



McClelland Hall
1130 E Helen Street
Tucson, AZ 85721
520-621-2165
<https://eller.arizona.edu>

June 19th, 2020

Dear Arizona Board of Regents Members, President Robbins, Dean Goes, and Provost Folks,

Thank you for advising us regarding the DigiCat project. We are writing to ask you not to enter into an agreement between the University of Arizona and the entity referred to as "Zebra" in the non-disclosure agreement. We understand the need for capital and the need to position the University of Arizona as a market leader in an ever-increasingly competitive online secondary education environment. However, as we outline below, the "asset" we are obtaining in the DigiCat agreement is a "lemon" that will:

1. Impair the value of the University of Arizona,
2. Expose the University of Arizona to litigation,
3. Impede our ability to compete in the high-quality secondary education online space,
4. Harm relationships with current and prospective donors and faculty

We expound on each of these items below.

Impair the value of the University of Arizona

First, the entity referred to as Antelope University in the non-disclosure agreement is a bad business that preys on their students. A quick google search reveals that less than 29% of their students graduate. Furthermore, the average student leaves with \$36,000 in debt. Essentially, Antelope takes money from vulnerable individuals and provides little to no value in return. This sentiment is shared by many, including government officials. Former Senator Tom Harkin describes Antelope University as delivering a product that is worse than a subprime mortgage. In a nytimes.com article (2011), he states, "at least in the subprime, you could walk away from your home... These students with these debts can't walk away from them." Another article from insidehighered.com (2011) quotes the former Senator, Tom Harkin, as stating that Antelope University is "a scam, an absolute scam."

These statements are corroborated by evidence provided in settled lawsuits, which are discussed below. Furthermore, enrollment at Antelope University has dropped by an average of 10.54% per year over the past seven years. [If this trend continues, we estimate that Antelope University will lose somewhere between \\$35 Million to \\$94](#)



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Million per year over the next five years. Hence, we believe the DigiCat project is a bad investment.

Overall, graduation rates, quotes from government officials, litigation, and enrollment declines suggest Antelope University is neither the panacea for the University of Arizona's woes nor a sound business decision providing a sizeable financial payoff. Rather, associating with a predatory institution such as Antelope University will cause irreparable damage to the University of Arizona's brand built over the past 135 years.

Expose the University of Arizona to litigation

A quick internet search reveals that Antelope University's business practices led to lawsuits and government investigations. For example, the California attorney general filed a lawsuit with Antelope University in 2017, which is ongoing to our knowledge. In 2014, Zebra settled a lawsuit with the State of Iowa for \$7.25 million. In 2016, the Consumer Financial Protection Bureau levied an \$8 million penalty on Zebra and required them to refund \$23.5 million in student loans. Given the pending litigation and business practices of Zebra and Antelope University, it is reasonable to expect litigation in the future. This is an additional expense that will not only be born by Zebra but also the organization that is "managing" Antelope University—the University of Arizona.

Impede our ability to compete in the high-quality secondary education online space

As we understand, the DigiCat project agreement would allow Antelope University to use the University of Arizona brand in phrases such as "Antelope University powered by the University of Arizona." Given this, it seems reasonable to assume that some students may choose to attend Antelope University in place of the University of Arizona online programs. This erosion of market share would be unfair to students who expect the high-quality education we deliver. Rather than place the University of Arizona as one of the leading high-quality online degrees, it will, in fact, do the opposite by allowing our partner to steal our market share, mislead our students, and impede our ability to compete in the high-quality online space now and in the future.

Harm relationships with current and prospective donors and faculty

The mission of the University of Arizona "is to teach and uplift the people of Arizona, and the citizens of the world." Our reputation is built on this promise and is the key reason our donors give to the University of Arizona. In short, donors trust the University of Arizona will use their gift to help individuals realize their potential and thereby contribute to society in social and economic ways. Consider, however, if a donor



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learned that we also exploit individuals for profit. Entering into an agreement with a university that has a history of doing this would lead to irreparable damage to these relationships. We would lose our donors' trust and hence, lose their support and the ability to use that support to achieve our mission.

We also believe that partnering with a declining, for-profit university is antithetical to the mission of our University, and will be seen as such by faculty, both in Arizona and beyond. We believe this partnership will weaken our academic credibility and potentially affect the University's accreditation. High-quality faculty who prioritize the development and dissemination of knowledge will likely find this association unacceptable and look to other institutions for employment, severely depleting our human capital and the ability to accomplish our mission. In addition, we foresee attracting new academic talent to a university with this partnership to be extremely difficult, further inhibiting our mission.

Conclusion

In conclusion, we understand that the need for capital during these difficult and unprecedented times. Furthermore, we understand the need to position the University of Arizona as a leader in the secondary education market. However, the DigiCat project would be a catastrophic mistake for the University of Arizona. The DigiCat project will impair the value of the University of Arizona, expose the University of Arizona to litigation, impede our ability to compete in the high-quality online space, and harm relationships with current and prospective donors and faculty. For these reasons, we ask you to abandon the DigiCat project immediately.

Sincerely,

Rick Mergenthaler, Eller College
Advisory Council Chair and Associate
Professor of Accounting

A handwritten signature in blue ink that reads 'Rick Mergenthaler'.

Hope Schau, Professor of Marketing

A handwritten signature in black ink that reads 'Hope Schau'.

Nathan Podsakoff, Stephen Robbins
Professor of Management and
Organizations

A handwritten signature in black ink that reads 'Nathan Podsakoff'.

Bin Zhang, Assistant Professor of
Management Information Systems

A handwritten signature in black ink that reads 'Bin Zhang'.



David Brown, Assistant Professor of
Finance

A handwritten signature in blue ink, appearing to be 'D. Brown', with a long horizontal flourish extending to the right.

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Tiemen Woutersen, Professor of
Economics, Eller Fellow

A handwritten signature in blue ink, appearing to be 'T. Woutersen', with a long horizontal flourish extending to the right.