FINAL TRANSCRIPT

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PRESENTATION

Operator

Good day, everyone, and welcome to Bridgepoint Education's first-quarter 2009 earnings conference call.

Today's call is being recorded. (Operator Instructions).

At this time, I would like to turn the call over to Diane Salucci, Vice President of Corporate Communications and Investor Relations at Bridgepoint Education. Please go ahead.

Diane Salucci - *Bridgepoint Education, Inc. - VP IR & Corp. Communications*

Thank you. Good morning, everyone. Bridgepoint Education's first-quarter earnings release was issued earlier this morning and is posted on the Company's Web site at BridgepointEducation.com.

Representing the Company today are Andrew Clark, Chief Executive Officer and Dan Devine, Chief Financial Officer.

Before we begin, we would like to remind you that, except for the factual statements made today, the information contained in this conference call, including any financial and related guidance to be provided, consists of forward-looking statements that involve risks, uncertainties and assumptions that are difficult to predict. Words and expressions reflecting optimism and satisfaction with current prospects, as well as statements in the future tense, identify forward-looking statements. But their absence does not mean that a statement is not forward-looking.

Forward-looking statements should not be interpreted as a guarantee of future performance or results, as such statements are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Some important factors that could cause such differences are discussed in the Risk Factors section of Bridgepoint's IPO prospectus dated April 14, 2009. Forward-looking statements speak only as of the date the statements are made and the Company assumes no obligation to update forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information except to the extent required by applicable securities laws.

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A replay of this call will be available from today at 4:30 PM Eastern time until Thursday, May 28, 2009 at 11:59 PM Eastern time. To access the replay, call 888-203-1112 in the United States and Canada or 719-457-0820 for international calls, and enter the confirmation code 2533844. The webcast will be archived on the Company's Web site for one year.

At this time, it is my pleasure to turn the call over to CEO, Andrew Clark.

Andrew Clark - *Bridgepoint Education, Inc. - Co-Founder, CEO, President*

Thank you, Diane, and welcome to Bridgepoint Education's first-quarter earnings conference call, our first communication since pricing our Initial Public Offering, which successfully closed on April 20, 2009. Bridgepoint shares, which began trading on April 15, 2009, are listed on the New York Stock Exchange under the ticker symbol BPI.

Today, I will briefly cover our company history, highlight first-quarter performance and the underlying factors driving our growth. I will then turn the call over to Dan Devine to provide further detail on the first quarter and key operating metrics. I will finish by providing guidance in my closing comments.

We set out in 2004 to launch Bridgepoint Education with a value proposition that would resonate with students looking to pursue a college education, including those who historically have been underserved by existing institutions, thus expanding Bridgepoint's addressable market. Our significant growth in a competitive environment is evidence that Bridgepoint's approach and offering serves a clear market need for high-quality education that is both affordable and accessible. This favorable student response to our value proposition, coupled with management execution, has fueled our strong historical performance and I am pleased to say is reflected in our first-quarter results.

For the first quarter ended March 31, 2009, total student enrollment increased 115.4% to 42,025 students compared with the same quarter last year. Revenue increased 116.4% to $84.3 million compared with $38.9 million for the same period last year. New student enrollments for the first quarter of 2009 were approximately 16,800, an increase of 90.9% compared with the new enrollment of approximately 8,800 for the first quarter of 2008.

This performance was driven by three key factors -- a strong value proposition, a high-quality academic experience and an effective management team.

Starting with our value proposition, Bridgepoint successfully addresses the key challenges facing perspective students -- affordability, transferability and accessibility. We deliver our value proposition to students through two academic institutions, Ashford University and University of the Rockies, with physical campuses located in Clinton, Iowa and Colorado Springs, Colorado, respectively. Each of these institutions is regionally accredited by the Higher Learning Commission of the North Central Association of Colleges and Schools.

In terms of affordability, our goal is to provide academically prepared students with access to an affordable, quality college education. For example, tuition at Ashford University is 20% to 50% lower than most for-profit peers and is competitive with four-year state colleges and universities. We have also priced tuition and fees below Title 4 loan limits at all undergraduate grade levels.

Turning to transferability, those who are unable to transfer college credits are often forced to repeat courses and incur additional costs and time towards achieving their college degree. To address this obstacle, Ashford University has established itself as one of only 6 universities that allows students to transfer up to 99 credits towards a bachelor degree programs and the only for-profit to do so.

We are also committed to making quality education highly accessible. By adopting an efficient online delivery platform, Bridgepoint provides access to a far broader population of students seeking a quality higher education. The affordability of our academic offering and the high level of transfer credits we accept provide an additional layer of accessibility and expand our addressable market.

