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

July 1, 2018
Date of Report (Date of earliest event reported)

Grand Canyon Education, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**001-34211**	**20-3356009**
(State or other Jurisdiction of Incorporation)	**(Commission File Number)**	**(IRS Employer Identification No.)**

2600 W. Camelback Road **Phoenix, Arizona**	**85017**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant's telephone number, including area code: (602) 247-4400

3300 W. Camelback Road **Phoenix, Arizona**	**85017**
(Address of Principal Executive Offices)	**(Zip Code)**

(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))

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.

Asset Purchase Agreement and Related Agreements

On July 1, 2018, Grand Canyon Education, Inc., a Delaware corporation (the "Company"), consummated an Asset Purchase Agreement (the "Asset Purchase Agreement") with Gazelle University, an Arizona nonprofit corporation. Prior to the consummation of the transactions contemplated by the Asset Purchase Agreement, the Company operated Grand Canyon University ("GCU"), a comprehensive university, regionally accredited by The Higher Learning Commission (the "HLC"), that offers over 225 graduate and undergraduate degree programs, emphases and certificates across nine colleges both online and on ground at its over 275 acre campus in Phoenix, Arizona. Upon the closing of the transaction, Gazelle University changed its name to Grand Canyon University ("New GCU").

Pursuant to the Asset Purchase Agreement:

- The Company transferred to New GCU the real property and improvements comprising the GCU campus as well as tangible and intangible academic and related operations and assets related to GCU (the "Transferred Assets"), and New GCU assumed liabilities related to the Transferred Assets. Accordingly, GCU is now owned and operated by New GCU. The Asset Purchase Agreement contains customary representations, warranties, covenants, agreements and indemnities.
- The base purchase price that New GCU paid for the Transferred Assets at closing was $853.1 million, which reflected the book value of the tangible Transferred Assets as of April 30, 2018. The base purchase price amount is subject to a post-closing adjustment to ensure that the final purchase price is equivalent to the lesser of the book value of the tangible Transferred Assets as of July 1, 2018 or the fair market value of the Transferred Assets at such date as determined by third party appraisals (in each case, plus $1.00 for the intangible Transferred Assets) and, after adjustment, is expected to be approximately $875.0 million. In addition, at the closing of the Asset Purchase Agreement, GCU's faculty, academic leadership and related staff, which includes approximately 35%, or 1,400, of the Company's full-time employees and substantially all of the Company's 6,000 part-time and adjunct employees and student workers, transferred their employment from the Company to New GCU. The Company continues to employ approximately 2,600 full-time employees and to own an office complex from which most of its continuing employees will continue to work.
- New GCU paid the purchase price for the Transferred Assets by issuing to the Company a senior secured note (the "Secured Note") that is governed by a credit agreement between the Company and New GCU (the "Credit Agreement"). The Credit Agreement contains customary commercial credit terms, including affirmative and negative covenants applicable to New GCU, and provides that the Secured Note bears interest at an annual rate of 6.0%, has a maturity date of June 30, 2025, and is secured by all of the assets of New GCU. The Secured Note provides for New GCU to make interest only payments during the term, with all principal and accrued and unpaid interest due at maturity and also provides that the Company will loan additional amounts to New GCU to fund approved capital expenditures during the first three years of the term on the terms set forth therein.
- In connection with the closing of the Purchase Agreement, the Company and New GCU entered into a long-term master services agreement (the "Master Services Agreement") pursuant to which the Company will provide identified technological, counseling, marketing, financial aid processing and other support services to New GCU in return for 60% of New GCU's tuition and fee revenue. The Master Services Agreement has an initial term of fifteen (15) years, subject to renewal options, although New GCU has the right to terminate the Master Services Agreement early after the later of seven (7) years or the payment in full of the Secured Note. If New GCU were to terminate the Master Services Agreement early, then New GCU will be required to pay the Company a termination fee equal to one-hundred (100%) of the fees paid in the trailing twelve (12) month period. If the Master Services Agreement were not renewed after the initial fifteen (15) year term, New GCU would be required to pay the Company a non-renewal fee equal to fifty percent (50%) of the fees paid in the trailing twelve (12) month period. Under the terms of the Master Services Agreement, New GCU has granted certain employees of the Company the right to use certain New GCU-owned office space in furtherance of the performance of the services, subject to the payment of market rent.

