GRAHAM HOLDINGS

Graham Holdings Annual Report 2021

Form 10-K (NYSE:GHC)

Published: February 24th, 2021

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

☒ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

FOR THE FISCAL YEAR ENDED December 31, 2020

or

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Commission file number 001-06714

Graham Holdings Company

(Exact name of registrant as specified in its charter)

Delaware	53-0182885
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1300 North 17th Street, Arlington, Virginia	22209
(Address of principal executive offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code: (703) 345-6300

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class B Common Stock, par value $1.00 per share	GHC	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☒	Accelerated filer	☐	Non-accelerated filer	☐	Smaller reporting company	☐	Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes ☒ No ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

Aggregate market value of the registrant's common equity held by non-affiliates on June 30, 2020, based on the closing price for the Company's Class B Common Stock on the New York Stock Exchange on such date: approximately $1,400,000,000.

Shares of common stock outstanding at February 19, 2021:

Class A Common Stock – 964,001 shares

Class B Common Stock – 4,038,125 shares

Documents partially incorporated by reference:

Definitive Proxy Statement for the registrant's 2021 Annual Meeting of Stockholders (incorporated in Part III to the extent provided in Items 10, 11, 12, 13 and 14 hereof).

GRAHAM HOLDINGS COMPANY 2020 FORM 10-K

PART I

Item 1. Business.

Graham Holdings Company (the Company) is a diversified education and media company whose operations include educational services; television broadcasting; online, print and local TV news; home health and hospice care; and manufacturing. The Company's Kaplan, Inc. (Kaplan) subsidiary provides a wide variety of educational services, both domestically and outside the United States (U.S.). The Company's media operations comprise the ownership and operation of television broadcasting (through the ownership and operation of seven television broadcast stations) plus Slate and Foreign Policy magazines; and Pinna, an ad-free audio streaming service for children. The Company's home health and hospice operations provide home health, hospice and palliative services. The Company's manufacturing companies comprise the ownership of a supplier of pressure treated wood, an electrical solutions company, a manufacturer of lifting solutions, and a supplier of certain parts used in electric utilities and industrial systems. The Company also owns automotive dealerships, restaurants, a custom framing service company, a cybersecurity training company, a marketing solutions provider, and a customer data and analytics software company. The Company sold Megaphone, a technology podcasting company, in December 2020.

Financial information concerning the principal segments of the Company's business for the past three fiscal years is contained in Note 19 to the Company's Consolidated Financial Statements appearing elsewhere in this Annual Report on Form 10-K. Revenues for each segment are shown in Note 19 gross of intersegment sales. Consolidated revenues are reported net of intersegment sales, which did not exceed 0.1% of consolidated operating revenues.

The Company's operations in geographic areas outside the U.S. consist primarily of Kaplan's non-U.S. operations. During each of the fiscal years 2020, 2019 and 2018, these operations accounted for approximately 22%, 24% and 24%, respectively, of the Company's consolidated revenues, and the identifiable assets attributable to non-U.S. operations represented approximately 21% and 24% of the Company's consolidated assets at December 31, 2020 and 2019, respectively.

Education

Kaplan, a subsidiary of the Company, provides an extensive range of education and related services worldwide for students and professionals. In 2020, Kaplan served approximately 700,000 students and professionals worldwide and had associations with approximately 14,000 companies and commercial relationships with approximately 4,000 universities, colleges, schools and school districts across the globe. Kaplan conducts its operations through three segments: Kaplan North America Higher Education, Kaplan North America Supplemental Education, and Kaplan International. As more fully described below, Kaplan consolidated its former Kaplan Higher Education, Kaplan Test Preparation and Kaplan Professional segments into one business, Kaplan North America, operating through two segments, Higher Education and Supplemental Education. In addition, the results of the Kaplan Corporate segment include results of Kaplan's investment activities in education technology companies. The following table presents revenues for each of Kaplan's segments:

	Year Ended December 31		
(in thousands)	**2020**	2019	2018
Kaplan International	**$ 653,892**	$ 750,245	$ 719,982
Kaplan North America Higher Education	**316,095**	305,672	342,085
Kaplan North America Supplemental Education	**327,087**	388,814	390,289
Kaplan Corporate and Intersegment Eliminations	**8,639**	7,019	(1,341)
Total Kaplan Revenue	**$ 1,305,713**	$ 1,451,750	$ 1,451,015

In 2020, Kaplan combined its three segments based in the United States (Kaplan Higher Education, Kaplan Test Preparation and Kaplan Professional) into one business known as Kaplan North America. The combination reinforces Kaplan's interconnected products and services, increases competitiveness in Kaplan's markets and drives efficiencies.

Kaplan International

Kaplan International (KI) operates businesses in Europe and the Middle East, North America and the Asia Pacific region, each of which is discussed below. In March 2020, Kaplan acquired BridgeU, a provider of university and careers guidance services for global and international schools.

Europe and Middle East. In Europe, KI operates the following businesses, all of which are based in the United Kingdom (U.K.) and Ireland: Kaplan UK, KI Pathways, KI Languages, Mander Portman Woodward, Dublin Business School, Kaplan Open Learning and BridgeU. In the Middle East, Kaplan International has operations in the United Arab Emirates.

The Kaplan UK business in Europe, through Kaplan Financial Limited, is a provider of apprenticeship training and test preparation services for accounting and financial services professionals, including those studying for ACCA, CIMA and ICAEW qualifications. In 2020, Kaplan UK provided courses to over 48,000 students in accountancy and financial services. In addition, Kaplan UK is the sole authorized assessment provider for the Solicitors Regulation Authority of assessments under The Qualified Lawyers Transfer Scheme for candidates seeking to become solicitors of England and Wales who are already qualified lawyers in certain recognized jurisdictions, and will in 2021 transition to being the sole authorized assessment provider for the Solicitors Qualifying Examination for all candidates seeking to become a solicitor in England and Wales. Kaplan UK is headquartered in London, England, and has 21 training centers located throughout the U.K.

The KI Pathways business offers academic preparation programs especially designed for international students who wish to study for degrees from universities in English-speaking countries. In 2020, university preparation programs were delivered in Australia, Japan, Myanmar, Singapore and the U.K.

The KI Languages business provides English-language training, academic preparation programs and test preparation for English proficiency exams, principally for students wishing to study and travel in English-speaking countries. As of December 31, 2020, KI Languages operates 25 English-language schools, with 18 located in the U.K., Ireland, Australia, New Zealand and Canada and seven located in the U.S. In 2020, KI Languages served approximately 15,000 students for in-class English-language instruction. Through the Alpadia language schools, KI Languages also offers French and German language training in France, Germany, Switzerland and the U.K. Alpadia has four language schools, located in France, Germany and Switzerland, and operates summer camps for juniors in other European destinations. KI Languages also offers Spanish language training in four Spanish cities through its partnership with Enforex.

Mander Portman Woodward (MPW) is a U.K. independent sixth-form college that prepares domestic and international students for A-level examinations that are required for admission to U.K. universities. MPW operates three colleges, in London, Cambridge and Birmingham.

KI also operates Dublin Business School in Ireland, a higher education institution, and Kaplan Open Learning in the U.K., an online learning institution. At the end of 2020, these institutions enrolled an aggregate of approximately 9,000 students.

In 2020, Kaplan Professional ME (formerly Kaplan Genesis), a financial training business operating in Dubai, United Arab Emirates, taught approximately 1,600 students.

U.K. Immigration Regulations. Certain KI businesses serve a significant number of international students; therefore, the ability to sponsor international students to come to the U.K. is critical to these businesses. Pursuant to regulations administered by the United Kingdom Visas and Immigration Department (UKVI), the KI Pathways business is required to hold or operate Student Route sponsorship licenses (which replaced Tier 4 licenses) for international students to be permitted to enter the U.K. to study the courses that KI Pathways delivers. One of the KI Languages schools also has a Student Route license to enable it to teach international students, although students at these schools generally choose to enter the U.K. on a Visitor or Short Term Student visa as opposed to a Student Route visa.

Each Student Route license holder is required to have passed the Basic Compliance Assessment (BCA) and hold Educational Oversight accreditation. Students who do not satisfy these criteria cannot be issued a Confirmation of Acceptance for Studies by KI's U.K. schools, which is a prerequisite for obtaining a Student Route visa. The UKVI rules also require all private institutions to obtain Educational Oversight accreditation, which requires a current and satisfactory full risk assessment, audit or review by the appropriate academic standards body. For the ninth consecutive year, all of KI institutions have retained Educational Oversight accreditation, with high grades across all colleges, and all Student Route annual BCA renewals have been approved with high scores in the core measurable requirements. KI Languages has one U.K. English-language school listed on the Kaplan Student master license. The MPW schools each hold current Student and Child Student Route licenses and have performed well consistently, with good records in their Office for Standards in Education, Children's Services and Skills (OFSTED) and Independent Schools Inspectorate (ISI) Educational Oversight inspections.

The Higher Education and Research Act 2017 (HERA), formally approved on April 27, 2017, significantly reformed the regulation of the higher education sector in the U.K., including the formation of a new regulator for England, the Office for Students (OfS). The OfS published regulatory guidance in April 2019, including the new Regulatory Framework for Higher Education in England. Students enrolled at Pathways institutions registered with the OfS are, subject to the institution meeting certain compliance requirements, given many of the same student privileges as students of universities in the U.K. All of KI's other higher education businesses in the U.K., excluding Glasgow International College and University of York International Pathway College, successfully completed registration with the OfS in 2020 to ensure that they could continue operating and retain their Student sponsor licenses and/or continue to accept students funded by U.K. student loans. Glasgow International College, which is located in

Scotland, is not regulated by the OfS and remains overseen by the Quality Assurance Agency for higher education (QAA). York Pathway College forms part of the University of York's OfS registration. No assurance can be given that each KI business in the U.K. will be able to maintain its Student Route or Child Student Route BCA status and Educational Oversight or OfS/QAA registration. Maintenance of each of these approvals requires compliance with several core metrics that may be difficult to sustain. Loss by one or more institutions of either Student BCA status or Educational Oversight or OfS/QAA registration, would have a material adverse effect on KI Europe's operating results.

Impact of Brexit. On June 23, 2016, the U.K. held a referendum in which voters approved a proposal that the U.K. leave the European Union (EU), commonly referred to as "Brexit." The U.K.'s withdrawal became effective on January 31, 2020, at which time it entered an 11-month transition period which ended December 31, 2020. The impact of Brexit on KI over time will depend on the agreed terms of the U.K.'s withdrawal from the EU. Uncertainty over the impact and terms of Brexit trade deals may materially diminish interest in traveling to the U.K. for study. If the U.K. is no longer viewed as a favorable study destination, KI's ability to recruit international students will be adversely impacted, which would materially adversely affect KI's results of operations and cash flows. As part of the new trade deal, the EU did not grant the U.K. an adequacy decision under the General Data Protection Regulation (GDPR). Instead, the EU and U.K. agreed to delay restrictions on the transfer of personal data for an initial period of at least four months from January 1, 2021, which can be extended to up to six months. If the EU does not determine that the U.K. is an adequate destination for the transfer of personal data by the end of the relevant period, all transfers of personal data from the European Economic Area (EEA) must be made with alternative safeguards. If the U.K. does not receive a determination of adequacy under EU law, then KI will need to work with its corporate and university clients, suppliers, business partners and affiliates in order to implement suitable alternative safeguards to transfer personal data from the EEA to the U.K. KI will also need to review the position under U.K. law. The U.K. has on a transitional basis deemed the EEA to be adequate, meaning that currently alternative safeguards are not required in order to transfer personal data from the U.K. to the EEA. However, this adequacy can be removed at any time by the U.K. which may require KI to implement suitable alternative safeguards.

Revised U.K. immigration rules became effective on January 1, 2021, as the Brexit transition was completed. Effective January 1, 2021, all international students, including EEA and Swiss students studying in the U.K. for more than six months, are required to obtain a Student Route visa unless they are undertaking an English language course under a Short Term Study visa of up to 11 months. Free movement ceased between the EEA (together with Switzerland) and the U.K.; students from these countries entering the U.K. are now subject to the same U.K. immigration rules as students from outside the EEA and Switzerland. EEA and Swiss nationals commencing a higher education course in England from August 2021 will no longer qualify for home fee status or have access to financial support from Student Finance England. It is unclear how international student recruitment agents and prospective international students may view the U.K. as a study destination after the introduction of any new immigration requirements, the EU exit negotiations and the U.K.'s exit from the EU. The introduction of revised immigration rules has historically increased, and may continue to increase, KI's operating costs in the U.K. The introduction of new visa and other administrative requirements for entry into the U.K., Brexit and the perception of the U.K. as a less favorable study destination may have a materially adverse impact on KI's ability to recruit international students and KI's results of operations and cash flows.

Asia Pacific. In the Asia Pacific region, Kaplan operates businesses primarily in Singapore, Australia, New Zealand and the People's Republic of China, including the Hong Kong Special Administrative Region (Hong Kong).

In Singapore, Kaplan operates two business units: Kaplan Higher Education and KHEA-Genesis (which comprises the former Kaplan Financial and Kaplan Professional business units). During 2020, the Higher Education and KHEA-Genesis (Financial) divisions served more than 10,300 students from Singapore and approximately 4,100 students from other countries throughout Asia and Western Europe. KHEA-Genesis (Professional) provided short courses to approximately 700 professionals, managers, executives and businesspeople in 2020.

Kaplan Singapore's Higher Education business provides students with the opportunity to earn bachelor's and postgraduate degrees in various fields on either a part-time or full-time basis. Kaplan Singapore's students receive degrees from affiliated educational institutions in Australia, Ireland and the U.K. In addition, this division offers pre-university and diploma programs.

Kaplan Singapore's KHEA-Genesis Financial (KHEA-Genesis) business provides preparatory courses for professional qualifications in accountancy and finance, such as the Association of Chartered Certified Accountants (ACCA) and Chartered Financial Analyst (CFA). Kaplan Singapore's Professional business, through Kaplan Learning Institute, an authorized SkillsFuture Singapore (SSG) Approved Training Organization (ATO), provided professionals with various skills training through workforce skills qualifications (WSQ) courses. Kaplan Learning Institute ceased offering such courses and voluntarily deregistered Kaplan Learning Institute as a private education institution on March 9, 2020, following a notice in June 2019 from SSG suspending Kaplan Singapore Professional's WSQ ATO status and revoking accreditation and funding for all WSQ courses effective July 1, 2019. These actions have adversely affected and will continue to adversely affect Kaplan Singapore's revenues and operating results.

On October 7, 2020, Kaplan Higher Education Academy (KHEA) was granted approval by SSG to deliver WSQ courses as an ATO for a period of two years. KHEA-Genesis is currently securing approvals from SSG for the WSQ courses they intend to offer, with the aim of having the first courses authorized to commence in the second quarter of 2021.

In Australia, Kaplan delivers a broad range of financial services programs from certificate level through master's level, together with professional development offerings through Kaplan Professional, as well as higher education programs in business, accounting, hospitality, and tourism and management through Kaplan Business School. In 2020, these businesses provided courses to approximately 5,000 students through face-to-face classroom programs (within Kaplan Business School) and approximately 26,000 students through online or distance-learning programs offered by Kaplan Professional. In 2020, Kaplan Professional also had approximately 35,000 subscribers for Ontrack, its continuing professional development platform for financial services professionals.

Kaplan Australia's English-language business is part of KI Languages, which operates across five locations in Australia and one location in New Zealand, teaching approximately 3,000 students in 2020. The Kaplan Australia Pathways business is also part of KI Pathways. It consists of Murdoch Institute of Technology and the University of Adelaide College and offered face-to-face pathways and foundational education to approximately 1,300 students wishing to enter Murdoch University in Perth and the University of Adelaide in 2020. The contract with Murdoch University to run the Murdoch Institute of Technology is set to expire in June 2021. In November 2019, Kaplan Australia obtained regulatory approval to operate a Melbourne campus for the University of Adelaide, which will commence in March 2021. In November 2020, Kaplan Australia also entered into a seven-year partnership with the University of Newcastle, Australia to operate an on-campus pre-University pathway college offering pathways and English language programs.

Kaplan Australia also owns Red Marker Pty Ltd., a machine learning and artificial intelligence-based provider of regulatory software for the financial services industry. Red Marker's Artemis product detects potentially noncompliant content as it is being created, helping advisers and licensees to identify and remediate compliance risks associated with the promotion of financial products or services.

In Hong Kong, Kaplan operates three main business units: Kaplan Financial, Kaplan Language Training and Kaplan Higher Education, serving approximately 9,200 students annually.

Kaplan Hong Kong's Financial division delivers preparatory courses to approximately 7,400 students and business executives wishing to earn professional qualifications in accountancy, financial markets designations and other professional fields.

Hong Kong's Language Training division offers test preparation for both overseas study and college applications, including TOEFL, IELTS, SAT and GMAT, to approximately 700 students.

Kaplan Hong Kong's Higher Education division offers both full-time and part-time programs to approximately 1,100 students studying for degrees from leading Western universities. Students earn doctorate, master's and bachelor's degrees in Hong Kong. Kaplan also offers a proprietary pre-college diploma program through the Kaplan Business and Accountancy School.

In 2014, Kaplan Holdings Limited (Hong Kong) signed a joint venture agreement with CITIC Press Corporation. Under the terms of the agreement, the parties incorporated a joint venture company, Kaplan CITIC Education Co. Limited, 49% of which is owned by Kaplan Holdings Limited. The joint venture company is carrying out publishing and distribution of Kaplan Financial training products in the People's Republic of China (including CFA, FRM and ACCA) and is expanding its business with other Kaplan divisions under an intellectual property license from Kaplan.

Each of Kaplan's international businesses is subject to unique and often complex regulatory environments in the countries in which they operate, and the degree of consistency in the application and interpretation of such regulations can vary significantly in certain jurisdictions.

Kaplan North America

As discussed above, in the second half of 2020 Kaplan combined its Kaplan Higher Education, Kaplan Test Preparation and Kaplan Professional segments into one business named Kaplan North America (KNA). The following disclosure combines those now legacy segments under the Kaplan North America business comprised of two segments, Kaplan North America Higher Education (comprising primarily former Kaplan Higher Education (KHE) products and services) and Kaplan North America Supplemental Education (comprising primarily former Kaplan Test Preparation (KTP) and former Kaplan Professional (KP) products and services).

Kaplan North America Higher Education

Until March 22, 2018, through the KHE segment, Kaplan provided postsecondary education services to students through Kaplan University's (KU) online and fixed-facility colleges. KU provided a wide array of certificate, diploma and degree programs designed to meet the needs of students seeking to advance their education and career goals.

On March 22, 2018, certain subsidiaries of Kaplan contributed the institutional assets and operations of KU to a new university: an Indiana nonprofit, public-benefit corporation affiliated with Purdue University, known as Purdue University Global (Purdue Global). As part of the transfer to Purdue Global, KU transferred students, academic personnel, faculty and operations, property leases for KU's campuses and learning centers, and Kaplan-owned academic curricula and content related to KU courses. Kaplan also indemnified Purdue for certain pre-closing liabilities. At the same time, KU and Purdue Global entered into a Transition and Operations Support Agreement, which was amended on July 29, 2019 (TOSA), pursuant to which KNA provides key non-academic operations support to Purdue Global. Kaplan received nominal cash consideration upon the transfer of the institutional assets and operations of KU. The combination of the KHE, KTP and KP segments into one KNA business did not change Kaplan's or Purdue Global's obligations under the TOSA.

The transfer of KU did not include any of the assets of the KU School of Professional and Continuing Education (now managed by KNA), which provides professional training and exam preparation for professional certifications and licensures. The transfer also did not include the transfer of other Kaplan businesses.

KNA also provides similar non-academic operations support services for online pre-college, certificate, undergraduate and graduate programs to institutions such as Purdue University and Wake Forest University. These are the same services and operations provided by the KHE segment which is now a part of the KNA business.

Transition and Operations Support Agreement (TOSA). Purdue Global operates largely online as an Indiana public university affiliated with Purdue University. The operations support activities that KNA provides to Purdue Global (and other institutions of higher education, including Purdue University) include technology support, help-desk functions, human resources support for transferred faculty and employees, admissions support, financial aid processing, marketing and advertising, back-office business functions, certain test preparation, and domestic and international student recruiting services.

Pursuant to the TOSA, KNA is not entitled to receive any reimbursement of costs incurred in providing support functions, or any fee, unless and until Purdue Global has first covered all of its operating costs (subject to a cap). If Purdue Global achieves cost efficiencies in its operations, KNA may be entitled to an additional payment equal to 20% of such cost efficiencies (Purdue Efficiency Payment). In addition, during each of Purdue Global's first five years, prior to any payment to KNA, Purdue Global is entitled to a priority payment of $10 million per year beyond costs (Purdue Priority Payment). To the extent that Purdue Global's revenue is insufficient to pay the Purdue Priority Payment, KNA is required to advance an amount to Purdue Global to cover such insufficiency. Upon closing of the transaction, Kaplan paid to Purdue Global an advance in the amount of $20 million, representing, and in lieu of, a Purdue Priority Payment for each of the fiscal years ending June 30, 2019, and June 30, 2020.

To the extent that there is sufficient revenue to pay the Purdue Efficiency Payment, Purdue Global will be reimbursed for its operating costs (subject to a cap) and will be paid the Purdue Priority Payment. To the extent that there is remaining revenue, KNA will then be reimbursed for its operating costs (subject to a cap) of providing the support activities. If KNA achieves cost efficiencies in its operations, then KNA may be entitled to an additional payment equal to 20% of such cost efficiencies (KNA Efficiency Payment). The TOSA, as amended, reflects the parties' intent that, subject to available cash (calculated as cash balance minus cash deficiencies, if any, projected for the next six-month period based on applicable budget), KNA is entitled to receive a fee equal to 12.5% (increasing to 13% from June 30, 2023, through June 30, 2027) of Purdue Global's revenue, which served as the deferred purchase price for the transfer of KU (Deferred Purchase Price). Separately, KNA is entitled to a fee for services provided equal to 8% of KNA's costs of providing such services to Purdue Global (Contributor Service Fee). KNA's Contributor Service Fee is deducted from any amounts owed to KNA for the Deferred Purchase Price. Together these payments are known as "Contributor Compensation." In each case, the Contributor Compensation remains subject to available cash and the limitations of payment carry over from year to year.

After the first five years of the TOSA, KNA and Purdue Global will be entitled to payments in a manner consistent with the structure described above, except that (i) Purdue Global will no longer be entitled to the Purdue Priority Payment and (ii) to the extent that there are sufficient revenues after payment of the KNA Efficiency Payment (if any), Purdue Global will be entitled to an annual payment equal to 10% of the remaining revenue after the KNA Efficiency Payment (if any) is paid, subject to certain other adjustments.

The TOSA has a 30-year initial term, which will automatically renew for five-year periods unless terminated. After the sixth year, Purdue Global has the right to terminate the agreement upon payment of a termination fee equal to 125% of Purdue Global's total revenue earned during the preceding 12-month period, which payment would be made pursuant to a 10-year note, and at the election of Purdue Global, it may receive for no additional consideration certain assets used by KNA exclusively to provide the support activities pursuant to the TOSA. At the end of the 30-year term, if Purdue Global does not renew the TOSA, Purdue Global will be obligated to make a final payment of 75% of its total revenue earned during the preceding 12-month period, which payment will be made pursuant to a 10-year note, and at the election of Purdue Global, it may receive for no additional consideration certain assets used by KNA exclusively to provide the support activities pursuant to the TOSA. Either party may terminate the TOSA at any time if Purdue Global generates (i) $25 million in cash operating losses for three consecutive years or (ii) aggregate cash operating losses greater than $75 million at any point during the initial term. Operating loss is defined as the amount by which the sum of (1) Purdue Global's and KNA's respective costs in performing academic and support functions and (2) the $10 million Purdue Priority Payment in each of the first five years following March 22, 2018, exceeds the revenue Purdue Global generates for the applicable fiscal year. Upon termination for any reason, Purdue Global will retain the assets that Kaplan contributed pursuant to the TOSA. Each party also has certain termination rights in connection with a material default or material breach of the TOSA by the other party.

Regulatory Environment. KNA no longer owns or operates KU or any other institution participating in student financial aid programs created under Title IV of the U.S. Federal Higher Education Act of 1965 (Higher Education Act), as amended (Title IV). KNA provides services to Purdue Global, Purdue University, Wake Forest University and other Title IV participating institutions that may require KNA to comply with certain laws and regulations, including applicable statutory provisions of Title IV. KHE also provides financial aid services to Purdue Global and, as such, meets the definition of a "third-party servicer" contained in the Title IV regulations to Purdue Global (but no other institution as of the date of this report). As a third-party servicer, KNA is subject to applicable statutory provisions of Title IV and U.S. Department of Education (ED) regulations that, among other things, require KNA to be jointly and severally liable with its Title IV participating client institution(s) to the ED for any violation by such client institution of any Title IV statute or ED regulation or requirement. KNA is also subject to other federal and state laws, including, but not limited to, federal and state consumer protection laws and rules prohibiting unfair or deceptive marketing practices, data privacy, data protection and information security requirements established by federal state and foreign governments, including for example the Federal Trade Commission and the applicable provisions of the Family Educational Rights and Privacy Act regarding the privacy of student records. KNA's failure to comply with these and other federal and state laws and regulations could result in adverse consequences to KNA's business, including, for example:

- The imposition on KNA and/or Kaplan of fines, other sanctions, or liabilities, including repayment obligations for Title IV funds to the ED or the termination or limitation on Kaplan's eligibility to provide services as a third-party servicer to any Title IV participating institution;
- Adverse effects on KNA's business and results of operations from a reduction or loss in KNA's revenues under the TOSA or any other agreement with any Title IV participating institution if a client institution loses or has limits placed on its Title IV eligibility, accreditation, operations or state licensure, or is subject to fines, repayment obligations or other adverse actions due to noncompliance by KNA (or the institution) with Title IV, accreditor, federal or state agency requirements;
- Liability under the TOSA or any other agreement with any Title IV participating institution for noncompliance with federal, state or accreditation requirements arising from KNA's conduct; and
- Liability for noncompliance with Title IV or other federal or state laws and regulations occurring prior to the transfer of KU to Purdue.

Incentive compensation. Under the ED's incentive compensation rule, an institution participating in Title IV programs may not provide any commission, bonus or other incentive payment to any person or entity engaged in any student recruiting or admission activities or in making decisions regarding the awarding of Title IV funds if such payment is based directly or indirectly on success in securing enrollments or financial aid. KNA is a third party providing bundled services to Title IV participating institutions that include recruiting and, in the case of Purdue Global, financial aid services. As such, KNA is also subject to the incentive compensation rules and cannot provide any commission, bonus or other incentive payment to any covered employees, subcontractors or other parties engaged in certain student recruiting, admission or financial aid activities based on success in securing enrollments or financial aid. In addition, tuition revenue sharing payments to KNA under the TOSA (as well as any other agreement with any Title IV participating institution) must comply with revenue sharing guidance provided by the ED related to bundled services agreements. For more information, see Item 1A. Risk Factors. Failure to Comply with the ED's Title IV Incentive Compensation Rule Could Subject Kaplan to Liabilities, Sanctions and Fines.

Misrepresentations. A Title IV participating institution is required to comply with the ED regulations related to misrepresentations and with related federal and state laws. These laws and regulations are broad in scope and may extend to statements by servicers, such as KNA, that provide marketing or certain other services to such institutions. The laws and regulations may also apply to KNA's employees and agents, with respect to statements addressing the nature of an institution's programs, financial charges or the employability of its graduates. Additionally, failure to comply with these and other federal and state laws and regulations regarding misrepresentations and marketing practices could result in the imposition on KNA or its client institutions of fines, other sanctions, or liabilities, including federal student aid repayment obligations to the ED, the termination or limitation on KNA's eligibility to provide services as a third-party servicer to Title IV participating institutions, the termination or limitation of a client institution's eligibility to participate in the Title IV programs, or legal action by students or other third parties. A violation of misrepresentation regulations or other federal or state laws and regulations applicable to the services KNA provides to its client institutions arising out of statements by KNA, its employees or agents could require KNA to pay the costs associated with indemnifying its client institutions from applicable losses resulting from the violation and could result in fines, other sanctions, or liabilities imposed on KNA.

Compliance by client institutions with Title IV program requirements and other federal, state and accreditation requirements. KNA currently provides services to education institutions that are heavily regulated by federal and state laws and regulations and subject to extensive accrediting body requirements. Presently, a material portion of KNA's revenues are attributable to service fees it receives under the TOSA, which are dependent upon revenues generated by Purdue Global and dependent upon Purdue Global's eligibility to participate in the Title IV federal student aid program. To maintain Title IV eligibility, Purdue Global and KNA's other client institutions must be certified by the ED as eligible institutions, maintain authorizations by applicable state education agencies and be accredited by an accrediting commission recognized by the ED. Purdue Global and KNA's other client institutions must also comply with the extensive statutory and regulatory requirements of the Higher Education Act and other state and federal laws and accrediting standards relating to their financial aid management, educational programs, financial strength, disbursement and return of Title IV funds, facilities, recruiting practices, representations made by the school and other parties, and various other matters. Additionally, Purdue Global and other client institutions are subject to laws and regulations that, among other things, limit student default rates on the repayment of Title IV loans, permit borrower defenses to repayment of Title IV loans based on certain conduct of the institution, establish specific measures of financial responsibility and administrative capability, regulate the addition of new campuses and programs and other institutional changes; require compliance with state professional licensure board requirements to the extent applicable to institutional programs and require state authorization and institutional and programmatic accreditation. If the ED finds that Purdue Global or other client institutions have failed to comply with Title IV requirements or improperly disbursed or retained Title IV program funds, it may take one or more of a number of actions, including, but not limited to:

- fining the school;
- requiring the school to repay Title IV program funds;
- limiting or terminating the school's eligibility to participate in Title IV programs;
- initiating an emergency action to suspend the school's participation in Title IV programs without prior notice or opportunity for a hearing;
- transferring the school to a method of Title IV payment that would adversely affect the timing of the institution's receipt of Title IV funds;
- requiring the submission of a letter of credit;
- denying or refusing to consider the school's application for renewal of its certification to participate in the Title IV programs or for approval to add a new campus or educational program; and
- referring the matter for possible civil or criminal investigation.

If Purdue Global or other client institutions lose or have limits placed on their Title IV eligibility, accreditation or state licensure, or if they are subject to fines, repayment obligations or other adverse actions due to their or KNA's noncompliance with Title IV regulations, accreditor or state agency requirements or other state or federal laws, KNA's financial results of operations could be adversely affected.

Compliance reviews and litigation. KNA and its client institutions are subject to reviews, audits, investigations and other compliance reviews conducted by various regulatory agencies and auditors, including, among others, the ED, the ED's Office of the Inspector General, accrediting bodies and state and various other federal agencies. These compliance reviews could result in findings of noncompliance with statutory and regulatory requirements that could, in turn, result in the imposition of fines, liabilities, civil or criminal penalties or other sanctions against KNA and its client institutions. Separately, if KNA provides financial aid services to more than one Title IV participating institution (i.e., one or more participating institutions in addition to Purdue Global), it will be required to arrange for an independent auditor to conduct an annual Title IV compliance audit of KNA's compliance with applicable ED requirements. KNA's client institutions are also required to arrange for an independent auditor to conduct an annual

EXECUTION COPY

MASTER SERVICES AGREEMENT

Relating to the Provision of Certain Higher Education Support Services to Manage the Educational Programs, Courses or Offerings for Purdue's Selected Schools, Colleges and Academic Units by Kaplan Higher Education

Dated as of January 1, 2019

MASTER SERVICES AGREEMENT

This Master Services Agreement (together with the Exhibits hereto, this "**Agreement**"), dated 1st of January 2019 (the "**Effective Date**"), is made by and among Iowa College Acquisition, LLC d/b/a Kaplan Higher Education, a Delaware limited liability company, with offices at 1515 West Cypress Creek Road, Ft. Lauderdale, FL 33309 ("**KHE**"), and The Trustees of Purdue University, an Indiana body corporate that manages and conducts Purdue University, the State of Indiana's land-grant university, with offices at 401 South Grant Street, West Lafayette, IN 47907 ("**Purdue**"). The term "**Party**" refers to KHE and Purdue individually, and the term "**Parties**" refers collectively to KHE and Purdue. Capitalized terms not otherwise defined in this Agreement have the meanings set forth in Exhibit D (Definitions).

RECITALS

A. KHE has the capability to offer certain higher education support functions and services to Purdue and its various accredited institutions campuses, colleges, schools, departments, offices and/or other units ("**Purdue Units**") who seek to offer online degree and/or certificate programs (the "**Programs**"), and such functions and services include among others, feasibility studies, program & portfolio strategy, curriculum/instructional support, editorial, marketing, advertising, student recruitment, admission support services, reporting & analytics, including deploying the technology platforms to support these functions and services; and

B. Purdue desires to engage KHE to provide (i) such support services and functions to facilitate Programs for Purdue Units, and (ii) to provide feasibility research studies to ascertain the viability of Purdue launching and offering such Programs through Purdue Units; and

C. Once identified by mutual agreement of the Parties, each Program will be added to the coverage of this Agreement through an addendum hereto that is specific to that Program; and

D. This Agreement will serve as the master agreement between the Parties to establish the general obligations of each Party and the structure related to KHE's performance of its obligations hereunder, as supplemented from time to time by the aforementioned addenda to address special services or other specialized matters specific to each Program;

E. Accordingly, the Parties propose to enter into this Agreement to govern the provision by KHE of the services described above for certain already-identified Programs and for such additional Programs as may be launched by Purdue Units in the future; and

F. Although Purdue will from time to time act by and through Purdue Units for purposes of this Agreement, and although the Purdue Units will benefit from the services provided by KHE hereunder, the Purdue Units themselves, as divisions or components of Purdue, are not direct parties to this Agreement; nonetheless, for ease of reference, Purdue and the Purdue Units are sometimes referred to herein collectively as "**Purdue Parties**." For the avoidance of doubt, Purdue University Global, Inc., which is supported by KHE through separate contractual arrangements, is not included in the definition of Purdue Parties hereunder.