These key characteristics which form our value proposition are bound together by University heritage. To illustrate this point, nearly a third of Ashford University's 1700 May graduates were online students who traveled to Clinton, Iowa to participate in the campus commencement ceremonies earlier this month. These online students traveled from 40 states and 6 countries to receive their diplomas on a campus most had never visited.

As you can see, University heritage is an essential component of Bridgepoint's approach, serving both as an important recruitment and retention tool as well as a competitive differentiator. The foundation of our efforts is an uncompromising commitment to sustaining a high level of quality in our instructional practices, developing our academic curriculum, faculty and student support services and maintaining our strong regulatory track record.

At the academic institution level, we have assembled a highly qualified and dedicated faculty. The full-time faculty are responsible for our curriculum as well as for providing strong governance and quality checks to ensure our students' learning outcomes. Our adjunct faculty maintain the quality of the underlying curriculum and routinely connect with full-time faculty and staff to ensure a quality educational experience for all students.

In addition, both our institutions have joined the Quality Matters consortium. The Quality Matters program is a faculty-centered quality assurance process based on peer course review. Review criteria are linked to external standards. Criteria and process are supported through instructional design principles and the process is vetted by faculty experts. The goals of the program are to increase student retention, learning and satisfaction in online courses by implementing better course design. Layered on top of these efforts, our instructional specialists monitor instructional practices and provide support for our online faculty to ensure a positive learning environment in the online classroom.

We evaluate the quality of our students' educational experience by actively administering comprehensive surveys and assessments. We measure both proficiency outcomes as well as student satisfaction. To further enhance our capabilities in this regard, we recently completed a small acquisition. WayPoint Outcomes, a Philadelphia-based education software company, assists academic institutions in creating a culture of continuous improvement. WayPoint Outcomes provides a software-based assessment tool that greatly improves the quality of feedback to students, manages a wealth of learning outcome data to monitor student learning, and assists academic institutions with improving retention.

I'm also pleased to announce that Bridgepoint's Ashford University has been accepted into the Army Letter of Instruction, or LOI, program. This is an important development as we believe increased access will have a positive impact on our 90/10 ratio moving forward. In 2008, military enrollments were the fastest-growing component of our student population.

With that, I would like to turn the call over to our CFO, Dan Devine.

Dan Devine - *Bridgepoint Education, Inc. - CFO*

Thanks Andrew. Let me spend a few minutes covering our results for the first quarter of 2009 as well as provide an update of our key operating metrics.

Today, we will discuss certain non-GAAP financial measures. These non-GAAP financial measures exclude the charges related to the settlement of a stockholder claim in the first quarter of 2009 and the acceleration of vesting of certain stock options in connection with the closing of our Initial Public Offering in the second quarter of 2009 and reflect the conversion of redeemable, convertible, preferred stock into common stock as if the conversion happened on January 1, 2009. These non-GAAP measures should not be considered as a substitute for or superior to measures of financial performance prepared in accordance with GAAP.

You should read forward-looking statements about non-GAAP financial measures and reconciliation of non-GAAP measure sections contained in today's earnings press release. We believe the presentation of this non-GAAP information helps investors better understand the underlying profitability of the Company's operations and is helpful for comparability purposes.

We believe the calculation of non-GAAP operating income, which in the first quarter of 2009 excludes the affect of an $11.1 million charge associated with the settlement of a stockholder claim and in the second quarter 2009, will exclude an expected stock-based compensation expense of $30.4 million related to the acceleration of certain exit options provides a meaningful comparison to historical results.

In addition, we believe the calculation of non-GAAP EPS for the first quarter of 2009 and for the full year, which is calculated assuming the conversion of all shares of preferred stock into common stock as of January 1, 2009, provides a more meaningful comparison to future results as GAAP EPS for the first quarter will be based on a significantly smaller weighted average share count.

For the first quarter ended March 31, 2009, revenue was $84.3 million compared with $38.9 million for the same quarter of 2008, which represents an increase of 116.4%. The increase in revenue was primarily due to the substantial increase in student enrollment. As Andrew indicated, as of March 31, 2009, total student enrollment increased 115.4% to 42,025 from 19,509 at March 31, 2008. Of the total number of students at the end of the quarter, approximately 98% of those access their classes exclusively online.

Turning to our expenses, our three expense categories are as follows -- Instructional Costs and Services; Marketing and Promotional Expenses; and G&A Expenses. For the first quarter, each of these categories experienced dollar increases commensurate with the substantial increase in student enrollments partially offset by operating efficiencies. For the first quarter, instructional costs and services were $22.1 million, or 26.3% of revenue, compared with $12.9 million or 33.2% of revenue in the same period last year. The favorable variance resulted from cost efficiencies commensurate with a larger total student enrollment base.