Copies of the Asset Purchase Agreement, Credit Agreement and Master Services Agreement will be timely filed as exhibits to an upcoming periodic report in accordance with applicable rules and regulations of the Securities and Exchange Commission.

On March 5, 2018, the HLC notified GCU that it had approved the change of control application that GCU had filed in connection with the proposed transaction. In addition, on April 26, 2018, the Arizona State Board for Private Postsecondary Education also approved GCU's supplemental license application for a change of ownership and control effective upon the closing of the proposed transaction. On January 18, 2018, GCU voluntarily filed a request for pre-acquisition review of the transaction with the U.S. Department of Education ("ED") seeking ED's review of the proposed transaction and input as to any regulatory limitations, such as a letter of credit or growth restrictions, that ED may choose to impose on New GCU following the closing of the transaction. While this review process typically takes up to forty-five days from the date of the request, ED's review of GCU's request is not yet complete. GCU has had ongoing engagement with ED about the transaction throughout the review process, however, and, based on this engagement and a number of other factors, including the historical financial strength and performance of GCU, the importance to GCU of completing the transaction and reverting to its historical nonprofit status, and advice from the respective counsel to the Company and New GCU about the risks involved in closing the transaction prior to receiving ED's feedback, the Board of Directors of the Company and the board of trustees of New GCU concluded that the benefits of consummating the transaction at this time were numerous and any regulatory limitations imposed by ED could be managed (particularly since GCU's regional accreditor and state regulator had already approved the transaction).

As a result of this transaction, various aspects of the Company's operations have changed in important ways. These changes include, but are not limited to, the following:

- The Company no longer owns and operates a regulated institution of higher education, but instead provides a bundle of services in support of New GCU's operations. These services include technology, academic and counseling services and support and marketing for New GCU's ground traditional and online students. Technology services include the ongoing improvement and maintenance of educational infrastructure, including online course delivery and management, student records, assessment, customer relations management, and other internal administration systems. Academic services include curriculum and new program development, faculty training and development, technical support, and assistance with state compliance. Counseling services and support include team-based counseling and other support to prospective and current students as well as financial aid processing. Marketing and communications includes brand advertising, marketing to potential students, and other promotional and communication services. The Company will also provide, at least initially, back office services such as accounting, human resources and procurement services. While the Company has never operated as a third party service provider regulated by ED until now, all of the services that it will provide to New GCU under the Master Services Agreement are services that it has always provided internally in support of GCU's academic operations prior to the transaction. As a result, while the Company has limited to no experience operating as a service provider to third parties, it believes that its significant investment in technological solutions, infrastructure and processes to provide superior service to students, its experience and expertise in these services areas, its experience providing such services at the scale required for New GCU to continue to operate in a manner consistent with past practices, and the fact that it retained all of the assets and employees involved in the delivery of such services will enable it to perform in the manner and to the service levels required under the Master Services Agreement and also position the Company to engage additional university customers in the future.

- New GCU is a separate non-profit entity under the control of an independent board of trustees, none of whose members have ever served in a management or corporate board role at the Company. New GCU's board of trustees has adopted bylaws and a related conflict of interest policy that, among other things, (i) prevents any trustee of New GCU from attending any meeting, or voting on any matter, as to which such trustee has a conflict of interest, (ii) establishes a special committee of independent trustees to oversee on behalf of New GCU all matters related to the Master Services Agreement and New GCU's relationship with the Company, and (iii) prohibits any trustee from having any financial interest in, or role with, the Company. Accordingly, the Company's relationship with New GCU, both pursuant to the Master Services Agreement and operationally, is no longer as owner and operator, but as a third party service provider to an independent customer. While the Company believes that its relationship with New GCU will remain strong, New GCU's board of trustees and management will have fiduciary and other duties that will require them to focus on the best interests of New GCU and over time those interests could diverge from those of the Company.

- Mr. Brian M. Mueller has served as the Chief Executive Officer of the Company since 2008 and the Chairman of the Board of the Company since 2017 and has also served as the President of GCU since 2012. The Board of Directors of the Company and the board of trustees of New GCU have each determined that Mr. Mueller should retain those roles. Accordingly, Mr. Mueller will remain the Chairman of the Board and Chief Executive Officer of the Company and will continue to serve as the President of New GCU. As noted above, however, Mr. Mueller will be prohibited from serving on the board of trustees of New GCU. Aside from Mr. Mueller, no other employee of New GCU or GCE has a dual role in both organizations.