TERMS AND CONDITIONS:

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. DEFINED TERMS; INTERPRETATION

1.1 Terminology. If this Agreement does not define a particular term, it will have its generally understood meaning (e.g., in the information technology or education industries) based on the context in which it is used.

1.2 Rules of Interpretation. Any headings set forth herein, and any table of contents or marginal notes appended to it, are solely for convenience or reference and do not constitute a part of this Agreement, nor do they affect the meaning, construction or effect of this Agreement. As used in this Agreement, unless otherwise provided to the contrary, (i) all references to days will be deemed references to calendar days unless expressly stated otherwise, and (ii) any reference to Articles, Sections, Schedules, or Exhibits, unless expressly stated otherwise, are to the Articles, Sections, Schedules, or Exhibits to this Agreement. The Articles, Sections, Schedule, and Exhibits to the Agreement are part of the Agreement and are incorporated herein by reference. Unless the context otherwise requires, as used in this Agreement, all terms used in the singular will be deemed to refer to the plural as well, and vice versa. The words "hereof," "herein" and "hereunder" and words of similar import referring to this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they will be deemed to be followed by the words "without limitation." References in this Agreement to "$" will be deemed a reference to United States dollars unless otherwise specified. Words importing persons include firms, associations, partnership, trusts, corporations, and other legal entities, including public bodies, as well as natural persons. In the event of an inconsistency, ambiguity, contradiction or conflict between the terms of this Agreement, its Schedules or Statements of Work, and any amendments hereto and thereto, such documents shall be interpreted in the following order of precedence: (i) the terms of any amendment shall take precedence, (ii) followed by the terms of the Agreement, unless a Statement of Work expressly states that it overrides a specific provision of the Agreement, and then (iii) followed by the terms of the Exhibits and Schedules to this Agreement, including the Statements of Work.

2. SCOPE OF KHE HIGHER EDUCATION MANAGED AND SUPPORT SERVICES.

2.1 Engagement and Scope. Purdue hereby engages KHE to provide certain support functions and services for the Purdue online Programs, as described in one or more statements of work (each, an "**SOW**") appended to this Agreement from time to time, as provided in Section 2.2 below.

2.1.1 Basic Services. In general, at a minimum, KHE shall provide the services set forth on Exhibit A uniformly to each Purdue online Program that is the subject of a SOW hereunder **(**the **"Basic Services")**.

2.1.2 Enhanced Services. In addition, for a given Program covered by a SOW, KHE may also provide: (a) any of the additional services set forth on Exhibit B hereto that are selected by Purdue and the relevant Purdue Unit, to apply to that Program, by mutual agreement, and (b) any other support services not specifically described on Exhibit B that the

Parties may mutually agree to include with respect to that Program **(**collectively, the **"Enhanced Services")**.

The Basic Services and the Enhanced Services are referred to herein collectively as the **"KHE Managed Services"**.

2.2 Statements of Work. The KHE Managed Services will be governed by a SOW initiated, negotiated and approved by the Parties in accordance with Section 4.1 below.

2.2.1 Elements of the SOW. In addition to identifying the KHE Managed Services to be provided for the applicable Program, each SOW shall include: (a) provisions on KHE Costs and KHE Fees that apply to such services based on economic terms negotiated by the Parties in accordance with Section 3 below and Exhibit C referenced therein, (b) deliverables, dates, and other details related to the specific Program, (c) service levels, (d) the duration of the term during which the SOW will remain in effect (including any extensions thereof), and (e) any other provisions necessary to address special circumstances unique to the Program.

2.2.2 SOW Process and Validity. To be valid and enforceable, each SOW must have the approval and signature of (i) an officer of Purdue with system-wide authority over online programs, (ii) the head of the Purdue Unit (generally the dean of the college) that will oversee the Program, and (iii) a duly authorized officer of KHE. Each SOW may be updated, supplemented or otherwise modified by the Parties from time to time through an amendment executed and delivered in accordance with Section 19.3 hereof.

2.3 KHE's Performance. With respect to a given Program, KHE shall perform the KHE Managed Services in accordance with the service levels and/or other standards set forth in the applicable SOW for that Program from time to time.

3. COSTS, FEES AND REVENUE DISTRIBUTION.

3.1 Establishment of Baseline Framework. To enable each Party and the Purdue Units to recover their respective Program costs and to compensate KHE for its performance hereunder (including via an appropriate revenue sharing mechanism if such an approach is mutually agreed upon for a particular Program), the Parties will set forth in each SOW the economic provisions and other terms and conditions to be applied with respect to that Program, including with respect to term and termination. The Parties intend to negotiate in good faith to reach agreement on one or more baseline frameworks for this purpose, and any such framework, as and when agreed upon, will be appended to this Agreement as Exhibit C or a separately numbered sub-component thereof (e.g., Exhibit C-1, Exhibit C-2), in each case via an amendment executed in accordance with Section 19.3 hereof.

3.2 Consideration for Services. In exchange for KHE's providing the KHE Managed Services for a given Program hereunder, Purdue will reimburse KHE for the costs of providing the services and will pay KHE the agreed upon fee (including any revenue-based fee) described in the SOW for such Program. The Parties intend that KHE and Purdue will select one of the baseline models referred to in Section 3.1 as a starting point for negotiating and establishing the economic terms of a given Program once it is identified for development and becomes the subject of a SOW. The terms "**KHE Costs**," "**KHE Fees**," and "**KHE Managed Service Fees**," as they relate to any particular Program, shall have the meaning ascribed to them in the SOW governing that Program. Each SOW must, at a minimum, set forth the manner in which KHE is

(a) to be reimbursed for its costs, and (b) to receive its fees for the KHE Managed Services provided for in such SOW.

3.3 U.S. Department of Education. In the event the Department of Education rules or regulations prohibit tuition revenue sharing compensation for KHE Managed Services provided hereunder by KHE or otherwise prohibit or limit the Parties' ability to perform under this Agreement, the Parties agree to negotiate in good faith a mutually agreed alternative compensation model.

4. ESTABLISHMENT OF SOW'S AND CERTAIN PURDUE OBLIGATIONS.

4.1. Acceptance and Approval – Basic and Enhanced Services.

4.1.1 New Programs—Basic Services. Consistent with KHE's provider status described in Section 6.1 below, and other than with respect to any Program Exceptions:

[redacted]

[redacted]

[redacted]

4.1.2 [redacted]

4.1.3 Deliverables. In performing under each SOW that becomes effective, KHE shall perform the KHE Managed Services contemplated thereby and provide, prepare and submit the Deliverables required to be delivered thereunder, in each case in accordance with applicable timelines and critical dates identified for various stages or phases described in the SOW.

4.1.4 Pending SOWs. The Parties acknowledge that several proposed SOWs are under discussion at the time of entering into this Agreement including SOWs related to certain online programs at Purdue Units Krannert School of Management, College of Agriculture, and Purdue Northwest. [redacted]

4.2 Purdue Policies. With respect to the Programs covered by active SOWs hereunder, Purdue shall deliver to KHE in writing the policies, procedures, standards, certifications, forms and/or filings of Purdue that are applicable to KHE (and its subcontractors), the KHE Managed Services and/or any other customer service functions required for delivery of Purdue online programs generally ("**Purdue Policies**"). To the extent any Purdue Policy changes, and such change may impact KHE's provision of KHE Managed Services, Purdue shall provide notice to KHE of such change, and the Parties shall make the appropriate change to the KHE Managed Services and the description of same in the applicable SOW.

4.3 Purdue Reservation of Rights. In relation to the core academic functions and activities required to support, operate and manage Purdue Units that do not have Programs covered by this Agreement or an SOW hereunder, Purdue hereby reserves the right to manage, direct or operate those core academic functions and activities on its own behalf.

5. MUTUAL COOPERATION AND COLLABORATION. Each Party acknowledges that the successful and timely rendering of the KHE Managed Services will require the good faith cooperation of each Party with the other. Accordingly, each Party, in furtherance of the obligations set forth in this Agreement, will cooperate in good faith with the other, including, without limitation, by (a) providing the other Party (subject to any applicable limitation set forth herein) with all information reasonably necessary or appropriate to enable such other Party to perform its obligations hereunder; (b) making available a Party's appropriate personnel to work with the other Party's personnel consistent with any staffing plan that may be mutually identified for a particular Program; and (c) providing prompt review of materials submitted to it by the other Party and making decisions in a timely manner (in each case subject to any applicable time periods more specifically prescribed herein).

6. PROVISION OF BASIC SERVICES; EXCLUSIVITY; EXCEPTIONS.

6.1 Provider Status. During the Term of this Agreement, KHE shall be the "limited exclusive provider" of Basic Services for all new online Programs developed and launched by Purdue Units during the Term, other than with respect to Program Exceptions.

6.2 Exclusivity; Non-Competition.

6.2.1 Exclusivity as to SOW-Approved Programs. Following the Effective Date, and once a SOW is entered into hereunder and remains in effect for a given Program, KHE shall be deemed, in addition to its status described in Section 6.1, the "exclusive and sole provider" of the KHE Managed Services described in the SOW with respect to that Program, such that Purdue shall not enter into any agreement or arrangement with a third party to provide services similar to those covered by such SOW for the purpose of supporting the same Program offered by the same Purdue Unit via an alternative online channel or platform, unless KHE has elected to waive exclusivity in writing in such SOW. For the avoidance of doubt, if the SOW has not included one or more Enhanced Services within KHE's scope for such Program, Purdue and the Purdue Unit may self-perform or procure the omitted Enhanced Service(s) from a third party for such Program.

6.2.2 Non-Competition as to SOW-Approved Programs. Additionally, once a SOW is entered into hereunder and remains in effect for a given Program, Purdue shall not do either of the following, unless, in either case, KHE has elected to waive the relevant restriction in writing in such SOW:

6.2.2.1 Enter into any agreement or arrangement with a third party to provide services similar to those covered by such SOW for a Purdue Unit's proposed offering of an online program that is the same as or Substantially Similar to the Program covered by such SOW, or

6.2.2.2 Directly undertake the development, launch or promotion of any online program that is the same as or Substantially Similar to the Program covered by such SOW.

For purposes of this Agreement, Program(s) are considered "Substantially Similar" if they (i) compete for the same student population, (ii) result in the same credential level or degree (e.g., AS, BS, MS, PhD or other), and (iii) have the same six digits of their CIP Codes (as defined in Exhibit D). For this purpose, factors to be considered in determining whether programs compete for the "same student population" include program admissions requirements, the level of education completed by the target audience prior to pursuing a given program, and the similarity of marketing plans designed to reach the target audience, as determined via the channel conflict resolution mechanism maintained by Purdue in connection its unified marketing strategy for online Programs.

6.2.3 Potential for Expanded Exclusivity for Enhanced Services. [redacted]

[redacted] [redacted]

[redacted] [redacted]

[redacted] [redacted]

[redacted] [redacted]

[redacted] [redacted]

6.3 Program Exceptions. Notwithstanding anything to the contrary in this Agreement, KHE's status as the limited exclusive provider of Basic Services for all new online Programs developed and launched by Purdue Units during the Term does not apply to Program Exceptions. The following special provisions apply to such Program Exceptions:

6.3.1 Program Exceptions Generally. Except with respect to Niche Programs and Previously Terminated Programs discussed below in Section 6.3.2, either Purdue or a Purdue Unit may develop, launch and promote a Program Exception without providing notice to, or affording KHE any opportunity to provide, Basic Services or Enhanced Services with respect to such Program Exception.

6.3.2 Niche Programs and Previously Terminated Programs. In the event Purdue or a Purdue Unit proposes to develop and launch a Niche Program or a Previously Terminated Program during the Term, there will be a presumption that KHE will not be entitled to be the provider of Basic Services for either of those types of Program Exceptions; [redacted]

[redacted] [redacted]

[redacted] [redacted]

[redacted] [redacted]

[redacted] [redacted]

[redacted] [redacted]

[redacted] [redacted]

[redacted]

[redacted]

[redacted] [redacted]

[redacted]

[redacted]

[redacted]

7. NON-SOLICITATION; NON-HIRE. During the Term, and for one (1) year following expiration or termination of this Agreement, (i) without the approval of a Party ("**Employer Party**"), the other Party will not, directly or indirectly, solicit for employment any directors, officers, management level employees, or other employees of the Employer Party (collectively "**Employee Group**"); and (ii) will not hire any member of the other Party's Employee Group who serves as a director or management level employee or who interfaces with the other Party under this Agreement or possesses specialized skill or know-how required by the Employer Party to operate its business, whether in connection with this Agreement or otherwise, without first notifying, consulting with and receiving, prior approval from, the other Party. Notwithstanding the foregoing, the consideration of persons responding to classified advertisements in newspapers, periodicals, Internet bulletin boards, or other publications (print or electronic) of general availability or circulation shall not be deemed a breach of the prohibition on solicitation under this Section, unless the advertisement and solicitation is undertaken as a means to circumvent or conceal a violation of this provision; but in no event shall the other Party be permitted to hire any member of such Party's Employee Group except as authorized by this Section.

8. INTELLECTUAL PROPERTY AND PROPIETARY RIGHTS.

8.1 License of Certain Purdue Marks. Purdue grants the following licenses under this Agreement:

8.1.1 Grant of License. Purdue hereby grants to KHE a limited, nonexclusive, nontransferable, royalty-free, fully paid-up, and non-assignable license to use, during the Term, the Purdue academic trademarks and logos (including Purdue component co-brand academic logos) in each case, as directed by Purdue, solely in connection with the exercise of KHE's rights and performance of its obligations under this Agreement.

8.1.2 Trademark Protection. KHE agrees, as applicable, to the following: (i) Purdue, as the licensor above, owns and will continue to own all right, title and interest in and to the trademarks and logos Purdue is licensing to KHE above, and the Parties agree that any goodwill in Purdue's trademarks, logos and trade dress that may arise in connection with this Agreement shall vest in Purdue immediately upon its coming into existence; (ii) KHE, as the licensee above, shall execute, at no charge or expense to Purdue, any documents necessary in the reasonable judgment of Purdue to vest all rights described in clause (i); (iii) KHE agrees that, during the Term and after the expiration or termination of this Agreement, it will not directly or indirectly contest, or aid in contesting, the validity or ownership rights of Purdue in the Purdue Marks (as defined herein) or take any action whatsoever in derogation of the property rights in such Purdue Marks; (iv) KHE agrees to observe all such requirements with respect to trademark notices, fictitious name registrations, and the display of the legal name of Purdue or other identification of the Purdue Marks as Purdue may direct; and (v) KHE agrees that it will promptly inform Purdue of any action by third parties, which comes to its attention, which in any way infringes or is reasonably likely to infringe on Purdue's rights, or impair the validity, scope or title of Purdue, in the Purdue Marks. NO PARTY SHALL TAKE ACTION AGAINST SUCH

THIRD PARTIES, WHICH IS NOT DIRECTED IN WRITING, OR APPROVED IN ADVANCE BY PURDUE.

8.2 Purdue Marks Generally. All rights in the Purdue's Parties' trademarks, names, logos, product or service names and any other identifying names or marks, including co-branded marks of Purdue Units and color schemes and typography customarily associated with Purdue's trade dress ("**Purdue Marks**") shall remain exclusively the property of Purdue.

8.2.1 KHE shall have no right, title, or interest in or to Purdue's Marks, and any goodwill arising from the use of Purdue's Marks by KHE shall inure solely to the benefit of Purdue, and ownership of such goodwill shall vest in Purdue, and otherwise hereby is assigned to Purdue, without the need for any further action by any Party.

8.2.2 Upon termination or expiration of the applicable SOW, KHE shall immediately cease any and all uses of any Purdue Marks associated with such SOW and, at Purdue's option, either return to Purdue or destroy, any material bearing any such Purdue Mark in its possession or under its control, with such destruction affirmed in writing by an officer of KHE.

8.2.3 KHE acknowledges that Purdue's Marks have established valuable goodwill and are well recognized among the respective customers of Purdue and Affiliates, and that it is of great importance that the high standards and reputation associated with the Purdue Marks be maintained. Accordingly, in its use of Purdue's Marks, KHE shall at all times maintain quality control standards that are equivalent to those standards used by Purdue in connection with the services provided under the Purdue Marks.

8.3 Third Party Materials. To the extent a Party provides the other Party access to, or use of, or uses any third party materials in connection with meeting such Party's obligations under this Agreement ("**Supplier Party**"), such Supplier Party shall be responsible for obtaining any consent or other rights with respect to such third party materials as are necessary to allow the Supplier Party to sublicense to the other Party the rights necessary for the other Party to perform its obligations under this Agreement or to receive the benefits to which such other Party is entitled under this Agreement. In addition, each Party shall comply with any applicable third party restrictions or limitations regarding such third party materials made known to such Party.

8.4 Work Product; Deliverables and other Intellectual Property.

8.4.1 Definitions. As used in this Agreement, the following capitalized terms have these respective meanings:

8.4.1.1 "**Course Materials**" - Copyrighted instructional content developed and deployed in a Program covered by a SOW, as well as associated digital module features related to the delivery of such copyrighted instructional content in a digital education format, whether developed by Purdue or a Purdue Unit (or its employees, agents or contractors) directly or jointly with KHE. Course Materials do not include KHE Work Product.

8.4.1.2 "**Deliverables**" - All materials, products, works, services, documentation and information that are provided to the Purdue Parties (whether by KHE, its employees, agents or contractors) as part of the KHE Managed Services or otherwise pursuant to the terms of a SOW. Deliverables includes KHE contributions to Course Materials.

8.4.1.3 "**KHE Work Product**" - All discoveries, inventions, materials, computer programs, information, tools, content, data, processes, procedures, improvements, developments, trade secrets or other items (tangible or intangible) made, created, conceived, developed, prepared, produced, or discovered by KHE in the course of developing, implementing or performing its obligations under a SOW, other than any such items that are included within Deliverables or Course Materials. KHE Work Product includes KHE Method Intellectual Property to the extent embodied in KHE Work Product, as well as KHE Materials, but does not include Course Materials.

8.4.1.4 "**KHE Materials**" - The following are considered "**KHE Materials**" hereunder:

(a) Storyboards, scripts or print ads (including copy and visuals) presented to Purdue but which Purdue has elected not to produce and use in final form in a Program; and

(b) Hypertext Markup Language (HTML), which is the standard markup language/code for creating web pages and web applications, including Cascading Style Sheets (CCS) and JavaScript that are developed by KHE for to maintain the general learning management platform for Programs covered but SOWs (but not including any such items that are integrated into individual digital modules included in Course Materials); and

(c) Proprietary webpage formatting assets, such as designs, photography and typography, that are used to create the student interface for Programs covered by SOWs (but excluding any Purdue Marks, Purdue copyrightable works or other Purdue assets).

8.4.1.5 "**KHE Method Intellectual Property**" - Any proprietary methods developed solely by KHE and deployed in a Program covered by a SOW.

8.4.1.6 "**Pre-Existing Materials**" - "Pre-Existing Materials" of a Party means any materials that existed prior to the Effective Date or that were created outside of this Agreement by such Party and without any funding and/or materials provided by the other Party.

8.4.1.7 "**Derivative Works**" - A work based on one or more preexisting works, including a condensation, transformation, translation, modification, expansion or adaptation, that, if prepared without authorization of the owner of the copyright of such preexisting work, would constitute a copyright infringement under applicable law, but excluding the preexisting work or Intellectual Property Rights of another party.

8.4.2 Ownership and Licenses.

8.4.2.1 Purdue Ownership. In general, and except as otherwise expressly provided in any particular SOW, Purdue will own (i) all Deliverables and all Course Materials associated with Programs covered by SOWs hereunder (except to the extent Purdue policy recognizes faculty ownership of instructional copyrightable works included in

Course Materials), (ii) all of its Pre-existing Materials, and (iii) all Intellectual Property Rights in and to the same.

8.4.2.2 Work Made for Hire. Without limiting the generality of the foregoing, all Deliverables and Course Materials (except as may be otherwise provided by Purdue policy on faculty ownership of instructional copyrightable works) shall be owned by Purdue and considered to be works made for hire (as that term is used in Section 101 of the Copyright Act or other applicable Law). Subject to KHE's rights in KHE Work Product, KHE will not challenge the validity of Purdue's rights in the Deliverables. KHE releases any and all rights it may have in the Deliverables (other than to the extent KHE Work Product is incorporated therein), now or in the future, including any copyrights, mask work right, or other Intellectual Property Rights, and agrees that the Deliverables are works made for hire. KHE agrees that if the Deliverables may not be considered works made for hire under 17 U.S.C. §§101 and 201(b), KHE hereby assigns all rights it may have in the Deliverables (other than any KHE Materials incorporated therein and licensed to Purdue pursuant to Section 8.4.2.3 below) and shall, without further consideration, execute any documents and take any other actions reasonably requested by Purdue to effectuate the purpose of this Section, including any and all applications, assignments and other instruments that Purdue shall deem necessary or convenient in order to assign and convey to Purdue the sole and exclusive right, title and interest in and to such Deliverables and to effect Purdue's ownership of all Intellectual Property Rights therein. KHE will render reasonable aid and assistance to Purdue with respect to any claims or litigation pertaining to such Deliverables, and all costs and expenses reasonably incurred by KHE at the request of Purdue in connection with any such action shall be borne by Purdue. To the extent legally permissible, KHE irrevocably waives any and all moral rights or any rights to similar effect in any country or at common law that KHE may have with respect to the Deliverables to the extent those rights have not been assigned above or licensed pursuant to Section 8.4.2.3 below.

8.4.2.3 KHE License. To the extent any KHE Work Product is integrated into the Deliverables or is necessary for the use and enjoyment of the Deliverables, KHE hereby grants the Purdue Parties and its Affiliates, and their respective successors and assigns, a worldwide, fully paid-up, perpetual, non-exclusive license to the KHE Work Product, with the right to use such KHE Work Product for so long as it remains embedded in such Deliverables or is required to enjoy and/or use such Deliverables.

8.5 Reports. If KHE is commissioned to create and deliver a report as part of any KHE Managed Services prescribed by a particular SOW, such a report shall be considered a Deliverable owned by Purdue; provided, however that if the form or template KHE uses to produce such a report is a KHE Work Product, KHE will retain ownership of the form or template, but it hereby grants to Purdue, its successors and assigns, a worldwide, irrevocable, nonexclusive, perpetual, paid up right and license to use, execute, reproduce, display, perform, modify, distribute, transmit and otherwise exploit such report template, externally and internally, by any means now known and hereafter devised, solely as integrated in and necessary for the use of the Deliverable.

8.6 Reservation. Each Party retains exclusive rights to its Pre-Existing Materials and other owned materials not expressly licensed pursuant to this Agreement. Nothing contained in this Agreement shall restrict either Party from the use of any general ideas, concepts or know-how which either Party, individually or jointly, develops or discloses under this Agreement, provided that in doing so such Party does not breach its obligations to the other regarding confidentiality or infringe or misappropriate the Intellectual Property Rights of the other Party or any third party.

8.7 Derivative Works. Purdue will own any and all Derivative Works based upon or that incorporate the Deliverables and Course Materials. KHE will own any and all Derivative Works based upon or that incorporate the KHE Work Product (including KHE Materials). Nothing in this Agreement shall be construed to restrict or limit KHE in any way from developing similar designs, processes, content or services with other third parties, so long as such works do not violate Purdue's rights, including those expressly recognized herein.

8.8 Ownership and Use of Lead Data and Other User Information.

8.8.1 Lead Data; Purdue Access and License. All marketing, campaign, and other data related to inquiries from prospective Users who do not enroll as Purdue students in a Program within 60 days of initial inquiry, as between the Parties, shall be owned by KHE (the "**Lead Data**"). Upon the request of Purdue, made with reasonable advance notice, KHE will afford Purdue reasonable access to Lead Data (on an aggregated, anonymized basis) for the purpose of conducting analytics designed to evaluate and improve the Purdue Parties' performance in such areas as student access, recruitment and retention in Programs. In addition, and notwithstanding anything in the foregoing to the contrary, KHE hereby grants to Purdue a perpetual, royalty-free, non-transferable license to use such Lead Data (including the right to access, view, store, copy, use, process, edit, modify and adapt) that relates to students who enroll at Purdue.

8.8.2 User Information as Purdue Parties' Data. Conversely, once a User enrolls at any Purdue Unit, Purdue shall consider that User Information as Purdue Parties' Data, as defined under Section 9.3 of this Agreement below. However, should that same User subsequently withdraw from or complete a Purdue Unit Program, then Purdue shall provide KHE with a worldwide, fully paid-up, perpetual, non-exclusive license to use and access that User Information immediately after such User is no longer enrolled at a Purdue Unit.

9. DATA SECURITY, OWNERSHIP AND PRIVACY.

9.1 Privacy Statement & Policies. Any new marketing websites developed by KHE will be governed by Purdue's privacy policy and Purdue's terms of service applicable to the Purdue Parties in which website resides, as such privacy policy and terms of service are appropriately supplemented for such websites. KHE must provide a link to the applicable Purdue Parties' privacy policy and terms of service on all pages of the newly developed website(s) in a manner that makes such statements readily accessible to Users.

9.2 Ownership of User Information. Unless otherwise agreed to under this Agreement, all User Information shall be the sole property of the Purdue Parties.

9.3 Ownership, Permitted and Restricted Uses of Purdue Data. Except as otherwise agreed to in this Agreement, Purdue Parties' Data is and will remain the property of Purdue. Without Purdue's approval (to be granted in its sole discretion), Purdue's Data will not be: (a) used by KHE other than as required to provide the Services; (b) disclosed, sold, assigned, leased or otherwise provided to third parties by KHE; (c) monitored, analyzed, individualized, anonymized, aggregated, stored, or copied, other than as required to provide or in connection with the Services pursuant to this Agreement; (d) commercially exploited in any form (including any individualized anonymized, or aggregated form) by or on behalf of KHE, or (e) use User Information in violation of any applicable law, rule or regulation, or any applicable Purdue Parties' privacy policy. KHE hereby irrevocably assigns, transfers and conveys to Purdue without further consideration all of its and their right, title and interest in and to Purdue Parties' Data (if any). Upon request by the Purdue Parties, KHE will execute and deliver any documents that may be necessary or desirable under any law to preserve, or enable the Purdue Parties to enforce, their rights with respect to Purdue Parties' Data. "**Purdue Parties' Data**" means all data and information, including any database information (including personal data and the confidential and proprietary data and information of the Purdue Parties, provided to KHE, in oral, written or electronic form, which Purdue Parties' Data shall include, financial, business and technical data and information, specifications, samples, reports, business plans, forecasts, current or historical data, computer programs, documentation, market research, trade secrets, notes, analyses, compilations, studies, interpretations, and similar information) submitted to KHE or KHE representatives or agents by or on behalf of the Purdue Parties or the Purdue Parties' representatives or agents under this Agreement. Purdue Parties' Data may include information relating to the Purdue Parties' students, former students and employees, technology, operations, facilities, consumer markets, products, capacities, systems, procedures, security practices, research, development, business affairs and finances, regulatory compliance, ideas, concepts, innovations, inventions, designs, business methodologies, improvements, trade secrets, copyrightable subject matter, patents and other intellectual property and proprietary information. All data collected from the Purdue Parties' own website(s) will only be used for the Purdue Parties' own campaigns during the term of the Agreement and will not be used with any other third parties unless Purdue has given its prior written consent. KHE will comply with all applicable laws in collecting, storing and using data and will adopt advertising industry best practice, for example, an unobtrusive link may be included to provide users with information about the technology being used within websites used for the purpose of delivering Programs.

9.4 Data Security.

9.4.1 Data Security - Security Policies and Safeguards. KHE shall abide by and maintain procedures and other safeguards against the loss, theft or other unauthorized access or alteration of Purdue Parties' Data and other Purdue Parties' property in the possession or under the control of KHE or to which KHE has access. For the avoidance of doubt, the Parties agree that, except as necessary to provide the KHE Managed Services, KHE will not process personal data on behalf of the Purdue Parties, and the Purdue Parties shall not provide such data to KHE. KHE shall not be responsible with respect to any related requirements herein to the extent of any inadvertent disclosures by the Purdue Parties of personal data (provided, if KHE has actual knowledge that it has received personal data in error, KHE will either immediately return such data to the Purdue Parties or delete such data from its systems).

9.4.2 KHE Access to Purdue Parties' Data. During the Term, KHE Personnel will continue to have access to the Purdue Parties Data if they meet the following criteria: (i) the KHE Personnel has a need to access the Purdue Parties' Data to deliver the Services during the Term, and (ii) each of the KHE Personnel has agreed in writing to obligations of confidentiality. All combinations or passwords to such areas must be changed periodically and upon any KHE Personnel's termination or transfer. KHE will ensure that KHE Personnel having access to Purdue Parties Data are appropriately trained on proper data security and handling security protocols in order to safeguard such data consistent with the aforementioned confidentiality obligations.

9.4.3 Breach of Data Security. In the event KHE discovers or is notified of a breach of security adversely impacting the security of Purdue Parties' Data (or KHE systems containing Purdue Parties' Data) which has been given to KHE or a KHE subcontractor (or to which either has access), from which Services are provided, if legally permissible, KHE shall notify the Purdue Parties of any of the following events as soon as practicable, and in any event within five (5) business days, after the event:

a. breaches and compromises of Purdue Parties' Data, which notice will be provided telephonically and/or by email until confirmation of receipt is received; and

b. any law enforcement or administrative investigation or inquiry into suspected misuse or abuse of Purdue Parties' Data on KHE's systems or network.

9.4.4 Duty to Investigate. In the event of a breach of security adversely impacting the security of Purdue Parties' Data caused by KHE's or its subcontractors', or their respective personnel's failure to comply with the requirements herein, KHE also agrees to promptly: (i) investigate such breach, (ii) use commercially reasonable efforts to cure such breach, and (iii) exercise commercially reasonable efforts to restore any lost or damaged data using generally accepted data restoration techniques generally in use by advertising agencies (at the Purdue Parties' cost unless the breach was caused solely by KHE's negligent acts or omissions, in which case KHE will pay the reasonable cost of the same). Any Party collecting and maintaining data in connection with the Services and the activities contemplated hereunder will ensure, by regular backups (which shall be no less frequent than daily), that all such data that is generated and/or stored in or in connection with such Party's system or archival tapes can be restored by appropriate automated methods. Liability for the loss of data shall be limited to the typical restoration cost that would have been incurred if backup copies of the data had been made on a regular basis. If any security breach requires Purdue, under applicable Law, to make a disclosure to any third party, the Parties will cooperate in making such disclosure, including determining the content, methods, and means of such disclosure, with Purdue taking the lead role in the disclosure protocol unless applicable Law provides that KHE shall be responsible for such disclosure. KHE (and any applicable Affiliates or subcontractors) will reasonably cooperate with Purdue in formulating the disclosure, but KHE (and any applicable Affiliates or subcontractors) will not make any such disclosure at its own initiative without Purdue's prior written consent unless KHE is legally obligated to do so, in which case KHE shall provide Purdue with as much notice as is reasonably practical under the circumstances of KHE's required disclosure.

9.4.5 Subcontractors. KHE will ensure that KHE Personnel and subcontractors having access to Purdue Parties' Data have been approved by the relationship manager for the applicable Purdue Unit and adhere to and use commercially reasonable efforts to enforce the obligations in this Section 9.

9.4.6 Correction of Errors. KHE will promptly give notice to Purdue of any errors or inaccuracies in the Purdue Parties' Data and the reports of which KHE becomes aware, and shall be responsible for the costs of correcting such errors or inaccuracies in Purdue Parties' Data and reports to the extent such errors or inaccuracies were caused by KHE or Subcontractors. At the Purdue Parties' direction and expense, KHE will use commercially reasonable efforts to promptly correct any other errors or inaccuracies in the Purdue Parties' Data or such reports.

9.4.7 Return or Destruction. KHE will: (i) promptly provide to the Purdue Parties, in the then-existing format (or other format reasonably requested by the Purdue Parties) and on the media requested by the Purdue Parties, all or any part of Purdue Parties' Data in KHE's possession or control and (ii) erase or destroy, in accordance with the Data Cleansing Procedures, all or any part of such Purdue Parties Data, in each case to the extent so requested by the Purdue Parties, and provide to the Purdue Parties evidence of such destruction. Notwithstanding the foregoing, KHE may retain a copy of Purdue Parties' Data only to the extent required for compliance with applicable Laws; provided, however that any use of such Purdue Parties' Data shall be restricted to uses that are required for compliance with applicable Laws. In accordance with the foregoing, any such archival tapes containing the Purdue Parties' Data will be used by KHE, subcontractors and such third parties solely for backup purposes and in accordance with legal requirements, and need not be destroyed.

10. CONFIDENTIALITY.

10.1 Definition. "**Confidential Information**" shall mean: (a) the terms of this Agreement that are considered by a Party to be trade secrets or other proprietary information; (b) any non-public, proprietary information, intellectual property and other confidential information, including any technical and non-technical information regarding current, future and proposed business operations, products and services, including for example, information concerning research and development, financial information, procurement requirements, student and customer information and lists, business forecasts, sales information and marketing plans, descriptions, specifications and the like of a Disclosing Party, and (c) any information the Disclosing Party has received from its Affiliate(s) or a third party, which the Disclosing Party is obligated to treat as confidential or proprietary, that is provided or communicated by the Disclosing Party to the Receiving Party in connection with this Agreement, including pursuant to Section 16 (Duty to Cooperate).