Included in the instructional costs and services was bad debt expense of $4.5 million. As a percentage of revenue, bad debt expense decreased to 5.4% from 7.6% for the same period last year, primarily due to procedural improvements in the processing of receivables that we implemented in 2008. While we are pleased with the improvement of the bad debt expense for the first quarter, we expect that our bad debt expense will be approximately 6% for all of 2009.

Marketing and Promotional expenses for the first quarter were $29.1 million, or 34.5% of revenue, compared with $15.1 million or 38.7% of revenue in the same period last year. The reduction in marketing and promotional expense as a percentage of revenue resulted from the cost efficiencies commensurate with a larger student enrollment base and increased enrollment in marketing effectiveness. We ended 2008 with 749 enrollment advisors and expect to add approximately 270 enrollment advisors during 2009.

Non-GAAP general and administrative expenses for the first quarter, which exclude the stockholder settlement charge, were $14.8 million or 17.6% of revenue, compared with $7.2 million or 18.5% of revenue for the same period last year. First-quarter non-GAAP operating income increased to $18.2 million from $3.7 million in the same period of 2008. On a percentage basis, our operating margin of 21.6% increased from 9.6% for the same period last year.

For the first quarter, non-GAAP net income was $10.9 million compared with $4.0 million for the same period last year, a 173.9% increase from the same period last year. Non-GAAP EPS is calculated based on a diluted share count of 52.8 million shares for the first quarter of 2009 and 6.4 million shares for the same period of 2008. As we previously noted, the calculation of non-GAAP EPS for the first quarter of 2009 is calculated assuming the conversion of all preferred stock into common stock as of January 1, 2009.

Our effective tax rate of 46.2% for the first quarter reflects the fact that the shareholder settlement charge is only partially deductible for tax purposes and will have an affect on our annual effective tax rate. For the year, we expect an effective tax rate of 46.2%. Excluding the settlement charge, our tax rate would be 40.4% for the year.

As disclosed in our IPO prospectus, we expect an additional non-cash stock-based compensation charge of approximately $30.4 million in the second quarter due to the acceleration of certain options at the time of our IPO. That charge will be spread over all of our three expense categories I previously mentioned. We have excluded this charge in our guidance of non-GAAP operating income and non-GAAP net income which Andrew will provide in his closing remarks.

Turning to the balance sheet, as of March 31, 2009, we had cash and cash equivalents of $79.1 million. The Company generated $32.3 million of cash from operations for the first quarter of 2009, compared with $10.8 million for the same period in 2008.

Our Accounts Receivable, net of allowance for doubtful accounts, was $38.5 million, which represents 41 days sales outstanding compared to 40 days sales outstanding at the end of the first quarter of 2008.

Capital expenditures for the first quarter were $7.2 million, compared with $1.0 million for the same period last year. The increase in capital expenditures for the quarter was primarily driven by expenditures related to the occupancy of additional space the Company leased in March.

Now, I will turn it back over to Andrew for guidance and closing remarks.

Andrew Clark - *Bridgepoint Education, Inc. - Co-Founder, CEO, President*

Thank you, Dan. On the basis of our strong first quarter performance and enrollment growth, I will now speak to guidance for 2009. This guidance includes the non-GAAP financial measures outlined by Dan previously which are documented within our earnings press release. Bridgepoint will be providing annual guidance and will reaffirm or update this guidance quarterly.

Total student enrollment is expected to be between 47,000 and 49,000 at December 31, 2009. Revenue is expected to be between $405 million and $410 million. Non-GAAP net income is expected to be between $48 million and $50 million. Non-GAAP fully diluted earnings per common share is expected to be between $0.87 and $0.90 based on an estimated fully diluted weighted average share count of 55.8 million for the year ending December 31, 2009.

Additional GAAP guidance is provided in our earnings press release. Annual GAAP and non-GAAP fully diluted earnings per common share guidance include an estimated $6 million to $7 million in ongoing stock-based comp charges and an estimated $2.5 million to $4 million of public company costs.

We provided a chart in today's earnings press release with our quarterly and annually diluted share count expectations. Due to the fact that we had a significant number of preferred shares convert to common stock on April 20, 2009, the closing date of our IPO, our year-to-date weighted average share count will steadily increase throughout the year as those shares are in the count for more days.

