Project Kitty Hawk:
Progress Report to the North Carolina General Assembly

March 1, 2023

University of North Carolina System
Project Kitty Hawk
Raleigh, North Carolina

Introduction

The state constitution calls on the University of North Carolina to "extend the benefits of public higher education to the people of North Carolina"—all of them. To truly fulfill the University's constitutional duty, the System must adapt to the needs of today's learners and a changing labor market.

Accessing higher education and relevant training can be challenging for working adults. Barriers include time, money, a bewildering array of options, uncertain connections to a clear career path, and a hesitancy to step into the classroom after many years away.

Though working adults across the state would benefit from the high-quality education University of North Carolina (UNC) institutions provide, the UNC System has not traditionally served these learners on a broad scale. It is not a shortage of demand for postsecondary education from nontraditional students. In fact, data indicate that tens of thousands of North Carolinians choose to enroll online with out-of-state universities, presumably because they could not find an option that fits their goals, budget, and schedule closer to home.

The System has an opportunity to develop new models and services that can fit into the busy lives of working adults and that directly align with careers in growing fields. Developing these models will not only help North Carolinians access better jobs; they will also help our institutions grow their digital offerings and serve a new segment of the population that is larger than the diminishing pool of 18-to-24-year-olds. Creating pathways for working adults will also benefit the state, driving economic growth by creating a more skilled workforce, extending our educational mission to more students in underserved areas, and diversifying revenue with new markets.

The North Carolina General Assembly's $97 million investment in Project Kitty Hawk (PKH) has presented the University of North Carolina System with an unprecedented opportunity to capitalize on this opportunity and further accelerate the state's economic growth. In its first year, PKH has made great progress in building its organizational capabilities and developing relationships with UNC System institutions. It employs over 35 full-time staff and has established partnerships with cutting edge technology and service companies to build the requisite capacity to launch more than a dozen digital-first degree programs in the 2023-24 academic year. PKH is building a comprehensive technology platform to enable institutions to deliver state of the art online academic programs to North Carolinians. As of March 1, five UNC institutions have signed letters of intent to develop an institutional partnership with PKH.

The memorandum contains:
1) Overview of the educational context
2) Problem and solution
3) Alignment with UNC strategic plan
4) Organizational structure and growth
5) University outreach and institutional partnerships
6) Budget summary and forecast
7) Development phases
8) Appendices

1. Overview of the Educational Context

North Carolina has set an ambitious attainment goal that by 2030, 2 million North Carolinians between the ages of 25 and 44 will have completed a postsecondary degree or high-quality credential. If current trends persist, the state will be more than 400,000 adults short of that target by the end of the decade. To reach the state's goal, colleges and universities must extend the benefits of higher education to far more North Carolinians than just those between the ages of 18 and 24.

Re-engaging adults who started college but did not finish a degree is a promising strategy, especially considering demographic shifts that will affect the UNC System over the next two decades. Census data indicate that in 2019, approximately 1.5 million North Carolina adults over the age of 25 had "some college, no degree," 586,000 of whom were between the ages of 25 and 44.[1] Meanwhile, the state demographer projects that, after decades of growth, the number of North Carolinians between the ages of 18 and 24 is likely to level off by the end of the next decade due to declines in fertility rates—a trend that COVID-19 has exacerbated.[2] These trends are already being felt: Fall 2022 enrollment in the UNC System was 2% lower than the prior year.

Adult students are different from traditional-age undergraduates in several ways. They are more likely to enroll exclusively online and to attend part-time. They desire the flexibility to study at times convenient to their schedules, accelerated paths to degree completion, and curricula that directly align with their career goals. Universities that serve working adults must offer programs that reflect current and future labor market trends, offer year-round instruction with frequent start dates, and recognize students' prior educational and work experiences.

With the support of the General Assembly, the UNC System and constituent institutions have taken steps to re-engage "part-way home" students and build new pathways to a degree. Many of the constituent institutions have developed "completion degrees" designed to provide a streamlined pathway to complete a bachelor's degree. The General Assembly included a one-time appropriation for a "Part-way Home" initiative in its 2016 short session budget, designed to learn more about the causes of stop-out and to understand what options are best suited to returning adults.[3] More recent efforts include re-engagement campaigns funded by the North Carolina Pandemic Recovery Office (NC-PRO) and the Lumina Foundation.

While these efforts have benefited students and the state, they represent a small fraction of the UNC System's enrollment and the one million-plus working adults with some college but no degree. In Fall 2022, less than 10 percent of the System's undergraduate full-time equivalent (FTE) enrollment was 25 or older, and these FTE enrollments have declined 15% over the past decade.

Lacking flexible online degree options in the public university system, most North Carolinians seeking online programs choose out-of-state institutions. In Fall 2021, over 63,000 North Carolinians were enrolled in exclusively-online undergraduate and graduate programs at out-of-state four-year universities; fewer than 24,000 were enrolled at UNC system institutions.[4] This is despite evidence that students prefer to enroll in their home state: Nationally, fewer than half of online learners enroll in out-of-state universities, and North Carolina is ranked 45th in the proportion of online residents who enroll at public in-state universities.

Low online enrollments at UNC institutions and high migration to out-of-state providers correlates with the lack of online degree offerings in the system. Of the 908 bachelor's degree programs offered by UNC institutions, just 130, or 14%, were offered online. The low proportion of online degree offerings is an access problem that limits online and adult student growth.