10.2 Obligations. Each Party (in such capacity, the "**Receiving Party**") acknowledges that Confidential Information may be disclosed to it by another Party (in such capacity, the "**Disclosing Party**") in connection with this Agreement, and agrees to: (a) use, with respect to the Confidential Information of the Disclosing Party, the same care and discretion to prevent such Confidential Information from being disclosed, published or disseminated as it employs to avoid disclosure, publication or dissemination of its own similar Confidential Information (but in no event less than reasonable care); (b) use the Disclosing Party's Confidential Information only for the purpose for which it was disclosed; and (c) not disclose, disseminate or provide access to the Disclosing Party's Confidential Information to any person other than to those Affiliates, employees and agents who: (i) have a need to know it in order to assist the Receiving Party in performing its obligations hereunder, or to permit the Receiving Party to exercise its rights under this Agreement, and (ii) are legally bound by substantially the same obligations regarding Confidential Information as the Parties; provided that, the Receiving Party assumes full responsibility for any failure by such Affiliates, employees and agents to abide by the confidentiality obligations. In addition, each of the Parties shall take commercially reasonable steps by agreement or otherwise so that their respective Affiliates, employees, and agents comply with these confidentiality provisions.

10.3 Exclusions. Notwithstanding anything to the contrary in the foregoing, Confidential Information does not include, and will not apply to, any information that the Receiving Party can demonstrate was:

a. at the time of disclosure of such information to the Receiving Party, in the public domain through no unauthorized act of the Receiving Party;

b. after disclosure of such information to the Receiving Party, published or otherwise became part of the public domain through no fault of the Receiving Party or its directors, trustees, officers, employees and agents;

c. rightfully in the possession of the Receiving Party at the time of disclosure of such information to the Receiving Party, free of any obligation of confidentiality;

d. received after disclosure of such information to the Receiving Party from a third party who had a lawful right to disclose such information to the Receiving Party; or

e. independently developed by the Receiving Party without reference to Confidential Information of the Disclosing Party.

10.4 Requests for Documents. If any Receiving Party is presented with a request for documents: (a) by any Governmental Entity or Accrediting Body, or (b) by any other Person pursuant to applicable public records laws or (c) pursuant to a subpoena *duces tecum* regarding any records, data or documents of a Disclosing Party, which may be in such Receiving Party's possession by reason of this Agreement, such Receiving Party must immediately give notice to the Disclosing Party, and the Disclosing Party will have the opportunity to contest such process by any means available to it, or to redact Confidential Information as provided below in this Section, before the records, data or documents are submitted to such Governmental Entity, Accrediting Body, court or other Person. The Receiving Party, however, is not obligated to withhold the delivery beyond the time ordered by the Governmental Entity, Accrediting Body or court, or pursuant to applicable public records laws, unless the subpoena or request is quashed or the time to produce is otherwise extended. In the event documents are requested pursuant to applicable public records laws, the Parties shall cooperate in producing a redacted version of the requested document(s) that is in conformance with requirements under the applicable public records law, with the Disclosing Party having the right to produce the first draft of such redacted documents.

10.5 Loss of Confidential Information. In the event of any disclosure or loss of, or inability to account for, or unauthorized use of, Confidential Information, the Receiving Party will notify the Disclosing Party immediately in writing, and shall reasonably assist the Disclosing Party in remedying the unauthorized disclosure or use.

10.6 Period of Confidentiality. Confidential Information will be subject to the terms of this Agreement until such time as it ceases to be characterized as Confidential Information under one or more provisions of this Section 10.

10.7 Return of Confidential Information. Each Party will, upon expiration or termination of this Agreement or otherwise upon demand, at the Disclosing Party's option, either return to the Disclosing Party or destroy (and certify in writing to the Disclosing Party the destruction of), any and all documents (including any writing, instrument, agreement, letter, memorandum, chart, graph, blueprint, photograph, financial statement or data, telex, facsimile, cable, tape, disk or other electronic, digital, magnetic, laser or other recording or image in whatever form or medium), papers and materials and notes thereon in the Receiving Party's possession, including copies or reproductions thereof, to the extent they contain Confidential Information of the Disclosing Party. All records in KHE's possession pertaining to the Title IV, HEA program funds received from or on behalf of the Purdue Units and/or Purdue shall be returned to Purdue. Notwithstanding the foregoing, each Party shall have the right to retain archival copies of the Confidential Information required for compliance with applicable Law; provided, however, that any use of such Confidential Information shall be restricted to uses that are required by applicable Law.

10.8 FERPA; GLBA. The Purdue Parties acknowledge that, in order for KHE to perform certain of KHE Managed Services requested under this Agreement, it will be necessary and desirable for KHE to have access to personally identifiable information of students and prospective students of Purdue, and of Purdue's employees, that is subject to the provisions of FERPA and GLBA, and/or any other applicable Laws. Purdue and KHE agree to maintain and use all such information in material compliance with the requirements of all such Laws, including taking required steps to comply with the requirements of 34 C.F.R. 99.31(a)(1) with respect to information protected by FERPA that may be disclosed to a party to whom an institution has outsourced institutional services or functions.

11. AUDIT RIGHTS.

11.1 Books and Records. Each Party shall maintain and keep accessible and available for inspection by the other Party pursuant to the audit rights set forth in Section 11.2 below all books and records relative to the obligations hereunder, including, without limitation records and supporting documentation related to each Party's cost expenditures, calculation of fees (including, the KHE Fees) and Revenue for a period equal to the longer of: (i) three (3) years after the termination or expiration of the SOW to which the books and records relate, or (ii) such time as is required by Title IV of the Higher Education Act, as amended, or other state, federal or local laws, rules and regulations applicable to such Party's obligations under this Agreement.

11.2 Audit Rights. During the Term and for two (2) years thereafter, but not more frequently than twice in any consecutive twelve (12) months period (except for examinations to ensure that a previously discovered problem is not recurring), during regular business hours and upon at least five (5) Business Days prior written notice, either Party shall provide to the other Party's internal and/or external auditors (who shall be the audit department of a nationally recognized certified public accounting firm mutually agreed upon by the Parties, and provided that such auditor is not (i) compensated on a contingency basis, or (ii) providing cost consulting services to any Purdue Parties) access to such Party's books and records at reasonable hours, solely to conduct an audit of such other Party's financial records for the prior twenty-four (24) month period relating directly to cost expenditures, payment of fees or revenue distribution by such Party under the terms of this Agreement. It is understood that no audit shall take longer than one hundred eighty (180) business days and the audit shall not include, and in no event shall the auditors have access to, individual payroll and personnel files; any information relating to KHE's other clients; fixed pricing arrangements with other clients; non-disclosed media sales; any information subject to restrictions in contracts with third parties; KHE's IT infrastructure, servers and systems (other than access for purposes of conducting the audit); any information relating to agreements entered into by KHE as principal (other than agreements for subcontractors or other work related to this Agreement); or any information that is subject to legal disclosure restrictions. Either Party, at its discretion, may receive, submit and/or retain documentation in an electronic/digital format. Any such audit shall take place in such Party's primary office. The auditors shall execute a confidentiality agreement acceptable to the auditor, KHE and Purdue prior to conducting the examination. Except as expressly provided herein, all audit rights shall cease two (2) years after expiration or termination of this Agreement.

11.3 Examination Notice; Disputes. If any examination made pursuant to Section 11.2 above reveals a cost reimbursement overcharge by either Party or an overcharge of the KHE Fees by KHE, the Party that discovers the overcharge will notify the other Party of the amount of such overcharge in writing specifying the amount of the overcharge and providing the data and information necessary to support such claim (the "Examination Notice"). The overcharging Party will have a period of thirty (30) days to dispute in writing to the examining Party the findings contained in the Examination Notice. If the overcharging Party fails to dispute the findings, then the findings contained in the Examination Notice will become final and binding, and the overcharging Party shall pay the examining Party the amount of the overcharge within thirty (30) days thereafter. If the overcharging Party disputes the findings in the Examination Notice, then the Parties will work together in good faith for a period of up to thirty (30) days to seek to resolve the disputed matter, including the exchange of underlying information and records as reasonably requested, and including escalation of the matter to the Parties' chief executives, to the extent necessary. If the Parties agree in writing to the resolution of any disputed matters during the thirty (30)-day negotiation period described above, then the terms of such written agreement shall be final and binding on the Parties with respect to such resolved matters.

11.4 Resolution. If any of the disputed matters remain unresolved at the end of the thirty (30)-day negotiation period described in Section 11.3 above, or in the case of disagreements between the Parties regarding a reconciliation or related payment, then such disputed matters shall be resolved by an Independent Accounting Firm in accordance with this Section 11.4. For purposes of this Agreement, "Independent Accounting Firm" shall have the meaning given such term in the TOSA. Within thirty (30) days after the Independent Accounting Firm has been engaged, KHE and Purdue shall each submit a written statement to the other Party and the Independent Accounting Firm identifying in reasonable detail such Party's calculation of the disputed amount(s). The Independent Accounting Firm shall select either the calculation submitted by KHE or the calculation submitted by Purdue, based on which calculation the Independent Accounting Firm determines to be more accurate. The Independent Accountant shall submit its final written determination to the Parties within sixty (60) days after receipt of the written statements of both Parties. The Independent Accounting Firm determination made in accordance with this Section shall be final and binding upon the Parties and will not be subject to appeal, absent fraud or manifest error. Each Party shall be responsible for its own costs and fees relating to any dispute resolution under this Section, except that the cost and fees of the Independent Accounting Firm shall be the responsibility of the Party that fails to prevail in any such dispute.

12. REPRESENTATIONS AND WARRANTIES.

12.1 By Purdue. Purdue represents and warrants to and for the benefit of KHE the following:

12.1.1 Purdue University is a state-chartered land-grant university authorized by legislative authority of the State of Indiana, validly existing under the laws of the State of Indiana and has all requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement.

12.1.2 The execution, delivery and performance of this Agreement by Purdue (i) has been duly authorized by Purdue, and (ii) other than as disclosed on Exhibit E, will not conflict with, result in a breach of or constitute a default under any other agreement or order to which Purdue is a party or by which Purdue is bound.

12.1.3 The Purdue Parties are responsible for the accuracy, completeness, and propriety of information concerning their organization, products, services, industry, or competitors, which the Purdue Parties furnish to KHE or approve for dissemination. The Purdue Parties shall review all materials prepared and delivered to the Purdue Parties by KHE under this Agreement to confirm that descriptions and representations, direct or implied, with respect to the Purdue Parties' organization, products, services, industry, and competitors are accurate.

12.1.4 Purdue is and will remain in material compliance with all applicable Laws and has and will obtain all applicable permits and licenses required for Purdue to conduct its business.

12.1.5 There are no orders or judgements in effect to which Purdue is a party or is bound and which relate to or could affect this Agreement or Purdue's ability to perform its obligations hereunder.

12.1.6 Except as otherwise expressly provided elsewhere in this Agreement, Purdue has full power and authority to grant KHE the rights granted herein as provided in this Agreement without the consent of any other party.

12.1.7 Neither Purdue nor its Affiliates are a party to, or engaged in, or, to the knowledge of Purdue, threatened with, any action which relates to or could affect Purdue or any Purdue Affiliate which could reasonably be expected to have a material adverse effect on its ability to perform its obligations hereunder, nor, to the knowledge of the Purdue Parties, other than ongoing discussions between Purdue and Wiley EDU, LLC about the nature and scope of the latter's contractual rights and role as a Legacy Digital Education Provider, has any event occurred, or conditions exist, which would form the basis of an action.

12.2 By KHE. KHE represents and warrants as of the Effective Date and throughout the Term, and covenants throughout the Term, to and for the benefit of Purdue each of the following.

12.2.1 KHE is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement.

12.2.2 The execution, delivery and performance of this Agreement by KHE (i) has been duly authorized by KHE, (ii) will not conflict with, result in a breach of, or constitute a default under any other agreement to which KHE is a party or by which KHE is bound, and (iii) is a valid and binding obligation enforceable against KHE in accordance with its terms.

12.2.3 KHE is and will remain in material compliance with all applicable Laws which relate to the general conduct of its business and the performance of this Agreement and has obtained and will obtain all applicable permits and licenses required of KHE in connection with the conduct of its business and in relation to its obligations in this Agreement.

12.2.4 KHE has security practices in place designed to safeguard Purdue Parties' Data provided to KHE or to which KHE has access, in accordance with its own internal data security policies which include restrictions on access of Purdue Parties' Data by KHE Personnel on an as needed basis to perform the Services.

12.2.5 All KHE Personnel performing any of the Services are bound by valid and enforceable nondisclosure obligations, and by written obligations regarding assignment of Intellectual Property Rights, and other appropriate agreements which protect the confidentiality of the Purdue Parties' Confidential Information consistent with KHE's obligation hereunder.

12.2.6 The Deliverables, when used by the Purdue Parties as authorized in accordance with any third party limitations or restrictions and without alteration (unless such alteration has been approved in writing in advance by KHE), do not infringe any Intellectual Property Right (other than the Purdue Marks which are the Purdue Parties' responsibility hereunder) of any third party.

13. INDEMNIFICATION.

13.1 <u>Indemnity by KHE</u>. KHE will indemnify, defend and hold harmless Purdue, its Affiliates, and their respective officers, directors, employees and agents ("**Purdue Indemnified Parties**") from and against any and all demands, judgments (including applicable pre-judgment and post-judgment interest, if any), awards, losses, damages, costs, penalties, expenses, claims and liabilities, including reasonable attorney's fees, witness fees and court costs, and any other losses and liabilities of any kind or nature whatsoever (collectively, "**Damages**") of, or awarded to, or settled with third parties in third-party claims or actions, and the costs of Purdue in enforcing this indemnification obligation (provided that Purdue is the prevailing party in doing so), in each case arising out of any of the following:

13.1.1 the negligent acts or omissions, or intentional misconduct, of KHE, its subcontractor or the KHE Personnel under the Agreement;

13.1.2 a breach of the representations and warranties contained in Section 12.2 or the confidentiality obligations set forth in Article 10 by KHE or its express obligations, representations or warranties under this Agreement; and

13.1.3 claims brought by KHE Personnel based on a theory that such personnel are entitled to Purdue employment benefits by virtue of their provision of KHE Managed Services to Purdue Parties, except to the extent that Purdue has represented to such personnel that they are eligible for such benefits;

provided, however, that KHE will not be obligated to indemnify, defend and hold harmless the Purdue Indemnified Parties to the extent that such Damages are the result of the negligent acts or omissions or willful misconduct of Purdue, its Affiliates or its subcontractors, or their respective personnel.

13.2 Indemnification by Purdue. Purdue will indemnify, defend and hold harmless KHE and its Affiliates, and their respective officers, directors, employees and agents ("**KHE Indemnified Parties**") from and against any and all Damages of, or awarded to, or settled with third parties in third-party claims or actions, and the costs of KHE in enforcing this indemnification obligation (provided KHE is the prevailing party), in each case to the extent arising out of any of the following:

13.2.1 the negligent acts or omissions, or intentional misconduct, of the Purdue Parties under the Agreement;

13.2.2 KHE's use of the Purdue Marks, to the extent provided in Section 8.1.1;

13.2.3 any materials containing information or data provided or approved by the Purdue Parties and created, prepared, produced, or placed by KHE are false, deceptive, misleading, unsubstantiated, or otherwise inaccurate or improper (unless KHE has actual knowledge and fails to notify Purdue);

13.2.4 the manufacture, sale, distribution, or use of any of the Purdue Parties' products or services violates the rights of any third parties or that the advertising, publicity, or promotion of the Purdue Parties' products or services encourages or induces the violation of the rights of any third parties (except with respect to the representation and warranty of KHE in Section 12.2.6); or

13.2.5 the use of the Deliverables hereunder, by Purdue, any Purdue Unit, or any Affiliate, franchisee, dealer or agent, or by anyone other than KHE, violates any of KHE's obligations under the applicable union codes or applicable production, talent, or other contracts relating to the production of commercials or advertisements; or a breach of Purdue's confidentiality obligations set forth in Article 10;

provided, however, that Purdue will not be obligated to indemnify, defend and hold harmless the KHE Indemnified Parties to the extent that such Damages are the result of the negligent acts or omissions or willful misconduct of KHE, its Affiliates or its subcontractors, or their respective personnel.

14. TERM AND TERMINATION.

14.1 Term. The term of this Agreement (the **"Term"**) shall commence on the Effective Date. Its duration shall otherwise be coterminous with the initial term ("**Initial Term**") of the Transition and Operations Support Agreement between the Parties dated as of March 22, 2018 (the "TOSA") and shall include any Renewal Terms ("**Renewal Terms**"), as defined in the TOSA.

14.2 Reserved.

14.3 Early Termination. In the event of early termination or non-renewal of the TOSA, for any reason, this Agreement shall also terminate, unless all Parties agree in writing for this Agreement to remain in effect. In addition, at any time following the fifth (5th) anniversary of the

Effective Date and prior to the expiration of the Initial Term, Purdue may elect to terminate this Agreement by providing KHE with not less than one hundred and eighty (180) days' prior written notice of termination, specifying therein the effective date of termination; provided, however, that the Term shall continue beyond expiration of such 180-day period for the purpose of governing any and all then active SOWs (each of which shall not be affected by the notice of termination unless otherwise expressly contemplated by its terms), and the Term shall remain in effect until such time as the last of the current SOWs expires or is otherwise terminated in accordance with its terms.

14.4 Termination of Agreement for Material Breach. This Agreement may be terminated by either Party (such Party, the "**Non-Defaulting Party**") upon a material default or material breach by the other Party (the "**Defaulting Party**") of the terms of this Agreement. A material breach shall include any act or omission by a Defaulting Party, which materially interferes with another Party's performance of its obligations under this Agreement. The Non-Defaulting Party shall give the Defaulting Party written notice of such material default or breach, stating the nature thereof. If the Defaulting Party does not remedy any such default or breach within one hundred twenty (120) days after delivery of such notice by the Non-Defaulting Party (the "**Cure Period**"), the Non-Defaulting Party may thereafter terminate this Agreement effective immediately upon written notice or such later date as specified in the Non-Defaulting Party's notice. Upon any termination pursuant to this Section 14.4, the Purdue Parties shall not be subject to any non-solicitation, non-competition, exclusivity or right of first refusal set forth in this Agreement. References in this Section 14.4 to a Party's breach shall include a breach by Purdue of any Purdue obligations (with respect to which Purdue shall be responsible).

14.5 Effect of Termination.

14.5.1 General. Upon termination or expiration of this Agreement, KHE shall, at no cost to Purdue, deliver to the Purdue Parties (i) all Deliverables completed through the effective date of the termination, and all text, designs, colors, drawings, files, and other materials, including third party materials, selected by the Purdue Parties for inclusion in the Deliverables but not yet incorporated therein, and all copies thereof, in the format and medium as of the date of such expiration or termination; and (ii) all completed Deliverables and all materials that do not yet constitute completed Deliverables but that have been approved and selected by the Purdue Parties prior to the termination effective date (without including KHE Work Product except as designated herein or as is otherwise agreed by the Parties), if applicable, in each case in the format and medium in use by KHE in connection with providing the KHE Manages Services as of the date of such expiration or termination. Each of the Parties shall return or destroy the other Party's Confidential Information in accordance with Section 10. KHE shall cease using all Purdue Marks and return or destroy materials bearing Purdue Marks in accordance with Section 8.2.2.

14.5.2 KHE Fee Adjustment. [redacted]

14.6 Termination Obligations.

14.6.1 Upon termination or expiration of the Agreement, other than upon a material uncured default by KHE pursuant to Section 14.4: (i) KHE will be entitled to reimbursement of KHE Costs incurred under active SOWs through the date of such expiration or termination, and (ii) KHE will continue to receive reimbursement of KHE Costs and payment of KHE Fees (as adjusted pursuant to Section 14.5.2) under any SOWs that remain in effect notwithstanding termination of this Agreement (as contemplated by the proviso in Section 14.3).

14.6.2 Upon any early termination of this Agreement, other than upon a material uncured default by KHE pursuant to Section 14.4, KHE shall also be entitled to (i) reimbursement of any costs incurred with respect to non-cancellable written contracts entered into prior to receipt of notice of termination, and (ii) any early termination fees that are provided in individual SOWs (except to the extent that such SOWs are to remain in effect until their termination or expiration in accordance with their terms, as contemplated by the proviso in Section 14.3).

14.6.3 Purdue shall provide KHE with a written accounting no later than ten (10) business days after the completion of each semester containing accurate, complete and current information concerning all collections, deductions, and remittances by Purdue in accordance with this Section 14.6, and shall pay to KHE any residual amounts determined to be owed at that time.

14.7 <u>Continuing Obligations and Teach-out</u>. Without limiting any other provisions of the Agreement, the Parties shall remain liable for all obligations accruing prior to termination, including, without limitation, KHE Fees earned by KHE. In addition, in accordance with the proviso set forth in Section 14.3, this Agreement shall remain in effect for the purpose of completing any Program courses then in progress under any active SOWs and any reasonable transition period for then registered Enrollees in such courses.

14.8 <u>Duty to Mitigate and Survival.</u> Each Party will have a duty to mitigate damages for which the other Party is responsible. The provisions of Sections 6.2.2, 8, 9, 10, 11, 12, 13, 14, 15, 16 and 17 shall survive the termination of this Agreement.

15. LIMITATION OF LIABILITY. Except as provided below, the Parties hereby agree that the total aggregate liability of KHE under or in connection with the Agreement, regardless of the form of the action or the theory of recovery, shall be limited to an amount equivalent to two (2) times the KHE Fees paid or payable as agreed in any and all SOWs under this Agreement during the twelve (12) months prior to the month in which the most recent event (before asserting the claim) giving rise to liability occurred (provided, that if such event giving rise to liability occurs during the first twelve (12) months after the Effective Date, the amount will be calculated as four (4) times the average quarterly KHE Fees paid or payable under this Agreement during the elapsed time since the Effective Date). In addition, except as provided below, the Parties agree that the total aggregate liability of Purdue under or in connection with the Agreement, regardless of the form of the action or the theory of recovery, shall be limited to an amount equivalent to two (2) times the Net Revenue received by Purdue attributable to any Programs having SOWs under this Agreement during the twelve (12) months prior to the month in which the most recent event (before asserting the claim) giving rise to liability occurred (provided, that if such event giving rise to liability occurs during the first twelve (12) months after the Effective Date, the amount will be calculated as four (4) times the average quarterly Net Revenue received by Purdue during the elapsed time since the Effective Date). IN NO EVENT, WHETHER IN CONTRACT OR IN TORT (INCLUDING BREACH OF WARRANTY, NEGLIGENCE AND STRICT LIABILITY) OR OTHERWISE, WILL A PARTY BE LIABLE TO

THE OTHER PARTY UNDER THE AGREEMENT FOR ANY INDIRECT, CONSEQUENTIAL, INCIDENTAL, EXEMPLARY, PUNITIVE OR SPECIAL DAMAGES OF ANY KIND OR NATURE WHATSOEVER (INCLUDING LOST REVENUES, LOST PROFITS, OR CONTRIBUTION IN RESPECT OF ANY CLAIM AGAINST THE PARTY), EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES IN ADVANCE OR SUCH DAMAGES COULD HAVE BEEN REASONABLY FORESEEN BY SUCH PARTY. The foregoing limitations shall not apply to (i) any losses arising from the willful malfeasance, gross negligence or fraud of a Party, or (ii) any losses arising from the breach of confidentiality, data security or intellectual property provisions of this Agreement. For purposes of clarification, this limitation of liability is an aggregate limitation of liability for this Agreement, and all remedies provided for in this Agreement are cumulative.

16. DUTY TO COOPERATE. If a Governmental Entity, Educational Agency, or third party files any type of demand, suit, claim, action or cause of action, or commences an investigation, review, audit, or site visit against KHE or one of its Affiliates, or against Purdue or one of its Affiliates, each Party (and its respective Affiliates, to the extent applicable) shall use commercially reasonable efforts to cooperate with the other Party's defense. Each Party (and its Affiliates, to the extent applicable) further agrees in principle to execute such joint defense agreements, on customary terms, as may be necessary or appropriate for the protection of any privilege or confidentiality in the course of cooperating with the other Party's defense. KHE and Purdue agree to use commercially reasonable efforts to make available to the other, upon reasonable request in writing, any and all non-privileged or non-proprietary documents that either Party (or either of their respective Affiliates, to the extent applicable) has in its or their possession, which relate to any such demand, suit, claim, action or cause of action, investigation, review, audit, or site visit. This provision is not intended to waive or otherwise limit any privilege or work product protection any Party may have over any documents or other information. However, neither Party (nor any of their respective Affiliates) shall have the duty to cooperate with the other Party if the dispute is between the Parties themselves, nor shall this provision preclude the raising of cross-claims or third party claims between KHE and Purdue (or one of their respective Affiliates) if the circumstances justify such proceedings. The Parties agree that this provision shall survive the termination of this Agreement.

17. GOVERNING LAW; JURISDICTION AND FORUM; WAIVER OF JURY TRIAL.

17.1 Management Escalation. Except for a dispute, claim or other controversy that is subject to the Examination provision in Article 11 and the proposal and appeal procedures applicable to Niche Programs set forth in Sections 6.3.2.1 through 6.3.2.6, in the event of any other dispute, controversy or claim, whether based on contract, tort, statute or other legal or equitable theory (including any claim of fraud, misrepresentation or fraudulent inducement), arising out of or related to each Party's obligations hereunder, and prior to taking formal legal action, the Parties shall: (a) work in good faith for thirty (30) days to attempt to resolve such matter, and (b) if such matter is not resolved in such thirty (30) day period, escalate the matter to the Chief Executive Officer of KHE and the President of Purdue, who will then work in good faith for thirty (30) days to attempt to resolve the matter, and following such time, if the matter has not been resolved, the Parties shall be free to pursue any legal remedy available to them.

17.2 Governing Law. This Agreement shall be governed by and construed in accordance with the Laws of the State of Indiana applicable to contracts executed and to be performed wholly within such State and without reference to the choice-of-law principles that would result in the application of the Laws of a different jurisdiction.

17.3 Jurisdiction and Forum. In any Action arising out of or in any way relating to this Agreement or the administration thereof or any of the transactions contemplated hereby, each Party irrevocably submits to the exclusive jurisdiction of the federal courts of the Southern District of Indiana (and any federal courts of appeal with respect to such courts), or, in the event the federal courts of the Southern District of Indiana do not have jurisdiction, the state courts of Marion County, Indiana (and any Indiana courts of appeal with respect to such courts) (the "**Chosen Courts**"), and hereby irrevocably agrees that all claims in respect of such Action may be heard and determined in the Chosen Courts. Each Party hereby irrevocably waives, to the fullest extent that it may effectively do so, the defense of an inconvenient forum to the maintenance of such Action in the Chosen Courts. Delivery of any process required by any such Chosen Court in accordance with Section 19.2 (Notices) shall constitute valid and lawful service of process against a Party, without necessity for service by any other means provided by statute or rule of court. To the extent permitted by Law, that final and unappealable judgment against any of them in any Action contemplated above shall be conclusive and may be enforced in any other jurisdiction within or outside the United States by suit on the judgment, a certified copy of which shall be conclusive evidence of the fact and amount of such judgment.

17.4 Waiver of Jury Trial. Each Party waives trial by jury in any Action arising out of or in any way relating to this Agreement or the administration thereof or any of the transactions contemplated thereby. No Party shall seek a jury trial in any such Action and no Party shall seek to consolidate any such Action in which a jury trial has been waived with any other Action in which a jury trial cannot be or has not been waived.

18. INSURANCE. Throughout the Term, each Party shall purchase and maintain, at its expense, insurance coverage in types and amounts as is customary and reasonable for similarly situated organizations and businesses.

19. MISCELLEANOUS.

19.1 Relationship of the Parties. The Parties intend to create an independent contractor relationship and nothing contained in this Agreement will be construed to make either KHE or Purdue, or any of their respective Affiliates, partners, joint venturers, principals, agents, or employees of the other. No officer, director, employee, agent, Affiliate, or contractor retained by a Party to perform services under this Agreement will be deemed to be an employee, agent, or contractor of the other Party. Neither Party will have any right, power or authority, express or implied, to bind the other. Each Party shall be solely responsible for the fulfillment of all applicable Fair Labor Standards Act, state labor laws and other labor laws and Social Security provisions that affect the labor relationships with its personnel, either currently in force or that may be enacted during the Term, expressly discharging the other Party from any liability for the breach thereof. Each Party shall hold the other Party harmless in connection with any Tax and salaries to be paid in connection with its activity, to the extent such Tax and salaries are imposed upon such other Party under applicable Law or under the terms of this Agreement. The terms of this Agreement are not intended to cause any of the Parties or their respective Affiliates to become a joint employer for any purpose.

19.2 Notices. All notices, requests, demands and other communications permitted or required to be given or delivered under or by reason of the provisions of this Agreement shall be in writing and shall be deemed conclusively to have been given: (a) when personally delivered, (b) when sent by facsimile (with hard copy to follow in accordance with sub clauses (a), (d) or (e)) during a Business Day (or on the next Business Day if sent after the close of normal business hours or on any non-Business Day), (c) when sent by electronic mail (with hard copy to follow in accordance with sub clauses (a), (d) or (e)) during a Business Day (or on the next Business Day if sent after the close of normal business hours or on any non-Business Day), (d) one Business Day after being sent by reputable overnight express courier (charges prepaid) or (e) three Business Days following mailing by certified or registered mail, postage prepaid and return receipt requested. Unless another address is specified in writing, notices, requests, demands and communications to the Parties shall be sent to the following addresses:

If to Purdue:

Purdue University
610 Purdue Mall, Room 247
West Lafayette, IN 47907
Attn: Steven R. Schultz
Fax: (765) 496-7465
Email: schult51@purdue.edu

If the Notice pertains to a specific SOW, rather than to this Agreement in general, a copy of such notice shall be sent to the primary contact in the Purdue Unit to which such SOW pertains.

If to KHE:
Iowa College Acquisition, LLC
d/b/a Kaplan Higher Education
1515 W. Cypress Creek Road
Fort Lauderdale, FL 33309
Attn: Gregory Marino
Fax: (888) 652-6308
Email: gmarino@kaplan.edu

With a copy to:
Iowa College Acquisition, LLC
Kaplan Higher Education
550 West Van Buren Street
Chicago, Illinois 60607
Attn: David Adams
Fax: (888) 652-6308
Email: dadams@kaplan.edu

19.3 Amendment; Waiver. This Agreement (including the Exhibits and any SOW) may not be modified or amended except by an instrument or instruments in writing signed by KHE and Purdue. The failure of any Party to assert any of its rights hereunder shall not constitute a waiver of such rights and the waiver by any Party of any one breach shall not be construed as a waiver of any other or subsequent breach.

19.4 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns; provided, however, that no Party to this Agreement may assign its rights or delegate or subcontract any or all of its obligations under this Agreement without the express prior written consent of each other Party to this Agreement, except that KHE may assign this Agreement to another entity owned, directly or indirectly, by either KHE, Inc., Graham Holdings Company or its successor, or to a purchaser of all or substantially all of the assets or equity of KHE (regardless of the form of such transaction). KHE shall not subcontract or assign any of its obligations hereunder without prior written consent of Purdue, however KHE shall be authorized to delegate to approved third party vendors (as disclosed in the applicable SOW) certain functions related to the KHE Managed Services, so long as KHE maintains close and direct supervision of those third party vendors. For purposes of this Section, a Change of Control will be deemed an assignment under this Agreement. Each Party shall notify the other Party in writing upon the public announcement of a Change of Control of such Party or its parent.

19.5 Third Party Rights. Nothing in this Agreement, whether express or implied, is intended to confer in or on behalf of any Person not a Party to this Agreement (and their successors and assigns) any rights, benefits, causes of action or remedies with respect to the subject matter or any provision hereof.

19.6 Public Announcements. Except as required by Law or the rules of any national securities exchange, each of the Parties shall (and shall cause their respective Affiliates and representatives to) consult with the other Parties and obtain the prior written consent of the other Parties (which consent (other than with respect to price) shall not be unreasonably conditioned, withheld or delayed) before issuing any press releases or any public statements or announcements with respect to the activities hereunder contemplated by this Agreement; provided that, prior to any such release, statement or announcement as required by Law or the rules of any such exchange, the Person required to issue the release, statement or announcement shall allow the other Parties reasonable time to comment thereon in advance of such issuance.

19.7 Entire Agreement. This Agreement constitutes the entire agreement among the Parties with respect to the subject matter of this Agreement and supersedes any prior discussion, correspondence, negotiation, proposed term sheet, agreement, understanding or arrangement and there are no agreements, understandings, representations or warranties among the Parties other than those set forth or referred to in this Agreement. Nothing in this Agreement is in any way intended to alter or amend the TOSA.

19.8 Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any Party. Upon such a determination, the Parties shall negotiate in good faith to modify this Agreement so as to affect the original intent of the Parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

19.9 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument, and shall become effective when one or more counterparts have been signed by each of the Parties and delivered to each of the other Parties. Signatures to this Agreement transmitted by facsimile transmission, by electronic mail in ".pdf" form, or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing the original signature.

19.10 Further Assurances. Each Party shall execute such deeds, assignments, endorsements, evidences of transfer and other instruments and documents and shall give such further assurances as shall be necessary to perform such Party's obligations hereunder.

{THE FOLLOWING IS LEFT BLANK; SIGNATURES TO FOLLOW ON THE NEXT PAGE}

IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be signed and delivered as of the date set forth below by its duly authorized representative to be effective as of the Effective Date.