In summary, allow me to reiterate my enthusiasm regarding our first-quarter results and our overall business prospects. I believe that Bridgepoint is well-positioned to continue expanding into its available market opportunity. Based upon historical performance, we have good reason to be confident. To sustain and drive future growth, we will invest strategically in further developing our processes and implementing technologies that allow us to effectively identify, recruit and retain students. We intend to expand our academic offerings to attract and serve a larger segment of the overall market, and we will continue our development of both the military and corporate channels.

I would also like to take this opportunity to thank our entire team of educators and professionals for positioning Bridgepoint Education, Ashford University and the University of the Rockies for continued success. Looking forward, we remain committed to our founding mission and believe in the long-term strength of our business model as well as the health of our university offerings.

At this time, I will ask that our operator open the phone lines for your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Trace Urdan, Signal Hill.

Trace Urdan - *Signal Hill - Analyst*

Good morning guys. Congratulations. Since I'm the first question, I'm just going to start off with a broad one and ask you to maybe describe what in the quarter surprised you both from a positive standpoint and then from a negative standpoint?

Andrew Clark - *Bridgepoint Education, Inc. - Co-Founder, CEO, President*

Well, I think, you know, Trace, there were not many surprises. As I spoke earlier, the value proposition that we have resonates so strongly with students. We have tremendous historical performance that we can look back on. This really supported what we have seen really over the past three years. So the management team continues to do an excellent job in all aspects of the business and students continue to respond very favorably to all four components of our value proposition.

Trace Urdan - *Signal Hill - Analyst*

Is there anything about the external environment though that is sort of different from a year ago that is impacting that, in your view?

Andrew Clark - *Bridgepoint Education, Inc. - Co-Founder, CEO, President*

In my view, I would say that there is not anything in the external environment that is impacting things. As we kind of look at this year and we look at last year and the environments, I think we have performed in a similar manner in both cases.

Trace Urdan - *Signal Hill - Analyst*

Okay, good. I'll follow instructions and get back in queue. Thanks.

Operator

Kelly Flynn, Credit Suisse.

Kelly Flynn - *Credit Suisse - Analyst*

One consolidated question I guess -- can you update us on the OIG audit and where that stands? Then also on the default rate, you had talked about the preliminary one at the IPO and I know there is a potential appeal process. Could you give us an update on that as well? And then maybe a bit of perspective on the default rate too? It went up a lot between '06 and '07. Do we expect that to continue down the line or is that more related to early-stage execution factors? Thanks.

Andrew Clark - *Bridgepoint Education, Inc. - Co-Founder, CEO, President*

Thanks Kelly. In terms of the OIG, we have no updates to provide you. The OIG we think, we believe has completed their audit in terms of their visit. We have been told by them to expect something in terms of a draft report in the summer, but there have been no additional exceptions or anything that has been reported by them to us.

With regards to the cohort default rate, I will turn that over to Dan and let him answer that part of the question.

Dan Devine - *Bridgepoint Education, Inc. - CFO*

Sure. The cohort default rate, we are challenging our initial cohort default rate. As you know, it is 13.2. We received that number in February of 2009. We're in the process of challenging that. We have not received back a response on all of our challenges. So we don't really have much more of an update at that point. We will receive the final number, as everybody else will, later in the year.

Why it stepped up year-over-year? If you look at the mix of our base for the prior year, it was a traditional student base, on-ground students, and that was approximately 4.5%. It did move up. Our base dramatically changed in the next measurement period where we had online students making up the vast majority of that population. Online students have a higher propensity to default than traditional on-grounds students. You can see that across the matrix of different types of schools.

We are continuing to focus on the management of that number. We do not feel and we don't see anything that would say that number is going to continue to spike up. That being said, if the entire market, as it did in the past year, drifts up 1 point or 2, we would not be able to -- we would likely drift up with that percentage.

Kelly Flynn - *Credit Suisse - Analyst*

Okay, thank you very much.

Operator

Jeff Silber, BMO Capital Markets.

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Jeff Silber - *BMO Capital Markets - Analyst*

Thanks so much. I just wanted to focus on the military market. Can you first of all just give us roughly what percentage of your total enrollment comes from the military right now? Do you expect that component of your population to grow at a faster rate than the rest of your population and if so, why?

Andrew Clark - *Bridgepoint Education, Inc. - Co-Founder, CEO, President*

Yes, sure. First of all, the military population makes up about 15% of our population. We kind of expect that it will be in that range, 15% to 18%, by the end of this year. So we think that the military has responded very favorably to those components of our value proposition that really resonate with them in terms of transferability of credit and affordability as well.

The LOI that we received with the Army was wonderful news. We think that will be very impactful as well in terms of our 90/10 and our progress there.

Jeff Silber - *BMO Capital Markets - Analyst*

Just to follow up, can you explain to us exactly what that means in terms of getting the LOI as opposed to before when you were a non-LOI school?