---

[1] 2019 American Community Survey, One-year Estimates, Educational Attainment in North Carolina.

[2] Rebecca Tippett, "Early signs indicate pandemic baby bust," Carolina Demography, June 15, 2021: https://www.ncdemography.org/2021/06/15/early-signs-indicate-pandemic-baby-bust/

[3] The Part-way Home initiative's survey of stopped out students found that 40% of survey respondents cited work commitments and the fact that they "didn't see the value of a Bachelor's degree" as the primary reasons for not being interested in completing a degree. When asked what delivery mode they would prefer if they were to re-enroll, a plurality (40%) said they would prefer to enroll exclusively online, compared to the 21% who would prefer to enroll in-person. See "Report on Partway Home Initiative", September 2017, https://www.northcarolina.edu/apps/bog/doc.php?id=57874&code=bog

[4] For data on "outgoing exclusively distance education enrollment," see National Council for State Authorization Reciprocity Agreements (NC-SARA) data dashboards here: https://nc-sara.org/data-dashboards

PKH is a bold solution to reverse these trends and enable our UNC institutions to keep more talent and tuition in-state.

2. Problem and Solution

Educational attainment creates significant benefits to individuals, families, employers, and the state's broader economic environment. Not only is education one of the surest pathways to the middle class — and an important driver of upward economic mobility — it is also key to making North Carolina's economy more competitive. North Carolina is already in a strong position as the top-ranked state in the nation for business and a magnet for talent and investment. That record is based in part on the strength of its colleges and universities. But demand for educated workers will continue to grow in the years to come, especially as additional large firms choose to invest in North Carolina.

Given this information, North Carolina must solve for a three-part puzzle: limited degree opportunities for adult learners, declining enrollment at state institutions due to smaller high school classes, and a growing skills gap that requires North Carolina to have more highly skilled workers to keep pace and expand our economic advantage.

North Carolina must address its obligation to adult learners — a community including veterans, active-duty military, and working adults who have traditionally been underserved within the state education system. PKH is the key to solving these issues. Per Section 8.24(c) of S.L. 2021-180, PKH is a nonprofit affiliate of the UNC System created to support digital learning and career development programs offered by constituent institutions of The UNC System. PKH's agile business model leverages best practices from the private sector, lessons from other state system initiatives, and proven strategies from leading online institutions.

3. Mission, Business Model, and Alignment with UNC Strategic Plan

PKH exists to make North Carolina a top state in which to work and live, its people more knowledgeable, and its culture richer. Its mission is to serve North Carolina's colleges and universities so that they may significantly expand access to higher education, and to eliminate the gap between the skills required for a nationally competitive business climate and the current education opportunities available in the state. Through its people, process, and technology, PKH will help UNC System Institutions to significantly expand access to education for all its residents; increase the attainment of high-quality and in-demand credentials; and eliminate the gap between the skills employers require and the education and training available throughout the state.

Project Kitty Hawk's *customers* are the constituent universities of the UNC System. UNC universities will choose to work with PKH and PKH will have to compete to win business from our institutions. PKH will help universities with market readiness and online and adult learner strategy, online program development and management, and marketing and recruitment services. Project Kitty Hawk's *consumer* is the student—that which the organization and its university partners value most. Through its partnership with universities, PKH will provide access to programs and services that meet student needs, expand labor market opportunity, and lead to upward mobility. Project Kitty Hawk's *beneficiaries* include state residents who will have access to in-demand credentials; employers who will have access to a highly-skilled workforce; and the state, which will see enhanced economic competitiveness.

PKH's mission, business model, and commitments reflect the goals and aspirations of the UNC System. The 2022-2027 UNC System Strategic Plan is the blueprint for statewide success in higher education. PKH has aligned its goals to support and extend the UNC System's mission.
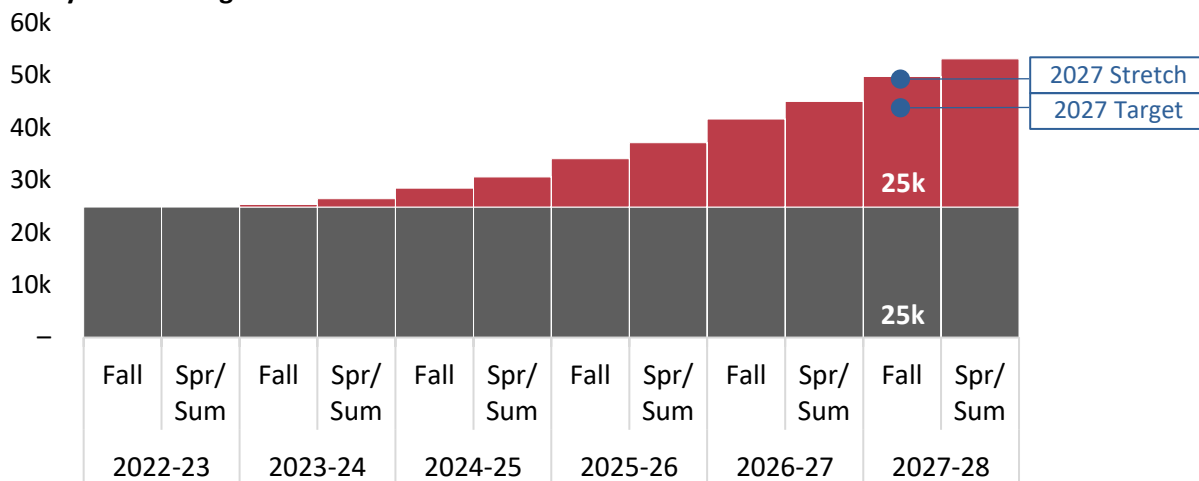
UNC Strategic Themes	PKH Commitments	PKH Strategic Direction
#1: Access	Adult Enrollment Growth	Create strategic and operational capacity dedicated solely to serving adult learners at constituent universities
#2: Student Success	Adult Learner Success	Focus on providing dedicated adult learner support through audience-specific services, analytics, and interventions
#3: Affordability and Efficiency	Cost Effectiveness	Help partners develop fiscally-sound programs and services while containing costs to maximize the state's investment
#4: Economic Impact and Community Engagement	Education and Employer Partnerships	Help partners increase educational capacity for key workforces, and by enhancing engagement with the state's military locations and the organizations that support them, address North Carolina's labor market needs
#5: Excellent and Diverse Institutions	Organizational Excellence	Create an unrivaled employee experience that transmits value to UNC institutions in the form of new skills, knowledge, and a professional work culture.