Second Amendment to Credit Agreement

The Company is a party to a credit agreement with Bank of America, N.A. as Administrative Agent, and other lenders, dated December 21, 2012 and amended as of January 15, 2016. Effective July 1, 2018, the Company and the lenders amended the credit agreement (the "Amendment"). Under the terms of the Amendment, (a) the lenders released the collateral securing the Company's obligations under the credit agreement in order to enable the Company to consummate the Asset Purchase Agreement described above and modified certain financial and regulatory covenants to reflect the transactions described above, including the fact that the Company no longer operates a regulated educational institution, and (b) the Company provided to the Administrative Agent cash collateral securing its remaining obligations under the credit agreement and agreed to collaterally assign its rights under the Asset Purchase Agreement, the Secured Note and the Master Services Agreement. The credit agreement, as amended by the Amendment, contains standard covenants, including covenants that, among other things, restrict the Company's ability to incur additional debt or make certain investments and that require the Company to maintain a certain financial condition.

A copy of the Amendment will be timely filed as an exhibit to an upcoming periodic report in accordance with applicable rules and regulations of the Securities and Exchange Commission.

Item 2.01 Completion of Acquisition or Disposition of Assets.

The information set forth under Item 1.01 under the heading "Asset Purchase Agreement and Related Agreements" is incorporated into this Item 2.01 in its entirety by reference herein.

Item 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The information set forth under Item 1.01 under the heading "Second Amendment to Credit Agreement"" is incorporated into this Item 2.03 in its entirety by reference herein.

Item 5.02. Departure of Directors or Principal Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

(b) In connection with transaction described under Item 1.01 under the heading "Asset Purchase Agreement and Related Agreements," effective upon the closing of the transaction, Mr. Brian M. Roberts, the Company's Senior Vice President and General Counsel, resigned his employment with the Company and became the Chief Administrative Officer and General Counsel of New GCU.

(e) In connection with transaction described under Item 1.01 under the heading "Asset Purchase Agreement and Related Agreements," effective upon the closing of the transaction, the Compensation Committee of the Board of Directors of the Company approved the amendment and restatement of the employment agreements (as amended and restated, the "Restated Agreements") between the Company and Brian E. Mueller, the Chief Executive Officer of the Company; W. Stan Meyer, the Chief Operating Officer of the Company; Daniel E. Bachus, the Chief Financial Officer of the Company; and Joseph N. Mildenhall, the Chief Information Officer of the Company (the "NEOs"). The Restated Agreements reflects the following amendments to each NEO's prior agreement:

- In the case of Mr. Mueller only, reflecting Mr. Mueller's dual employment with New GCU as described above, a decrease in the annual base salary of Mr. Mueller by 50%, to $321,000 per annum, as compared to his annual base salary of $642,000 in effect immediately prior to July 1, 2018.
- Re-setting the term of the employment agreements, such that the Restated Agreements each have a five-year term beginning effective as of July 1, 2018 and ending on June 30, 2023.

- Modifying each NEO's existing covenant not to compete to (a) in the case of Mr. Mueller, allow for his service to New GCU, and (b) for each NEO, to prevent his service to or involvement in any business that develops or administers services to degree-granting institutions of higher education.

Except for the reduction in Mr. Mueller's base salary, the compensation of the NEOs remains unchanged and all of the other terms and provisions that were in effect under each officer's employment agreement immediately prior to the execution of the Restated Agreements will continue in effect under the Restated Agreement. A copy of the Restated Agreements 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 July 2, 2018, the Company issued a press release announcing the closing of the transactions contemplated by the Asset Purchase Agreement. A copy of the press release is filed herewith as Exhibit 99.1.

Item 8.01. Other Information.

Effective July 1, 2018, the Company relocated its corporate offices from 3300 West Camelback Road, Phoenix, Arizona 85017 to 2600 West Camelback Road, Phoenix, Arizona 85017. In addition, the Company's telephone number changed from (602) 639-7500 to (602) 247-4400 and its website is now www.gce.com.

Item 9.01. Consolidated Financial Statements and Exhibits.

(b) Pro Forma Financial Information

The following unaudited pro forma condensed consolidated financial information is attached as Exhibit 99.2 and incorporated herein by reference.

- Unaudited pro forma condensed consolidated balance sheet of Grand Canyon Education, Inc. as of March 31, 2018.
- Unaudited pro forma condensed consolidated income statements of Grand Canyon Education, Inc. for the three months ended March 31, 2018 and for the fiscal year ended December 31, 2017.