Andrew Clark - *Bridgepoint Education, Inc. - Co-Founder, CEO, President*

Basically, Jeff, we are now on the Army's portal that they provide to the military. It allows for more direct access and ease and convenience for the Army personnel to be able to access a particular college or university degree program, whereas before, if that person had wanted to select Ashford University, we would not have been on their portal. It is a little bit more cumbersome for the students. So it definitely increases our visibility amongst the population.

Jeff Silber - *BMO Capital Markets - Analyst*

I'll jump back in the queue. Thanks.

Operator

Andrew Steinerman, JP Morgan.

Andrew Steinerman - *JP Morgan - Analyst*

My question is about instructional costs and specifically it's come down several hundreds of basis points. Dan you were very clear in saying it's because of leverage off of a higher base. Is there anything else that you could talk about in terms of efficiency, or is it simply it's just higher enrollment and that has driven almost 700 basis points of -- in structural cost improvement?

Dan Devine - *Bridgepoint Education, Inc. - CFO*

Well, it's definitely a major factor of that. As you know, each one of our three expense categories have fixed costs in them that we are able to leverage as the student enrollment and related revenue grows.

Obviously, we did improve our bad debt percentage year-over-year. That had a significant impact in your quoting the 700 number, so that is (multiple speakers). Besides that, it is pretty much fixed costs. Things that are contained in that, which are license fees and financial aid processing costs and things of that nature, they just do not, when you get a strong revenue growth, they just do not grow as quickly as the revenue.

Andrew Steinerman - *JP Morgan - Analyst*

Could you just make a comment on class size? What is your average class size now and how does it compare to a year ago? My question is has class size changed much year over year? Has that been a contributor to the instructional cost efficiencies?

Andrew Clark - *Bridgepoint Education, Inc. - Co-Founder, CEO, President*

Yes. It's Andrew here. I would say that our class size has maybe improved incrementally from last year to this year. Generally speaking though, our average class size can run anywhere between, in the online environment, between 15 to 30 students. It could be up around 30 with our general education courses, which are typically taken by your freshman/sophomore level students, versus your core degree courses at the Junior/Senior level, which typically are more around that 15 average.

Andrew Steinerman - *JP Morgan - Analyst*

Right. But do you have a sense of what the average is when you total out all of your classes? Has there been much change year-over-year? Because between 15 and 30 is a big range.

Andrew Clark - *Bridgepoint Education, Inc. - Co-Founder, CEO, President*

Yes, again, our average class size has been pretty consistent. It has improved slightly year-over-year. I would say that it is closer to probably in the kind of 25 to 30 student range.

Andrew Steinerman - *JP Morgan - Analyst*

Just to reflect back on the CDR, Dan, I totally understand your explanation that the population online is better represented in the current draft CDR. My question is do you actually know if the online population now is kind of over 90% of that CDR '07 or, over time, might the population become even more online to reflect that overall 98% of enrollments online? So what I'm really saying is does the CDR '07 draft already reflect the percentage that your population is online?

Dan Devine - *Bridgepoint Education, Inc. - CFO*

I would say, in general, that is true. I don't have the exact percentage. In that particular population, I think there were 1400 individuals. I know that the prior year was approximately 400. So, I don't know the exact percentage. But yes it is very reflective of the fact that the majority of the people in that population were online students. If it is exactly commensurate with the 98% of people who take online classes, I don't have that figure off the top of my head.

Andrew Steinerman - *JP Morgan - Analyst*

Right. That's what I'm just saying. Directionally, when you think about -- I know it's sort of a lot to think about. A year from now, do you feel like there is still mix shift to go on in CDRs, or do you think that the CDR already mostly represents the population?

Andrew Clark - *Bridgepoint Education, Inc. - Co-Founder, CEO, President*

Yes, this is Andrew. I feel that it mostly represents the population. There is not going to be a big mix shift in future years. And so, in our view, Andrew, it was a one-time shift upwards because of the significant change in the populations between a campus-based, classroom-based population and an online population. So, I don't think we'll see that again.

Andrew Steinerman - *JP Morgan - Analyst*

Excellent. Thanks for those clarifications. I appreciate it.

Operator

Mark Marostica, Piper Jaffray.

Mark Marostica - *Piper Jaffray - Analyst*

Thank you. My first question relates to, Dan, a comment I believe you made in talking about efficiencies within your enrollment counselor, enrollment advisor base. I am curious what you saw in terms of enrollment advisor productivity on a monthly basis as you moved through the quarter sequentially January through March?