The clearest indicator of success will be the number of adult enrollments. Currently, the 16 UNC institutions enroll approximately 23,000 undergraduate learners aged 25 and older. The 2022-2027 UNC System Strategic Plan has a target goal to increase the number of adult learners to 45,000 students by Fall 2027, with a stretch goal of 50,000 by that time.[5] PKH will expand the capacity of the UNC system to recruit, enroll, and retain adult learners, exceeding the UNC System target and reaching the stretch goal.

- By FY26 (ending June 30, 2026), PKH will expand the UNC System's capacity for digital enrollments by 50%, to 37,000 students.
- By FY28 (ending June 30, 2028), PKH will increase the System's current capacity by 115%, to 54,000 students.

PKH's capabilities will enable constituent universities to expand high-quality, workforce-aligned online degree opportunities for adult learners, putting the System on-track to meet its ambitious adult learner goal.

**UNC System Strategic Plan Goal: Increase Adult Student Enrollment**

---

4. Organizational Structure and Strategic Growth

Because PKH's start-up investment comes from Coronavirus State and Local Recovery Funds (SLFRF), the organization must encumber these funds by 2024 and spend them down by the end of 2026. Given this timeline, PKH faced decisions about how to balance the need to quickly build a state-of-the-art capability while ensuring that the end product matches the UNC System's national standard for access and quality. To do this, PKH made two key choices. First, it adopted a "Build by Partnership" approach, utilizing a strategic portfolio of third parties to accelerate the work and deepen access to external expertise, processes, and technology solutions. These partners have enabled PKH to obtain faster entry into the market, greater human capital resources, deeper capabilities, and lower risk.

PKH is also rapidly hiring full-time staff and attracting top talent to North Carolina in the process. This growth has benefited North Carolina beyond the services that PKH is offering partner institutions – over 90% of the jobs it has created since September 2022 employ North Carolina residents. These jobs typically require postsecondary credentials and generate positive downstream effects to the state's tax base. On an annualized basis, PKH's current North Carolina-based staff will contribute over $120,000 in state income tax in the current fiscal year.

PKH Full-Time Equivalent Staff, February 2023
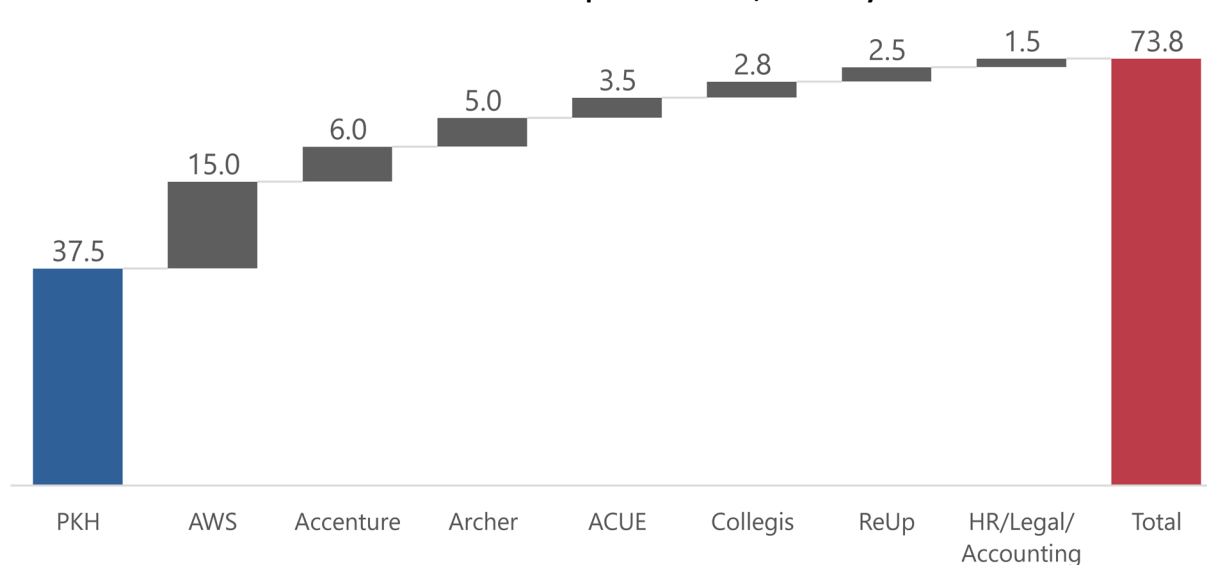
Second, PKH has approached the development of its technology and service platform not as a start-up would, with an emphasis on building a minimum viable product and reaching short-term milestones, but as an organization tasked with building a lasting infrastructure for the state that can accommodate current and future needs. To compete and win in the online higher education space, PKH's technology must be more agile and insightful than current solutions but also must be built to last. The PKH technology platform includes the consumer relationship management system (learner CMS), learning management system (LMS), customer insights hub (university analytics), and market research toolset. The PKH team is developing this platform for deployment in Fall 2023. The key factors that will enable competition include:
- A learning platform that supports six new student intake terms per year, increasing student acquisition velocity
- A lead management system that enables advisors to respond to leads within 30 minutes through multimodal communication (calls, emails, SMS, social media)
- An application process that will aspire to reduce the timeframe from initial inquiry to applicant decision times to one week, and a transfer credit evaluation process that can be completed in two days
- Twenty-four-hour technology support for students and faculty.