(d) Exhibits

Exhibit No.	Description
99.1	Press Release, dated July 2, 2018
99.2	Unaudited Pro Forma Condensed Consolidated Financial Information

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 risks discussed above under Item 1.01; the failure of the Company to operate successfully as a third party service provider to New GCU, and New GCU's failure to operate GCU in the manner it was operated by the Company; the occurrence of any event, change or other circumstance that could give rise to the termination of any of the key transaction agreements once executed; the effect of the announcement of the transaction on the Company's ability to retain and hire key personnel or its operating results and business generally; the risk that stockholder litigation in connection with the transaction 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, thereunto duly authorized.

	GRAND CANYON EDUCATION, INC.
Date: July 2, 2018	By: /s/ Daniel E. Bachus
	Daniel E. Bachus
	Chief Financial Officer
	(Principal Financial and Principal Accounting Officer)

Exhibit 99.1

Contact: Bob Romantic, Grand Canyon University | 602-639-7611; bob.romantic@gcu.edu

GRAND CANYON UNIVERSITY, GRAND CANYON EDUCATION ENTER NEW ERA WITH COMPLETION OF NONPROFIT TRANSACTION

Development office, research and assistance to Christian schools among initial priorities

PHOENIX (July 2, 2018) – Today marks the beginning of a new era for Grand Canyon University (GCU) and Grand Canyon Education, Inc. (GCE).

Under the terms of a transaction that closed on July 1, 2018, Grand Canyon Education sold Grand Canyon University to a nonprofit entity that will retain the GCU name. The transaction returns GCU to its historical roots as a nonprofit university and ensures the long-term legacy of both GCU and GCE.

“We are incredibly proud of the journey that has helped us get to where we are today,” said University President and GCE Chief Executive Officer Brian Mueller. “We have taken a university that was on the brink of bankruptcy and created a higher education structure that has greatly benefitted thousands of students and families, the inner-city community in which we reside and U.S. businesses that covet the graduates we produce. That is a testament to the free market system and an American success story that should be celebrated.

“Today, GCU is on solid footing financially and it is time to change that structure again by reverting to the nonprofit status that the University held from 1949 to 2004 – a status that puts us on a level playing field with other traditional universities with regard to tax status; that ensures our students and faculty have the same access to research opportunities and grants as other universities; that opens up the world of philanthropic giving to GCU; that allows GCU to participate in NCAA governance at the Division I level; and, most importantly, that better enables us to continue to freeze tuition, which we have done for 10 straight years on our ground campus.”

GCE has transferred to GCU the real property and improvements comprising the GCU campus as well as tangible and intangible academic and related operations and assets related to GCU. The purchase price, following post-closing adjustments, will be approximately $875 million, which GCU paid through the issuance of a seven-year, senior secured note.

In addition, GCU’s faculty, academic leadership and related staff, which includes approximately 35 percent, or 1,400, of GCE’s full-time employees and substantially all of GCE’s 6,000 part-time and adjunct employees and student workers, transferred their employment from GCE to GCU. GCE continues to employ approximately 2,600 full-time employees and owns an office complex from which most of its continuing employees will continue to work.

As part of the transaction, GCE and GCU also entered into a long-term master services agreement in which GCE will provide technological, counseling, marketing, financial aid processing and other support services to GCU. The shared services arrangement is similar to that at hundreds of nonprofit universities in the country that outsource services to for-profit third-party providers.

GCU and GCE have completely independent governing boards. In fact, no members of GCU’s Board of Trustees has ever served in a management or corporate board role with GCE. GCU has adopted a conflict of interest policy that prohibits any trustee from having a financial interest in, or role with, GCE.

Brian Mueller, who has served as CEO of GCE since 2008 and Chairman of the Board of GCE since 2017, will continue to serve in those roles for GCE. Mr. Mueller will also continue to serve as President of GCU, a position he has held since 2012. Such dual roles are permitted under guidelines adopted by the Higher Learning Commission. Aside from Mr. Mueller, no other employee of New GCU or GCE has a dual role in both organizations.

More details of the transaction are spelled out in these FAQS.

Among GCU's initial priorities are establishing a Development Office to pursue grants and other philanthropic giving, and embarking on academic research initiatives with a focus on science, technology, engineering and math (STEM).