Andrew Clark - *Bridgepoint Education, Inc. - Co-Founder, CEO, President*

Mark, it's Andrew. I will answer that question. In terms of enrollment advisor productivity, we don't give those numbers out. I can tell you though that, if you look year-over-year, that we saw our productivity be about roughly the same. It improved slightly and we think that the improvement probably was because of an increased tenure of our overall enrollment advisor teams.

Mark Marostica - *Piper Jaffray - Analyst*

Right. Also I was curious in terms of the University of the Rockies business, understanding it is a small portion of your revenue today, but if I recall correctly -- and correct me if I am wrong on this -- but at the time of your IPO, the Higher Learning Commission I believe considered the IPO transaction a change of control with regards to Rockies. Confirm that as true or not, if anything has changed there, and what the implications are going forward for new program rollout or any impact on the operations of Rockies?

Andrew Clark - *Bridgepoint Education, Inc. - Co-Founder, CEO, President*

Yes, sure. Just to be clear, the Higher Learning Commission viewed our IPO as a change of control for both Ashford University and the University of the Rockies. So both institutions will have a visit based upon that probably in the October/November timeframe of this year. We have every expectation that visit will go smoothly and go well.

I think, in terms of additional programs for the Rockies, that will present a delay for us at the Rockies because we won't be asking for additional programs until we get through the change of control visit in November. So, I would anticipate, at the Rockies, that we would probably not ask for additional programs until some time in the kind of we call it the first to second quarter of 2010.

Mark Marostica - *Piper Jaffray - Analyst*

And for Ashford?

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Andrew Clark - *Bridgepoint Education, Inc. - Co-Founder, CEO, President*

For Ashford, it would also -- the same rules apply. Ashford obviously has a much broader and deeper breath of programs, and so the fact that we probably also will delay our request there, in our view, it will have no impact on the guidance that we've given you or our projections.

Mark Marostica - *Piper Jaffray - Analyst*

Okay. The last question -- and I'll turn it over -- regarding your focus on the corporate market. I don't recall your mentioning the percentage of revenue that you derive from corporate tuition reimbursement. Tied to that, I'll ask the age-old question that seems to always get asked on these calls -- whether or not you saw any pull-back or issues on the corporate tuition reimbursement side?

Andrew Clark - *Bridgepoint Education, Inc. - Co-Founder, CEO, President*

I will take your second part of your question and then I will turn it over to Dan.

In terms of your question with regards to corporate partnerships and any kind of pull-back, we have seen no pull-back whatsoever from corporations. In fact, we experienced tremendous interest from corporations because they enjoy working with a traditional campus-based institution that has a very affordable tuition rate that, therefore, lets their tuition reimbursement dollars effectively go further for their employees and then accepts a higher number of credit transfers into the university towards the employee's degree, also effectively reducing their tuition reimbursement expense there and making those dollars go further. So we get a very positive response when we're in talking to companies.

I will let Dan answer the second part.

Dan Devine - *Bridgepoint Education, Inc. - CFO*

Yes, we do not break out the corporate channel for the purposes of revenue resources, or a revenue split. The reason we do that is a lot of the individuals that we recruit through that channel come in as individuals and they are kind of [counted] as a cash component.

Mark Marostica - *Piper Jaffray - Analyst*

What was the cash component? Is that the offset, the 16% roughly?

Dan Devine - *Bridgepoint Education, Inc. - CFO*

The cash component as of 2008, what was our cash component (multiple speakers)?

Mark Marostica - *Piper Jaffray - Analyst*

Or any recent data point that you can give us. Would you just refer to the offset from Title IV?

Dan Devine - *Bridgepoint Education, Inc. - CFO*

For 2008, it was approximately 11% I think our cash component was.

Mark Marostica - *Piper Jaffray - Analyst*

Okay, I got it. All right, thanks much.

Operator

Jeff Silber, BMO Capital Markets.

Jeff Silber - *BMO Capital Markets - Analyst*

Thanks so much. I just wanted to talk about persistence for a second. I'm not sure if I'm calculating this correctly but based on the data I have, it looks like your persistent rate dropped a little bit in this quarter relative to the same quarter in the prior year. Can you talk about that? You also mentioned this acquisition that you made. If we can get a little bit more color on that in terms of what types of improvements you think you might see? Thanks.

Andrew Clark - *Bridgepoint Education, Inc. - Co-Founder, CEO, President*

Yes. So, in terms of retention, Jeff, we found that our retention is about equivalent to last year, maybe just slightly lower. We don't give out our retention and I'm not sitting there doing the formula with you, but we did see a little bit of a decrease kind of year-over-year there. But we are still well above what our peers are and equivalent to some of our peers.