PKH has approached the technology build as our universities would approach an academic capital project — it must be robust enough to meet future demands and must reflect the System's overall commitment to quality. In the same way that a campus would ensure that its academic buildings were constructed to accommodate future enrollment growth and academic programming, PKH has set out to build a capability that will enable the System to serve tens of thousands of additional adult learners in the years to come. See Section 6 for more on the technology build.

5. University Outreach and Institutional Partnerships

PKH has made it a main priority to connect with all 16 four-year institutions in the UNC System during its first operating year. The team has conducted more than 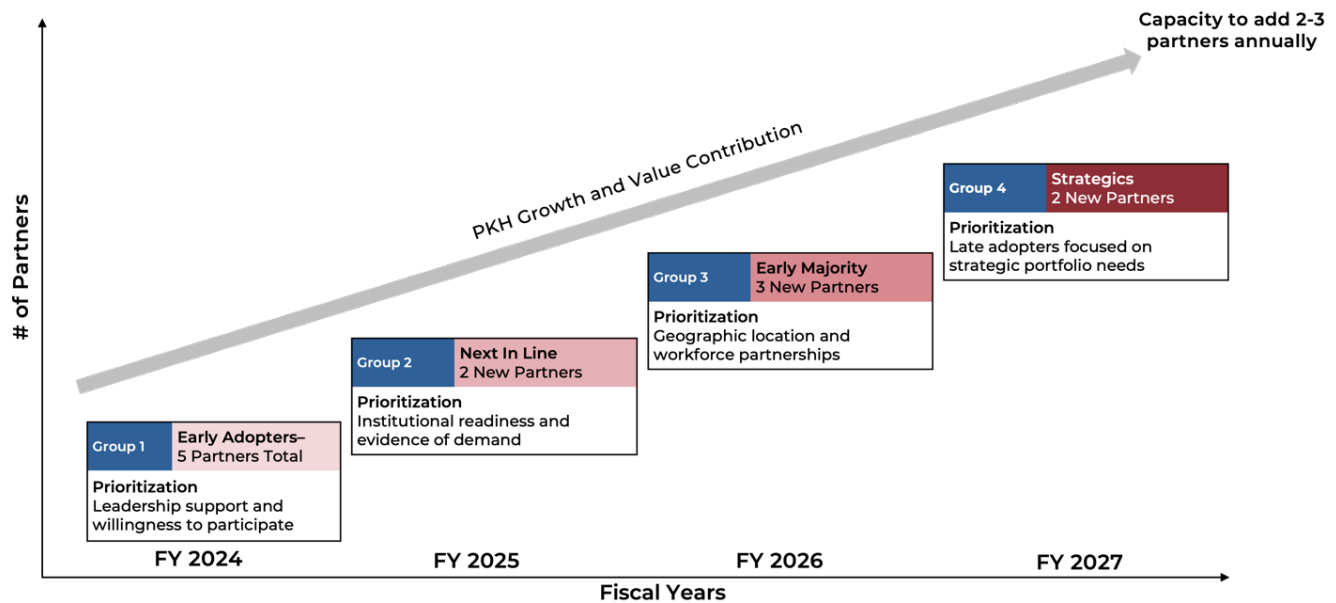30 visits to meet with institutional leadership, faculty members and key administrative personnel to provide a holistic overview all capabilities and operations that PKH offers. PKH focused these conversations on articulating how it will operate as a beneficial service to each institution that will drive net new enrollment from the adult learner community. As a result of these visits, PKH has built strong relationships with UNC System institutions, leading to multiple commitments to explore official partnerships.

As of this report, PKH has officially signed letters of intent with five institutions: UNC Greensboro, North Carolina Central University, UNC Charlotte, North Carolina A&T State University, and East Carolina University. The letters of intent show commitment of interest in developing scalable online degree programs for adult North Carolinians. Once a letter of intent is signed, PKH conducts institutional discovery sessions that include deep research to identify which programs have the potential to be most successful utilizing the PKH platform.