For GCE, it allows that organization to continue as a tax-paying, multi-billion-dollar market cap, publicly traded company in the fast-growing educational services industry, with its headquarters in Phoenix. There is the potential for GCE to provide services not only to other universities but also to Christian high schools across the country.

Mueller said the current structure is the best of both worlds for GCU and GCE and will allow the University to continue to expand and serve its community. GCU enrollment is expected to reach nearly 21,000 students on its 275-acre ground campus this fall, with an additional 70,000 students online – making it one of the largest universities in the country.

"The structure behind the scenes will change, but our goals and mission remain the same – to provide high-quality Christian education that is affordable to all socioeconomic classes of Americans," Mueller said. "The aligned goals of both organizations, as well as the integrity and ethics of both organizations, will only increase our efficiencies by utilizing resources strategically that further the teaching and assessment of student learning, as well as the overall student experience."

GCU, which is regionally accredited, was founded as a nonprofit institution in 1949 and earned a reputation as Arizona's premier private Christian school. In 2004, on the brink of bankruptcy with $20 million in debt and less than 1,000 traditional students, GCU changed its structure by taking on investors and becoming a for-profit university. The structure changed further in 2008 when GCE was incorporated as a publicly traded company in order to secure the capital needed to develop a state-of-the-art online learning platform and expand its West Phoenix campus. As a for-profit, publicly traded institution, it should be noted that GCE never paid a dividend to its shareholders, reinvesting all profits back into the University.

Mueller stressed that the move to revert GCU to its nonprofit status is not being done to escape current regulations that are imposed only on the for-profit sector. Because GCU maintains affordable tuition, none of its programs failed the gainful employment regulations. GCU's loan default rate will be an estimated 6.2 percent for the most recent cohort – well below federal guidelines. For the 90/10 rule, GCU sits at 72.3 percent (and dropping). The University supports measures that ensure educational institutions are meeting recognized standards – particularly as it relates to student support services, academic integrity and financial transparency – and believes those measures should apply to all institutions (for-profit and nonprofit).

"We pride ourselves on being innovative and forward-thinking, and this transaction is further testament to that," Mueller said. "The future is bright, not only for GCU and GCE but also for anyone interested in affordable, private Christian education."

DLA Piper LLP (US) (Phoenix, Arizona) served as outside corporate counsel to GCE in the transaction, while Hogan Marren Babbo & Rose Ltd. (New York) served as outside regulatory counsel. Barclays Capital served as financial advisor to GCE.

Gallagher & Kennedy (Phoenix, Arizona) served as outside corporate counsel to GCU in the transaction while Cooley LLP (Washington, D.C.) served as regulatory counsel. Wells Fargo Securities, LLC served as financial advisor to GCU.

# # #

About Grand Canyon University: Grand Canyon University was founded in 1949 and is Arizona's premier private Christian university. GCU is regionally accredited by the Higher Learning Commission and offers more than 225 academic programs, emphases and certificates for both traditional undergraduate students and working professionals. The University's curriculum emphasizes interaction with classmates, both in-person and online, and individual attention from instructors while fusing academic rigor with Christian values to help students find their purpose and become skilled, caring professionals. For more information, visit gcu.edu.

About Grand Canyon Education: Grand Canyon Education (GCE), incorporated in 2008, is a publicly traded education services company. GCE is uniquely positioned in the education services industry in that its leadership has 30 years of proven expertise in providing a full array of support services in the post-secondary education sector and has developed significant technological solutions, infrastructure and operational processes to provide superior service in these areas on a large scale. GCE provides services that support students, faculty and staff of partner institutions such as marketing, strategic enrollment management, counseling services, financial services, technology, technical support, compliance, human resources, classroom operations, curriculum development, faculty recruitment and training, among others. For more information, visit gce.com.