PURDUE UNIVERSITY
("Purdue")

By: ______________________________
William G. McCartney
Executive Vice President, Purdue Online

IOWA COLLEGE ACQUISITION, LLC
("KHE")

By: ______________________________
Gregory Marino
Chief Executive Officer (CEO)

Exhibit A - Basic Services

KHE Basic Services | Purdue – X School | Joint Responsibility

1 Program & Portfolio Strategy

- Market Research
- Program Feasibility
- Program Portfolio Mgmt.
- Segment Targeting
- Program Strategy
- R&D

2 Curriculum/ Instructional Support

- Learning Science
- Teaching and Delivery
- Online Program & Course Design
- Content & Licensing Strategy
- Curriculum Develop-ment
- Assess-ment
- Faculty & Staff Training

3 Student Recruitment

Marketing

- Brand Positioning
- Public Relations & External Communi-cations
- Digital & Social Media
- Web and Marketing Operations
- Awareness and Consider-ation Building
- Alumni Relations
- B2B

Admissions

- Admissions Policy
- Admissions team and Approach
- Inquiry Routing and Mgmt.
- Application Decision
- Student Finance (FA)
- Enrollment Application and Document Collection
- Onboarding and Orientation

4 Student Support

- Library Services
- Student Advising
- Tutoring
- Clubs & Honor Societies
- Student Relations
- Career Services
- Retention Services

5 Technology Stack

- CRM Strategy
- Learning Mgmt. System (LMS)
- Application Develop-ment
- Digital Books
- Cloud Migration Support
- Help Desk & Technical Support
- Telephony Strategy
- Project Mgmt.

6 Reporting & Analytics

- Insight & Analytics
- Quality Assurance
- Operational Excellence

7 Compliance & Human Resources

- Faculty/ Lecturer Recruit-ment
- Online Training (HR)
- Employee Relations
- Military Compliance
- Titles IV, VII, X, FERPA, & TCPA
- Regional & Program-matic Accredit-ation
- State Licensing, Filings & Relations
- Compliance

Exhibit A: Basic Services

		Basic Services
Program and Portfolio Strategy		▪ Market Research ▪ Program Feasibility ▪ Segment Targeting
Student Recruitment	Marketing	▪ Brand Positioning ▪ Digital and Social Media ▪ Awareness and Consideration Building ▪ B2B and B2I Sales Team Organization (Joint) ▪ Public Relations & External Communication ▪ Web and Marketing Operations
	Admissions	▪ Admissions Team and Approach ▪ Inquiry Routing and Management ▪ Enrollment Application and Document Collection
Reporting and Analytics		▪ Insights and Analytics ▪ Quality Assurance ▪ Operational Excellence

Exhibit B - Enhanced Services

KHE Basic Services | KHE Enhanced Services | Purdue – X School | Joint Responsibility

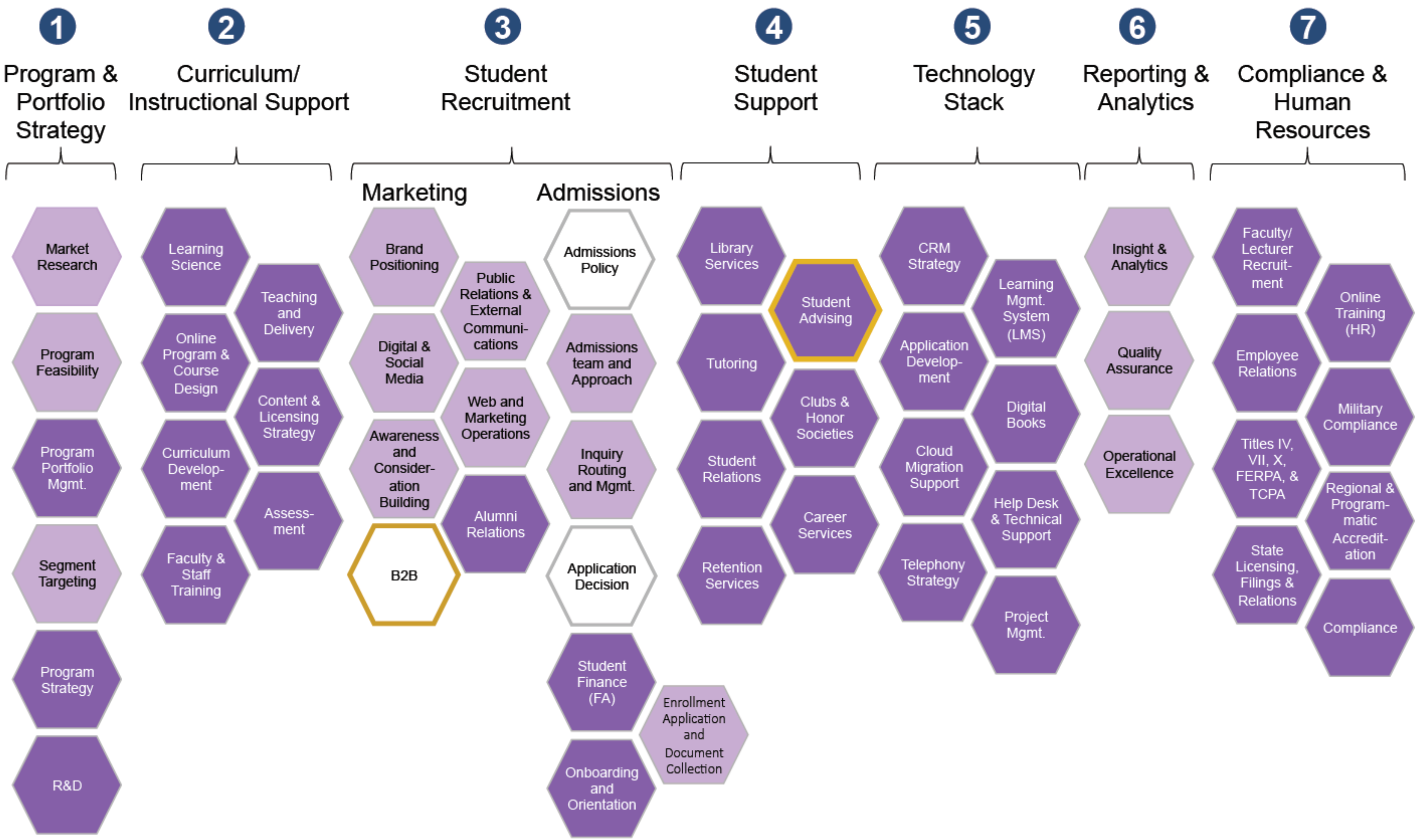

Exhibit B: Enhanced Services

Enhanced Services			
Program and Portfolio Strategy	▪ Program Portfolio Management ▪ Program Strategy ▪ Research and Development	**Technology**	▪ CRM Strategy ▪ Applications Development ▪ Cloud Management Support ▪ Telephony Strategy ▪ Learning Management System (LMS) ▪ Digital Books ▪ Help Desk & Technical Support ▪ Project Management
Curriculum / Instructional Support	▪ Learning Science ▪ Online Program & Course Design ▪ Curriculum Development ▪ Faculty and Staff Training ▪ Teaching and Delivery ▪ Content and Licensing Strategy ▪ Assessment	**Compliance and Human Resources**	▪ Faculty Recruitment ▪ Employee Relations ▪ Titles IV, VII, X, FERPA, & TCPA ▪ State Licensing Filings and Relations ▪ Online Training ▪ Military Compliance ▪ Regional and Programmatic Accreditation ▪ Compliance

Student Recruitment	▪ **Marketing**: Alumni Relations
	▪ **Admissions**:
	    ▪ Financial Aid
	    ▪ Onboarding and Orientation		

Student Support	▪ Library Services ▪ Tutoring ▪ Student Relations ▪ Retention Services ▪ Student Advising ▪ Clubs and Honor Societies ▪ Career Services		

EXHIBIT C - ECONOMIC MODEL FOR COSTS, FEES & REVENUE DISTRIBUTION

[to be appended in accordance with Section 3.1]

<u>EXHIBIT D – DEFINITIONS</u>

1. **"Action"** means any action, claim (including any cross–claim or counterclaim), lawsuit, complaint, charge, arbitration, litigation, proceeding or hearing by or before a court, Governmental Entity or arbitral tribunal, whether at law or in equity.

2. **"Adjacent"** means, with respect to a description of Programs, any two Programs offered by a given Purdue Unit that have the same first six digits in their CIP Codes.

3. **"Affiliates"** means, with respect to any entity, any other entity that directly or indirectly Controls, is Controlled by, or under common Control with such entity.

4. **"Agreement"** has the meaning in the preamble.

5. **"Audit**" means KHE's and Purdue's rights as described in Section 11.2 of the Agreement.

6. **"Basic Services"** has the meaning given in Section 2.1 and Exhibit A of the Agreement.

7. **"Books and Records"** has the meaning given in Section 11.1 of the Agreement.

8. **"Business Day"** means any day other than a Saturday, Sunday or a day on which commercial banks in New York, New York are authorized or obligated by law or executive order to remain closed.

9. **"Cascading Style Sheets (CSS)"** means a style sheet language used for describing the presentation of a document written in a markup language.

10. **"Chosen Courts"** means the forum and venue where each Party irrevocably submits to the exclusive jurisdiction of the federal courts of the Southern District of Indiana (and any federal courts of appeal with respect to such courts), or, in the event the federal courts of the Southern District of Indiana do not have jurisdiction, the state courts of Marion County, Indiana (and any Indiana courts of appeal with respect to such courts) to adjudicate any dispute, claim or Action under the Agreement.

11. **"CIP Codes"** mean the Classification of Instructional Programs codes based on the classification system established by the National Center for Education Statistics (NCES) and published in 2010, as amended from time to time.

12. **"Confidential Information"** has the meaning given in Section 10.1 of the Agreement.

13. **"Cure Period"** has the meaning given in Section 14.4 of the Agreement.

14. **"Damages"** has the meaning given in Section 13.1 of the Agreement.

15. "**Data Cleansing Procedures"** means, (a) with respect to electronic data (including without limitation data stored on magnetic and/or optical devices or media), the procedures that ensure the complete, permanent and irreversible destruction of such data stored electronically through either of the following methods: (1) the complete, permanent and irreversible physical destruction of the device or media on which the data is stored with a cross-cut shredder (that shreds to 1/8" x 13/16" or 1/8" x 7/8" or ½" x 1

1/8" or 1/8" x 3 1/8" dimensions); or (2) electronic "wiping" of the data consistent with U.S. Department of Defense Directive 5220.22-M which includes, among other things, a complete, seven-pass wiping system.

16. **"Defaulting Party"** means the Party found to be in material default or material breach by the Non-Defaulting Party.

17. **"Deliverables"** has the meaning given in Section 8.4.1.2 of the Agreement.

18. "**Derivative Work**" has the meaning given in Section 8.7 of the Agreement.

19. **"Disclosing Party"** has the meaning given in Section 10.2 of the Agreement.

20. **"Early Termination Fee"** has the meaning given in Section 14.6 of the Agreement.

21. **"Educational Agency"** means any Person, whether governmental, government chartered, private, or quasi-private, that engages in granting or withholding approvals for, or otherwise regulates, postsecondary institutions, their agents or employees in accordance with standards relating to performance, operation, financial condition or academic standards of such institutions, and the provision of financial assistance to such institutions or students attending such institutions, including ED, any Accrediting Body, the Higher Learning Commission, the U.S. Department of Veterans' Affairs and state educational agencies.

22. **"Enhanced Services"** has the meaning given in Section 2.1 and Exhibit B of the Agreement.

23. **"Effective Date"** has the meaning given in the Preamble.

24. **"Enrollees"** means those Purdue Students that enroll in any one of the Purdue Programs, courses or offerings.

25. **"FERPA"** means, collectively, the Family Educational Rights and Privacy Act, 20 U.S.C. § 1232g, and its implementing regulations, 34 C.F.R. Part 99, as each may be amended from time to time

26. **"GLBA"** means, collectively, the Gramm Leach Bliley Act, 15 U.S.C § 6801 et seq., and its implementing regulations, as each may be amended from time to time.

27. **"Governmental Entity"** means any court, administrative agency, commission or other governmental authority, body or instrumentality, supranational, national, federal, state, provincial, local, municipal, domestic or foreign government or governmental or regulatory authority or any self-regulatory authority or arbitral or similar forum of any nature, including any agency, branch, bureau, commission, department, entity, official or political subdivision, whether domestic or foreign, including any Educational Agency.

28. **"HTML"** is the standard markup language for creating web pages and web applications, Hypertext Markup Language.

29. **"Initial Term"** has the meaning given in Section 14.1 of the Agreement.

30. "**Intellectual Property Rights"** means any rights, titles, and interests, whether foreign or domestic, in and to any and all trade secrets, patents, copyrights, service marks, trademarks, know-how, or similar intellectual property rights, as well as any and all moral rights, rights of privacy, publicity, and similar rights of any type under the laws or regulations of any governmental, regulatory, or judicial authority, foreign or domestic.

31. **"JavaScript**" means an object-oriented computer programming language commonly used to create interactive effects within web browsers.

32. **"KHE Indemnified Parties"** has the meaning given in Section 13.2 of the Agreement.

33. **"KHE Materials"** has the meaning given in Section 8.3.1 of the Agreement.

34. **"KHE Personnel"** means KHE employees, contractors, vendors or consultants, as authorized by KHE from time to time.

35. **"KHE Work Product"** has the meaning given in Section 8.4.1.3 of the Agreement.

36. **"KHE"** shall mean Kaplan Higher Education, LLC, a Delaware limited liability company.

37. **"KHE Costs"** has the meaning given in Exhibit C to the Agreement.

38. **"KHE Fees"** has the meaning given in Exhibit C to the Agreement.

39. **"KHE Managed Services"** has the meaning given in Section 2.1 of the Agreement.

40. **"KHE Managed Service Fee"** has the meaning given in Exhibit C to the Agreement.

41. **"Law"** means any law, statute, rule, regulation, ordinance, order, code, arbitration award, judgment, decree or other legal requirement of any Governmental Entity or Educational Agency, applicable to a Party.

42. "**Lead**" means an individual who Kaplan has reason to believe is interested in Purdue Units' education programs, courses or offerings.

43. "**Lead Data**" has the meaning given in Section 8.6.1 of the Agreement.

44. **"Legacy Digital Education Provider"** means various digital education entities with which Purdue has contracted prior to the date of this Agreement.

45. **"Net Revenue"** has the meaning given in Exhibit C to the Agreement.

46. **"Niche Program"** [redacted]

47. **"Non-Defaulting Party"** means the Party terminating the agreement for material breach of the Defaulting Party.

48. **“Parties”** means KHE and Purdue, collectively.

49. **“Party”** means either KHE, or Purdue, as the case may be.

50. **“Previously Terminated Program”** means (i) a Program that was previously the subject of a SOW entered into under this Agreement but that has subsequently been terminated early in accordance with the terms thereof, or (ii) a Program that is the same as, ‘Substantially Similar’ to, or ‘Adjacent’ to a Program described in clause (i).

51. **“Program” or “Programs”** means a new, existing or to be developed online degree, offering or certificate programs offered (or to be offered) by a Purdue Unit.

52. **“Program Exception”** means an online degree program, certificate program, and/or curricular offering that would otherwise fall within the definition of ‘Program’ except for the fact that it is: (i) provided by Purdue or a Purdue Unit without the assistance of any Basic Services performed by a third party; (ii) licensed or otherwise provided directly by Purdue (for itself or on behalf of a Purdue Unit) to a corporate partner, nonprofit institution or other customer for use in the latter’s workforce training or continuing education activities; (iii) currently being provided by a Legacy Digital Education Provider under a contract with Purdue that is in effect on the Effective Date, but not including any proposed extensions or renewals thereof (which shall be subject to the provisions of Section 4.1 hereof if any such renewal or extension is proposed); (iv) a Niche Program (as defined herein); or (v) a Previously Terminated Program (as defined herein).

53. **“Purdue Unit”** has the meaning given in the Recitals.

54. **“Purdue Marks”** has the meaning given in Section 8.4 of the Agreement.

55. **“Purdue Parties’ Data”** has the meaning given in Section 9.3 of the Agreement.

56. **“Purdue Indemnified Parties”** has the meaning given in Section 13.1 of the Agreement.

57. **“Purdue Parties”** has the meaning given in the Recitals.

58. **“Purdue Policies”** has the meaning given in Section 4.3 of the Agreement.

59. **“Renewal Term”** has the meaning given in Section 14.1 of the Agreement.

60. **“Receiving Party”** has the meaning given in Section 10.2 of the Agreement.

61. **“Statement of Work(s)”** or **“SOW(s)”** has the meaning given in Section 2.2 of the Agreement.

62. **“Substantially Similar”** has the meaning given in Section 6.2.2 of the Agreement.

63. **“TOSA”** shall mean the Transition and Operations Support Agreement, dated March 22nd, 2018, entered into between Kaplan Higher Education, LLC, Iowa College Acquisition, LLC, Purdue University Global, Inc., and The Trustees of Purdue University.

64. **“Term”** has the meaning given in Section 14.1 of the Agreement.

65. "**Third Party Materials**" means all products (and all modifications, replacements, upgrades, enhancements, documentation, materials and media related thereto) that are provided under license or lease by a third party to KHE and used by KHE in the performance of the KHE Managed Services or incorporated into the Deliverables or the Work Product.

66. **"User"** means persons accessing websites maintained by or on behalf of Purdue and Purdue Units for the purpose of delivering Programs.

67. **"User Information"** means information obtained from Users.

EXHIBIT E – DISCLOSURE FOR SECTION 12.1.2

Certain contracts with Legacy Digital Education Providers overlap with the functions to be provided by KHE set forth in this Agreement, which may be considered a “conflict” but is not a violation or breach of Purdue’s contracts with the Legacy Digital Education Providers.

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[signature page follows]

ACKNOWLEDGED, AGREED AND DELIVERED
PURSUANT TO SECTIONS 3.1 AND 19.3 OF THE AGREEMENT:

PURDUE UNIVERSITY
("Purdue")

By: ______________________________
William G. McCartney
Executive Vice President, Purdue Online

IOWA COLLEGE ACQUISITION, LLC
("KHE")

By: ______________________________
Gregory Marino
Chief Executive Officer (CEO)

ACKNOWLEDGED, AGREED AND DELIVERED
PURSUANT TO SECTIONS 3.1 AND 19.3 OF THE AGREEMENT:

PURDUE UNIVERSITY
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("KHE")

By: ______________________________

Gregory Marino
Chief Executive Officer (CEO)

GRAHAM HOLDINGS

PRINT PAGE | CLOSE WINDOW

Investor Relations

SEC FILINGS

8-K

GRAHAM HOLDINGS CO filed this Form 8-K on 04/27/2017

Entire Document

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

Current Report Pursuant to Section13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) April 27, 2017

GRAHAM HOLDINGS COMPANY

(Exact name of registrant as specified in its charter)

Delaware	1-6714	53-0182885
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

1300 North 17th Street, Arlington, Virginia	22209
(Address of principal executive offices)	(Zip Code)

(703) 345-6300
(Registrant’s telephone number, including area code)

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

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement.

On April 27, 2017, Kaplan Higher Education LLC and Iowa College Acquisition, LLC (collectively, “Kaplan”), subsidiaries of Graham Holdings Company, entered into a Contribution and Transfer Agreement (“Transfer Agreement”) to contribute the institutional assets and operations of Kaplan University (“KU”) to a new, nonprofit, public-benefit corporation (“New University”) affiliated with Purdue University (“Purdue”) in exchange for a Transition and Operations Support Agreement (“TOSA”), pursuant to which, among other provisions, Kaplan will provide key non-academic operations support to New University for an initial term of 30 years with a buy-out option after six years. The terms and conditions of the Transfer Agreement and the TOSA are described in Item 8.01 of the Current Report on Form 8-K filed by Graham Holdings Company on April 27, 2017 and such description is incorporated herein by reference.

The Transfer Agreement, including the form of the TOSA attached as an exhibit thereto, has been filed herewith as Exhibit 2.1, and the description set forth above is qualified in its entirety by the full terms and conditions of the Transfer Agreement. The form of TOSA filed herewith as Exhibit 2.1 is subject to change and the terms of the definitive TOSA may differ from the description set forth above.

The Transfer Agreement has been included to provide investors with information regarding its terms. It is not intended to provide any other factual information about Graham Holdings Company, Purdue or their respective subsidiaries or affiliates. The representations, warranties and covenants contained in the Transfer Agreement were made only for purposes of the Transfer Agreement and as of specific dates, were solely for the benefit of the parties to the Transfer Agreement, may be subject to limitations agreed upon by the contracting parties, including, without limitation, being qualified by confidential disclosures made for the purposes of allocating contractual risk between the parties to the Transfer Agreement instead of establishing these matters as facts, and may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to investors. Investors are not third-party beneficiaries under the Transfer Agreement and should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of the parties thereto or any of their respective subsidiaries or affiliates. Moreover, information concerning the subject matter of representations and warranties may change after the date of the Transfer Agreement, which subsequent information may or may not be fully reflected in Graham Holdings Company’s public disclosures.

Item 9.01 Financial Statements and Exhibits.

Exhibit	Description
2.1	Contribution and Transfer Agreement, dated April 27, 2017, by and among Kaplan Higher Education, LLC, Iowa College Acquisition, LLC, Purdue University, and Purdue New U, Inc.*

*Graham Holdings Company hereby undertakes to furnish supplementally a copy of any omitted exhibit or schedule to such agreement to the U.S. Securities and Exchange Commission upon request.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Graham Holdings Company (Registrant)

Date: April 27, 2017

By: /s/ Wallace R. Cooney

Name: Wallace R. Cooney

Title: Senior Vice President-Finance
(Principal Financial Officer)

EXHIBIT INDEX

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*Graham Holdings Company hereby undertakes to furnish supplementally a copy of any omitted exhibit or schedule to such agreement to the U.S. Securities and Exchange Commission upon request.

Exhibit 2.1

CONTRIBUTION AND TRANSFER AGREEMENT

BY AND AMONG

KAPLAN HIGHER EDUCATION, LLC,

IOWA COLLEGE ACQUISITION, LLC,

PURDUE UNIVERSITY,

AND

PURDUE NEWU, INC.

Dated April 27, 2017

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TABLE OF EXHIBITS AND SCHEDULES

EXHIBITS

SCHEDULES

CONTRIBUTION AND TRANSFER AGREEMENT

This Contribution and Transfer Agreement (together with the Exhibits and Schedules hereto, this "**Agreement**"), dated April 27, 2017 (the "**Effective Date**"), is made by and among Kaplan Higher Education, LLC, a Delaware limited liability company ("**KHE**"), Iowa College Acquisition, LLC, a Delaware limited liability company ("**ICA**") (KHE and ICA, collectively, "**Contributor**"), The Trustees of Purdue University, an Indiana body corporate that manages and conducts Purdue University, the State of Indiana's land-grant university ("**Purdue**"), and Purdue NewU, Inc., an Indiana nonprofit, public benefit corporation ("**NewU**"). "**Party**" refers, as the context provides, to any of Contributor, Purdue and NewU; and "**Parties**" refers to Contributor, Purdue and NewU collectively. "**Purdue Parties**" refers to Purdue and NewU collectively. Capitalized terms not otherwise defined in this Agreement have the meanings set forth in Exhibit A (Definitions).

RECITALS

A. Contributor and Purdue have proposed that Contributor, on the one hand, and NewU, on the other hand, enter into an agreement to enable NewU to acquire the accredited, Title IV-participating, post-secondary ED Institution known as "**Kaplan University**" and its institutional assets and operations for the purpose of delivering a broad range of educational offerings in support of the efforts of Purdue, as the State of Indiana's land-grant university, to: (i) expand access to higher education for adult learner and other non-traditional students, (ii) enhance and accelerate online and hybrid online/ground higher education offerings aimed at workforce and economic development goals within and for the State of Indiana, and (iii) extend those same offerings to a national and international student audience, thereby expanding access to education while also building Purdue's higher education brand nationally and internationally and providing a source of incremental revenue for the advancement of Purdue's missions of learning, discovery and engagement.

B. Contributor owns and operates Kaplan University which, as of the Effective Date, consists of seven schools and colleges offering more than 100 diplomas, certificates, associates, bachelors, masters and doctoral degrees, as well as fifteen campus and learning center locations and three military base locations.

C. Contributor wishes to contribute to NewU, and the Purdue Parties wish for NewU to accept from Contributor at Closing, the Institutional Assets in order to ensure a smooth and seamless transition of Kaplan University's Academic Functions for the benefit of Kaplan University's students.

D. Contributor will support the transition and operations of NewU under an agreement substantially in the form attached as Exhibit B (the "**Transition and Operations Support Agreement**"). The consideration for Contributor's irrevocable transfer of the Institutional Assets hereunder at the Closing is the execution, delivery and performance of the Transition and Operations Support Agreement. The terms hereof and of the Transition and Operations Support Agreement provide financial guarantees and priorities to NewU that create significant economic risk to Contributor. Contributor's willingness to irrevocably transfer its Institutional Assets without any upfront consideration or payment was based upon the following, each of which Contributor has relied upon in agreeing to consummate the transfer: (i) the Parties' beliefs that Contributor's support of NewU would create the best opportunity for NewU to succeed and fulfill the goals described in the Transition and Operations Support Agreement and serve the best interests of the students of Kaplan University and NewU, and (ii) NewU's agreement to perform pursuant to the terms of the Transition and Operations Support Agreement.

E. The purpose of the transactions contemplated by this Agreement and the Transition and Operations Support Agreement is to establish a long-term relationship pursuant to which the Purdue Affiliate that owns and operates the Institutional Assets will deliver a set of high quality, affordable and effective education offerings via an online and hybrid online/ground higher education institution, which will be supported by Contributor pursuant to the Transition and Operations Support Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing, and the mutual covenants and agreements herein set forth, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Definitions and Interpretation.

1.1 Terminology. If the Agreement does not define a particular term, it will have its generally understood meaning (e.g., in the information technology or education industries) based on the context in which it is used.

1.2 Interpretation.

(a) Generally. Unless the context requires otherwise:

(i) all references herein to Articles, Sections, Exhibits or Schedules are to Articles, Sections, Exhibits or Schedules of or to this Agreement;

(ii) the headings in this Agreement are for convenience of reference only and will not control or affect the meaning or construction of any provisions of this Agreement;

(iii) each term defined in this Agreement has the meaning assigned to it;

(iv) each accounting term not otherwise defined in this Agreement has the meaning commonly applied to it in accordance with GAAP;

(v) words in the singular include the plural and vice versa;

(vi) all references to “$” or “dollar” amounts will be to lawful currency of the United States;

(vii) unless the context implies otherwise to the extent the term “day” or “days” is used, it will mean calendar day(s);

(viii) references to the masculine, feminine or neuter gender include each other gender;

(ix) the words “herein,” “hereby,” “hereof,” “hereunder,” and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other subdivision;

(x) the terms “including” and “includes” mean “including or includes without limitation;”

(xi) reference to, and the definition of, any document shall be deemed a reference to such document as it may be amended, supplemented, revised, or modified, in writing, from time to time;

(xii) the Recitals, Schedules and Exhibits are deemed a part of this Agreement and are incorporated by reference herein; and

(xiii) whenever payments are to be made or an action is to be taken on a day which is not a Business Day, such payment shall be made or such action shall be taken on or no later than the next succeeding Business Day.

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(b) Schedules. The information contained in the Schedules is disclosed solely for the purposes of this Agreement and may include items or information not required to be disclosed under this Agreement, and no information contained in any Schedule shall be deemed to be an admission by any Party to any third Person of any matter whatsoever, including an admission of any violation of any Law or breach of any agreement. No information contained in any Schedule shall be deemed to be material (whether individually or in the aggregate) to the business, assets, Liabilities, financial position, operations or results of operations of the Party to whom the disclosure relates, nor shall it be deemed to give rise to circumstances which may result in a Material Adverse Effect solely by reason of it being disclosed. Information contained in a Section, subsection or individual Schedule (or expressly incorporated therein) shall qualify the representations and warranties made in the identically numbered Section or, if applicable, subsection of this Agreement and all other representations and warranties made in any other Section, subsection or Schedule to the extent its applicability to such Section, subsection or Schedule is reasonably apparent on its face. References to agreements in the Schedules are not intended to be a full description of such agreements, and all such disclosed agreements should be read in their entirety. Nothing disclosed in any Schedule is intended to broaden any representation or warranty contained in this Agreement. It is understood and agreed that the specification of any dollar amount in the representations and warranties contained in this Agreement, or the inclusion of any specific item in a Schedule, is not intended to imply that such amounts, or higher or lower amounts included, are or are not material, and no Party shall use the fact of the setting of such amounts, or the fact of the inclusion of any such item in a Schedule, in any dispute or controversy between the Parties as to whether any obligation, item or matter not described in this Agreement or included in a Schedule is or is not material for purposes of this Agreement.

(c) Presumption. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the Party drafting or causing any instrument to be drafted.

(d) Exhibits. If an Exhibit is a form of agreement, such agreement, when executed and delivered by the parties thereto, shall (without affecting the rights or obligations of any Party hereunder in respect of such agreement) constitute a contract independent of this Agreement.

2. Contribution and Transfer of Institutional Assets; Assumption of Certain Liabilities.

2.1 Contribution and Transfer of Institutional Assets. Subject to Section 2.6 (Assignability and Consents), upon the terms and subject to the conditions to Closing set forth in this Agreement, at the closing of the transactions contemplated by this Agreement (the "**Closing**"), Contributor shall contribute, transfer, assign, convey and deliver, or cause to be contributed, transferred, assigned, conveyed and delivered, to NewU the Institutional Assets, and NewU shall accept and acquire all of Contributor's rights, title and interest in and to the Institutional Assets. For the avoidance of doubt, neither Contributor nor any of its Affiliates shall contribute, transfer, assign, convey or deliver the Excluded Assets, and NewU shall not acquire any rights, title or interests in and to the Excluded Assets. For purposes of this Agreement, the term "**Institutional Assets**" means, collectively:

(a) subject to needed Governmental Consents, all Educational Approvals required to operate ED Institution immediately following the Closing;

(b) all current Student Enrollment Agreements as of the Closing Date;

(c) ownership of, and access to, all Student Records as of the Closing Date; provided, that Contributor may retain a copy of Student Records for archival and document retention purposes;

(d) all Contracts listed on Schedule 2.1(d) (said Contracts, together with all Contracts added to or deleted from Schedule 2.1(d) pursuant to Section 6.13 (Schedule Updates; Certain Notices) prior to the Closing Date being collectively called the "**Transferred Contracts**");

(e) all real property leases and subleases listed on Schedule 2.1(e) (said real property leases, together with all real property leases added to or deleted from Schedule 2.1(e) pursuant to Section 6.13 (Schedule Updates; Certain Notices) prior to the Closing Date being collectively called the "**Transferred Leases**"), together with all rights of Contributor to the refund of any security deposits made by Contributor under such Transferred Leases prior to the Closing Date (collectively, "**Security Deposits**") subject to Section 6.11(b) (Credit Support Obligations; Security Deposits);

(f) the Curriculum related to Kaplan University courses listed on Schedule 2.1(f), together with all Curriculum related to Kaplan University courses added to Schedule 2.1(f) pursuant to Section 6.13 (Schedule Updates; Certain Notices) prior to the Closing Date, but excluding all Excluded Kaplan Content and all such Curriculum that is licensed by Contributor under Transferred Contract(s) ("**Transferred Curriculum**");

(g) all tangible personal property located at any property (or portion thereof) subject to a Transferred Lease or the NB Lease (as defined in Section 3.3(f) (Contributor Closing Deliveries)) (collectively, the "**Leased Real Property**"), together with the laptop computers provided by Contributor to the Transferred Employees, in each case as of the Closing Date ("**Transferred Personal Property**");

(h) the Intellectual Property listed on Schedule 2.1(h) ("**Transferred Intellectual Property**"); and

(i) all personnel files of the Transferred Employees, in each case only to the extent transfer is permitted under applicable Law;

2.2 Institutional Employees. Contributor will use commercially reasonable efforts to assist NewU in hiring all of those employees listed on Schedule 2.2 (and any individuals who have replaced such employees) who are employed by Contributor at the time of the Closing (the "**Institutional Employees**") as contemplated by Section 7.1 (Transferred Employees).

2.3 Excluded Assets. All assets, rights and properties that are not specifically listed as part of the Institutional Assets ("**Excluded Assets**") are not being transferred to NewU and are being retained by Contributor or one or more of its Affiliates. Without limiting the foregoing, and for the avoidance of doubt, Excluded Assets shall include:

(a) all cash, claims, refunds, credits, deposits (other than Security Deposits), rights of set off, warranties, prepayments and accounts receivable relating to the operation of Kaplan University prior to the Closing;

(b) all rights to the names "Kaplan", "KHE", "KU" or any derivations thereof;

(c) all Books and Records (other than Student Records and personnel files of Transferred Employees covered by Section 2.1(i));

(d) rights to all insurance policies (and proceeds therefrom) owned by Contributor;

(e) Mixed Use Contracts;

(f) the Kaplan Platform;

(g) Excluded Kaplan Content, all marketing and other data relating to inquiries from individuals who do not enroll as students within 60 days of initial inquiry, and all other Intellectual Property owned or used by Contributor or its Affiliates other than the Transferred Intellectual Property;

(h) all real property owned by Contributor; and

(i) all phone and facsimile numbers, electronic mail addresses and electronic mail systems owned or used by Contributor or its Affiliates, and all domains names and URLs owned or used by Contributor or its Affiliates except for those included in the Transferred Intellectual Property.

2.4 No Assumed Liabilities. Except as expressly provided in this Section 2.4, none of the Purdue Parties shall have or assume any Liabilities of the Contributor or ED Institution. Upon the terms and subject to the conditions set forth in this Agreement, at the Closing, NewU shall assume, and agrees to thereafter pay, perform and discharge when due, all Liabilities of Contributor for payment or performance arising on or after the Closing Date pursuant to the Transferred Contracts, Student Enrollment Agreements and Transferred Leases, but solely to the extent such Liabilities did not arise out of a breach of such Transferred Contracts, Student Enrollment Agreements or Transferred Leases prior to the Closing (collectively, the "**Assumed Liabilities**"). All Liabilities following the Closing arising from or in connection with the ownership and operation of ED Institution, including the Institutional Assets and any Tax Liability arising from or in connection with the ownership and operation of ED Institution for periods on and after the Closing Date, shall be the sole responsibility of NewU.

