year to the extent necessary for University of Arizona Global Campus to achieve such minimum levels.

After the seventh year of the Strategic Services Agreement, either party may terminate the agreement if University of Arizona Global Campus achieves tuition and fees revenue of \$400.0 million or less. Each party also has certain termination rights in connection with a material breach of the agreement by the other party and upon certain other defined events.

At the closing of the Sale, the Company and University of Arizona Global Campus will also enter into a transition services agreement (the “Transition Services Agreement”) pursuant to which the Company will provide certain services to University of Arizona Global Campus on a transition basis in return for fees equal to the Company’s direct costs to provide such services. University of Arizona Global Campus may transition any of these services at any time on six months’ advance notice, and all such services will be transitioned to University of Arizona Global Campus within three years.

The foregoing is a summary of the terms of the Purchase Agreement, the Strategic Services Agreement and the Transition Services Agreement. Such summary does not purport to include all of the terms thereof and is subject to, and qualified in its entirety by, the full text of such agreements, which will be timely filed as exhibits to an upcoming periodic report in accordance with applicable rules and regulations of the Securities and Exchange Commission.

Item 7.01. Regulation FD Disclosure.

On August 3, 2020, the Company issued a press release announcing that it had entered into the Purchase Agreement. A copy of the press release is attached hereto as Exhibit 99.1.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit	Description
99.1	Press Release, dated August 3, 2020

Cautionary Statement Regarding Forward-Looking Statements

This Current Report on Form 8-K contains “forward-looking statements,” including statements relating to the proposed transaction discussed above. 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 future tense, identify forward-looking statements. Forward-looking statements are based on information available at the time those statements are made or management’s good faith belief as of that time with respect to future events and are subject to risks and uncertainties that could cause actual events to differ materially from those expressed in or suggested by the forward-looking statements. Important factors that could cause such differences include, but are not limited to: the occurrence of any event, change or other circumstance that could give rise to a change in the timing of the Sale or cause it not to close; the effect of the announcement or pendency of the Sale on the Company’s ability to retain and hire key personnel or its operating results and business generally; risks related to diverting management’s attention from the Company’s ongoing business operations; the risk that shareholder litigation in connection with the Sale may result in significant costs of defense, indemnification and liability; and other factors discussed in the Company’s reports on file with the Securities and Exchange Commission. Factors or events that could affect the transactions contemplated herein or cause the Company’s actual results to differ may emerge from time to time, and it is not possible for the Company to predict all of them. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by any applicable securities laws.

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 hereunto duly authorized.

ZOVIO INC

By: /s/ Diane L. Thompson

Name: Diane L. Thompson

Title: Executive Vice President, Secretary and General Counsel

Date: August 3, 2020

Press Release



For Immediate Release

Contact: Alanna Vitucci
alanna.vitucci@zovio.com
858 668 2586 x11636

Zovio and University of Arizona Announce Transformational Higher Ed Agreement

Zovio will continue to provide education technology services that increase access to higher education for underrepresented and nontraditional students as part of Ashford University acquisition by The University of Arizona Global Campus

CHANDLER, Ariz. (August 3, 2020) - Today, Zovio (Nasdaq: ZVO), announced the signing of a definitive agreement to sell Ashford University to a newly formed non-profit entity that will bear the name of The University of Arizona Global Campus. Zovio will continue to provide its high-quality, innovative education technology services under a long-term Strategic Services Agreement. This partnership will offer nontraditional and underrepresented students access to flexible, affordable, high-quality higher education opportunities to achieve their academic and career goals.

The new non-profit entity, The University of Arizona Global Campus, will acquire Ashford University and be fully-online, with its own accreditation, programs, and faculty in affiliation with the University of Arizona. Ashford University's faculty and approximately 35,000 students will continue coursework with no interruptions in degree programs.

"At Zovio we use educational technology to create personalized online learning opportunities that enable learners to achieve their aspirations. With over 16 years of industry experience, we understand the changing dynamics of higher education as well as the challenges students and educators now face as the COVID-19 pandemic further alters the learning landscape," said Andrew Clark, Founder, President and CEO of Zovio. "That is why we're excited to partner with University of Arizona in support of their vision to expand access and provide innovative learning solutions to help the University of Arizona meet students where they are."

This transaction is an important step in Zovio's strategic goal of becoming an education technology services company. Zovio will continue providing excellent education technology services to The University of Arizona Global Campus, while at the same time, pursuing diversified growth as a provider of technology and services to other institutions, corporations, and learners.

Through acquisition of Ashford University, the non-profit University of Arizona Global Campus will expand University of Arizona's reach and ability to provide access to more underrepresented and nontraditional students and new populations of students across the United States and around the world.