Exhibit 99.2

GRAND CANYON EDUCATION, INC. REPORTS
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

On July 1, 2018, Grand Canyon Education, Inc., a Delaware corporation (the "Company" or "GCE") whose sole business is the operation of Grand Canyon University ("GCU"), entered into an Asset Purchase Agreement (the "Asset Purchase Agreement") with Gazelle University, an Arizona nonprofit corporation ("New GCU"). Under the term of the Asset Purchase Agreement, the Company transferred to New GCU the real property and improvements comprising the University's existing campus as well as tangible and intangible academic and related operations and assets (the "Transferred Assets"), and New GCU assumed liabilities related to such Transferred Assets. The base purchase price that New GCU paid for the Transferred Assets at closing was $853.1 million, which reflected the book value of the tangible Transferred Assets as of April 30, 2018. The base purchase price amount is subject to a post-closing adjustment to ensure that the final purchase price is equivalent to the lesser of the book value of the tangible Transferred Assets as of July 1, 2018 or the fair market value of the Transferred Assets at such date as determined by third party appraisals (in each case, plus $1.00 for the intangible Transferred Assets), which we estimate to be $875.0 million as of July 1, 2018. New GCU paid the purchase price for the Transferred Assets by issuing to the Company a seven-year senior secured note, subject to customary commercial credit terms and secured by all of the assets of New GCU, that provides for interest only payments at the rate of 6.0% per annum, with all principal and accrued and unpaid interest due at maturity (the "Note"). Upon the closing of the Asset Purchase Agreement, the Company and New GCU entered into a long-term master services agreement pursuant to which the Company will provide identified technological, counseling, marketing, financial aid and other support services to New GCU in return for an agreed upon share of New GCU's tuition and fee revenue. The foregoing actions, which are referred to collectively herein as the "Transaction," were completed on July 1, 2018.

In the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, the Transferred Assets did not yet meet the criteria to be classified as assets held for sale. As of June 30, 2018, such criteria had been met and the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018 will reflect the Transferred Assets as assets held for sale.

The Company's accounting and financial reporting in these unaudited pro formas is based on its preliminary assessment of the appropriate application of Generally Accepted Accounting Principles ("GAAP"). The final application of GAAP to the Transaction may differ from what is presented in these unaudited pro formas.

The unaudited pro forma condensed consolidated financial statements of the Company presented in this Exhibit were derived from the Company's historical consolidated financial statements and are being presented to give effect to the Transaction.

The unaudited pro forma condensed consolidated balance sheet assumes that the Transaction had occurred on March 31, 2018. The unaudited pro forma condensed consolidated income statements are presented as if the Transaction had occurred on January 1, 2017. The following unaudited pro forma condensed consolidated financial statements should be read in conjunction with the Company's historical consolidated financial statements and accompanying notes.

The pro forma adjustments are based on the best information available and assumptions that management believes are (a) directly attributable to the Transaction, (b) are factually supportable and (c) with respect to the income statement, have a continuing impact on the consolidated results. The pro forma adjustments are described in the accompanying notes to the unaudited pro forma condensed consolidated financial information.

The unaudited pro forma condensed consolidated financial information is provided herein for illustrative purposes only and is not necessarily indicative of the results of operations that would have occurred had the Transaction occurred on January 1, 2017. The unaudited pro forma condensed consolidated financial information does not reflect future events that may occur after the sale, including potential general and administrative cost savings.

GRAND CANYON EDUCATION, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

	March 31, 2018		
ASSETS:			
(In thousands, except par value)	Historical (1)	Pro Forma Adjustments	Pro Forma
Current assets			
Cash and cash equivalents	$ 242,846	$ (52,100)[A]	$ 190,746
Restricted cash and cash equivalents	72,816	(72,816)[A]	—
Investments	91,910	—	91,910
Accounts receivable, net	9,469	(9,469)[A]	—
Income tax receivable	1,329	—	1,329
Other current assets	16,994	(7,090)[A]	9,904
Total current assets	435,364	(141,475)	293,889
Property and equipment, net	950,156	(841,164)[A]	108,992
Prepaid royalties	2,689	—	2,689
Goodwill	2,941	—	2,941
Note receivable, less current portion	—	841,164[A]	841,164
Other assets	833	—	833
Total assets	$1,391,983	$ (141,475)	$1,250,508
LIABILITIES AND STOCKHOLDERS' EQUITY:			
Current liabilities			
Accounts payable	$ 36,100	$ —	$ 36,100
Accrued compensation and benefits	25,013	—	25,013
Accrued liabilities	26,571	(3,156)[A]	23,415
Income taxes payable	30,234	—	30,234
Student deposits	72,948	(72,948)[A]	—
Deferred revenue	64,130	(64,130)[A]	—
Current portion of notes payable	6,670	(98)[A]	6,572
Total current liabilities	261,666	(140,332)	121,334
Other noncurrent liabilities	1,131	(1,131)[A]	—
Deferred income taxes, noncurrent	19,900	—	19,900
Notes payable, less current portion	58,274	(12)[A]	58,262
Total liabilities	340,971	(141,475)	199,496
Commitments and contingencies			
Stockholders' equity			
Preferred stock, $0.01 par value, 10,000 shares authorized; 0 shares issued and outstanding at March 31, 2018	—	—	—
Common stock, $0.01 par value, 100,000 shares authorized; 52,496 shares issued and 48,217 shares outstanding at March 31, 2018	525	—	525
Treasury stock, at cost, 4,279 shares of common stock at March 31, 2018	(112,726)	—	(112,726)
Additional paid-in capital	237,056	—	237,056
Accumulated other comprehensive loss	(526)	—	(526)
Retained earnings	926,683	—	926,683
Total stockholders' equity	1,051,012	—	1,051,012
Total liabilities and stockholders' equity	$1,391,983	$ (141,475)	$1,250,508