The Purdue Parties will retain all Liabilities applicable to them arising pursuant to the terms of this Agreement and the other Transaction Documents, and all Liabilities for fees and expenses required to be borne by any of them in connection with the transactions pursuant to the terms of this Agreement and the other Transaction Documents. The assumption by NewU of the Assumed Liabilities shall in no way create or expand the rights or remedies of any third party with respect to such Assumed Liabilities as compared to the rights and remedies which such third party had prior to such assumption.

2.5 Retained Liabilities. Without limiting the generality of the first sentence of Section 2.4, and notwithstanding any other provision of this Agreement, Contributor shall retain, and NewU shall not assume or be responsible or liable with respect to, the following Liabilities of any of Contributor or its Affiliates, whether arising before or after the Closing Date (collectively, the "**Retained Liabilities**"):

(a) all Liabilities to the extent arising from or in connection with the operation or conduct (whether by act or omission) of Kaplan University prior to the Closing Date, including the lease and occupancy of the premises subject to, and performance under, the Transferred Leases prior to the Closing Date, and the performance under the Transferred Contracts prior to the Closing Date;

(b) all Liabilities now or hereafter existing to the extent arising under or from the ownership, use or operation of the Excluded Assets.

(c) any Tax Liability arising, imposed or assessed in respect of Contributor's operation of Kaplan University or its ownership of the Institutional Assets for periods ending prior to the Closing Date or, with respect to periods straddling the Closing Date, the amount of any such Tax Liability relating to the portion of such tax period that ends on the Closing Date;

(d) all Liabilities arising out of, relating to or resulting from (i) employment by Contributor or any of its Affiliates of Institutional Employees prior to the Closing, including severance and all accrued and unused vacation pay pertaining to Institutional Employees as reflected on the accounting books and records of

Contributor on the Closing Date, (ii) any change of control arrangements that may be triggered by the contribution and transfer of the Institutional Assets on the Closing Date, and (iii) any payments made to Institutional Employees who refuse to accept offers of employment from NewU in accordance with Section 2.2, whether such payment relate to ongoing future employment or the termination thereof; and

(e) all Liabilities of Contributor arising under or in connection with this Agreement and the other Transaction Documents, and all Liabilities for fees and expenses required to be borne by

Contributor in connection with the transactions pursuant to the terms of this Agreement and the other Transaction Documents.

2.6 Assignability and Consents. Anything in this Agreement to the contrary notwithstanding, this Agreement shall not constitute an agreement to assign, sublicense or sublease any Institutional Asset if an attempted assignment, sublicense or sublease thereof, without the consent of another party thereto or any Governmental Entity or Educational Agency, would constitute a breach of any such Institutional Asset or in any way violate any applicable Law, or in any way affect the rights of NewU thereunder. Contributor shall use commercially reasonable efforts, and the Purdue Parties shall cooperate in all reasonable respects with Contributor, to obtain all Consents and waivers necessary to convey the Institutional Assets (including the Transferred Contracts and Transferred Leases) to NewU at the earliest practicable date. If such Consents or waivers are not obtained, or if an attempted assignment, sublicense or sublease would be ineffective, then except in the case of Consents or waivers required by any Governmental Entity or Educational Agency: (i) Contributor shall use its commercially reasonable efforts to provide NewU the benefit (and NewU will bear the burden) of any such Institutional Asset and to enforce, at the request of NewU and for the account of NewU, any rights of Contributor arising from any such Institutional Asset, and (ii) shall cooperate in any commercially reasonable and lawful arrangement designed to provide such benefits to NewU. Contributor shall use commercially reasonable efforts, and the Purdue Parties shall cooperate in all reasonable respects with Contributor, to obtain from each landlord under a Transferred Lease: (y) an acknowledgment of NewU's right to any related Security Deposit, and (z) an estoppel certificate executed by the applicable landlord and, with respect to any Transferred Lease that is also subject to a sublease to a third-party tenant, an estoppel certificate executed by such tenant, in each case in form and substance reasonably acceptable to the Purdue Parties.

2.7 Misallocated Transfers. In the event that, at any time or from time to time after the Closing, any Party hereto (or any of its Affiliates) shall receive or otherwise possess any asset or be liable for any Liability that is allocated to any other Person pursuant to this Agreement or any other Transaction Document, such Party shall promptly transfer or assign, or cause to be transferred or assigned, such asset or Liability to the Person so entitled thereto, and the relevant Party will cause such entitled Person to accept such asset or assume such Liability. Prior to any such transfer, the Person receiving or possessing such asset shall hold such asset in trust for any such other Person.

3. The Closing.

3.1 Consideration. In consideration of the transfer of the Institutional Assets, at the Closing, NewU shall pay ICA $1.00 in cash and the Purdue Parties shall execute and deliver to Contributor the Transition and Operations Support Agreement (including all agreements attached thereto) and all other Transaction Documents to which each is a party. The Parties acknowledge and agree that Contributor's agreement to contribute the Institutional Assets without payment at the Closing of a sum reflecting the market value of the Institutional Assets, including the related good will, is being made in reliance upon the undertaking of the Purdue Parties to fulfill their obligations under the Transition and Operations Support Agreement, which agreement constitutes a portion of the consideration being provided to Contributor for its contribution of the Institutional Assets as well as its performance of various operational functions in support of ED Institution, all of which are consistent with the assumptions and expectations of the Parties in entering into this Agreement.

3.2 Closing. The Closing shall take place at Purdue University, West Lafayette, Indiana at 9:00 a.m. Eastern Time on the date that is the first Business Day following the satisfaction or waiver of the conditions set forth in Article 8 (Conditions to Obligation to Close) (other than those conditions that by their nature are to be satisfied or, to the extent permitted by Law, can be waived at the Closing, but subject to the satisfaction in full or waiver of those conditions at or prior to the Closing) or at such other place or time or on such other date as may be mutually agreed upon in writing by Contributor and NewU. The date on which the Closing occurs is referred to as the "**Closing Date**." In no event shall the Closing be deemed a waiver, termination or expiration of any Party's rights or obligations under this Agreement, unless otherwise expressly set forth in this Agreement.

3.3 Contributor Closing Deliveries. Subject to the conditions set forth in this Agreement, at the Closing, simultaneously with NewU's deliveries under this Article 3, Contributor shall deliver to NewU all of the following documents, certificates and instruments, all duly executed and in form and substance reasonably satisfactory to NewU (it being agreed that for purposes of this Section 3.3, the term Contributor means each of KHE and ICA, individually):

(a) copies of the articles of organization of Contributor, certified by the Secretary of State of its jurisdiction of organization, and copies of the operating agreement, certified by the president or secretary of Contributor;

(b) good standing certificate of Contributor, issued no earlier than ten (10) days prior to the Closing Date by the Secretary of State of its jurisdiction of organization and from each jurisdiction where Contributor is qualified or licensed to do business;

(c) a copy of resolutions of the member of Contributor, certified as of the Closing Date by the entity's corporate secretary or assistant secretary as having been duly and validly adopted and as being in full force and effect on the Closing Date, authorizing the execution and delivery by Contributor of this Agreement and the other Transaction Documents to which it is a party and the performance by Contributor of the transactions contemplated hereby and thereby;

(d) a certificate, dated as of the Closing Date, executed on behalf of Contributor by an officer of Contributor, stating that the conditions specified in Section 8.1 (Conditions to Obligation of All Parties to Close) as they relate to Contributor and Section 8.2 (Conditions to the Purdue Parties' Obligation to Close) have been satisfied;

(e) incumbency certificates from the officers of Contributor authorized to execute and deliver on behalf of Contributor this Agreement and the other Transaction Documents to which it is a party;

(f) a lease between Contributor, as landlord, and NewU, as tenant, for the portion of the property located at 1821 K Street, Lincoln, Nebraska 68508 that is used by Contributor in the operation of Kaplan University, which lease shall (i) have an initial term of five (5) years renewable at NewU's option for up to five (5) additional five (5) year periods, (ii) provide for rent of One Dollar ($1.00) per year and NewU paying its proportionate share of taxes, utilities, property insurance and common area maintenance, (iii) provide for early termination upon the conclusion of any Teach-Out Period (as defined in the Transition and Operations Support Agreement), and (iv) otherwise be in form and substance reasonably satisfactory to the Parties (the "**NB Lease**");

(g) each of the other Transaction Documents to which Contributor or any of its Affiliates is a party;

(h) documentation evidencing the transfer of those Institutional Assets that are not Transferred Contracts or Transferred Leases, including, as appropriate, a bill of sale, endorsements, assignments, and other good and sufficient instruments of conveyance and transfer evidencing the transfer of all of the right, title and interest in and to those Institutional Assets that are not Transferred Contracts or Transferred Leases, from Contributor to NewU;

(i) an assignment of Trademarks in form and substance reasonably satisfactory to Contributor;

(j) UCC termination statements releasing each of the existing Liens consisting of any mortgage, pledge or other security interest upon the Institutional Assets, other than Permitted Liens;

(k) with respect to the Transferred Contracts, an assignment and assumption agreement in form and substance reasonably satisfactory to the Parties;

(l) with respect to each Transferred Lease, an assignment and assumption of lease or sublease, as applicable, in form and substance reasonably satisfactory to the Parties; and

(m) all such other documents and instruments executed by Contributor, in each case, as NewU or its counsel shall reasonably request in connection with the consummation of the transactions contemplated by this Agreement.

3.4 Purdue Parties Closing Deliveries. Subject to the conditions set forth in this Agreement, at the Closing, simultaneously with Contributor's deliveries under this Article 3, the Purdue Parties shall deliver to Contributor all of the following documents, certificates and instruments, all duly executed and in form and substance reasonably satisfactory to Contributor:

(a) copies of the Organizational Documents of NewU, certified by the Secretary of State of Indiana, and copies of the bylaws, or similar documents, certified by its president or secretary;

(b) certificate of existence of NewU, issued no earlier than ten (10) days prior to the Closing Date by the Secretary of State of Indiana and from each jurisdiction where it is qualified or licensed to do business;

(c) a copy of resolutions of the Board of Trustees or the Board of Directors, as appropriate, of each of the Purdue Parties, certified as of the Closing Date by the entity's corporate secretary or assistant secretary as having been duly and validly adopted and as being in full force and effect on the Closing Date, authorizing the execution and delivery by the Purdue Parties of this Agreement and the other Transaction Documents to which each is a party and the performance by the Purdue Parties, respectively, of the transactions contemplated hereby and thereby;

(d) evidence satisfactory to Contributor that Purdue is the sole member of NewU and recognized by ED as either a public or not-for-profit institution of higher education;

(e) certificates, dated as of the Closing Date, executed on behalf of each of the Purdue Parties by a duly authorized officer stating that the conditions specified in Section 8.1 (Conditions to Obligation of All Parties to Close) as they relate to the Purdue Parties and Section 8.3 (Conditions to Contributor's Obligation to Close) have been satisfied;

(f) incumbency certificates from the officers of each of the Purdue Parties, respectively, authorized to execute and deliver on behalf of Purdue Parties, respectively, this Agreement and the other Transaction Documents to which each is a party;

(g) the NB lease;

(h) each of the other Transaction Documents to which any of the Purdue Parties is a party;

(i) sufficient instruments of assignment and assumption to evidence the transfer of Assumed Liabilities from Contributor to NewU and its designees necessary or desirable in Contributor's reasonable discretion; and

(j) all such other documents and instruments executed by the Purdue Parties, in each case as Contributor or its counsel shall reasonably request in connection with the consummation of the transactions contemplated by this Agreement.

4. Representations and Warranties of Contributor.

Except as set forth in the Disclosure Schedule, Contributor hereby represents and warrants to the Purdue Parties as follows (it being agreed that the representations and warranties in this Article are made by KHE and ICA jointly and severally):

4.1 Organization and Qualification. Each of KHE and ICA: (i) is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite limited liability company power and authority to own, lease and operate its properties and assets and to carry on its business as now being conducted and (ii) is duly licensed or qualified to do business and is in good standing as a foreign entity in each jurisdiction where the ownership, leasing or operation of its properties or assets or the conduct of its business requires such qualification, except where the failure to be so licensed, qualified or in good standing would not have a Material Adverse Effect. Each of KHE and ICA has made available to one or more of the Purdue Parties copies of its Organizational Documents and all amendments thereto, which copies are true, correct and complete in all material respects.

4.2 Authority Relative to this Agreement. Contributor has all requisite power and authority, and has taken all requisite action to execute, deliver and perform its obligations under this Agreement and the other Transaction Documents to which it is a party and to consummate the transactions contemplated by the Transaction Documents in accordance with the terms of the Transaction Documents. This Agreement has been, and each other Transaction Document (as applicable) when executed and delivered will be, duly and validly executed and delivered by Contributor and, assuming the due authorization, execution and delivery by the Purdue Parties of the Transaction Documents to which each is a party, this Agreement constitutes (and each other Transaction Document to which Contributor (as applicable) is a party when executed will be) a valid, legal and binding agreement of Contributor, enforceable against Contributor in accordance with its terms, subject, as to the enforcement of remedies, to applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar Laws of general applicability relating to or affecting creditors' rights and to general equity principles.

4.3 Consents and Approvals; No Violations; Licenses.

(a) No filing with or notice to, and no permit, declaration, Order, registration or Consent of, any Governmental Entity is required to be made or obtained by or on the part of Contributor or Kaplan University for the execution, delivery and performance by Contributor of any of the Transaction Documents (as applicable) or the consummation by Contributor of the transactions contemplated by the Transaction Documents, except: (i) the filings, notices, permits, declarations, Orders, registrations, Consents, or actions listed in Section 4.3(a) of the Disclosure Schedule, (ii) compliance with the applicable requirements of any applicable Education Requirements or (iii) any such filings, notices, permits, registrations or Consents, the failure to make or obtain would not reasonably be expected to, individually or in the aggregate: (1) be material to the continued operation of ED Institution or (2) materially affect the ability of Contributor to execute, deliver or perform the Transaction Documents or consummate the transactions contemplated by the Transaction Documents.

(b) Assuming compliance with the items described in clauses (i) through (iii) of Section 4.3(a), neither the execution, delivery or performance of the Transaction Documents by Contributor nor the consummation by Contributor of the transactions contemplated by the Transaction Documents will: (i) conflict with or result in any breach or violation of any provision of the Organizational Documents of Contributor, (ii) conflict with or result in a breach or violation of, or constitute (with or without due notice or lapse of time or both) a default under, or give rise to the creation of any Lien, except for Permitted Liens, or any right of termination, amendment, cancellation or acceleration under any Contract to which Contributor is a party or otherwise bound, or (iii) violate or give rise to a loss of benefit under any Law applicable to the operation of

ED Institution except in the case of the foregoing clauses (ii) or (iii) for breaches, violations, defaults, Liens or other rights that would not have a Material Adverse Effect.

4.4 Financial Statements

(a) Section 4.4 of the Disclosure Schedule sets forth the unaudited combined balance sheet of Kaplan University as of December 31, 2015 and December 31, 2016, and the related statements of income for the fiscal years then ended (collectively, and with any notes thereto, the "**Unaudited Financial Statements**").

(b) Each of the Unaudited Financial Statements have been prepared in accordance with GAAP, consistently applied throughout the periods specified therein (except for the absence of footnotes or as may otherwise be noted therein), and fairly present, in all material respects, the combined financial position, results of operations of Kaplan University as of the dates set forth therein or the periods then ended.

4.5 Absence of Certain Changes or Events; Absence of Undisclosed Liabilities.

(a) From the period beginning on December 31, 2016 until the Effective Date, Contributor has operated Kaplan University in the ordinary course and there has not been any material adverse change in the operations of Kaplan University, other than changes which have had, do have or would reasonably be expected to have, individually or in the aggregate, an effect on Kaplan University's operations which is substantially similar to the effect on the operations on other proprietary, online, post-secondary educational institutions operating in the United States.

(b) As of the date of this Agreement, Contributor does not have any material Liabilities arising from or related to the ownership of the Institutional Assets or the operation of ED Institution, except for: (i) Liabilities disclosed, reflected or reserved against in the Unaudited Financial Statements, (ii) Liabilities incurred after the date of such financial statements in the ordinary course of business consistent with past practice, (iii) the matters disclosed in or arising out of matters disclosed in Section 4.5(b) of the Disclosure Schedule, (iv) Retained Liabilities, and (v) Liabilities incurred in connection with this Agreement and the transactions contemplated hereby.

4.6 Tangible Assets. Contributor owns and has good valid title to all of the tangible personal property which is part of the Institutional Assets (recognizing that, to the extent any such assets are subject to leases or licenses, Contributor owns such leases and licenses pursuant to a valid and binding leasehold interest), in each case free and clear of all Liens, except Liens set forth in Section 4.6 of the Disclosure Schedule, all of which Liens, except for Permitted Liens, shall be fully released prior to Closing. Upon transfer of such personal property to NewU at Closing, and subject to Section 2.6 (Assignability and Consents), and the full satisfaction of all conditions to Closing set forth in Article 8 (Conditions to Obligations to Close), NewU will own all of such personal property, free and clear of all Liens other than Permitted Liens and Liens created by the Purdue Parties.

4.7 Intellectual Property.

(a) Except as expressly set forth on Schedule 4.7 of the Disclosure Schedule, the Intellectual Property in the Transferred Curriculum is either owned by Contributor or its Affiliates, or licensed by third parties to

Contributor or its Affiliates, and may be assigned, licensed or sublicensed to NewU as provided herein, subject to the Permitted Liens. No final judgments have been entered, no lawsuits are pending and no written claims or demands have been received by Contributor holding or alleging that the Transferred Curriculum infringes or violates the intellectual property of any third party, and, to Contributor's knowledge, there is no threatened litigation that makes such an allegation.

(b) To the knowledge of Contributor, no Person is infringing or violating any Intellectual Property in the Transferred Curriculum and no written claims or demands have been made by Contributor (or its Affiliates) against any Person with respect to alleged infringement or violation of Intellectual Property in the Transferred Curriculum. Neither Contributor nor any of its Affiliates is in material default or violation of the terms or conditions under which the Transferred Curriculum was acquired or licensed and, to the knowledge of Contributor, no event has occurred which constitutes, or with due notice or lapse of time or both may constitute, such a default or violation.

(c) The registered Trademarks included in the Transferred Intellectual Property are valid, subsisting and in full force and effect and, to Contributor's knowledge, are not subject to infringement by any third party.

4.8 Transferred Contracts.

(a) Other than the Transferred Leases, Student Enrollment Agreements and Mixed Use Contracts, the Transferred Contracts are all the material Contracts that relate solely to the Academic Functions. Each Transferred Contract is, assuming the due authorization, execution and delivery of each party thereto other than Contributor (or its applicable Affiliate), a legal, valid and binding agreement and obligation of Contributor (or its applicable Affiliate) and is in full force and effect. None of Contributor or its Affiliates is in default or breach in any material respect (and no event has occurred that, with notice or lapse of time, would constitute such a default or breach under the terms of any such Transferred Contract). Except as set forth in Section 4.8 of the Disclosure Schedule, there are not any material disputes pending or, to the knowledge of Contributor, threatened, or any notice of any intention to terminate, not renew, amend or modify, with respect to any such Transferred Contract.

(b) Section 4.8(b) of the Disclosure Schedule includes a list of all material Contracts which are used in connection with both to the Academic Functions and another area of business engaged in by Contributor or any one or more of its Affiliates (collectively, the "**Mixed Use Contracts**").

4.9 Real Property.

(a) Leased Real Property. Except as set forth on Section 4.9(a) of the Disclosure Schedule, with respect to each Leased Real Property: (i) the related Transferred Lease is (and, in the case of the NB Lease, as of the Closing will be) in full force and effect; (ii) the tenant under the related Transferred Lease has (and, in the case of the NB Lease, as of the Closing will have) possession of such Leased Real Property; (iii) if such Leased Real Property is the subject of a Transferred Lease, to the knowledge of Contributor, there are no existing defaults in any material respect on the part of Contributor or any other party to the related Transferred Lease, and no event has occurred which, with the delivery of notice or the passage of time, or both, would constitute a default in any material respect, or permit the termination, modification, or acceleration of rent under such Transferred Lease; (iv) to the extent the premises covered by the NB Lease are or will be subject to a lease or sublease with a third-party tenant, Contributor has performed in all material respects all of its obligations under such lease or sublease, including any environmental remediation work; (v) if such Leased Real Property is the subject of a Transferred Lease, Contributor has not subleased, licensed or otherwise granted any Person the right to use or occupy such Leased Real Property or any portion of such Leased Real Property; (vi) if such Leased Real Property is the subject of a Transferred Lease, the assignment or transfer of the related Transferred Lease pursuant to this Agreement does not require the Consent of any other party to such Transferred Lease, will not result in a breach of or default under such Transferred Lease, or otherwise cause such Transferred Lease to cease to be legal, valid, binding, enforceable and in full force and effect on identical terms following the Closing; and (vii) Contributor has not (and, in the case of the NB Lease, as of the Closing will not have) collaterally assigned or granted any other security interest in the related Transferred Lease or NB Lease, as applicable, or any interest therein.

(b) Ground Facilities. The Leased Real Properties are all of the facilities (or portions thereof) at which Kaplan University provides in-person, on-ground student instruction. After the Closing Date, NewU will be entitled to the continued possession and use of such facilities (or portions thereof) for purposes consistent with the past practices of ED Institution.

4.10 Student Records. The Student Records are complete and correct in all material respects and have been maintained by Contributor in the ordinary course of business.

4.11 Employee Benefit and Labor Matters.

(a) For each of the Institutional Employees, Section 4.11(a) of the Disclosure Schedule sets forth such Institutional Employee's title, current compensation (including base salary or wage rate, current target bonus entitlement and other incentive or contingent compensation), start date, service reference date (if different from the start date), work location, vacation entitlement formula and amount of accrued but unused vacation. None of the Institutional Employees is represented by any labor union, works council or other labor organization with respect to such employee's employment by Contributor or any of its Affiliates. During the three (3) year period prior to the date of this Agreement, there has been no, and as of the date of this Agreement, there is no, labor strike, dispute, request for representation, slowdown or stoppage by any Institutional Employee actually pending or, to the knowledge of Contributor, threatened against or affecting Contributor.

(b) The Contributor Benefit Plans offered to Institutional Employees are set forth on Section 4.11(b) of the Disclosure Schedule.

(c) Neither Contributor nor any of its respective ERISA Affiliates has, or within the last three (3) years has had, any Liability with respect to: (i) any multiemployer plan (as defined in Section 4001(a)(3) of ERISA), (ii) except as set forth on Section 4.11(b) of the Disclosure Schedule, any plan subject to Title IV of ERISA or the minimum funding requirements of Section 412 of the Code, or (iii) any "multiple employer plan" within the meaning of Section 4063 or 4064 of ERISA. Neither Contributor nor any of their respective ERISA Affiliates has been involved in any transaction that could cause Contributor, or following the Closing, the Purdue Parties or their Affiliates to be subject to Liability under Section 4069 of ERISA. No Liability under Title IV of ERISA has been incurred by Contributor or any of its respective ERISA Affiliates that has not been satisfied in full (other than with respect to amounts not yet due).

(d) Contributor does not have any current or potential obligation to provide post-retirement health, life and welfare other than as required under Section 4980B of the Code or any similar applicable Law to Institutional Employees or their beneficiaries or dependents.

4.12 Compliance with Laws. Notwithstanding any provision of this Section 4.12 to the contrary, if any other Section of this Article 4 deals expressly with respect to a specific Law, then that Section shall contain the sole and exclusive representations and warranties relating to such Law. Kaplan University is being conducted in all material respects in accordance with all Laws applicable to Contributor. Except as set forth in this Section 4.12 of the Disclosure Schedule, during the three (3) year period prior to the Effective Date, Contributor has not received any notice of any material violation or material default under any Law applicable to Kaplan University that remains uncured, or has not been dismissed without further Liability to Contributor.

4.13 Education Matters.

(a) Contributor and ED Institution currently maintain and, since January 1, 2015, (the "**Compliance Date**"), have maintained without interruption in all material respects, all Educational Approvals necessary or required for the conduct of the business and operations of ED Institution. ED Institution is a party to, and is in compliance in all material respects with, a valid and effective

Program Participation Agreement with ED, and has a current and accurate, in all material respects, Eligibility and Certification Approval Report issued by ED.

(b) There are no material proceedings pending to revoke, suspend, withdraw, or to materially limit, condition, or restrict any Educational Approval. Neither Contributor nor ED Institution has received written notice that any of the Educational Approvals will not be renewed, nor, to Contributor's knowledge, is there any basis for such a non-renewal. Since the Compliance Date, other than as set forth in Section 4.13(b) of the Disclosure Schedule, neither Contributor nor ED Institution has received written notice that either of them are in violation in any material respect with the terms or conditions of any Educational Approval.

(c) Except as set forth in Section 4.13(c) of the Disclosure Schedule, ED Institution is and, since the Compliance Date, has been in compliance in all material respects with all Educational Requirements and with the terms and conditions of all Educational Approvals.

(d) In addition, and without limiting the foregoing:

(i) Each educational program offered by ED Institution and for which students receive federal student aid under Title IV Programs is, and since the later of the Compliance Date or the date on which Title IV Program funds were disbursed to students enrolled in the program has been, an eligible program in compliance in all material respects with the requirements of 34 C.F.R. § 668.8;

(ii) since the Compliance Date, ED Institution has complied in all material respects with the requirements set forth at 20 U.S.C. § 1094(a)(20) and 34 C.F.R. § 668.14(b)(22);

(iii) since the Compliance Date, ED Institution has complied in all material respects with the applicable provisions of 34 C.F.R. §§ 668.171-175;

(iv) except as set forth in Section 4.13(d)(iv) of the Disclosure Schedule, since the Compliance Date, no Educational Agency has required ED Institution to post a letter of credit or other form of surety for any reason, including any request for a letter of credit based on late refunds pursuant to 34 C.F.R. § 668.173, or required or requested that ED Institution process its Title IV Program funding under the reimbursement or heightened cash monitoring procedures set forth at 34 C.F.R. § 668.162;

(v) with respect to any location or facility that has closed or ceased operating educational programs since the Compliance Date, or any program that it has ceased offering since the Compliance Date, ED Institution has complied in all material respects with all Educational Laws related to the closure or cessation of instruction at such location or facility, or with respect to any discontinued program, including applicable requirements for teaching out students from such location, facility, or program;

(vi) since the Compliance Date, ED Institution has complied in all material respects with all applicable requirements of 34 C.F.R. § 600.9;

(vii) since the Compliance Date, Contributor and ED Institution have complied in all material respects with applicable Educational Requirements that relate to the extension of credit or that are otherwise applicable to any of ED Institution's student loan programs;

(viii) since the Compliance Date, ED Institution has materially complied with the requirements of any Educational Agency concerning the proper and accurate calculation and timely reporting of student outcomes including, but not limited to, retention, completion and placement rates, graduate examination and professional licensure pass rates, and the methodology for calculating such rates;

(ix) since the Compliance Date, none of ED Institution nor any Person that exercises substantial control over ED Institution (as the term “substantial control” is defined in 34 C.F.R. § 668.174(c)(3)), or member of such Person’s family (as the term “family” is defined in 34 C.F.R. § 668.174(c)(4)), alone or together, (1) exercises or has exercised substantial control over another school or third-party servicer (as that term is defined in 34 C.F.R. § 668.2) that owes a Liability for a violation of a Title IV Program requirement or (2) owes a Liability for a Title IV Program violation;

(x) since the Compliance Date, none of Contributor nor any of Contributor’s employees have pled guilty to, pled nolo contendere to or been found guilty of, a crime involving the acquisition, use or expenditure of funds under the Title IV Programs or been judicially determined to have committed fraud involving funds under the Title IV Programs;

(xi) since the Compliance Date, neither Contributor nor ED Institution has employed in a capacity involving administration of funds under the Title IV Programs or the receipt of funds under the Title IV Programs, any individual who has been convicted of, or has pled nolo contendere or guilty to, a crime involving the acquisition, use or expenditure of federal, state or local government funds, or has been administratively or judicially determined to have committed fraud or any other violation of law involving federal, state or local government funds;

(xii) none of Contributor, ED Institution or any Person or entity that exercises substantial control over ED Institution or any member of any such Person’s family has filed for relief in bankruptcy or had entered against it an order for relief in bankruptcy; and

(xiii) for each of the fiscal years ended December 31, 2015, and December 31, 2016, ED Institution has not received greater than 90% of its revenues from Title IV Programs, as such percentage is required to be calculated under 34 C.F.R. §§ 668.14 and 668.28.

(e) Each of ED Institution’s Student Enrollment Agreements for current students are valid and binding in all material respects on ED Institution.

4.14 Sufficiency of Institutional Assets. Provided that (i) all of the Institutional Employees accept employment with NewU at Closing, (ii) all required third party Consents to transfer the Transferred Contracts and Transferred Leases are obtained, and (iii) all conditions to the Closing have been satisfied in full, then, with the exception of the Mixed Use Contracts and any applicable Governmental Consents not listed on Exhibit C (Closing Governmental Consents): (a) following the Closing, NewU shall own or have use of substantially all of the Institutional Assets owned or used by Contributor to operate the Academic Functions in the ordinary course of business immediately prior to the Closing, and (b) upon the effectiveness of the Transition and Operations Support Agreement, the Transition Services Agreement and the other Transaction Documents, NewU will have use of substantially all assets, properties and rights used by Contributor immediately prior to the Closing Date to operate Kaplan University in the ordinary course in all material respects.

4.15 Brokers. No broker, finder or investment banker is or may be entitled to any brokerage, finder’s or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Contributor.

4.16 Solvency; Fraudulent Conveyance. Contributor is solvent and will not be rendered insolvent by the transactions contemplated by this Agreement and, after giving effect to such transactions, Contributor will not be left with an unreasonably small amount of capital with which to engage in its business. Contributor does not intend to incur, nor does it believe it has incurred, debts beyond its ability to pay such debts as they mature. Contributor is not contemplating the commencement of insolvency, bankruptcy, liquidation or consolidation proceedings or the appointment of a receiver, liquidator, conservator, trustee or similar official in respect of it or any of its assets. Contributor is not transferring any assets with any intent to hinder, delay or defraud any of its creditors.

4.17 No Restriction on Transfer. The Purdue Parties will suffer no loss, cost or expense because of the non-compliance of the Parties with any bulk sale/transfer statute or law.

4.18 Litigation; Judgments. Except as set forth in Section 4.18 of the Disclosure Schedule, there are no material Actions pending or, to Contributor's knowledge, threatened, and since January 1, 2016, there have not been any material Actions initiated in writing against Contributor or its Affiliates, in each case relating to or affecting ED Institution, or any of the officers and directors of Contributor (in connection with ED Institution) or any of the Institutional Assets. Except as set forth in Section 4.18 of the Disclosure Schedule, there is no material judgment, order or decree of any Governmental Entity against or affecting Contributor or any of the Institutional Assets that has not been satisfied or resolved. Contributor is not in material default under any judgment, order or decree. To the knowledge of Contributor, there is no fact or circumstance that would reasonably be expected to give rise to any Action against, relating to or affecting Contributor or its assets or properties (taken as a whole) that would have a Material Adverse Effect.

4.19 Related Party Transactions. None of the Transferred Contracts is made between or among Contributor, on the one hand, and any of Contributor's Related Parties, on the other hand.

4.20 No Other Representations and Warranties. EACH OF THE PURDUE PARTIES HEREBY ACKNOWLEDGES AND AGREES THAT THE REPRESENTATIONS AND WARRANTIES MADE IN THIS ARTICLE 4 ARE THE SOLE AND EXCLUSIVE REPRESENTATIONS AND WARRANTIES BEING MADE BY OR ON BEHALF OF CONTRIBUTOR OR ANY OF ITS AFFILIATES AND ARE EXCLUSIVE OF ANY OTHER REPRESENTATIONS AND WARRANTIES, INCLUDING ANY IMPLIED WARRANTIES. EXCEPT AS IS EXPRESSLY SET FORTH IN THIS ARTICLE 4, (A) NONE OF CONTRIBUTOR OR ANY AFFILIATE OF CONTRIBUTOR MAKES ANY REPRESENTATION OR WARRANTY OF ANY KIND WHATSOEVER, EXPRESS OR IMPLIED, INCLUDING ANY REPRESENTATIONS OR WARRANTIES AS TO MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR SUITABILITY FOR USE, WITH RESPECT TO THE INSTITUTIONAL ASSETS, THE ASSUMED LIABILITIES, ANY OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR ANY OF THE OTHER TRANSACTION DOCUMENTS OR THE CONDITION OR PROSPECTS (FINANCIAL OR OTHERWISE) OF, OR ANY OTHER MATTER INVOLVING, THE INSTITUTIONAL ASSETS OR THE ASSUMED LIABILITIES; AND (B) NONE OF THE PARTIES OR ANY OTHER PERSON MAKES ANY REPRESENTATION OR WARRANTY OF ANY KIND WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO THE ACCURACY, SUFFICIENCY OR COMPLETENESS OF ANY INFORMATION, DOCUMENTS OR MATERIAL MADE AVAILABLE IN CONNECTION WITH THE PURDUE PARTIES' DUE DILIGENCE INVESTIGATION OF THE INSTITUTIONAL ASSETS, THE ASSUMED LIABILITIES, OR ANY OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR ANY OF THE OTHER TRANSACTION DOCUMENTS; PROVIDED, HOWEVER, THAT SUBCLAUSE (B) OF THIS SECTION 4.20 SHALL NOT RELIEVE CONTRIBUTOR FROM LIABILITY WITH RESPECT TO ANY FRAUDULENT MISREPRESENTATIONS MADE BY IT TO THE PURDUE PARTIES WITH RESPECT TO ANY SUCH INFORMATION, DOCUMENTS OR MATERIALS. THE PURDUE PARTIES ACKNOWLEDGE AND AGREE THAT UPON THE CLOSING CONTRIBUTOR SHALL CONTRIBUTE, TRANSFER, CONVEY, ASSIGN, AND DELIVER TO NEWU, AND

NEWU SHALL ACCEPT, ASSUME, AND ACQUIRE CONTRIBUTOR'S RIGHTS, TITLE AND INTEREST IN AND TO, THE INSTITUTIONAL ASSETS "AS IS, WHERE IS, WITH ALL FAULTS."