Awareness Phase
- (A) Elizabeth City State University
- (A) North Carolina State University
- (A) UNC Wilmington

Exploratory Phase
- (E) Appalachian State University
- (E) Fayetteville State University
- (E) UNC Asheville
- (E) UNC Chapel Hill
- (E) UNC Pembroke
- (E) Western Carolina University
- (E) Winston-Salem State University

Discovery Phase
- (D) East Carolina University
- (D) North Carolina Central University
- (D) UNC Charlotte
- (D) North Carolina A & T State University

Design Phase
- (D) UNC Greensboro

1. Awareness | 2. Exploration | 3. Discovery (LOI) | 4. Design | 5. Development | 6. Implementation

PKH has the capacity to launch programs with five institutions in academic year 2023-24. Each year thereafter, PKH projects to have capacity to add two to three institutions.

Capacity to add 2-3 partners annually

PKH Growth and Value Contribution

Group 4 — **Strategics 2 New Partners**
Prioritization
Late adopters focused on strategic portfolio needs

Group 3 — **Early Majority 3 New Partners**
Prioritization
Geographic location and workforce partnerships

Group 2 — **Next In Line 2 New Partners**
Prioritization
Institutional readiness and evidence of demand

Group 1 — **Early Adopters– 5 Partners Total**
Prioritization
Leadership support and willingness to participate

FY 2024   FY 2025   FY 2026   FY 2027

# of Partners (vertical axis) — Fiscal Years (horizontal axis)

6. Budget Summary and Forecast

The PKH Board of Directors approved a $26 million capital investment over a three-year period to build the technology platform for UNC System institutions to design, deliver and scale digital-first academic programs. Through January 2023, PKH has invested $6.4 million of its capital budget.

Function	FY23	FY24	FY25	3-Year Total
Technology Platform	$8.0	$2.0	$2.0	$12.0
Project Management	$3.1	$1.5	$1.0	$5.6
Faculty Experience	$1.0	$1.1	$1.2	$3.3
Student Engagement	$2.2	$0.3	$0.3	$2.8
Analytics & Systems Integration	$1.5	$0.4	$0.4	$2.3
Total*, Build	$15.8	$6.8	$4.9	$26.0

Function	FY23 YTD
Technology Platform	$1.7
Project Management	$2.1
Faculty Expense	$1.0
Student Engagement	$1.2
Analytics & Systems Integration	$0.4
Total, Build	$6.4

Progress through Build Plan, Budget vs. Actual

	FY23	FY24	FY25
% of 3-year period	19% of build period completed		
% of budget	25% of build budget spent		

Implementing partners on the technology build include: Amazon Web Services for technology platform; Accenture for project management; Association of College and University Educators (ACUE) for faculty experience; Archer Education and ReUp for student engagement; and Collegis for analytics and systems integration.

The Board also approved an $8 million operating budget for FY23 that funds four major categories of work: enrollment, operations, administration, and governance.

Enrollment

Includes: Market research, institutional partnership development, student enrollment and retention

FY23 expense through January 2023: $927k (32% of total expense)
Expense Categories:
Staff	$688k
Contractors	$95k
Other	$144k

Administration

Includes: Internal corporate systems and processes, including human resources, finance, and other G&A

FY23 expense through January 2023: $739k (26% of total expense)
Expense Categories:
Staff	$464k
Contractors	$87k
Other	$188k

Operations

Includes: Technology platform and integration with institutions to design, launch, and manage academic programs at scale

FY23 expense through January 2023: $891k (31% of total expense)
Expense Categories:
Staff	$605k
Contractors	$164k
Other	$122k

Governance

Includes: Non-profit and higher education reporting; PKH board, UNC System, N.C. General Assembly, and workforce and community engagement

FY23 expense through January 2023: $297k (10% of total expense)
Expense Categories:
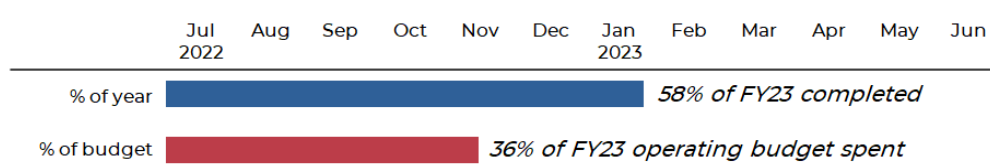|	
Staff	$230k
Contractors	$22k
Other	$45k

Through January 2023, PKH has spent $2.9 million of its $8 million operating budget for FY23.

Operating Expenses by Function, July 2022 to January 2023

Function	Jul '22	Aug '22	Sep '22	Oct '22	Nov '22	Dec '22	Jan '23	Total, YTD
Enrollment	$77k	$98k	$160k	$121k	$224k	$137k	$110k	**$927k**
Operations	$57k	$89k	$127k	$124k	$199k	$147k	$148k	**$891k**
Administration	$65k	$68k	$96k	$87k	$144k	$122k	$151k	**$734k**
Governance	$29k	$34k	$42k	$38k	$58k	$48k	$47k	**$295k**
Total	$228k	$288k	$428k	$370k	$628k	$455k	$456k	**$2.9 MM**

Expenses in the remaining five months of this fiscal year will focus on the go-to-market activities required to launch new online programs in the 2023-24 academic year.