(1) The historical consolidated balance sheet of the Company as of March 31, 2018 does not reflect the Transferred Assets as assets held for sale. The pro forma adjustments assume that the Transaction occurred on March 31, 2018.

GRAND CANYON EDUCATION, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED INCOME STATEMENT

	Three Months Ended March 31, 2018				
	Historical (1)	Pro Forma Adjustments	Pro Forma	Reclasses	Reclassed Pro Forma
Net Revenue	$ 275,681	$(275,681)[B]	$ —	$ —	$ —
Service Revenue		$ 165,409[B]	165,409	—	165,409
Total Revenue	$ 275,681	$(110,272)	$165,409	$ —	$165,409
Costs and expenses:					
Technology and academic services	—	—	—	13,569[G]	13,569
Counseling services and support	—	—	—	48,285[H]	48,285
Marketing and communication	—	—	—	28,130[I]	28,130
Instructional costs and services	111,027	(83,894)[C]	27,133	(27,133)[G] [H]	—
Admissions advisory and related	34,854	(133)[C]	34,721	(34,721)[H]	—
Advertising	25,715	(269)[C]	25,446	(25,446)[I]	—
Marketing and promotional	2,684	—	2,684	(2,684)[I]	—
General and administrative	11,309	(4,232)[C]	7,077	— [J]	7,077
Total costs and expenses	185,589	(88,528)	97,061	—	97,061
Operating income	90,092	(21,744)	68,348	—	68,348
Interest income	—	13,125[D]	13,125	—	13,125
Interest expense	(346)	—	(346)	—	(346)
Investment income and other	981	—	981	—	981
Income before income taxes	90,727	(8,619)	82,108	—	82,108
Income tax expense	17,046	(2,145)[E]	14,901	—	14,901
Net income	$ 73,681	$ (6,475)	$ 67,206	$ —	$ 67,206
Earnings per share:					
Basic income per share	$ 1.55		$ 1.42		
Diluted income per share	$ 1.52		$ 1.39		
Basic weighted average shares outstanding	47,432	(62)[F]	47,370		
Diluted weighted average shares outstanding	48,397	(161)[F]	48,236		

(1) The historical consolidated statements of income of the Company for the three months ended March 31, 2018 assume that the Transaction occurred as of January 1, 2017.

GRAND CANYON EDUCATION, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED INCOME STATEMENT

	Year Ended December 31, 2017				
	Historical (1)	Pro Forma Adjustments	Pro Forma	Reclasses	Reclassed Pro Forma
Net Revenue	$ 974,134	$(974,134)[B]	$ —	$ —	$ —
Service Revenue		584,480[B]	584,480	—	584,480
Total Revenue	$ 974,134	$(389,654)	$584,480	$ —	$ 584,480
Costs and expenses:					
Technology and academic services				52,250[G]	52,250
Counseling services and support				176,451[H]	176,451
Marketing and communication				107,712[I]	107,712
Instructional costs and services	410,840	(310,211)[C]	100,629	(100,629)[G] [H]	—
Admissions advisory and related	128,544	(472)[C]	128,072	(128,072)[H]	—
Advertising	98,608	(525)[C]	98,083	(98,083)[I]	—
Marketing and promotional	9,629		9,629	(9,629)[I]	—
General and administrative	43,759	(15,201)[C]	28,558	— [J]	28,558
Total costs and expenses	691,380	(326,409)	364,971	—	364,971
Operating income	282,754	(63,245)	219,509	—	219,509
Interest income	—	52,500[D]	52,500	—	52,500
Interest expense	(2,169)	—	(2,169)	—	(2,169)
Investment income and other	2,943	—	2,943	—	2,943
Income before income taxes	283,528	(10,745)	272,783	—	272,783
Income tax expense	80,209	(4,104)[E]	76,105	—	76,105
Net income	$ 203,319	$ (6,641)	$196,678	$ —	$ 196,678
Earnings per share:					
Basic income per share	$ 4.31		$ 4.18		
Diluted income per share	$ 4.22		$ 4.09		
Basic weighted average shares outstanding	47,140	(37)[F]	47,103		
Diluted weighted average shares outstanding	48,235	(133)[F]	48,102		