5. Representations and Warranties of the Purdue Parties.

Except as set forth in the Purdue Disclosure Schedule, the Purdue Parties, jointly and severally but only to the extent set forth in Section 10.4(a) (Limitations), hereby represent and warrant to Contributor as follows:

5.1 Organization and Qualification.

(a) Purdue is a state chartered, land-grant institution authorized by legislative authority of the State of Indiana, and NewU is a nonprofit, public benefit corporation duly organized and validly existing in the State of Indiana, and a controlled Affiliate of Purdue authorized pursuant to an Indiana state statute generally in the form of Exhibit D (Authorization Statute). Each Purdue Party: (i) has all requisite organizational power and authority to own, lease and operate its properties and assets and to carry on its business as now being conducted and (ii) is duly licensed or qualified to do business and is in good standing as a foreign entity in each jurisdiction where the ownership, leasing or operation of its properties or assets or the conduct of its business requires such qualification, except where the failure to be so licensed, qualified or in good standing individually or in the aggregate would not, and would not reasonably be expected to, have a material adverse effect on such Purdue Party. NewU has made available to Contributor copies of its Organizational Documents and all amendments thereto, which copies are true, correct and complete in all material respects.

(b) The Purdue Parties have not made any elections or taken any other actions that would cause NewU to: (i) not have Purdue as its sole member, or (ii) not be recognized by ED as either a public or not-for profit institution of higher education.

5.2 Authority Relative to this Agreement. Each of the Purdue Parties, and their respective authorized Representatives, including the signatories to this Agreement and the other Transaction Documents (as applicable), has all requisite power and authority, and has taken all requisite action to execute, deliver and perform its obligations under this Agreement and the other Transaction Documents to which it is a party and to consummate the transactions contemplated by the Transaction Documents in accordance with the terms of the Transaction Documents. This Agreement has been, and each other Transaction Document when executed and delivered will be, duly and validly executed and delivered by each of the Purdue Parties, respectively (and as applicable) and, assuming the due authorization, execution and delivery by Contributor of the Transaction Documents to which Contributor is a party, this Agreement constitutes (and each other Transaction Document to which such Purdue Parties (as applicable) are a party when executed will be) a valid, legal and binding agreement of such Purdue Parties, respectively (and as applicable), enforceable against such Purdue Parties, respectively (and as applicable) in accordance with its terms, subject, as to the enforcement of remedies, to applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar Laws of general applicability relating to or affecting creditors' rights and to general equity principles.

5.3 Consents and Approvals; No Violations; Licenses.

(a) No filing with or notice to, and no permit, declaration, Order, registration or Consent of, any Governmental Entity is required to be made or obtained by or on the part of any of the Purdue Parties for the execution, delivery and performance by any of them of any of the Transaction Documents (as applicable) or the consummation by any of them of the transactions contemplated by the Transaction Documents, except: (i) the filings, notices, permits, declarations, Orders, registrations, Consents or actions listed in Section 5.3(a) of the Purdue Disclosure Schedule, (ii) compliance with the applicable requirements of any applicable Education Requirements or (iii) any such filings, notices, permits, registrations or Consents, the failure to make or obtain would not reasonably be expected to, individually or in the aggregate: (1) be material to the continued operation of ED Institution after the Closing Date or

(2) materially affect the ability of any of the Purdue Parties to execute, deliver or perform the Transaction Documents to which it is a party or consummate the transactions contemplated by the Transaction Documents.

(b) Assuming compliance with the items described in clauses (i) through (iii) of Section 5.3(a), and except as set forth in Section 5.3(b) of the Purdue Disclosure Schedule, neither the execution, delivery or performance of the Transaction Documents by the Purdue Parties, nor the consummation by each of the Purdue Parties of the transactions contemplated by the Transaction

Documents to which it is a party will: (i) conflict with or result in any breach or violation of any provision of the respective Organizational Documents of the Purdue Parties, or (ii) conflict with or result in a breach or violation of, or constitute (with or without due notice or lapse of time or both) a default under (or give rise to the creation of any Lien, except for Permitted Liens, or any right of termination, amendment, cancellation or acceleration under) any Law applicable to the operations of NewU.

5.4 Brokers. No broker, finder or investment banker is or may be entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of any of the Purdue Parties.

5.5 Compliance with Laws. To the knowledge of the Purdue Parties, and except as set forth in Section 5.5 of the Purdue Disclosure Schedule, the Purdue Parties have conducted their operations in all material respects in accordance with all Laws and Educational Requirements applicable to the Purdue Parties. To the knowledge of the Purdue Parties, except as set forth in Section 5.5 of the Purdue Disclosure Schedule, during the three (3) year period prior to the Effective Date, none of the Purdue Parties has received any notice of any material violation or material default under any Law applicable to the Purdue Parties that remains uncured, or has not been dismissed without further Liability to the Purdue Parties or that could result in the failure of any of the conditions to Closing set forth in Section 8.1(b)-(d) (Conditions to Obligation of All Parties to Close) to be satisfied.

5.6 No Other Representations and Warranties. Contributor acknowledges and agrees that the representations and warranties made in this Article 5 are the sole and exclusive representations and warranties being made by or on behalf of the Purdue Parties or any of their respective Affiliates and are exclusive of any other representations and warranties, including any implied warranties. Except for the representations and warranties expressly set forth in this Article 5, the Purdue Parties and their respective Affiliates have not made, nor are any of them making, any express or implied representation or warranty regarding the accuracy, sufficiency or completeness of any information provided to Contributor or prepared by or for Contributor, as applicable, in connection with this Agreement or the other Transaction Documents. Each of the Purdue Parties hereby disclaims, and Contributor hereby acknowledges and agrees that none of the Purdue Parties or their respective Affiliates shall have or be subject to any Liability to Contributor resulting from Contributor's use of, such information, or any such other express or implied representations or warranties, whether at Law or in equity, none of which shall have any legal effect.

6. Covenants.

6.1 Access. From and after the Effective Date and until the Closing Date, Contributor shall: (i) afford the Purdue Parties and their Representatives, at the Purdue Parties' sole cost and expense, reasonable access to the Institutional Assets and Books and Records that relate to, affect or support the Institutional Assets and Academic Functions, during normal business hours, upon reasonable notice, consistent with applicable Law and in a manner so as not to interfere with the conduct of Kaplan University or any of the other businesses of Contributor and its Affiliates and (ii) furnish to the Purdue Parties and their Representatives such additional financial and operating data and other information regarding Kaplan University (or true, correct and complete copies thereof) as the Purdue Parties or any of their Representatives may from time to time reasonably request and in a manner as not to interfere with the conduct of Kaplan University or any of the other businesses of

Contributor and its Affiliates; provided, however, that Contributor and its Affiliates may withhold access to any document or information that is subject to any attorney client privilege or third-party confidentiality agreement.

6.2 Confidentiality.

(a) From and after the Closing, Contributor shall (and shall use commercially reasonable efforts to cause each of its Affiliates and Representatives to), not use or disclose to any Person (other than to any Representatives owing a confidentiality obligation to the Contributor or its Affiliate for the purpose of advising Contributor in connection with the transactions contemplated by this Agreement or the other Transaction Documents) confidential, non-public information which is part of the Institutional Assets (collectively, the "**Academic Confidential Information**"). Any confidential, non-public information provided to Contributor or its Representatives in accordance with Section 6.3 (Cooperation) or otherwise pursuant to this Agreement shall be treated as Academic Confidential Information for the purposes of this Agreement.

(b) Except as expressly permitted under Section 6.6 (Public Announcements), each Party shall (and shall use commercially reasonable efforts to cause each of its respective Affiliates and Representatives to), not use or disclose to any Person (other than to any Representatives owing a confidentiality obligation to such Party or its Affiliate for the purpose of advising such Party in connection with the transactions contemplated by this Agreement or the other Transaction Documents) any of the terms of this Agreement or the other Transaction Documents. In addition, in the event that any Party receives a request to produce this Agreement or any Exhibit or Schedule hereto pursuant to applicable public records laws, the Parties shall cooperate in producing a redacted version of the requested document(s) that is in conformance with requirements under the applicable public records law, and the Party that did not receive such public record law request shall have the right to produce the first draft of such redacted documents.

(c) This Section 6.2 shall not apply to the use or disclosure of Academic Confidential Information or information relating to the terms of this Agreement or the other Transaction Documents: (i) to the extent that such information becomes generally known to the public through no fault of the disclosing Party or any of its Affiliates or its or their respective Representatives; (ii) to the extent that such information is required to be disclosed by Law, by a rule of a listing authority, stock exchange or by a Governmental Entity; (iii) to the extent that the disclosure of such information is necessary to obtain any Governmental Consent or pursuant to any Educational Requirement; or (iv) to the extent necessary or required in connection with any Action related to the enforcement of this Agreement or the other Transaction Documents.

(d) For the avoidance of doubt, nothing in this Agreement shall terminate or otherwise affect the Confidentiality Agreement, dated December 16, 2016, between Kaplan, Inc. and Purdue (the "**Confidentiality Agreement**"), which shall remain in full force and effect in accordance with its terms.

6.3 Cooperation.

(a) Subject to the terms and conditions set forth in this Agreement, each Party shall use its respective commercially reasonable efforts to take, or cause to be taken, all actions, to file, or cause to be filed, all documents and to do, or cause to be done, and to assist and cooperate with the other Parties in doing, all things necessary, proper or advisable under applicable Laws to consummate and make effective the transactions contemplated by this Agreement, including: (i) the obtaining of all necessary actions or non-actions, waivers, consents, clearances, decisions, declarations, approvals and, expirations or terminations of waiting periods from ED, each Accrediting Body and other Educational Agency, and other Governmental Entities and the making of all necessary registrations and filings and the taking of all steps as may be necessary to obtain any Educational Consents or satisfy any Educational Requirement and any other approval, clearance or waiver from, or to avoid an action or proceeding by, any Governmental Entity (all of the foregoing, collectively, the "**Governmental Consents**"), (ii) the obtaining of all consents, authorizations, approvals or waivers from third parties, other than from Governmental Entities or

Educational Agencies, necessary or advisable for consummation of the transactions contemplated hereby; provided, however, that such actions shall not include any requirement of any Party or any of their respective Affiliates to commence or participate in any litigation or offer or grant any material accommodation (financial or otherwise) to any third-party, and (iii) the execution and delivery of any additional instruments reasonably necessary to consummate the transactions contemplated this Agreement.

(b) Subject to the terms and conditions herein provided and without limiting the foregoing, NewU and Contributor shall make or cause to be made, as soon as reasonably practicable, any appropriate notification filings, forms and submissions required under any Educational Requirements or other Laws with ED, each Accrediting Body and other Educational Agency and each other Governmental Entity, in each case to the extent set forth in Section 6.3(b) of the Disclosure Schedule and on or prior to the applicable dates set forth therein. No Party, nor any of the respective counsel or Representatives, shall participate in any meetings, telephone calls, e-mail exchanges or discussions with any Educational Agency or Governmental Entity regarding the transactions contemplated by this Agreement without either including the other Party or its counsel therein or obtaining the other Party's consent not to be included (which consent shall not be unreasonably, conditioned or delayed); provided, however, that this sentence shall not restrict any Party or its respective counsel from receiving unsolicited telephone inquiries from Representatives of any Educational Agency or Governmental Entity requesting additional information or clarification of previously filed or submitted information so long as the Party or its counsel receiving such unsolicited inquiry does not engage in any substantive discussions with, or provide any responses to, any such Representative without first complying with its obligations under this Section 6.3. Prior to any Party attending any meetings, telephone calls, discussions or responding to unsolicited telephone inquiries from Representatives of any Educational Agency or Governmental Entity, NewU and Contributor shall discuss and agree upon strategy and issues to be pursued and responses to likely questions. The Parties agree that they will participate in all such meetings, telephone calls and discussions in a manner consistent with the agreement described in the preceding sentence and will not introduce any new issues not agreed to by the other Parties prior to any such meeting, telephone call or discussion. Each Party shall provide to the other within two (2) Business Days of receipt all written communications received by ED Institution or either of them from any Educational Agency or Governmental Entity which relate to the transactions contemplated in this Agreement.

(c) Further, and without limiting the generality of the rest of this Section 6.3, each of the Parties shall reasonably cooperate, as promptly as practicable, both before and after the Closing, in all respects with each other in connection with any filing or submission regarding the transactions contemplated by this Agreement and in connection with any compliance audits and any other reviews or investigations by any Educational Agency, including any entity that administers any form of Student Financial Assistance Program or that reviews student complaints (each, a "**Compliance Review**"), any action by an Educational Agency or Governmental Entity, or any investigation or other inquiry related in whole or in part to the operation of ED Institution prior to the Closing; provided, however, that after the Closing all costs shall be borne by the requesting party. Such cooperation shall include, subject to applicable Law, promptly: (i) furnishing to the other such necessary information and reasonable assistance as the other Parties may reasonably request in connection with the foregoing; (ii) informing the other Parties of any material communication from, with or to any Educational Agency or Governmental Entity regarding any of the transactions contemplated by this Agreement or regarding any Compliance Review, any action by an Educational Agency or Governmental Entity, or an investigation or other inquiry related in whole or in part to the operation of ED Institution prior to the Closing; and (iii) providing counsel for the other Parties with copies of all filings made by such Party, and all correspondence between such Party (and its advisors) with any Educational Agency or Governmental Entity and any other information supplied by such Party and such Party's Subsidiaries to an Educational Agency or Governmental Entity or received from an Educational Agency or a Governmental Entity in connection with the transactions contemplated by this Agreement or regarding any Compliance Review, any action by the Educational Agency or Governmental

Entity, or any investigation or other inquiry related in whole or in part to the operation of ED Institution prior to the Closing; provided, that no Party shall be required to share attorney-client privileged information with the other. Each Party shall, subject to applicable Law, permit counsel for the other Parties to review in advance, and consider in good faith the views of the other Parties in connection with, any proposed written communication, draft filing, correspondence or submission to any Governmental Entity or Educational Entity in connection with the transactions contemplated by this Agreement or regarding any Compliance Review, any action by the Educational Agency or Governmental

Entity, or any investigation or other inquiry related in whole or in part to the operation of ED Institution prior to the Closing. Prior to any Party attending any meetings, telephone calls, discussions or responding to unsolicited telephone inquiries from Representatives of any Educational Agency or Governmental Entity, NewU and Contributor shall discuss and agree upon strategy and issues to be pursued and responses to likely questions. The Parties agree that they will participate in all such meetings, telephone calls and discussions in a manner consistent with the agreement described in the preceding sentence and will not introduce any new issues not agreed to by the other Parties prior to any such meeting, telephone call or discussion. Each Party shall provide to the other within two (2) Business Days of receipt all written communications received by ED Institution or any Party from any Educational Agency or Governmental Entity that relate to the transactions contemplated in this Agreement or in whole or part to the operation of ED Institution prior to the Closing.

(d) In the event and for so long as Contributor is actively contesting or defending any Action in connection with any fact, situation, circumstance, status, condition, activity, failure to act, event or occurrence existing on or prior to the Closing Date involving the Institutional Assets, NewU will cooperate as reasonably requested and provide Contributor with access to its Books and Records as may be necessary in connection with such contest or defense.

6.4 Further Assurances. From time to time, from and after the Closing Date, each Party will reasonably cooperate with the other Parties hereto and execute and deliver (or cause to be executed and delivered) all instruments, including instruments of conveyance, assignment and transfer, and to take all such other actions as each of the Parties may reasonably request from time to time, consistent with the terms of this Agreement and at the cost of the requesting Party, in order to effectuate the transactions contemplated by the Transaction Documents.

6.5 Conduct of Business. From and after the Effective Date through the earlier of the Closing or the termination of this Agreement pursuant to Article 9 (Termination), except as: (i) otherwise contemplated by this Agreement or any Transaction Document, or (ii) required by Law or disclosed in Section 6.5 of the Disclosure Schedule, or (iii) necessary to consummate the transactions contemplated by the Transaction Documents, or (iv) as NewU shall otherwise consent to in advance in writing (such consent not to be unreasonably withheld, conditioned or delayed), Contributor shall: (1) conduct Kaplan University in the ordinary course of business substantially as previously conducted during the prior twelve (12) month period, (2) use commercially reasonable efforts to preserve intact the Institutional Assets and maintain Kaplan University's existing relations and goodwill with Governmental Entities, students, suppliers, creditors, Institutional Employees, lessors and agents as they Relate to KU, and (3) not, directly or indirectly, undertake any action intended to cause any of Contributor's representations and warranties in Article 4 (Representations and Warranties of Contributor) to be materially incorrect at the Closing (taking into account the updating of Schedules as contemplated by this Agreement).

6.6 Public Announcements. Except as required by Law or the rules of any national securities exchange, each of the Parties shall (and shall cause their respective Affiliates and Representatives to) consult with the other Parties and obtain the prior written consent of the other Parties (which consent (other than with respect to price) shall not be unreasonably conditioned, withheld or delayed) before issuing any press releases or any public statements or announcements with respect to this Agreement and the transactions contemplated by this Agreement; provided that, prior to any such release, statement or announcement as required by Law or the rules of any such exchange, the Person required to issue the release, statement or announcement shall allow the other Parties reasonable time to comment thereon in advance of such issuance; provided further, however, that, following the Closing, the Parties will issue a joint press release or public statements or announcement regarding this Agreement and the transactions contemplated hereby. Notwithstanding the foregoing, prior to the Closing, each of the Parties shall have the right to (a) discuss the transactions contemplated by this Agreement with students and prospective students of Kaplan University and NewU; and (b) provide disclosure regarding the resulting transition from Kaplan University to NewU to such students and prospective students, in each case provided that such disclosure is made in furtherance of the legitimate academic interests of such students and prospective students and does not include any of the economic terms of this Agreement or of the transactions contemplated hereby. Each Party grants the other a limited, nonexclusive license to use, for the period from the date of this Agreement to the Closing or earlier termination of this Agreement, the NewU, Purdue and Kaplan tradenames and logos, as applicable, in connection with any such communications.

6.7 Use of Names, Brands. Except as otherwise set forth in the Transition and Operations Support Agreement, the Purdue Parties shall (a) as of the Closing Date cease to use the words "Kaplan", "Iowa College Acquisition", "Kaplan University", "KU", "Kaplan Higher Education" and "KHE" and cease to use all Trademarks of any of the foregoing; (b) as soon as reasonably practicable following the Closing cause the removal of all such words or expressions and Trademarks from the Institutional Assets; and (c) as soon as reasonably practicable following the Closing take all other actions reasonably necessary to accomplish the foregoing matters, including any notifications, filings or other actions required by any Governmental Entity or Educational Agency.

6.8 Insurance.

(a) On and after the Closing Date, and for a period of five (5) years after the Closing Date, or longer as required under the Transition and Operations Support Agreement, NewU agrees to purchase and maintain, at its expense, general liability insurance covering ED Institution and all other Institutional Assets with respect to all matters occurring on or after the Closing Date in types and amounts as is customary and reasonable for similarly situated organizations and businesses.

(b) Up to the Closing Date, Contributor agrees to maintain all current insurance coverage in types and amounts as is customary and reasonable for similarly situated organizations and businesses. Before or on the Closing Date, and for a period of three (3) years after the Closing Date, or longer as agreed upon in the Transition and Operations Support Agreement, Contributor agrees to purchase and maintain, at its expense, extended reporting ("tail") insurance covering ED Institution and all other Institutional Assets with respect to all matters occurring before the Closing Date in types and amounts as required under the Transition and Operations Support Agreement.

6.9 Change of Names. As soon as practicable after the Closing, and execution and delivery of the Transition and Operations Support Agreement by the parties thereto, (i) Contributor will change its name to a name that does not include "Kaplan University," and (ii) the Purdue Parties shall cause ED Institution's name to be changed to a name that is mutually agreeable to the Parties and that incorporates Purdue's brand in some form.

6.10 Mixed Use Contracts. Except for Mixed Used Contracts which are the subject of the Transition Services Agreement, at the Closing, Contributor, in a manner reasonably acceptable to NewU, shall provide to NewU the benefits under, or assign to NewU its rights under, or obtain a separate contract to be included in the Transferred Contracts for, those benefits and rights of the material Mixed Use Contracts that relate exclusively to the Institutional Assets, as set forth on Section 4.8(b) of the Disclosure Schedule, and NewU shall assume and discharge the Liabilities of Contributor only with respect to such portions of such Mixed Use Contracts. To the extent that a third party's consent is required to assign any portion of a Mixed Use Contract which is to be assigned and assumed pursuant to Section 4.8(b) of the Disclosure Schedule, Contributor will use commercially reasonable efforts (which shall not include the payment of any money to such third party in exchange for such consent) to obtain such consent. If such a required consent is not obtained, then Contributor shall provide NewU the benefits and NewU shall assume the Liabilities, in each case relating exclusively to the portions of each such Mixed Use Contract pertaining to the Institutional Assets. In no event shall Contributor be required to provide NewU or any other Purdue Party with the benefits of: (i) any Mixed Use Contract at any time after the date that is six (6) months after the Closing Date, or (ii) for the avoidance of doubt, any Contracts relating to the Kaplan Platform or other software and information technology services or products.

6.11 Credit Support Obligations; Security Deposits.

(a) The Purdue Parties will use reasonable best efforts to substitute guarantors or terminate the guarantees set forth on Exhibit E-1 (Guarantees) made by Contributor or its Affiliates with respect to the Assumed Liabilities, and to provide for replacement performance bonds for the performance bonds of Contributor and its Affiliates relating to ED Institution set forth on Exhibit E-2 (Performance Bonds), in each case as promptly as practicable following the Closing.

(b) The Parties, desiring that Contributor receive the benefit of the Security Deposits without necessitating the replacement of the Security Deposits by the Purdue Parties, hereby agree that Contributor shall be deemed to have advanced $89,146.00 of expenses to NewU as contemplated by Section 5 (Application of Deposit Credits) of Exhibit F (Reimbursement of Payments) to the Transition and Operations Support Agreement in consideration for the Security Deposits being treated as Institutional Assets under Section 2.1(e) (Contribution and Transfer of Institutional Assets).

6.12 Tax Matters.

(a) For so long as Purdue is the sole member of NewU, the Purdue Parties will not make any elections or take any other actions that would cause NewU to: (i) not have Purdue as its sole member, or (ii) not be recognized by ED as a public or not-for-profit institution of higher education.

(b) NewU and Contributor hereby waive compliance with any "bulk sales" law under any applicable uniform commercial code.

(c) Notwithstanding anything to the contrary in this Agreement, NewU shall be responsible for, any transfer (including any indirect Real Estate transfer), documentary, stamp or similar Taxes, any "bulk sales", "bulk transfer" or similar Taxes and related fees ("**Transfer Taxes**") imposed on the sale or transfer of the Institutional Assets pursuant to this Agreement or the entering into of this Agreement. NewU shall, at its own expense, file all necessary Tax Returns and other documentation with respect to all such Transfer Taxes, and if required by applicable Law, Contributor shall, and shall cause its respect Affiliates to, join in the execution of any such Tax Returns and other documentation. The Parties will cooperate in timely making all filings, returns, reports and forms as may be required to comply with the provisions of applicable Law relating to Transfer Taxes, including in seeking any available exemption from or reduction of Transfer Taxes.

6.13 Schedule Updates; Certain Notices.

(a) Prior to the Closing Date, Contributor shall provide to NewU such updates to the Schedules made pursuant to Article 2 (Contribution and Transfer of Institutional Assets; Assumption of Certain Liabilities) as are necessary to accurately reflect the Institutional Assets as of the Closing Date; provided, however that no such update shall contain additions or deletions which constitute a material breach by Contributor of any of its obligations under this Agreement.

(b) Prior to the Closing, either Contributor or any of the Purdue Parties may (but is not required to) deliver to the other Party one or more supplements to the Disclosure Schedule or the Purdue Disclosure

Schedule, respectively, under Article 4 or 5, respectively, to reflect any fact or condition occurring after the date of this Agreement that would cause a breach of a representation or warranty contained in Article 4 or 5 but for such update. Any update made pursuant to this Section 6.13(b) shall not affect a Party's right to indemnification for a breach of a representation or warranty that occurred as of the Effective Date, but all such claims for indemnification shall be made subject to the terms of Article 10 (Indemnity), including Section 10.4 (Limitations).

(c) The Purdue Parties and Contributor, respectively, will promptly notify the other Parties in writing of any perceived breach by such other Party or perceived Material Adverse Effect that it believes would cause it not to close pursuant to Section 8.2 (Conditions to the Purdue Parties' Obligation to Close) or Section 8.3 (Conditions to Contributor's Obligation to Close) so that the receiving Party has an opportunity to cure such perceived breach or Material Adverse Effect.

6.14 Exclusive Dealings. During the period from the Effective Date to the earlier of the Closing or the termination of this Agreement in accordance with its terms, Contributor will not, directly or indirectly, enter into any definitive agreements, arrangements or understanding with any third Person other than the Purdue Parties with respect to any transaction that has a purpose of a contribution or other disposition of all or substantially all of the Institutional Assets or a business combination involving Contributor. During the period from the Effective Date to the earlier of the Closing or the termination of this Agreement in accordance with its terms, none of the Purdue Parties nor Contributor nor any of their respective Affiliates, will, directly or indirectly, enter into or consummate any definitive agreements, arrangements or understandings which have the effect of creating, acquiring or operating any U.S. degree-granting online institution designed to specifically serve non-traditional students, except with the prior written consent of NewU, in the case of Contributor, and the prior written consent of Contributor, in the case of any of the Purdue Parties.

7. Employment Matters.

7.1 Transferred Employees.

(a) NewU shall offer to hire, not later than five (5) days prior to the Closing Date, all Institutional Employees, and Contributor shall cooperate with NewU in NewU's efforts to accomplish the retention and hiring of the Institutional Employees. NewU will offer employment to all Institutional Employees on such terms and conditions of employment reasonably comparable to those enjoyed by such Institutional Employees prior to the Closing. The obligations of NewU to hire Institutional Employees shall not be affected by virtue of the absence of any Institutional Employee as of the Closing Date due to any short term disability, long term disability or leave of absence. Effective as of the Closing, the employment of all of the Transferred Employees will be terminated by Contributor or its Affiliates, as the case may be, and Contributor shall be responsible for severance, if any, due such Transferred Employees.

(b) Nothing contained in this Agreement shall confer upon any Contributor employee any right with respect to continuance of employment by NewU after the Closing Date.

7.2 Service Credit. From and after the Closing, NewU shall give each Transferred Employee full credit for purposes of eligibility to participate and vesting under any employee benefit plans or arrangements maintained by NewU and its Affiliates for all purposes under any severance plan, paid-time-off or vacation pay plan maintained by NewU and its Affiliates, for such employee's service with Contributor and its Affiliates to the same extent such service is recognized by the comparable Contributor Benefit Plan immediately prior to the Closing, other than for any newly established plans where prior service is not recognized for any of NewU's employees. Without limiting the foregoing, NewU shall: (i) waive all limitations as to preexisting conditions, exclusions and waiting periods with respect to participation and coverage requirements applicable to the Transferred Employees and their eligible dependents under the health and welfare plans of NewU for active employee coverage (each a "**NewU Welfare Plan**") to the extent waived or otherwise satisfied under the applicable corresponding Contributor Benefit Plan immediately prior to the Closing and (ii) provide each Transferred Employee and his or her eligible dependents with credit under NewU Welfare Plans for any co-payments and deductibles paid under corresponding Contributor Benefit Plans prior to the Closing for the calendar year in which the Closing occurs, for purposes of satisfying any applicable deductible or out-of-pocket requirements under any NewU Welfare Plans.

7.3 401(k) Plans.

(a) Each Transferred Employee participating in a defined contribution plan of Contributor (as applicable, a "**Contributor 401(k) Plan**") as of immediately prior to the Closing shall become eligible to participate without any waiting period as of the Closing in a defined contribution plan of NewU that includes a qualified cash or deferred arrangement within the meaning of Section 401(k) of the Code ("**NewU 401(k) Plan**").

(b) Contributor agrees to take, or cause to be taken, actions necessary to permit each Transferred Employee to effect a "direct rollover" (within the meaning of Section 401(a)(31) of the Code) of his or her account balances under a Seller 401(k) Plan within thirty (30) days following the Closing, if such rollover is elected in accordance with applicable Law by such employee. Without limiting the generality of the foregoing, and provided that Contributor is reasonably satisfied, consistent with the regulations under Section 401(a)(31) of the Code, that NewU 401(k) Plan meets the requirements for qualification under Section 401(a) of the Code, Contributor may take such actions necessary to provide that one or more Transferred Employees may elect to effect, and, provided that NewU is reasonably satisfied, consistent with the regulations under Section 401(a)(31) of the Code, that the applicable Contributor 401(k) Plan meets the requirements for qualification under Section 401(a) of the Code, NewU agrees to cause NewU 401(k) Plan to accept, a "direct rollover" to NewU 401(k) Plan of such employee's account balances (including promissory notes evidencing all outstanding loans) under the Contributor 401(k) Plan if such rollover is elected in accordance with applicable Law by such employee. Upon completion of a direct rollover of an Transferred Employee's account balances, as described in this Section 7.3, NewU and NewU 401(k) Plan shall be fully responsible for all benefits relating to past service of such Transferred Employee and none of Contributor and the Contributor 401(k) Plan shall have any Liability whatsoever with respect to such benefits.

7.4 COBRA. On and after the Closing, NewU or its Affiliates shall be responsible for all Liabilities of the Transferred Employees (and their eligible dependents and beneficiaries) in respect of health insurance under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, the Health Insurance Portability and Accountability Act of 1996, Sections 601 et seq. and Sections 701 et seq. of ERISA, Section 4980B and Sections 9801 et seq. of the Code and applicable state or similar Laws (including with respect to the termination of any Transferred Employee's employment with Contributor or its Affiliates, as applicable).

7.5 Welfare Benefit Claims. Contributor and its Affiliates shall retain all Liabilities under Contributor Benefit Plans for payment of all medical, dental, vision, health, non-occupational short-term disability benefit and long-term disability benefit claims (collectively, "**Welfare Benefit Claims**") incurred under such plans prior to the Closing with respect to any Transferred Employee (or any dependent or beneficiary thereof). NewU or its Affiliates shall be liable for payment of all Welfare Benefit Claims incurred on or after the Closing with respect to any Transferred Employee (or any dependent or beneficiary thereof), and NewU shall, and shall cause its Affiliates to, cause all such Welfare Benefit Claims to be assumed by and administered under the employee welfare plans of NewU or its Affiliates. For purposes of the foregoing, a claim shall be deemed to be incurred as follows: (i) life, accidental death and dismemberment, and business travel accident insurance benefits and long-term disability benefits, upon the death, disability or accident giving rise to such benefits, (ii) health, dental, prescription drug and vision benefits (including in respect of any hospital confinement), upon provision of such services, materials or supplies, and (iii) non-occupational short-term disability benefits, upon the initiation of any claim for such benefit payment.

7.6 Workers Compensation. Contributor shall be responsible for all claims for workers compensation benefits that are incurred prior to the Closing Date by any Transferred Employee. NewU or its Affiliates shall be responsible for all claims for workers compensation benefits that are incurred on or after the Closing by any Transferred Employee. A claim for workers compensation benefits shall be deemed to be incurred when the event giving rise to the claim (the "**Workers Compensation Event**") occurs. If the Workers Compensation Event occurs over a period both preceding and following the

Closing, the claim shall be the joint responsibility and Liability of: (i) NewU or its Affiliates and (ii) Contributor and shall be equitably apportioned between NewU or its Affiliates, on the one hand, and Contributor, on the other hand, based upon the relative periods of time that the Workers Compensation Event transpired preceding and following the Closing.

7.7 Vacation. From and after the Closing, NewU shall honor all accrued but unused vacation and other paid time-off of the Transferred Employees. On the date of Contributor's first regularly-scheduled payroll cycle on or after the Closing Date or, where required by Law, on the Closing Date, Contributor shall pay each Transferred Employee the amount of his or her vacation pay that, as of the Closing Date, was reflected on Contributor's accounting books and records as being accrued but unused.

7.8 Payment of Bonuses. Contributor shall pay the Transferred Employees bonuses for any full year and pro-rated bonuses for any portion of a year during which the Transferred Employees worked for Contributor in the amount such Transferred Employees would have earned, and payable when such bonuses would be paid, if they had remained employed by Contributor; provided, however, that (a) no bonuses will be paid to Transferred Employees who are not still employed by NewU as of the date that such bonuses are payable, and (b) for the avoidance of doubt, no bonuses will be paid for any periods prior to the year in which this Agreement was executed.

7.9 No Third-Party Beneficiaries. Nothing contained in this Agreement, express or implied: (i) shall be construed to establish, amend, or modify any benefit plan, program, agreement or arrangement; (ii) shall alter or limit NewU's or its Affiliates', or Contributor's or its Affiliates', ability to amend, modify or terminate any particular benefit plan, program, agreement or arrangement; (iii) is intended to confer upon any current or former employee (including any dependent thereof) of Contributor or any of its Affiliates or any person other than the Parties (including any Transferred Employee) any right to employment or continued employment for any period of time by reason of this Agreement, or any right to a particular term or condition of employment; or (iv) is intended to confer upon any individual (including employees, retirees, or dependents or beneficiaries of employees or retirees) of Contributor or any of its Affiliates or any person other than the Parties (including any Transferred Employee) any right as a third party beneficiary of this Agreement.