Progress through Fiscal Year 2023, Operating Budget vs. Actual

	Jul 2022	Aug	Sep	Oct	Nov	Dec	Jan 2023	Feb	Mar	Apr	May	Jun
% of year												
% of budget												

% of year — 58% of FY23 completed

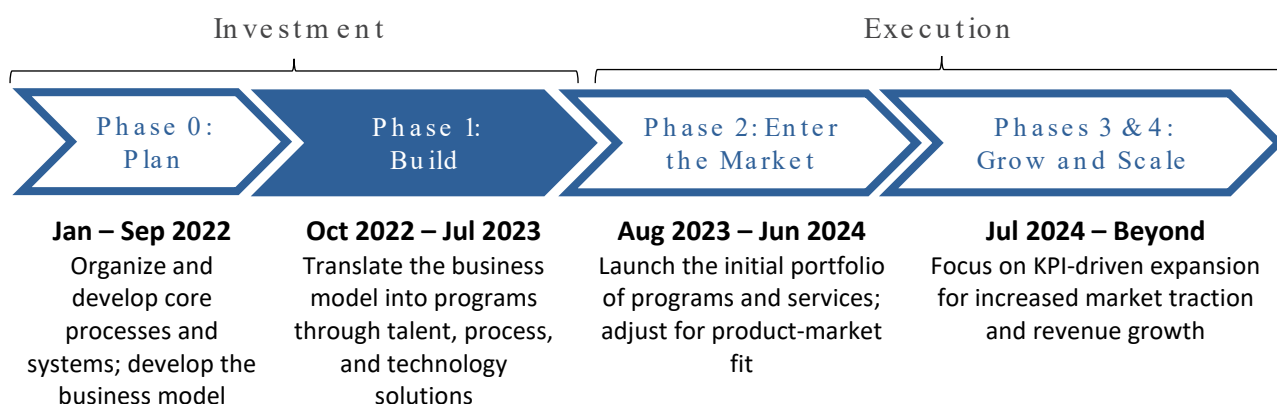% of budget — 36% of FY23 operating budget spent

The forecast for FY24 to FY28 (July 2023 to June 2028) projects that PKH will reach positive operating income in FY27, at which point surplus revenue in excess of program and administration expenses will be available to fund additional program launches, expand services to universities, and fund scholarships for North Carolina residents.

PKH Operating Forecast

dollar values in millions	FY23	FY24	FY25	FY26	FY27	FY28
Programs in Market	–	18	38	58	78	100
New Student Starts	–	2,320	6,260	11,480	17,980	25,300
Student Headcount, End-of-Year	–	1,300	4,600	11,100	19,900	30,800
PKH Program Revenue	–	$3.6	$19.3	$46.2	$82.8	$128.0
PKH Expenses						
Program Expenses	$3.0	$16.6	$34.1	$49.8	$64.6	$74.4
Administration Expense	$5.0	$7.8	$10.5	$13.8	$17.9	$22.8
Total Expenses	$8.0	$24.4	$44.6	$63.6	$82.5	$97.2
Net Operating Income	**($8.0)**	**($20.8)**	**($25.3)**	**($17.5)**	**$0.4**	**$30.9**

7. Development Phases

PKH's organizational development is structured in phases. PKH has completed the "Plan" phase and is currently in the "Build" phase.

Investment		Execution	
Phase 0: Plan	**Phase 1: Build**	**Phase 2: Enter the Market**	**Phases 3 & 4: Grow and Scale**
Jan – Sep 2022	**Oct 2022 – Jul 2023**	**Aug 2023 – Jun 2024**	**Jul 2024 – Beyond**
Organize and develop core processes and systems; develop the business model	Translate the business model into programs through talent, process, and technology solutions	Launch the initial portfolio of programs and services; adjust for product-market fit	Focus on KPI-driven expansion for increased market traction and revenue growth

Below are summaries of goals, activities, and milestones by phase.

Phase 0: Plan (January to September 2022)

Goals	Establish the business; engage partners and customers
Cost Drivers	Recruiting and hiring; employee orientation and onboarding; travel for initial customer engagement; core enterprise operations (HR, Finance, IT)
Margin Characteristics	Moderate infrastructure spend; no program contribution margin
Success Measures	Org established; mobilization and mission formation; proof of progress to stakeholders

Key Activities

- **Established the corporation:** PKH took necessary steps to build a strong foundation for operations and independent board governance.
- **Developed the business model:** PKH enlisted experienced human resources, IT, and project management companies to support business model development. We also registered with the federal procurement system (SAM.gov) as a non-profit affiliate organization serving the UNC System.
- **Formed partnerships:** In consultation with the UNC System and trusted stakeholders, PKH selected a Build by Partnership approach with the goal of entering the market by Fall 2023 with a comprehensive enrollment platform. Building the core product with world-class partners is essential to PKH's mission. Our partners

include Accenture, Association of College and University Educators, Archer Education, Amazon Web Services, Collegis, and ReUp Education.
- **Collaborated with Amazon Web Services:** A major effort during this phase was working with AWS to develop customer requirements for our technology platform, which included three on-site design sessions (Austin, Chicago, and Washington DC) with PKH leadership and partners. This process produced a strategic narrative and development backlog to begin the build.