(1) The historical consolidated statements of income of the Company for the year ended December 31, 2017 assume that the Transaction occurred as of January 1, 2017.

GRAND CANYON EDUCATION, INC.
NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The following pro forma adjustments are included in the unaudited pro forma consolidated balance sheet and or the unaudited pro forma consolidated income statements:

A. Reflects the base purchase price for the Transferred Assets of $841.2 million (subject to post-closing adjustment in accordance with the terms of the Asset Purchase Agreement) and New GCU's payment of the purchase price through the issuance of the Note. The base purchase price approximates the book value of the Transferred Assets as of March 31, 2018. The total purchase price of the Transferred Assets on the closing date will be equal to the lesser of the book value or fair market value of the Transferred Assets as of July 1, 2018 and, after adjustment, is expected to be approximately $875.0 million. Transferred Assets include property, plant and equipment, construction in process, cash, accounts receivable, prepaid expenses, and liabilities including student deposits, deferred revenue.

B. Reflects the elimination of historical revenues from operations and the inclusion of service revenue based on the contractual specified percentage (60%) earned from our institutional partner.

C. Reflects the elimination of certain education related expenses, including employee costs for approximately 74% of the Company's workforce that transferred to New GCU (including 35% of the Company's full-time employees (approximately 1,400) and substantially all of the Company's 6,000 part-time and adjunct employees and student workers). This also includes the elimination of any depreciation and amortization related to the Transferred Assets.

D. Reflects the estimated interest income on the note receivable at 6%, assuming the total purchase price for the Transferred Assets is $875.0 million.

E. Reflects the tax effect of the pro forma adjustments at the statutory rate in effect during the periods for which the pro forma income statements are presented.

F. Reflects the adjustment for forfeited shares and removal of shares that would not have vested in 2017 and 2018 from previous restricted stock awards for employees transitioning to New GCU.

G. Reclassification to technology and academic services (previously a component of instructional costs and services). This expense category includes salaries, benefits and share-based compensation, information technology costs, curriculum and new program development costs (which are expensed as incurred) and other costs for groups associated with the ongoing improvement and maintenance of our educational infrastructure including online course delivery and management, student records, assessment, customer relations management, and other internal administration systems as well as faculty services, technical support, and assistance with state compliance. This category also includes an allocation of depreciation, amortization, rent, and occupancy costs attributable to the provision of these services, primarily at our Phoenix, Arizona location.

H. Reclassification to counseling services and support (previously a component of instructional costs and services and admissions advisory and related). This expense category includes salaries, benefits and share-based compensation, and other costs for groups that provide team-based counseling and other support to prospective and current students as well as financial aid processing. This category also includes an allocation of depreciation, amortization, rent, and occupancy costs attributable to the provision of these services, primarily at our Phoenix, Arizona location.

I. Represents the combination of the historical income statement caption of advertising, and marketing and promotional. This expense category includes salaries, benefits and share-based compensation for marketing and communication personnel, brand advertising, marketing to prospective students and other promotional and communication expenses. This category also includes an allocation of depreciation, amortization, rent, and occupancy costs attributable to marketing and promotional activities. Marketing and promotional costs are expensed as incurred.

J. Represents the historical general and administrative caption. General and administrative expenses include salaries, benefits, and share-based compensation of employees engaged in corporate management, finance, human resources, compliance, and other corporate functions. General and administrative expenses also include an allocation of depreciation, amortization, rent and occupancy costs attributable to the departments providing general and administrative functions. Most of GCE's historical general and administrative costs will remain however some departments will transition to New GCU.

Items non-recurring in nature, including the removal of deferred tax assets and liabilities associated with the Transferred Assets and the taxable gain associated with the sale are not reflected in the pro forma adjustments in the condensed consolidated statement of operations.