8. Conditions to Obligations to Close.

8.1 Conditions to Obligation of All Parties to Close. The respective obligations of each Party to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or written waiver by NewU, in its sole discretion, and Contributor, in its sole discretion, in each case, at or prior to the Closing Date of the following conditions. Each of the Parties shall use commercially reasonable efforts to prevent the occurrence of a Material Adverse Effect within its control.

(a) No Action by any Governmental Entity (other than one of the Purdue Parties) which seeks to prevent or enjoin the consummation of the transactions contemplated by the Transaction Documents shall have been commenced and be continuing.

(b) No Law or Educational Requirement shall have been enacted, entered, promulgated and remain in effect that prohibits or makes illegal or otherwise prohibits or prevents the consummation of the transactions contemplated by this Agreement.

(c) All Governmental Consents to the transactions contemplated by this Agreement that are set forth on Exhibit C (Closing Governmental Consents) shall have been obtained, in form and substance reasonably satisfactory to NewU and Contributor.

(d) An ED Preacquisition Review Notice shall have been received from ED with respect to ED Institution.

8.2 Conditions to the Purdue Parties' Obligation to Close. The Purdue Parties' obligations to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or written waiver by NewU on or prior to the Closing Date of all of the following conditions:

(a) The Contributor Fundamental Representations shall be true as of the Closing Date as if made on the Closing Date (other than Section 4.15, which shall be true in all material respects) except for immaterial matters relating to Sections 4.1 or 4.2 which do not, individually or in the aggregate, prevent Contributor from, or allow Contributor to avoid, entering into and performing its obligations strictly in accordance with the terms of this Agreement and the other Transaction Documents.

(b) No breach(es) of Contributor's representations and warranties in Article 4 (taking into account all permitted updates to the Schedules pursuant to Section 6.13 (Schedule Updates; Certain Notices)) shall exist as of the Closing Date, the effect of which, individually or in the aggregate, creates or gives rise to a Material Adverse Effect (except for any Material Adverse Effect arising under clause (b) of the definition of Material Adverse Effect with respect to which Contributor has agreed in writing to indemnify the Purdue Indemnitees on terms reasonably satisfactory to the Parties).

(c) There exists no Material Adverse Effect as of the Closing Date (except for any Material Adverse Effect arising under clause (b) of the definition of Material Adverse Effect with respect to which Contributor has agreed in writing to indemnify the Purdue Indemnitees on terms reasonably satisfactory to the Parties).

(d) The covenants and agreements of Contributor to be performed as of the Closing Date in accordance with this Agreement shall have been performed in all material respects.

(e) Contributor shall have executed and delivered to NewU each of the Transaction Documents to which it is a party, including the Transition and Operations Support Agreement.

(f) NewU shall have received each other delivery required to be made to NewU pursuant to Section 3.3 (Contributor Closing Deliveries).

8.3 Conditions to Contributor's Obligation to Close. The obligations of Contributor to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or written waiver of Contributor, in its sole discretion, on or prior to the Closing Date of all of the following conditions:

(a) The Purdue Fundamental Representations shall be true as of the Closing Date as if made on the Closing Date, except for immaterial matters relating to Sections 5.1 or 5.2 which do not, individually or in the aggregate, prevent any of the Purdue Parties from, or allow any of the Purdue Parties to avoid, entering into and performing its obligations strictly in accordance with the terms of this Agreement and the other Transaction Documents.

(b) No breach(es) of the representations and warranties of the Purdue Parties shall exist as of the Closing Date (taking into account all permitted updates to the Schedules pursuant to Section 6.13 (Schedule Updates; Certain Notices)), the effect of which, individually or in the aggregate, creates or gives rise to a Material Adverse Effect.

(c) There exists no Material Adverse Effect as of the Closing Date.

(d) The covenants and agreements of the Purdue Parties to be performed as of the Closing Date in accordance with this Agreement shall have been performed in all material respects.

(e) Each of the Purdue Parties shall have executed and delivered to Contributor each of the Transaction Documents to which it is a party, including the Transition and Operations Support Agreement.

(f) Contributor shall have received each other delivery required to be made to Contributor pursuant to Section 3.4 (Purdue Parties Closing Deliveries).

9. **Termination**.

9.1 Termination. This Agreement may be terminated at any time prior to the Closing:

(a) by the mutual written consent of Contributor and the Purdue Parties; or

(b) by either Contributor or the Purdue Parties, if:

(i) the Closing shall not have occurred on or before 11:59 p.m. Eastern Time on April 30, 2018; provided, however, that the right to terminate this Agreement pursuant to this Section shall not be available to any Party whose failure to perform or comply in any material respect with any covenant, obligation or other agreement contained in this Agreement has been the principal cause of the failure of the transactions contemplated by this Agreement to occur on or before such date;

(ii) any applicable Law or Educational Requirement permanently restrains, enjoins or prohibits or makes illegal the consummation of the transactions contemplated by this Agreement, and such Law or Educational Requirement becomes effective (and final and non-appealable); or

(iii) any final non-appealable refusal of any Governmental Entity or Educational Agency to grant or issue a Governmental Consent set forth on Exhibit C.

9.2 Notice of Termination. In the event of termination of this Agreement by either or both of Contributor and the Purdue Parties pursuant to Section 9.1 (Termination), written notice of such termination shall be given by the terminating Party to the other Parties. If this Agreement so terminates, it shall become null and void and have no further force or effect, except as provided in Section 9.3 (Effect of Termination).

9.3 Effect of Termination. Notwithstanding anything to the contrary in this Agreement, in the event of termination of this Agreement by either or both of Contributor and the Purdue Parties pursuant to Section 9.1 (Termination), this Agreement shall terminate and become void and have no effect, and there shall be no Liability on the part of any Party, except as set forth in this Section 9.3 or Article 10 (Indemnification); provided, however, no such termination shall relieve any Party hereto from Liability for such Party’s fraud or willful and intentional breach of this Agreement prior to termination of this Agreement; provided further, that this Section 9.3, Article 10 (Indemnification) and, for the avoidance of doubt, the Confidentiality Agreement shall survive any termination of this Agreement in accordance with their respective terms.

10. **Indemnification**.

10.1 Survival of Representations, Warranties, Covenants and Agreements.

The representations, warranties, covenants and other agreements of the Parties contained in this Agreement or in any certificates delivered at Closing pursuant to this Agreement and the Parties' other obligations will survive the Closing for the periods specified in this Section 10.1 (the "**Survival Date**"); provided, that the expiration of the Survival Date shall not limit or extinguish any claim for indemnification made in writing by any Person that may be entitled to indemnification under this Agreement (the

"**Indemnified Person**"), to the indemnifying Party or Parties hereunder (the "**Indemnifying Person**") on or prior to the applicable Survival Date:

(a) The Survival Date for claims under Section 10.2(a)(i) with respect to the representations and warranties set forth in Section 4.1 (Organization and Qualification), Section 4.2 (Authority Relative to this Agreement) and Section 4.15 (Brokers) (collectively, the "**Contributor Fundamental Representations**") and for claims under Section 10.3(a)(i) with respect to the representations and warranties set forth in Section 5.1 (Organization and Qualification), Section 5.2 (Authority Relative to this Agreement) and Section 5.5 (Brokers) (collectively, the "**Purdue Fundamental Representations**") shall survive the Closing until the date that is sixty (60) days after the running of the applicable statute of limitations (giving effect to any waiver, mitigation, tolling or extension thereof) for the matters described therein.

(b) The Survival Date for claims under Section 10.2(a)(ii) with respect to the representations and warranties set forth in Section 4.7(a) (Intellectual Property), Section 4.13 (Education Matters) and Section 4.14 (Sufficiency of Institutional Assets) (collectively, the "**Contributor Extended Representations**") shall survive the Closing until the three (3) year anniversary of the Closing Date.

(c) The Survival Date for claims under Section 10.2(a)(ii) with respect to the representations and warranties set forth in Article 4 (Representations and Warranties of Contributor) other than the Contributor Fundamental Representations and the Contributor Extended Representations and the Survival Date for claims under Section 10.3(a)(ii) with respect to the representations and warranties set forth in Article 5 (Representations and Warranties of the Purdue Parties) other than the Purdue Fundamental Representations shall survive the Closing until the eighteen (18) month anniversary of the Closing Date.

(d) Subject to any applicable statute of limitations (giving effect to any waiver, mitigation, tolling or extension thereof) and except as otherwise provided in this Agreement, the Survival Date for claims under Sections 10.2(a)(iii)-(v) and Sections 10.3(a)(iii)-(v) shall survive Closing indefinitely; provided, however, that (a) the Survival Date for claims under Section 10.2(a)(iii) and Section 10.3(a)(iii) with respect to any covenant or agreement in this Agreement or any Closing Instrument required to be fully-performed on or before the Closing Date shall survive the Closing until the twelve (12) month anniversary of the Closing Date.

(e) The obligations to indemnify under this Article 10 shall not terminate with respect to any specific matter as to which the Indemnified Person shall have, before the expiration of the applicable Survival Date, previously made a claim by delivering a written notice thereof (stating in reasonable detail the basis of such claim to the extent then known to the party giving notice) (a "**Claim Notice**") to the Indemnifying Person.

10.2 Indemnification by Contributor.

(a) Subject to the terms and conditions of this Article 10, Contributor shall indemnify, defend and hold harmless the Purdue Parties, each of their respective Affiliates, and their respective successors, assigns, officers, trustees, directors, employees and agents (collectively, the "**Purdue Indemnitees**") from and against any Loss suffered or incurred by any such Purdue Indemnitee, whether such Loss exists or accrues prior to, on or subsequent to the Closing Date, arising out of or in connection with any of the following:

(i) any breach of a Contributor Fundamental Representation;

(ii) any breach of any representation and warranty under Article 4 (Representations and Warranties of Contributor), other than the Contributor Fundamental Representations;

(iii) any breach of any covenant of Contributor contained in this Agreement or any Closing Instrument;

(iv) any claims with respect to any of the Retained Liabilities, including the failure to discharge any of the Retained Liabilities when due; and

(v) any claims with respect to the operation of ED Institution or the ownership, operation or use of the Institutional Assets prior to the Closing Date.

(b) Subject to Section 11.12 (Special Rule for Fraud) and notwithstanding any other provision of this Agreement to the contrary, Contributor shall not be liable for, nor be required to indemnify any Purdue Indemnitee against any Losses pursuant to Section 10.2(a)(ii):

(i) in respect of any particular Loss (including any series of related Losses), unless and until such Loss is (or series of related Losses are) equal to or in excess of $10,000 (each individual Loss or series of related Losses not equal to or exceeding such amount, a "**De Minimis Claim**"), and any Loss pursuant to Section 10.2(a)(ii) constituting a De Minimis Claim shall not be taken into account for purposes of the Basket described in Section 10.2(b)(ii); or

(ii) until the aggregate amount of the Purdue Indemnitees' Losses pursuant to Section 10.2(a)(ii) (excluding Losses constituting De Minimis Claims) exceed $250,000 in the aggregate (the "**Basket**"), after which Contributor shall, subject to any other limitations contained herein, be required to indemnify any Purdue Indemnitee against any Losses in excess of the Basket amount.

(c) Subject to Section 11.12 (Special Rule for Fraud) and notwithstanding any other provision of this Agreement to the contrary, Contributor shall not be liable for, nor be required to indemnify any Purdue Indemnitee against, any Losses pursuant to Sections 10.2(a)(i)-(ii) for an aggregate amount in excess of $10,000,000.

10.3 Indemnification by the Purdue Parties.

(a) Subject to the terms and conditions of this Article 10 and only to the extent set forth in Section 10.4(a), the Purdue Parties shall indemnify Contributor, each of Contributor's Affiliates, and their respective successors, assigns, officers, directors, members, employees and agents (the "**Contributor Indemnitees**") against, and hold them harmless from, any Loss suffered or incurred by any such Contributor Indemnitee, whether such Loss exists or accrues prior to, on or subsequent to the Closing Date, arising out of or in connection with any of the following:

(i) any breach of a Purdue Party Fundamental Representation;

(ii) any breach of any representation and warranty under Article 5 (Representations and Warranties of the Purdue Parties), other than the Purdue Fundamental Representations;

(iii) any breach of any covenant of any of the Purdue Parties contained in this Agreement or any Closing Instrument;

(iv) any claims with respect to any of the Assumed Liabilities, including the failure to discharge any of the Assumed Liabilities when due; and

(v) any claims with respect to the operation of ED Institution or the ownership, operation or use of the Institutional Assets on or after the Closing Date.

(b) Subject to Section 11.12 (Special Rule for Fraud) and notwithstanding any other provision of this Agreement to the contrary, the Purdue Parties in the aggregate shall not be liable for, nor be required to indemnify any Contributor Indemnitee against any Losses pursuant to Section 10.3(a)(ii):

(i) in respect of any De Minimis Claim, and any Loss pursuant to Section 10.3(a)(ii) constituting a De Minimis Claim shall not be taken into account for purposes of the Basket described in Section 10.3(b)(ii); or

(ii) until the aggregate amount of the Contributor Indemnitees' Losses pursuant to Section 10.3(a)(ii) (excluding Losses constituting De Minimis Claims) exceed the Basket, after which the Purdue Parties shall, subject to any other limitations contained herein, be required to indemnify any Contributor Indemnitee against any Losses in excess of the Basket amount.

(c) Subject to Section 11.12 (Special Rule for Fraud) and notwithstanding any other provision of this Agreement to the contrary, the Purdue Parties shall not be liable for, nor be required to indemnify any Contributor Indemnitee against, any Losses pursuant to Section 10.3(a)(i)-(ii) for an aggregate amount in excess of $10,000,000.

10.4 Limitations. Subject to the terms and conditions of this Article 10, following the Closing:

(a) Purdue shall have an indemnity obligation under this Article 10 only to the extent of (i) breaches of covenants by any of the Purdue Parties prior to the Closing; (ii) breaches of representations and warranties about it (and NewU if it owns NewU); and (iii) its failure (and the failure of NewU if it owns NewU) to execute and deliver any Transaction Document or execute, deliver and perform any Closing Instrument. Subject to the foregoing, the obligations of NewU and its parent under this Article 10 are joint and several except that once the Closing has occurred, only NewU shall have any indemnity obligation with respect to matters described in Sections 10.3(a)(iv) and (v). The foregoing shall not in any way limit the indemnity obligations of NewU under this Article 10.

(b) The amount of any Loss for which indemnification is provided under this Article 10 shall be net of any amounts actually recovered by the Indemnified Person under insurance policies in effect and applicable to such Loss.

(c) The indemnities herein are intended solely for the benefit of the Persons expressly identified in this Article 10 (and their permitted successors and assigns) and are in no way intended to, nor shall they, constitute an agreement for the benefit of, or be enforceable by, any other Person.

(d) In no case shall Losses include any incidental, consequential, indirect or special losses or damages (including lost profits, lost revenues, and loss of business), whether foreseeable or not, whether occasioned by any failure to perform or the breach of any representation, warranty, covenant, or other obligation under this Agreement for any cause whatsoever.

(e) Neither the Contributor Indemnitees nor the Purdue Indemnitees may recover Losses more than once for any specific facts, omissions or circumstances notwithstanding the fact that such facts, omissions or circumstances may constitute the breach of more than one representation or warranty.

(f) If Contributor pays any amount in connection with a Third-Party Claim pursuant to Section 10.2(a) (Indemnification by Contributor), including any costs or expenses in defending such Third-Party Claim, and either: (i) it is subsequently determined that Contributor has no indemnification obligation for such Third-Party Claim, or (ii) Contributor was not responsible for any such amount because of application of the Basket, or because such Third-Party Claim constitutes a De Minimis Claim, then the Purdue Parties shall, promptly following Contributor's written request therefore, reimburse Contributor: (y) in the case of Section 10.4(f)(i), for all such amounts paid by Contributor in connection with such Third-Party Claim, including any costs or expenses in defending such Third-Party Claim, or (z) in the case of Section 10.4(f)(ii), up to the amount of the Basket or such De Minimis Claim for any amounts paid by Contributor in connection with such Third-Party Claim, including costs or expenses, for which Contributor is not responsible because of the application of the Basket or because such Third-Party Claim is a De Minimis Claim.

10.5 Indemnification Procedures.

(a) In order for an Indemnified Person to be entitled to any indemnification provided for under this Agreement in respect of, arising out of or involving a claim made by any third party against the Indemnified Person (a "**Third-Party Claim**"), such Indemnified Person must provide the Indemnifying Person with a Claim Notice regarding the Third-Party Claim promptly and in any event within thirty (30) days after (i) receipt by such Indemnified Person of written notice of the Third-Party Claim, or (ii) such Indemnified Person becoming aware of any Loss for which such Indemnified Person may be indemnified under this Article 10, and describing in such notice the subject matter of such claim or demand; provided, however, that failure to give, or any delay in giving, such notification shall not release the Indemnifying Person from (or otherwise affect) any of its obligations under this Article 10 except to the extent the Indemnifying Person shall have been actually prejudiced as a result of such failure or delay, it being agreed, however, that all indemnification claims must be delivered prior to the expiration of the applicable Survival Date, if any. Such written notice shall set forth (i) the facts and circumstances giving rise to such claim for indemnification, including copies of all material written evidence thereof, (ii) the nature of the Losses suffered or incurred, (iii) a reference to the provisions of this Agreement in respect of which such Losses have been suffered or incurred and (iv) the amount of Losses actually suffered or incurred. Thereafter, the Indemnified Person shall deliver to the Indemnifying Person, promptly after the Indemnified Person's receipt thereof, copies of all notices and documents (including court papers) received by the Indemnified Person relating to the Third-Party Claim.

(b) If a Third-Party Claim is made against an Indemnified Person, the Indemnifying Person will be entitled to participate in the defense thereof and, if it so chooses, to assume the defense thereof with counsel selected by the Indemnifying Person reasonably acceptable to the Indemnified Person. If the Third-Party Claim includes allegations for which the Indemnifying Person both would and would not be obligated to indemnify the Indemnified Person, the Indemnifying Person and the Indemnified Person shall in that case jointly assume the defense thereof. Should the Indemnifying Person so elect to assume the defense of a Third-Party Claim, the Indemnifying Person will not be liable to the Indemnified Person for legal fees and expenses subsequently incurred by the Indemnified Person in connection with the defense thereof. If the Indemnifying Person assumes such defense, the Indemnified Person shall have the right to participate in the defense thereof and, at its own expense, to employ counsel reasonably acceptable to the Indemnifying Person, separate from the counsel employed by the Indemnifying Person, it being understood that the Indemnifying Person shall control such defense. The Indemnifying Person shall be liable for the fees and expenses of counsel employed by the Indemnified Person for any period during which the Indemnifying Person has not assumed the defense thereof. If the Indemnifying Person chooses to defend or prosecute any Third-Party Claim, all Parties shall cooperate in the defense or prosecution thereof. Such cooperation shall include the retention and (upon the Indemnifying Person's request) the provision to the Indemnifying Person of records and information which are reasonably relevant to such Third-Party Claim, and making members, officers, directors, employees and agents of the Indemnified Person available on a mutually convenient basis to provide information, testimony at depositions, hearings or trials, and such other assistance as may be reasonably requested by the Indemnifying Person.

(c) Notwithstanding the foregoing, in the event a Third-Party Claim is made against an Indemnified Person as to which such Indemnified Person is entitled to seek indemnification hereunder and: (i) such Indemnified Person reasonably concludes that the Indemnifying Person has failed to assume the defense of the Indemnified Person, or that the Indemnifying Person is not diligently defending such Indemnified Person, (ii) the Indemnified Person's insurance carrier requires that the Indemnified Person control defense of such Third-Party Claim; or (iii) if the Indemnified Person is a Contributor Indemnitee, and the Third-Party Claim adversely affects, or is reasonably likely to adversely affect, the Support Functions or Contributor's ability to perform under the Transition and Operations Support Agreement, then in such case the Indemnified Person may elect to retain the defense of such Third-Party Claim and will be entitled to be reimbursed by the Indemnifying Person for its Losses incurred in such defense (including reasonable attorneys' fees).

(d) Whether or not the Indemnifying Person shall have assumed the defense of a Third-Party Claim, the Indemnified Person shall not settle, compromise or discharge, such Third-Party Claim without the Indemnifying Person's prior written consent (which consent shall not be unreasonably withheld or delayed). The Indemnifying Person shall not admit any Liability with respect to, or settle, compromise or discharge any Third-Party Claim without the Indemnified Person's prior written consent (which consent shall not be unreasonably withheld or delayed); provided, however, that the Indemnified Person shall not withhold its consent to any settlement, compromise or discharge of a Third-Party Claim that: (i) the Indemnifying Person may recommend, (ii) by its terms obligates the Indemnifying Person to pay the full amount of the Liability in connection with such Third-Party Claim, (iii) releases the Indemnified Person completely in connection with such Third-Party Claim, and (iv) contains no sanction or restriction upon the future activities or business of the Indemnified Person or requires the Indemnified Person to take any action other than ministerial actions related to the dismissal of any proceedings related to the Third-Party Claim.

(e) Any claim by an Indemnified Party on account of Losses that does not result from a Third-Party Claim (a "**Direct Claim**") will be asserted by giving the Indemnifying Party written notice thereof promptly and in any event within thirty (30) days after such Indemnified Person becoming aware of any Loss for which such Indemnified Person may be indemnified under this Article 10; provided, however, that failure to give, or any delay in giving, such notification shall not release the Indemnifying Person from (or otherwise affect) any of its obligations under this Article 10 except to the extent the Indemnifying Person shall have been actually prejudiced as a result of such failure or delay, it being agreed, however, that all indemnification claims must be delivered prior to the expiration of the applicable Survival Date, if any. Such notice by the Indemnified Party will describe the Direct Claim in reasonable detail, will include copies of all available material written evidence thereof, and will indicate the estimated amount, if reasonably practicable, of Losses that has been or may be sustained by the Indemnified Party. The Indemnifying Party will have a period of thirty (30) days from which to respond in writing to such Direct Claim. If the Indemnifying Party does not respond within such thirty (30) day period, the Indemnifying Party will be deemed to have rejected such claim, in which event the Indemnified Party will be free to pursue such remedies as may be available to the Indemnified Party at the Indemnifying Party's expense pursuant to the terms and subject to the provisions of this Agreement.

(f) For the avoidance of doubt, to the extent that a Direct Claim or Third-Party Claim involves Losses that relate to both (i) Contributor's acts (or failures to act) prior to Closing and/or breaches by

Contributor of any of its representations and warranties in Article 4 (Representations and Warranties of Contributor); and (ii) the Purdue Parties acts (or failures to act) that occur on or after Closing, then, subject to the terms of this Article 10, (x) Contributor shall be responsible for Losses arising from its pre-Closing acts (or failures to act) and/or breaches by it of any of its representations and warranties in Article 4 (Representations and Warranties of Contributor); (y) the Purdue Parties shall be responsible for Losses arising from their post-Closing acts (or failures to act); and (z) each Party will indemnify the other for such Losses, as applicable, pursuant to Section 10.2(a)(v) and Section 10.3(a)(v), respectively.

10.6 Exclusive Remedy. Other than (i) pursuant to Section 11.12 (Special Rule for Fraud), and (ii) as provided in the last sentence of this Section 10.6, the indemnification provisions of this Article 10 shall be the sole and exclusive remedy of any Indemnified Person and their respective Affiliates with respect to claims under, or otherwise relating to the transactions that are the subject of, this Agreement, whether sounding in contract, tort, or otherwise, and whether asserted against any Contributor Indemnitee, Purdue Indemnitee or any other Person. Without limiting the generality of the foregoing, in no event shall any Party, its successors or permitted assigns be entitled to claim or seek rescission of the transactions contemplated by this Agreement. Each of the Parties, on behalf of itself and its equity owners, trustees, directors, managers, officers, employees, and Affiliates, agrees not to bring any actions or proceedings, at Law, equity or otherwise, against any other Party or its and its equity owners, directors, managers, officers, employees, and Affiliates, in respect of any breach or alleged breach of any representation, warranty, covenant or agreement in this Agreement, except pursuant to the express provisions of this Article 10. Notwithstanding the foregoing restrictions, each Party shall be entitled to bring an action for injunctive or other equitable relief to enforce the terms of this Agreement, including specific performance (the posting of bond being hereby waived), and no limitation or condition of Liability provided in this Article 10 shall apply to any claim arising from fraud or criminal misconduct by a Party.

11. Miscellaneous.

11.1 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument, and shall become effective when one or more counterparts have been signed by each of the Parties and delivered to each of the other Parties. Signatures to this Agreement transmitted by facsimile transmission, by electronic mail in ".pdf" form, or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing the original signature.

11.2 Governing Law; Jurisdiction and Forum; Waiver of Jury Trial. This Agreement shall be governed by and construed in accordance with the Laws of the State of Indiana applicable to contracts executed and to be performed wholly within such State and without reference to the choice-of-law principles that would result in the application of the Laws of a different jurisdiction.

(a) In any Action arising out of or in any way relating to the Transaction Documents or the administration thereof or any of the transactions contemplated thereby, each Party irrevocably submits to the exclusive jurisdiction of the federal courts of the Southern District of Indiana (and any federal courts of appeal with respect to such courts), or, in the event the federal courts of the Southern District of Indiana do not have jurisdiction, the state courts of Marion County, Indiana (and any Indiana courts of appeal with respect to such courts) (the "**Chosen Courts**"), and hereby irrevocably agrees that all claims in respect of such Action may be heard and determined in the Chosen Courts.

(b) Each Party hereby irrevocably waives, to the fullest extent that it may effectively do so, the defense of an inconvenient forum to the maintenance of such Action in the Chosen Courts. Delivery of any process required by any such Chosen Court in accordance with Section 11.5 (Notices) shall constitute valid and lawful service of process against a Party, without necessity for service by any other means provided by statute or rule of court. To the extent permitted by Law, that final and non-appealable judgment against any of them in any Action contemplated above shall be conclusive and may be enforced in any other jurisdiction within or outside the United States by suit on the judgment, a certified copy of which shall be conclusive evidence of the fact and amount of such judgment.

(c) Each Party waives trial by jury in any Action arising out of or in any way relating to the Transaction Documents or the administration thereof or any of the transactions contemplated thereby. No Party shall seek a jury trial in any such Action and no Party shall seek to consolidate any such Action in which a jury trial has been waived with any other Action in which a jury trial cannot be or has not been waived.

11.3 Entire Agreement; Third Party Beneficiaries. This Agreement and the other Transaction Documents: (i) constitute the entire agreement among the Parties with respect to the subject matter of this Agreement and such other Transaction Documents and supersede any prior discussion, correspondence, negotiation, proposed term sheet, agreement, understanding or arrangement and, except for the obligations in the Confidentiality Agreement, there are no agreements, understandings, representations or warranties among the Parties other than those set forth in this Agreement or in the other Transaction Documents, and (ii) except for Section 10.2 (Indemnification by Contributor), Section 10.3 (Indemnification by the Purdue Parties) and Section 11.10 (No Recourse) which are intended to benefit, and to be enforceable by, the Persons specified therein, neither this Agreement nor any Transaction Document are intended to confer in or on behalf of any Person not a Party to this Agreement or any other Transaction Document any rights, benefits, causes of action or remedies with respect to the subject matter or any provision hereof.

11.4 Expenses. Except as set forth in this Agreement, whether the transactions contemplated by this Agreement are consummated or not, all legal and other costs and expenses incurred in connection with this Agreement and the transactions contemplated by this Agreement shall be paid by the Party incurring such costs and expenses. If the Closing does not occur, the Parties will reimburse each other for the budgeted costs and expenses incurred for market analysis and development of NewU’s brand as necessary to ensure that such costs and expenses are born 50% by Contributor and 50% by the Purdue Parties.

11.5 Notices. All notices, requests, demands and other communications permitted or required to be given or delivered under or by reason of the provisions of this Agreement shall be in writing and shall be deemed conclusively to have been given: (i) when personally delivered, (ii) when sent by facsimile (with hard copy to follow in accordance with subclauses (i), (iv) or (v)) during a Business Day (or on the next Business Day if sent after the close of normal business hours or on any non-Business Day), (iii) when sent by electronic mail (with hard copy to follow in accordance with subclauses (i), (iv) or (v)) during a Business Day (or on the next Business Day if sent after the close of normal business hours or on any non-Business Day), (iv) one Business Day after being sent by reputable overnight express courier (charges prepaid), or (v) three Business Days following mailing by certified or registered mail, postage prepaid and return receipt requested. Unless another address is specified in writing, notices, requests, demands and communications to the Parties shall be sent to the following addresses:

(a) If to Purdue:

The Trustees of Purdue University
610 Purdue Mall, Room 247
West Lafayette, IN 47907
Attn: Steven R. Schultz
Fax: (765) 496-7465
Email: schult51@purdue.edu

with a copy to:

Stuart & Branigin LLP
300 Main Street, Suite 900
Lafayette, IN 647901
Attn: Thomas B. Parent
Fax: (765) 742-8175
Email: tbp@stuartlaw.com

(b) If to New University:

Purdue NewU, Inc.
9000 Keystone Crossing, Suite 800
Indianapolis, IN 46240
Attn: Steven R. Schultz
Fax: (765) 496-7465
Email: schult51@purdue.edu

with a copy to:

Stuart & Branigin LLP
300 Main Street, Suite 900
Lafayette, IN 647901
Attn: Thomas B. Parent
Fax: (765) 742-8175
Email: tbp@stuartlaw.com

(c) If to KHE or ICA:

Kaplan, Inc.
6301 Kaplan University Avenue
Fort Lauderdale, FL 33309
Attn: Janice Block
Fax: (888) 652-6308
Email: jblock@kaplan.edu

with a copy to:

Dentons US LLP
233 South Wacker Drive, Suite 5900
Chicago, IL 60606
Attn: Linda Chaplik Harris
Fax: (312) 876-7934
Email: linda.harris@dentons.com

11.6 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns; provided, however, that except in the case of Contributor, pursuant to a transfer of all of its business, no Party to this Agreement will assign its rights or delegate any or all of its obligations under this Agreement without the express prior written consent of each other Party to this Agreement.

11.7 Amendments and Waivers. This Agreement may not be modified or amended except by an instrument or instruments in writing signed by the Party against whom enforcement of any such modification or amendment is sought. Contributor may waive compliance or performance by Contributor, with any term or provision of this Agreement. Any such waiver shall only be made by an instrument or instruments in writing signed by the Party waiving such compliance or performance. The failure of any Party to assert any of its rights hereunder shall not constitute a waiver of such rights and the waiver by any Party of any one breach shall not be construed as a waiver of any other or subsequent breach.

11.8 Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any Party. Upon such a determination, the Parties shall negotiate in good faith to modify this Agreement so as to affect the original intent of the Parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

11.9 No Admission. Nothing herein shall be deemed an admission by Contributor or any of its respective Affiliates, in any action or proceeding by or on behalf of a third–party, which such third party is or is not in breach or violation of, or in default in, the performance or observance of any term or provisions of any contract.

11.10 No Recourse. All Actions or Liabilities (whether in contract or in tort, in Law or in equity, or granted by statute whether by or through attempted piercing of the corporate, limited partnership or limited liability company veil) that may be based upon, in respect of, arise under, out of or by reason of, be connected with, or relate in any manner to: (a) this Agreement, (b) the negotiation, execution or performance of this Agreement (including any representation or warranty made in, in connection with, or as an inducement to, this Agreement), (c) any breach of this Agreement and (d) any failure of the transactions contemplated by this Agreement to be consummated, may be made only against (and are those solely of) the Persons that are expressly identified as "Parties" to this Agreement and their respective successors and assigns. No other Person, including any director, officer, employee, incorporator, member, partner, manager, stockholder, option holder, Affiliate, agent, attorney or representative of, or any financial advisor or lender to, any Party, or any director, officer, employee, incorporator, member, partner, manager, stockholder, Affiliate, agent, attorney or representative of, or any financial advisor or lender to any of the foregoing shall have any Liabilities (whether in contract or in tort, in Law or in equity, or granted by statute whether by or through attempted piercing of the corporate, limited partnership or limited liability company veil) for any Actions or Liabilities arising under, out of, in connection with or related in any manner to the items in the immediately preceding clauses (a) through (d).

11.11 No Waiver. The failure to exercise or delay in exercising a right or remedy provided by this Agreement or by Law does not impair or constitute a waiver of the right or remedy or an impairment of or a waiver of other rights or remedies. No single or partial exercise of a right or remedy provided by this Agreement or by Law prevents further exercise of the right or remedy or the exercise of another right or remedy. The Parties' respective rights or remedies contained in this Agreement are cumulative and not exclusive of rights or remedies provided by Law.

11.12 Special Rule for Fraud. Notwithstanding anything herein to the contrary, in no event shall any limit or restriction on any rights or remedies set forth in this Agreement limit or restrict the rights or remedies of any Party for fraud by any other Party or any Affiliate or Representative of such other Party.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first above written.

KAPLAN HIGHER EDUCATION, LLC

by: /s/ Andrew S. Rosen

Name: Andrew S. Rosen

Title: Chairman

IOWA COLLEGE ACQUISITION, LLC

by: /s/ Andrew S. Rosen

Name: Andrew S. Rosen

Title: Chairman and Chief Executive Officer

THE TRUSTEES OF PURDUE UNIVERSITY

by: /s/ William E. Sullivan

Name: William E. Sullivan

Title: Treasurer and Chief Financial Officer

PURDUE NEWU, INC.

by: /s/ Mitchell E. Daniels, Jr.

Name: Mitchell E. Daniels, Jr.