Phase 1: Build (October 2022 to July 2023)

Goals	Solution and services development; foundational sales, account management, and strategic partnership functions
Cost Drivers	Implementation partners; technology stack development; business development; go-to-market strategy formation and portfolio design
Margin Characteristics	High infrastructure spend for technology solution development; no program revenue
Success Measures	Overall: Solution-ready; initial go-to-market strategy; defined and proactive processes For the technology: Flexible, data-driven, secure For account management: Audience-focused, workforce-aligned, stop-out-friendly

Key Activities
- **Building the technology platform:** To compete and win in the online higher education space, PKH's technology must be more agile and insightful than current solutions. The PKH technology platform includes the consumer relationship management system (learner CMS), learning management system (LMS), customer insights hub (university analytics), and market research toolset. The PKH team is developing its platform for deployment in Fall 2023.The key factors that will enable competition are inherent in both the technology and processes that PKH is building and include:
  - A learning platform that supports six new student intake terms per year, increasing student acquisition velocity
  - A lead management system that enables advisors to respond to leads within 30 minutes through multimodal communication (calls, emails, SMS, social media)
  - An application process that will aspire to reduce the timeframe from initial inquiry to applicant decision times to one week, and a transfer credit evaluation process that can be completed in two days
  - Twenty-four-hour technology support for students and faculty.
- **Building account and portfolio management:** PKH is conducting solutions design exercises and gap analyses to understand the initial strengths and opportunities at each institution. The business development team has identified the first cohort of UNC university partnerships. The initial program portfolio is being selected based on programs that demonstrate high demand both for prospective learners and employers in the state:
  - Immediate focus on popular degree completion programs for students with some college credit (e.g., business, psychology).
  - Planning for STEM and healthcare programs, aligned with the System's Strategic Plan goal to increase the university system's contribution to the state's critical workforces.
  - Building a best-in-class market analytics function that can provide value in the form of insights and deliverables that can drive university and System decision-making about academic programs.
  - Amplifying data and insights from other state entities (e.g., the System, employer groups, workforce agencies) in the form of deliverables that extend their reach and voice across the NC's educational environment.
  - Developing unique insights and models for serving adult learners that can provide value to community colleges, employers, and other adult education efforts across the state.
- **Recruiting students:** PKH has partnered with Archer Education to develop and implement multi-channel student acquisition plans to enroll new students in Fall 2023. PKH also will contact learners who stopped out of UNC institutions in previous years and are eligible to re-enroll in existing or new online degree programs.

Phase 2: Enter the Market (August 2023 to June 2024)

Goals	Initial go-to-market focused on stop-outs Focus on generating volume for learning and improvement
Cost Drivers	Program development; student and customer services; risks associated with learning and improvement
Margin Characteristics	High spend on recruitment, program development, and delivery; high negative margin as programs launch
Success Measures	Learning toward efficiency and process automation; coherent portfolio strategy

Key Activities

- **Recruiting learners.** Marketing and recruitment operations, enabled by our experienced implementation partners, will be the largest investment in this phase. We will re-enroll students who have previously stopped out of UNC System programs and will design and develop/redevelop high-demand programs per the portfolio strategy. We will also continue to invest in implementation partnerships as we recruit students for the Fall 2023 term.
- **Completing tech stack.** PKH will complete the build-out of the technology stack, including the LMS, CMS, and customer insights and analytics platforms.
- **Launching the first cohort.** PKH will build programs with the first cohort of UNC university customers and identify the institutions and offerings for the second cohort.
- **Begin nurturing employer channels.** By this point, PKH will have conducted outreach to the former students on the System's stop-out list and begin building partnerships with large North Carolina employers; these efforts will accelerate in the Grow phase.
- **Forming approach to KPI-level expansion:** During this phase, PKH will establish company-level key performance indicators (KPIs) in line with the approved budget, including student access, retention, and success, and net revenue. We will communicate these KPIs to employees and customers, and KPI achievement will drive employee performance evaluations and compensation.

Phase 3: Grow (July 2024 to June 2026)

Goals	Additional channels, including B2B; portfolio expansion and market coverage; continuous improvement
Cost Drivers	Student acquisition; additional hiring/talent development; building innovation capacity; portfolio optimization
Margin Characteristics	High revenue growth; negative but improving contribution to margin
Success Measures	Increased efficiencies and gains in process automation to drive scale

Key Activities

- **Growing enrollments.** With multiple program vintages in the market at different brand, volume, and price points, PKH will rapidly grow university partner enrollments across the portfolio during phase 3. At this point, PKH will be serving multiple UNC institutions with programs in the market and a robust pipeline of new programs.
- **Strengthening internal capacity.** PKH will build internal teams for consumer-facing operations (marketing, recruiting, student support, and course development). Implementation partners will continue to provide support as needed while PKH grows its headcount.
- **Expanding into new channels and products.** PKH will expand the UNC System offerings by launching certificates, micro-credentials, boot camps, and other non-degree programs that complement the core portfolio. Further, it will engage medium and large employers to align educational outcomes with employers' needs and create long-term student pipelines.

Phase 4: Scale (July 2026 to June 2028; subsequent years)

Goals	Embedded improvement processes supported through continuous monitoring; efficiencies identified and shared among units, customers, and networks
Cost Drivers	Student acquisition; process automation; innovation funding
Margin Characteristics	Revenue growth; positive contribution margin; opportunities to reduce PKH costs and increase revenue share to university customers
Success Measures	Strategic and operational metrics validate success

Key Activities

- **Scaling through business process optimization and automation:** To grow by an order of magnitude or more, we must eliminate constraints by automating business processes.
- **Entering new markets:** We will explore opportunities to engage other learner populations and grow through alternative revenue streams and business models.
- **Replicating successes:** With over three years of operation in-market, PKH will have a concrete playbook for designing, launching, and optimizing online programs.