"As students look for new avenues to attain higher education, the accessibility and innovative approach of The University of Arizona Global Campus will help a new generation of Wildcats find success. By establishing The University of Arizona Global Campus, the University of Arizona will greatly expand its reach and live up to its responsibility as a land-grant university to provide access to quality education, including to working adults, full-time parents, military service members, and other underrepresented students," said Dr. Robert Robbins, 22nd president of the University of Arizona. "We will do so with an unwavering commitment to students and their success."

Zovio's promise of high-quality virtual learning, access, and inclusivity will be combined with the University of Arizona's heritage as a land-grant institution focused on student success. The University of Arizona Global Campus will focus on serving underrepresented and non-traditional students such as veterans or those who work or parent full time and who are in need of flexible pathways to advance their education or learn new skills. As this student population turns increasingly to online platforms for higher education and institutions seek to make classes available to more students, The University of Arizona Global Campus will meet students wherever they are in their educational journey.

"The University of Arizona Global Campus truly represents a forward-thinking approach to higher education. It's the kind of innovative partnership that gives traditional public universities the opportunity to provide more students with access to education while also serving an expansive array of constituents far beyond the traditional campus," said Gregory Geoffrey, Chair of the Board of Trustees at Ashford University and former President of Iowa State University. "The University of Arizona, through The University of Arizona Global Campus, will be able to more fully deliver on its mission to serve a broad community of working adults, veterans, and other non-traditional students and ensure a new high-quality option for all students looking to build a better future. The University of Arizona Global Campus will leverage developing technologies, new tools, and the expertise of educators committed to rigorous academic programs to give students a truly enriching online educational experience."

"The University of Arizona is making a smart move, consistent with its core mission, in expanding its ability to serve non-traditional students through Global Campus. And, of course, this is great news for students, who will benefit both by the affiliation with the University of Arizona and by access to a high-quality education consistent with the principles of a top public research university," said John Sexton, former President of New York University.

The University of Arizona has a 135-year record of providing student-centric high-quality education to all classes of students -- through more than 250 undergraduate majors and graduate programs, premier research university facilities and resources, and an internationally recognized faculty committed to student success. Building on its experience through Arizona Online and in keeping with its land-grant responsibility to provide access, the expansion of The University of Arizona Global Campus will enable University of Arizona to reach students beyond its current student body, beyond Arizona, and beyond traditional education modalities.

Ashford University is accredited by WASC Senior College and University Commission (WSCUC). Ashford University leads the nation for the number of courses certified by Quality Matters, an independent non-profit, quality assurance organization. According to the independent National Survey of Student Engagement (NSSE), Ashford students experienced an academic challenge higher than that of the top 10% of other institutions participating in the NSSE survey for higher order learning, learning strategies, and effective teaching practices.

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About Zovio

Zovio (Nasdaq: ZVO) is an education technology services company that partners with higher education institutions and employers to deliver innovative, personalized solutions to help learners and leaders achieve their aspirations. The Zovio network, which includes Fullstack Academy, TutorMe, and Learn@Forbes, leverages its core strengths and applies its technology and capabilities to priority market needs. Using advanced data and analytics, Zovio identifies the most meaningful ways to enhance the learner experience and deliver strong outcomes for higher education institutions, employers, and learners. Zovio's purpose is to help everyone be in a class of their own. For more information, visit www.zovio.com.

About University of Arizona

The University of Arizona, a land-grant university with two independently accredited medical schools, is one of the nation's top public universities, according to U.S. News & World Report. Established in 1885, the university is widely recognized as a student-centric university and has been designated as a Hispanic Serving Institution by the U.S. Department of Education. The university ranked in the top 20 in 2018 in research expenditures among all public universities, according to the National Science Foundation, and is a leading Research 1 institution with \$687 million in annual research expenditures. The university advances the frontiers of interdisciplinary scholarship and entrepreneurial partnerships as a member of the Association of American Universities, the 65 leading public and private research universities in the U.S. It benefits the state with an estimated economic impact of \$4.1 billion annually. For the latest on the University of Arizona response to the novel coronavirus, visit the university's COVID-19 webpage.

About Ashford University

Ashford University is a recognized leader and innovator in distance learning and online education. Ashford is designed to meet the needs of working students, offering programs most often sought by those whose primary educational goals relate to developing professional and career-relevant competencies. Flexible schedules, innovative delivery, and accessible academic support tools help working students balance busy lives with academic studies. Ashford offers associate, bachelor's, master's, and doctoral degree programs. For more information, please visit www.ashford.edu, www.facebook.com/ashforduniversity, or www.twitter.com/AshfordU.