So, we feel good overall from a retention standpoint. We are always focused on improving retention, as any good institution would be. So we will continue to focus on the retention and seeing if we can't improve that in future quarters.

In terms of our acquisition, WayPoint was a very small acquisition that we did but we made it strategically because, as I've discussed before, we are very focused on the quality aspect of what we do. WayPoint provides really this wonderful opportunity using software to go in and mine the data in an online environment and be able to provide much faster feedback to faculty as well as to students.

With regards to the learning and the learning outcomes that are occurring, students really like this particular component of it because they get feedback so quickly. We think that it has potential there, from a retention standpoint, to increase our retention, as it improves even more the student experience. So we really look at this as an investment that will be able to enhance our quality even further in the online classroom.

Jeff Silber - *BMO Capital Markets - Analyst*

All right, great. Just a quick follow-up, this one will be for Dan. What are you budgeting for capital spending in the current year?

Dan Devine - *Bridgepoint Education, Inc. - CFO*

We expect that our capital spending for the year will be approximately about 5% of revenues, slightly more -- I mean slightly above 5% but less than 6%.

Jeff Silber - *BMO Capital Markets - Analyst*

Okay, great. Thanks so much.

Operator

Brandon Dobell, William Blair.

Brandon Dobell - *William Blair & Co. - Analyst*

As you look at the strength in enrollment this quarter -- maybe some color on where you saw more or less strength than you expected in terms of the types of degrees like Associate versus Bachelors or Masters or particular programs where you saw particular strength. It also relates to I guess a corollary question, which is if we look at the guidance for 2009, what are some of the major assumptions that you guys are making or using to get to that end of your enrollment number, either in terms of programs or in terms of types of students?

Andrew Clark - *Bridgepoint Education, Inc. - Co-Founder, CEO, President*

Sure, Brandon. Well, first of all, in terms of strength of enrollment, we saw enrollment grow nicely across all components. Really the Bachelors degree level continues to do very well for us. Associates grew relative to the way that it has in the past, and graduate students grew on a relative basis as it has in the past as well.

So, again, I think the strong component of our value proposition, in terms of affordability and transferability of credits and accessibility, combined with the heritage of our institution, really helped us see good strong growth in the undergraduate area, primarily with regards to Bachelors degrees. As you know, we only have one degree program at the Associates degree level.

So, in terms of guidance and looking at how we thought about it, we affectively took a look at how strong this first quarter was and, based upon the strength of the quarter, increased our guidance to reflect the quarter. We continue to believe that our value proposition will resonate strongly, as it has historically, and that will continue to reflect itself over the future quarters of 2009, and it gives us tremendous confidence in the guidance that we provided you.

Brandon Dobell - *William Blair & Co. - Analyst*

Okay. As you look at the type of students that are coming in, maybe some color on have you seen a change in the average number of credits that people are transferring in, in the last let's say couple, three quarters? If you take out the impact of retention, how do we think about the trends and the average what is called length-of-stay for your students?

Andrew Clark - *Bridgepoint Education, Inc. - Co-Founder, CEO, President*

Yes, so we really look in terms of average length of stay. What really matters to us is the retention rates that we have within our institutions. Those retention rates continue to perform, generally speaking, at very high levels. Even though we saw just a slight downtick year-over-year, they are still performing at extremely high levels.

So, we really look at it from a retention standpoint, because that is the way that we view the business and is how we take a look at things when we are talking to you from a guidance perspective.

Then what was the second part of your question there Brandon?

Brandon Dobell - *William Blair & Co. - Analyst*

Just thinking in terms of the incoming students, are you seeing any major differences in terms of credit transferring?

Andrew Clark - *Bridgepoint Education, Inc. - Co-Founder, CEO, President*

Yes, you know what, again, it has been very, very consistent. Again, this is what gives us great confidence in terms of our guidance to you. It's because if we take a look at what is occurring here, we've seen the same things historically for the past three years here. So, there has been no surprises negatively or positively. We have been very consistent in terms of the types of students we are attracting, the number of credits they transfer in. We are very pleased with how things are going.

Brandon Dobell - *William Blair & Co. - Analyst*

A final one, I'll sneak one in here. Anything to talk about in terms of the number of courses that your students are taking at a particular time? I know we have heard from other companies in this space saying that, in small instances, that they have seen a slightly lower courseload for some students. Anything to talk about there with you guys?

Andrew Clark - *Bridgepoint Education, Inc. - Co-Founder, CEO, President*

No, not really. As you know, our students take courses sequentially. They take one course at a time at the undergraduate level for five weeks and at the graduate level for six weeks. So, we really haven't seen any change in behavior from our students in terms of trying to add on additional courses.