8. Appendices

Appendix 1: PKH Development Schedule Summary

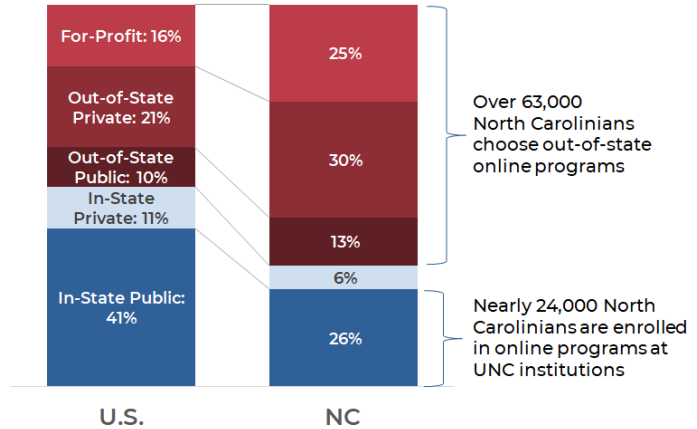|	Investment Phases		Execution Phases		
Phase	**0: Plan**	**1: Build**	**2: Enter the Market**	**3: Grow**	**4: Scale**
Timeframe	Jan to Sep 2022	Oct 2022 to Jul 2023	Aug 2023 to Jun 2024	Jul 2024 to Jun 2026	Jul 2026 and beyond
Goals	Completed: Business establishment Partner and customer engagement Organizational culture and process formation	In Progress: Solution and services development Foundational sales, account management, and strategic partnerships functions	Future: Focus on generating volume for learning and improvement Stop-out reengagement (existing and new programs)	Future: Additional channels, including B2B Portfolio expansion and market coverage Continuous improvement	Future: Embedded process improvements Efficiencies identified and shared among units, customers, and networks
Cost Drivers	Recruiting and hiring Employee orientation and onboarding Travel for customer engagement Core enterprise ops (HR, Finance, IT)	Implementation partners Technology stack development Business development Go-to-market strategy and portfolio design	Program development Student and customer services Risks associated with learning and improvement	Student acquisition Additional hiring/talent development Building innovation capacity Portfolio optimization	Student acquisition Process automation Innovation funding
Margin Characteristics	Moderate infrastructure spend No program contribution margin	High infrastructure spend for technology solution development No program contribution margin	High spend on student acquisition, program development, and delivery High negative margin as programs launch	Revenue growth Negative but improving contribution margin	Revenue growth Positive contribution margin Opportunities to reduce PKH revenue share
Success Measures	Org established Mobilization and mission formation Proof of progress to stakeholders	Solution-ready Initial GTM strategy Defined and proactive processes Building team and establishing org culture	Learning toward efficiency and process automation Coherent portfolio strategy	Increased efficiencies and gains in process automation to drive scale	Strategic and operational metrics validate success

High Demand for Online Learning by NC Residents; Limited Online Degree Supply within NC

Demand: Residents Age 25-44 Enrolled in Online Degree Programs, 2019

U.S. 3.1%
NC 3.4%
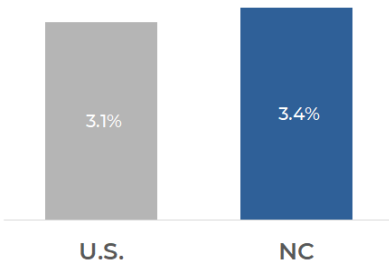
Adult online enrollment in North Carolina is 7% higher than the national average

Supply: U.S. vs. NC Online Enrollments, 2021

U.S.
- For-Profit: 16%
- Out-of-State Private: 21%
- Out-of-State Public: 10%
- In-State Private: 11%
- In-State Public: 41%

NC
- 25%
- 30%
- 13%
- 6%
- 26%

Over 63,000 North Carolinians choose out-of-state online programs

Nearly 24,000 North Carolinians are enrolled in online programs at UNC institutions

North Carolina's demand for online education is high, but UNC institutions are not meeting in-state demand and pose little competition to out-of-state providers

Sources: NC-SARA, IPEDS, PKH Analysis. Incudes only four-year, Title-IV-eligible degree-conferring institutions, excluding California, which does not report to NC-SARA.

PKH

The Business Case for Partnering with PKH

1 New Enrollment Growth

- New programs and credentials
- Efficiencies in program design and delivery
- Gain a competitive edge

2 Reach Underserved Residents

1.5M Adults in NC with some college but no degree

63K NC residents learning online from an out-of-state provider

3 Institution-First Services Model

OPMs		PKH
For-profit	→	Non-profit
Shareholder value	→	NC educational and economic value
Revenue share favors OPM	→	Financial terms favor UNC schools
Academic decision rights negotiated	→	Institutions retain all academic decision rights

4 Meet Students Where They Are

- 12 Hr — Speed to Lead
- Workforce Alignment
- Marketing
- Program Portfolio Optimization

5 Flexible Revenue Streams

$300+ Potential tuition per credit for NC residents

100% Net revenue stays within institutional trust fund

6 Path to Sustainability

5+Yr Strategic growth toward sustainable delivery and revenue models

PKH

15