Brandon Dobell - *William Blair & Co. - Analyst*

Great, thanks a lot.

Operator

Trace Urdan, Signal Hill.

Trace Urdan - *Signal Hill - Analyst*

Thanks guys. To just follow up on Brandon's last question there, can you they maybe more broadly describe what are the dynamics that affect your revenue per student trends, if it's not courseload changing in any way? Obviously pricing is one of them, but what else do you see that affects the mix there?

Dan Devine - *Bridgepoint Education, Inc. - CFO*

On a revenue-per-student basis, the drivers of that would be -- there is not a tremendous shift between graduate and undergraduate which would have an effect. We're not projecting that will change dramatically for the rest of the year.

We do have a 5% price increase that took effect on April 1, so if you are looking forward, that would have an impact on the revenue per student. Then we do have a mix of certain classes that were originally offered at a lower price and now are being offered -- we went to a one level pricing model and that would have an affect also.

Now, that affect is partially offset by what is a larger military population in 2009 versus 2008. We do price our military students at $250 a credit hour, so that kind of has an offsetting effect to the revenue increase and the change in the level of pricing.

Trace Urdan - *Signal Hill - Analyst*

So the net result then, Dan, would be something still positive but less than 5%?

Dan Devine - *Bridgepoint Education, Inc. - CFO*

It would be, I would say it would be 5% because the offset from the discounting to the military would be offset by the change in the level pricing. So your 5% would likely hold.

Trace Urdan - *Signal Hill - Analyst*

Okay. Then you described it in your prepared remarks a little bit about the dynamic on the bad debt expense side, but I wonder if you could give us more color there, maybe talking about what were the changes that you made that allowed that metric to improve as a percentage of revenue and then what do you see as the factors that are going to sort of keep it at the 6% rate on a full-year basis?

Dan Devine - *Bridgepoint Education, Inc. - CFO*

Sure. Well, we made a fair amount of improvements in both the processing time of our financial aid. We have -- we are, you know, in a rapidly growing environment. You have -- you know, we continue to strive for best practices in all the areas in which we operate in. We continue to modify our practices, particularly in the processing of financial aid, as well as the follow-up of students who either -- who leave the school. So we made great strides in kind of our collection efforts in contacting those students and making sure that they are either on a -- you know, they pay those debts off.

So I think we think of it as kind of an evolutionary play. We are continuing to improve those processes. The specifics -- there's a number of specifics, so I'm not going to go through them here.

From an outlook point of view and the 6% number, we feel comfortable with the performance we had in the first quarter. However, we are in a dynamic economic environment, and I would not want to give guidance that all those pick-ups in the first quarter will continue throughout the entire year. I cannot gauge the economy. So I think we are taking an appropriate conservative view that 5.4% in the first quarter will not consistently stick for the full year.

Trace Urdan - *Signal Hill - Analyst*

Great. One last question then -- you talked about the leverage that you saw at the marketing costs line in your prepared remarks. But can you speak specifically to what you are seeing in terms of student acquisition cost trends in your business right now?

Andrew Clark - *Bridgepoint Education, Inc. - Co-Founder, CEO, President*

I'll take that. Our student acquisition costs, as you know, we don't provide those. But you can tell, from our sales and promotional as a percentage of revenue, that those are going down compared to last year. So we are seeing, again, a very strong outcome of the value proposition is that our acquisition costs are effectively lower than most of our peers. It continues to take our sales and promotional costs down towards where we hope they will be in the future, very comparative to others in the sector. So we feel very positive about that particular area right now.

Trace Urdan - *Signal Hill - Analyst*

Okay, Andrew, I don't want to put words in your mouth, but am I hearing you saying that the real driver is around better conversion than, say, lower leave costs or lower media costs?

Andrew Clark - *Bridgepoint Education, Inc. - Co-Founder, CEO, President*

Yes, yes that would be absolutely true, that we experienced a higher conversion rate because of the value proposition. We get that opportunity to talk to a prospective student. Chances are they're going to select one of our institutions and we just have a higher conversion rate, which effectively leads to the lower acquisition costs.

Trace Urdan - *Signal Hill - Analyst*

Great, thank you very much.

Operator

That does conclude our Q&A session today. Mr. Clark, I will turn the conference back to you for additional or closing remarks.

Andrew Clark - *Bridgepoint Education, Inc. - Co-Founder, CEO, President*

All right. I just want to thank everybody. I know we have been in an endless set of quiet periods here, so it was a great opportunity to get to talk to everybody today. We look forward to talking to all of you in the future as well.

Operator

That does conclude our conference call today. Thank you all for your participation.