Title: President

[Signature Page to Contribution and Transfer Agreement]

EXHIBIT A

DEFINITIONS

"**Academic Confidential Information**" has the meaning in Section 6.2(a).

"**Academic Functions**" means the functions, responsibilities and duties performed in the ordinary course of business in support of the academic operations of ED Institution, consisting of: (a) maintenance of the office of President/Provost and of an academic operations management team, (b) establishing standards for student admission and oversight of the admissions process, (c) establishing academic standards and measures of student performance for program offerings, as well as requirements for awarding degrees, (d) creation and maintenance of curriculum course materials for program offerings, (e) management of student records though an office of the registrar, (f) management of instructors and professors, (g) offering of various student support services, including career services, maintenance of a library, and services for disabled students, and (h) procurement and maintenance of all required educational approvals and provision of reporting and analysis as needed to meet regulatory and accreditation requirements, and, for the avoidance of doubt, shall not include any support function, responsibility or duty to be performed by Contributor or any of its Affiliates under or in connection with the Transition and Operations Support Agreement or any other Transaction Document (collectively, the "**Support Functions**").

"**Accrediting Body**" means any Person, whether private or quasi-private, whether foreign or domestic, which engages in the granting or withholding of accreditation of post-secondary institutions or their educational programs in accordance with standards and requirements relating to the performance, operations, financial condition and/or academic standards of such institutions.

"**Action**" means any action, claim (including any cross–claim or counterclaim), lawsuit, complaint, charge, arbitration, litigation, proceeding or hearing by or before a court, Governmental Entity or arbitral tribunal, whether at law or in equity.

"**Affiliate**" means, (a) with respect to any Person, any other Person that directly, or through one or more intermediaries, controls, is controlled by or is under common control with such Person; and (b) in the case of the Purdue Parties, any such Party or other Person that directly, or through one or more intermediaries, is a support organization for, or exists for the benefit of, such Purdue Party. For purposes hereof, "control" shall mean, as to any Person, the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by Contract or otherwise (and the terms "controlled by" and "under common control with" shall have correlative meanings).

"**Agreement**" has the meaning in the Prologue.

"**Assumed Liabilities**" has the meaning in Section 2.4.

"**Basket**" has the meaning in Section 10.2(b)(ii).

"**Benefit Plan**" means an "employee benefit plan" (as such term is defined in Section 3(3) of ERISA), any all other profit-sharing, bonus, commission, long-term incentive, stock option, employee stock purchase, employee stock ownership, other equity compensation, retention, employment, change of control, pension, redundancy, retirement, supplemental retirement, severance, termination indemnity, payment or benefit based on length of service, deferred compensation, excess benefit, supplemental unemployment, post-retirement welfare, welfare, other incentive, sabbatical, sick leave, long-term disability, medical, hospitalization, life insurance, other insurance, loan, or employee benefit plan, policy or agreement (including any employment agreement), whether formal or informal, oral or written.

"**Books and Records**" means originals (or true, correct and complete copies) of all business, accounting, Tax and financial records, files, lists, ledgers, correspondence, studies, reports databases and other documents (whether in hard copy, electronic or other form), including: (a) all analysis reports, advertising, promotional and marketing materials and creative material and (b) all records and lists relating to customers, vendors or personnel (including customer lists or databases, vendor lists or databases, mailing lists or databases, e-mail address lists or databases, recipient lists or databases, sales records, credit information, correspondence with customers, customer files and account histories, supply lists and records of purchases from and correspondence with vendors), but shall exclude the Student Records.

"**Business Day**" means any day other than a Saturday, a Sunday or a day on which commercial banks in New York, New York are authorized or obligated by Law or executive order to remain closed.

"**Cash**" means, as of the date of determination, without duplication, all cash and cash equivalents.

"**Chosen Courts**" has the meaning in Section 11.2(a).

"**Claim Notice**" has the meaning in Section 10.1(e).

"**Closing**" has the meaning in Section 2.1.

"**Closing Date**" has the meaning in Section 3.2.

"**Closing Instruments**" means (i) each delivery required to be made to NewU pursuant to Section 3.3 (Contributor Closing Deliveries), and (ii) each delivery required to be made to Contributor pursuant to Section 3.4 (Purdue Parties Closing Deliveries), in each case other than the Transition and Operations Support Agreement, the License Agreement - Academic Content, and the Transition Services Agreement.

"**Code**" means the Internal Revenue Code of 1986, as amended for time to time.

"**Compliance Date**" has the meaning in Section 4.13(a).

"**Compliance Review**" has the meaning in Section 6.3(c).

"**Confidentiality Agreement**" has the meaning in Section 6.2(d).

"**Consent**" means a consent, authorization, Order or approval of, or filing or registration with, or notification to any Person not a party to this Agreement, including any Governmental Entity.

"**Contract**" means any written agreement, contract, subcontract, indenture, deed of trust, note, bond, mortgage, lease, sublease, concession, franchise, license, sublicense, commitment, guarantee, sale or purchase order, undertaking or other instrument, arrangement or understanding of any kind, but excluding any Educational Approval.

"**Contributor**" has the meaning in the Prologue.

"**Contributor 401(k) Plan**" has the meaning in Section 7.3(a).

"**Contributor Benefit Plan**" means each Benefit Plan sponsored, maintained or contributed to by Contributor or its Affiliates on behalf of any current or former employee of Contributor or its Affiliates or any spouses, dependents, survivors or beneficiaries of any such persons, or under which Contributor or its Affiliates has any present or future Liability on behalf of any such individual.

"**Contributor Extended Representations**" has the meaning in Section 10.1(b).

"**Contributor Fundamental Representations**" has the meaning set forth in Section 10.1(a).

"**Contributor Indemnitees**" has the meaning in Section 10.3(a).

"**Curriculum**" means the following items, in any form or media: (a) course objectives, (b) lesson plans, (c) exams, (d) class materials (including interactive or computer-aided materials and videos), (e) faculty notes, (f) course handouts, (g) diagrams, (h) syllabi, (i) course and faculty evaluation materials, and (j) policy and procedure manuals.

"**De Minimis Claim**" has the meaning in Section 10.2(b)(i).

"**Direct Claim**" has the meaning in Section 10.5(e).

"**Disclosure Schedule**" means the disclosure schedule of Contributor dated as of the Effective Date and attached to this Agreement, taking into account all permitted updates pursuant to Section 6.13 (Schedule Updates; Certain Notices).

"**ED**" means the United States Department of Education.

"**ED Institution**" means the group of post-secondary educational institutions that as of the Effective Date comprise Kaplan University, which has been designated by ED as an eligible institution and assigned an OPE ID number by ED and which consists of a main campus and each of its additional locations, branch campuses, and other facilities at which the institution provides all or part of an educational program.

"**ED Preacquisition Review Notice**" means written notice from ED following ED's review of a preacquisition review application for the change in ownership of ED Institution regarding the transactions contemplated herein.

"**Educational Agency**" means any Person, whether governmental, government chartered, private, or quasi-private, that engages in granting or withholding approvals for, or otherwise regulates, post-secondary educational institutions, their agents or employees in accordance with standards relating to performance, operation, financial condition or academic standards of such institutions, and the provision of financial assistance to such institutions or students attending such institutions, including ED, any Accrediting Body, the U.S. Department of Veterans' Affairs, and state educational agencies.

"**Educational Approval**" means any license, permit, approval, authorization, certificate or accreditation issued or required to be issued by an Educational Agency to a Person with respect to any aspect of such Person's operations subject to the oversight of such Educational Agency or the participation of such Person in Student Financial Assistance Programs.

"**Educational Consents**" means all Consents required in order to consummate the transactions contemplated by this Agreement and the ongoing operation of ED Institution following the Closing pursuant to all applicable Educational Requirements.

"**Educational Requirements**" means all applicable Laws and Accrediting Body standards relating to or administered by any Educational Agency or relating to any Student Financial Assistance Program, grants or loans, including all statutory and regulatory provisions related to the Title IV Programs.

"**Effective Date**" has the meaning in the Prologue.

“**ERISA**” means the Employee Retirement Income Security Act of 1974, as amended from time to time, and its regulations.

“**ERISA Affiliate**” means any corporation or trade or business that is or was, at a relevant time, together with Contributor, treated as a single employer under Section 414(b), (c), (m) or (o) of the Code.

“**Excluded Assets**” has the meaning in Section 2.3.

“**Excluded Kaplan Content**” means Kaplan Professional Education or Test Prep academic content.

"**GAAP**" means generally accepted accounting principles as in effect in the United States of America at the time the applicable financial statements were prepared, consistently applied.

"**Governmental Consent**" has the meaning in Section 6.3(a).

"**Governmental Entity**" means any court, administrative agency, commission or other governmental authority, body or instrumentality, supranational, national, federal, state, provincial, local, municipal, domestic or foreign government or governmental or regulatory authority or any self-regulatory authority or arbitral or similar forum of any nature, including any agency, branch, bureau, commission, department, entity, official or political subdivision, whether domestic or foreign, but excluding any Educational Agency.

"**HEA**" means the Higher Education Act of 1965, as amended, and the rules and regulations thereunder.

"**ICA**" has the meaning in the Prologue.

"**Indemnified Person**" has the meaning in Section 10.1.

"**indemnify**" and similar terms shall include all obligations to indemnify, defend and hold harmless.

"**Indemnifying Person(s)**" has the meaning in Section 10.1.

"**Institutional Assets**" has the meaning in Section 2.1.

"**Institutional Employees**" has the meaning in Section 2.2.

"**Intellectual Property**" means all Trademarks, copyrights, works of authorship, designs, emblems and logos, trade secrets, franchises, franchise rights, customer and supplier lists, and related identifying information, quality control, safety information, research records, other intangibles, and similar data, business and product names, slogans, taglines, rights of publicity, improvements, processes, procedures, specifications, technology, methodologies, computer software, firmware, development tools, flow charts, annotations, all Web addresses, sites and domain names, social media names, app names, all data bases and data collections and all rights therein, graphics, business or marketing plans or projections, market surveys, any other confidential, intellectual and proprietary right or information, in each case whether or not subject to statutory registration, as each of the foregoing rights may arise anywhere in the world, and all related technical information, and all unregistered rights, pending applications and registrations related to any of the foregoing in the United States and in all foreign countries and under all international systems, conventions and treaties, and all goodwill associated with any of the foregoing, and the right to sue and recover for past infringement, if any, in connection with any of the foregoing, and all documents, disks, records, files, and other media on which any of the foregoing is stored, and other proprietary rights, in the case of each of the foregoing which is proprietary to, or owned, used or held for use by or on behalf of the Contributor.

"**IRS**" means the Internal Revenue Service.

"**Kaplan Platform**" means (a) the IT infrastructure and the platform, technology or any transmission or storage methodology, including software and equipment, on which Institutional Assets are stored, housed, offered, delivered or otherwise made available, whether by any wireline or wireless networks now known or later developed (or any combination thereof) in any form, analog, digital, or other, now known or later developed (including limited downloads, permanent downloads, streams, streaming audio and/or video, digital downloads, direct broadcast satellite, point-to-multipoint satellite, multipoint distribution service, point-to-point distribution service, cable system, telephone system, and any other forms of transmission made on-demand or near on-demand (or otherwise interactive)); (b) the other IT infrastructure and technology used in connection with the delivery of the Support Functions; (c) any and all information, designs, materials, algorithms, business processes, practices, know-how and other

Intellectual Property related to the Kaplan Platform; and (d) any improvements and changes made to any of the foregoing.

"**Kaplan University**" has the meaning in Recital A.

"**KHE**" has the meaning in the Prologue.

"**knowledge**" means, (a) with respect to Contributor, the actual knowledge of either or both of Greg Marino and Jerry Dervin, and (b) with respect to NewU, the actual knowledge of either or both of William Sullivan and Steve Schultz and, with respect to each of (a) through (b), such knowledge as the named individuals would reasonably be expected to have if he had made due and reasonable inquiry of his immediate subordinates.

"**Law**" means any federal, national, supranational, state, provincial, local, municipal, administrative or foreign law (including common law), constitution, treaty, statute, ordinance (including zoning), rule, regulation, judgment, resolution, executive order, code, Order, arbitration award, agency requirement of, or any license or permit issued by, any Governmental Entity, but excluding any Educational Requirement. Reference to any Law shall be construed as a reference to such Law as re-enacted, redesignated, amended or extended from time to time.

"**Leased Real Property**" has the meaning in Section 2.1(g).

"**Liabilities**" and "**Liability**" means any and all debts, liabilities, claims, demands, expenses, commitments of any nature, Losses and obligations, whether primary or secondary, direct or indirect, accrued or fixed, absolute or contingent, known or unknown, express or implied, matured or unmatured, liquidated or unliquidated, or determined or determinable, including those arising under any Law or Action and those arising under any Contract.

"**License Agreement - Academic Content**" means the license agreement, substantially in the form of Exhibit F.

"**Liens**" means all liens (statutory or otherwise), mortgages, pledges, charges, licenses, security interests, purchase agreements, options, rights-of-way, easements, restrictions on transfer, title defects or other encumbrances.

"**Losses**" means all losses, costs, charges, expenses, fees (including reasonable fees of attorneys, consultants and advisors), obligations, Liabilities, settlement payments, awards, judgments, Taxes, fines, penalties, damages, demands, claims, assessments or deficiencies of any kind.

"**Material Adverse Effect**" means (a) any event, development, circumstance, state of facts or effect that individually or in the aggregate will, or would reasonably be expected to: (i) prevent NewU from operating ED Institution substantially as Contributor operated Kaplan University immediately prior to the Closing in all material respects; or (ii) cause a material adverse change to the financial condition or operations of Kaplan University; and (b) any event, development, circumstance, state of facts or effect disclosed in one or more Schedule updates pursuant to Section 6.13 (Schedule Updates; Certain Notices) that individually or in the aggregate constitutes a materially adverse increase to the financial obligations and Liabilities being assumed at Closing by NewU. Notwithstanding the foregoing or anything to the contrary in this Agreement, none of the following shall constitute, or shall be taken into account in determining whether there has been or will be, a Material Adverse Effect: (1) changes in the economic conditions generally in the United States or any other jurisdiction in which Contributor operates; (2) changes in the financial condition or operations of Kaplan University resulting from events, developments, circumstances, facts or effects that apply to similarly situated businesses operating in the same industry and jurisdiction as Kaplan University, except to the extent such changes would cause a material adverse change of the type described in clause (b) above; (3) changes after the Effective Date in global or national political conditions, including the outbreak or escalation of hostilities or war, acts of terrorism, political instability or other national or international calamity, crisis or emergency, or any governmental response to the foregoing; (4) changes in Law or accounting principles; (5) acts of God (including earthquakes, storms, fires, floods and natural catastrophes); or (6) the termination and subsequent rehiring of personnel and employees contemplated by the Parties' compliance with this Agreement.

"**Mixed Use Contracts**" has the meaning in Section 4.8(b).

"**NB Lease**" has the meaning in Section 3.3(f).

"**NewU**" has the meaning in the Prologue.

"**NewU 401(k) Plan**" has the meaning in Section 7.3(a).

"**NewU Welfare Plan**" has the meaning in Section 7.2.

"**Order**" means any order, judgment, writ, injunction, stipulation, award or decree of any Governmental Entity.

"**Organizational Documents**" means: (a) the articles or certificate of incorporation and the bylaws of a corporation; (b) the partnership agreement and any statement of partnership of a general partnership; (c) the operating agreement and the articles of organization of a limited liability company; (d) any charter or similar document adopted or filed in connection with the creation, formation, or organization of a Person; and (e) any amendment to any of the foregoing.

"**Party(ies)**" has the meaning in the Prologue.

"**Permitted Liens**" means the following Liens: (a) Liens for Taxes, assessments or other governmental charges or levies that are not yet due or payable and for which an applicable reserve has been made in accordance with GAAP and is expressly reflected on audited financial statements; (b) Liens of carriers, warehousemen, mechanics, materialmen, workmen, repairmen and similar Liens arising or incurred in the ordinary course of business securing amounts that are not yet due and payable (or which are being disputed in the ordinary course of business) and for which an applicable reserve has been made and is expressly reflected on the audited financial statements; and (c) in respect of the Leased Real Property, the terms and conditions of the applicable lease (and for the avoidance of doubt, any Liens affecting the interests of any other party(ies) to such leases).

"**Person**" means any individual, partnership (general or limited), corporation, limited liability company, joint venture, association, or other form of business organization (whether or not regarded as a legal entity under applicable Law), trust or other entity or organization, including a Governmental Entity and an Accrediting Body.

"**Purdue**" has the meaning in the Prologue.

"**Purdue Disclosure Schedule**" means the disclosure schedule of the Purdue Parties dated as of the Effective Date and attached to this Agreement, taking into account all permitted updates pursuant to Section 6.13 (Schedule Updates; Certain Notices).

"**Purdue Fundamental Representations**" has the meaning in Section 10.1(a).

“**Purdue Indemnitees**” has the meaning in Section 10.2(a).

“**Purdue Parties**” has the meaning in the Prologue.

“**Related Party**” means, with respect to any Person, (a) any Affiliate of such Person; (b) any other Person that serves as a director, officer, partner, executor, or trustee of such Person or an Affiliate of such

Person (or in any other similar capacity); (c) any other Person with respect to which such Person or an Affiliate of such Person serves as a general partner or trustee (or in any other similar capacity); (d) any other Person that has direct or indirect record or beneficial ownership of at least five percent (5%) of the outstanding voting securities or other voting interests (a "**Material Interest**") in such Person; and (e) any other Person in which such Person or an Affiliate of such Person holds a Material Interest.

"**Representatives**" means, with respect to any Person, the directors, officers, managers, employees, consultants, counsel, accountants, agents, advisors, equity holders and other representatives of such Person.

"**Retained Liabilities**" has the meaning in Section 2.5.

"**Security Deposits**" has the meaning in Section 2.1(e).

"**Student Enrollment Agreements**" means the enrollment agreements, as of the Effective Date and the Closing Date, between Kaplan University and students enrolled in Kaplan University.

"**Student Financial Assistance Program**" means any form of student financial assistance, grants or loans administered by any Governmental Entity including the Title IV Programs, state grant or loan programs, and veterans' education benefits administered by the U.S. Department of Veterans' Affairs.

"**Student Records**" means originals (or, to the extent originals are not required by applicable Law to be retained, true, correct and complete copies) of all education records relating to students enrolled in Kaplan University at any time prior to the Closing Date (including financial, class and transcript information for such students as well as correspondence with such students).

"**Support Functions**" has the meaning in the definition of "**Academic Functions**."

"**Survival Date**" has the meaning in Section 10.1.

"**Tax**" means any and all taxes and all other charges, fees, duties, contributions, levies, assessments or Liabilities in the nature of a tax, whether disputed or not, imposed by any Governmental Entity, and any interest, fines, penalties, assessments or additions to tax imposed with respect to such items or any contest or dispute thereof.

"**Tax Return**" means any return, declaration, report, claim for refund or information return or statement filed or required to be filed with any taxing authority relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

"**Third-Party Claim**" has the meaning in Section 10.5(a).

"**Title IV Programs**" means the programs of federal student financial assistance administered pursuant to Title IV of the HEA.

"**Trademarks**" means trademarks, service marks, service mark rights, trade names, brand names, trade name rights, trade dress, trade dress, applications for trademarks and service marks, together with all goodwill associated with each of the foregoing.

"**Transaction Documents**" means this Agreement, the Transition and Operations Support Agreement, the License Agreement - Academic Content, the Transition Services Agreement, the NB Lease and any Closing Instruments.

"**Transfer Taxes**" has the meaning in Section 6.12(c).

"**Transferred Contracts**" has the meaning in Section 2.1(d).

"**Transferred Curriculum**" has the meaning in Section 2.1(g).

"**Transferred Employees**" means the Institutional Employees who accept employment with, and become employed by, NewU as of the Closing.

"**Transferred Intellectual Property**" has the meaning in Section 2.1(i).

"**Transferred Leases**" has the meaning in Section 2.1(e).

"**Transferred Personal Property**" has the meaning in Section 2.1(h).

"**Transition and Operations Support Agreement**" has the meaning in Recital D.

"**Transition Services Agreement**" shall mean the Transition Services Agreement to be entered into at the Closing by, and which shall be in form and substance reasonably satisfactory to, NewU and Contributor.

"**Treasury Regulations**" means the United States Treasury Regulations promulgated under the Code, and any reference to any particular Treasury Regulation section shall be interpreted to include any final or temporary revision of or successor to that section regardless of how numbered or classified.

"**Unaudited Financial Statements**" has the meaning in Section 4.4(a).

"**Welfare Benefit Claims**" has the meaning in Section 7.5.

"**Workers Compensation Event**" has the meaning in Section 7.6.

EXHIBIT B TO CONTRIBUTION AND TRANSFER AGREEMENT

Form of Transition and Operations Support Agreement

TRANSITION AND OPERATIONS SUPPORT AGREEMENT

Relating to the Transfer of Kaplan University

Dated as of ____________ __, 2017

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TRANSITION AND OPERATIONS SUPPORT AGREEMENT

This Transition and Operations Support Agreement (together with the Exhibits hereto, this "**Agreement**"), dated _____________ __, 2017 (the "**Effective Date**"), is made by and among Kaplan Higher Education, LLC, a Delaware limited liability company ("**KHE**"), Iowa College Acquisition, LLC, a Delaware limited liability company ("**ICA**") (KHE and ICA, collectively, "**Contributor**"), and Purdue NewU, Inc., an Indiana nonprofit, public benefit corporation ("**New University**"). The Trustees of Purdue University, an Indiana body corporate that manages and conducts Purdue University, the State of Indiana's land-grant university ("**Purdue**"), joins as a Party to this Agreement solely for the purpose of being bound by the Purdue Provisions. The term "**Party**" refers to Contributor, New University, or Purdue, and the term "**Parties**" refers collectively to Contributor, New University and Purdue; provided that, each of "**Party**" and "**Parties**" applies to Purdue only to the extent applicable pursuant to the Purdue Provisions. Capitalized terms not otherwise defined in this Agreement have the meanings set forth in Exhibit A (Definitions).

RECITALS:

A. Prior to the Effective Date, Contributor owned and operated an accredited, Title IV-participating, post-secondary educational institution ("**ED Institution**") known as "**Kaplan University**" or **"KU"**, which consisted of seven schools and colleges offering more than 100 diplomas, certificates, associates, bachelors, masters and doctoral degrees, as well as fifteen campus and learning center locations and three military base locations.

B. Prior to the Effective Date, Purdue had contemplated ways in which it could expand its academic services and offerings for the benefit of the State of Indiana and its citizens.

C. Based on their mutual interests and goals, Contributor and Purdue proposed an agreement between Contributor and New University to enable New University to acquire the ED Institution and the institutional assets and operations of Kaplan University. The intent of Contributor and Purdue in proposing this acquisition was to enable New University to deliver a broad range of educational offerings in support of the efforts of Purdue, as the State of Indiana's land-grant university, to: (i) expand access to higher education for adult learner and other non-traditional students, (ii) enhance and accelerate online and hybrid online/ground higher education offerings aimed at workforce and economic development goals within and for the State of Indiana, and (iii) extend those same offerings to a national and international student audience, thereby expanding access to education while also building Purdue's higher education brand nationally and internationally and providing a source of incremental revenue for the advancement of Purdue's missions of learning, discovery and engagement.

D. Toward these ends, New University intends to utilize the ED Institution and assets acquired from Contributor, together with other assets owned by Contributor or its Affiliates, including, among others, test preparation, professional education and international student recruitment businesses, to advance and deliver its educational offerings.

E. To enable the establishment of New University, Contributor, Purdue and New University entered into a Contribution and Transfer Agreement, dated April 27, 2017 (the "**Transfer Agreement**"), pursuant to which, among other things, Contributor agreed to contribute to New University the ED academic operations of Kaplan University (as defined in the Transfer Agreement, the "**Institutional Assets**"). That transfer is being consummated concurrently with the execution of this Agreement.

F. The Transfer Agreement specifies that the consideration for Contributor's irrevocable transfer of the Institutional Assets is the execution and delivery of this Agreement by the Parties hereto at the time of consummating such transfer, and performance of this Agreement in accordance with its terms. The terms of this Agreement, and the Transfer Agreement, provide financial guarantees and priorities to New University that create significant economic risk to Contributor. Contributor's willingness to irrevocably transfer its Institutional Assets without any upfront consideration or payment was based upon the following, each of which Contributor has relied upon in consummating such transfer: (i) the Parties' belief that Contributor's support of New University pursuant to this Agreement would create the best opportunity for New University to succeed and fulfill the goals described in Recital C above, thereby benefitting not only the Parties, but also Contributor's students and academic faculty and (ii) New University's agreement to perform pursuant to the terms of this Agreement, including the economic benefits allocated to Contributor (which benefits reflect the assumptions made by, and the expectations of, the Parties in entering into this Agreement). Following extensive due diligence of Contributor and its Institutional Assets, Purdue and New University have determined that these economic terms represent a fair market value for the Support Functions New University will receive hereunder, the Institutional Assets being contributed to New University and the financial guarantees provided herein.

G. In order to perform the terms and obligations of this Agreement, and to ensure that the Parties' respective rights and obligations under this Agreement are aligned with the economic assumptions made by them, and their expectations, in entering into the Transfer Agreement and this Agreement, the Parties wish to set forth, among other things, the manner in which the Support Functions will be provided, including advice and consultation by Contributor to support the following: (i) the strategies and objectives of New University and the performance of activities designed to implement them, (ii) the financial terms of this Agreement, including allocation of expenses of both New University and Contributor, and compensation to Contributor for its operational support and other efforts, and (iii) all other rights and obligations of Contributor and New University in respect of the functions to be performed by each as detailed in this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Defined Terms; Interpretation.

1.1 Terminology.

If this Agreement does not define a particular term, it will have its generally understood meaning (e.g., in the information technology or education industries) based on the context in which it is used.

1.2 Interpretation.

(a) Generally. Unless the context requires otherwise:

(i) all references herein to Articles, Sections or Exhibits are to Articles, Sections or Exhibits to this Agreement;

(ii) the headings in this Agreement are for convenience of reference only and will not control or affect the meaning or construction of any provisions of this Agreement;

(iii) each term defined in this Agreement has the meaning assigned to it;

(iv) each accounting term not otherwise defined in this Agreement has the meaning commonly applied to it in accordance with GAAP;

(v) words in the singular include the plural and vice versa;

(vi) all references to “$” or “dollar” amounts will be to lawful currency of the United States;

(vii) unless the context implies otherwise to the extent the term "day" or "days" is used, it will mean calendar day(s);

(viii) all references to "year" means a calendar year; all references to "quarter" means a calendar quarter; and all references to "month", unless the expressly indicated otherwise, means a calendar month;

(ix) references to the masculine, feminine or neuter gender include each other gender;

(x) the words "herein," "hereby," "hereof," "hereunder," and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other subdivision;

(xi) the terms "including" and "includes" mean "including" or "includes without limitation;"

(xii) reference to, and the definition of, any document shall be deemed a reference to such document as it may be amended, supplemented, revised, or modified, in writing, from time-to-time;

(xiii) the Recitals and Exhibits are deemed a part of this Agreement and are incorporated by reference herein;

(xiv) whenever payments are to be made or an action is to be taken on a day which is not a Business Day, such payment shall be made or such action shall be taken on or no later than the next succeeding Business Day; and

(xv) the term "New University" shall include any subsidiaries formed by it consistent with the terms of this Agreement and the ED Institution. If any subsidiaries are so formed, "Revenue" and all other accounting terms with respect to New University shall mean "on a consolidated basis" unless otherwise expressly provided.

(b) Presumption. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the Party drafting or causing any instrument to be drafted.

(c) Exhibits. If an Exhibit is a form of agreement, such agreement, when executed and delivered by the Parties, shall (without affecting the rights or obligations of any Party hereunder in respect of such agreement) constitute a document independent of this Agreement.

(d) Precedence. If there is a conflict between or among this Agreement (other than the Exhibits), any of the Exhibits, any Amendment to this Agreement and any other document incorporated by reference into this Agreement (if any), then such conflict will be resolved by giving precedence to such different parts of this Agreement in the following order: (i) first, any Amendment executed by the Parties; (ii) then, this Agreement (other than the Exhibits); (iii) then, the Exhibits; and (iv) then, any other documents incorporated by reference (if any).

(e) Changes. The Parties anticipate that the specific services, duties, functions and responsibilities included as Academic Functions or Support Functions will evolve and change over time depending on the needs of New University and its students, and they agree that all such amendments shall be in writing and made pursuant to Section 20.5 (Amendment; Waiver). New University and Contributor shall periodically evaluate changes to this Agreement (including following any Transfer pursuant to Section 13.2 (Sale of Revenue Generating Assets)), including the definitions of those terms which are needed or desirable in order to improve the academic quality, student outcomes, efficiency and performance of New University. The Parties shall conduct such ongoing evaluation of this Agreement through the work of the Advisory Committee, subject to the Evaluation Process and to Section 1(e) (Changes in Costs) of Exhibit F, if and as applicable, all as described below.

2. Control of New University; Responsibilities of the Parties.

2.1 New University Board of Trustees.

The operation and control of New University shall at all times be subject to the oversight and exclusive control of the New University Board of Trustees, the members of which shall be appointed by Purdue. The New University Board of Trustees shall have ultimate approval (including veto power) and decision-making authority with respect to all functions of New University, all pursuant to New University's organizational authority.

2.2 New University Obligations.

Without limiting the powers of the New University Board of Trustees to oversee the institution's academic policies and practices and ensure it meets its legal and fiduciary responsibilities, New University shall have sole responsibility for, and oversight and control over, its operations, including development and delivery of its Academic Programs and performance of Academic Functions in alignment with academic and financial policies approved by the New University Board of Trustees from time-to-time. The term "Academic Functions" means the functions, responsibilities and duties performed in the ordinary course of business in support of the academic operations of New University, including:

(a) Student Admissions. Establishment of standards for: (i) the selection and admission of students to New University and (ii) oversight of student admission process and enrollment services. Oversight and ultimate authority with respect to review of application material and admissions determinations.

(b) Academic Standards. Establishment for each Academic Program of: (i) applicable standards, prerequisites, requirements, and measures of student performance; (ii) standards for the evaluation of the performance of students enrolled in each Academic Program; and (iii) processes for the evaluation of each such student's performance.

(c) Curriculum. Creation and maintenance of course materials for approximately 1,000 online and blended courses (including competency-based material), and systems and processes to manage learning outcomes at the course and program level, including general education literacies and professional competencies. Management, design, development and quality control of all curriculum resources. Adoption and determination of the quality of each Academic Program and the curricula and course materials therefor, including approval of the courses to be offered, the nature and level of the credit ascribed thereto and establishing the modalities by which to deliver the courses.

(d) Student Records. Student records management through an office of the registrar, including setting appropriate standards for processing and maintaining all academic and administrative records of students who are enrolled, have graduated or are seeking enrollment in Academic Programs; prior learning assessment and transcript evaluation; degree planning and audit; and competency reporting.

(e) Academic Reporting and Analysis Management reporting to meet regulatory and accreditation requirements, to support academic quality control, and to understand and help improve student success, persistence and completion. Assessment management, internal and external surveying of students, faculty and alumni, and the research pipeline (the systemic use of learning engineering to conduct 20 to 50 controlled trials annually exploring all aspects of learning and student support).

(f) Faculty and Faculty Support. Final hiring and management of full-time and part-time faculty. Creating, maintaining and implementing standards for the appointment, supervision and evaluation of faculty and other instructional staff for the Academic Programs ("**HR Evaluation Standards**"), and the supervision and management of such faculty, staff and personnel. Operating the Center for Teaching and Learning, which provides a comprehensive array of opportunities to enhance expertise in teaching adult learning and innovation, including a required orientation, live events, professional development workshops and an annual conference.

(g) Student Support Services. Management of all general administrative and operational services related to the Academic Programs, including the following:

(i) *Library*. Maintaining extensive online collection, including the ability to open and search the full text of thousands of subscribe journals and magazines relevant to degree programs as well as numerous e-book titles, newspapers, reports and other publications, completely integrated into the curriculum and accessible from each classroom and including a web-scale search engine allowing users to search library materials through a single point. Management of professional library staff to answer reference and research questions by e-mail, instant message and telephone.

(ii) *Academic Success Centers*. Oversight of personalized academic support for increased student success and engagement in business, math, science, technology and writing as well as recorded webinars, video tutorials, interactive quizzes, and downloadable resources as well as synchronous workshops and seminars each month.

(iii) *Educational Advising*. Following a student's first academic year, provision of educational student services, student advisement and retention services and student completion, satisfaction and monitoring services.

(iv) *Center for Disability Services*. Maintaining a comprehensive array of services to support disabled students including a Student Assistance Program for all students experiencing such life challenges.

(v) *Student and Alumni Clubs and Organizations*. Overseeing and supporting honor societies, clubs, and professional groups.

(h) Degree Granting. Establishment of procedures and requirements for the awarding of academic degrees and other credentials to students enrolled in the Academic Programs, and awarding, in accordance with such procedures, all academic degrees and other credentials to such students who have qualified to receive them.

(i) Career Services. Operation and oversight of career support services, programs and activities, including identification of employment opportunities, the CareerNetwork (a comprehensive resource providing 24/7 support for job seekers and answers to career-related questions, a real-time customized job feed based on program of study and geographic area, resume-building tools, and social media profile review), employer spotlights, and individualized support for interviewing confidently.

(j) Educational Approvals. Procurement and maintenance of all necessary Educational Approvals for the Academic Programs and the locations at which such programs are offered, including state agency approvals, regional accreditation, and programmatic accreditation. To the extent applicable, coordinating accreditation with the Higher Learning Commission through 2025-2026 on an open pathway and programmatic accreditation and affiliation from organizations such as ACBSP, MAERB, CODA, CCNE, GAC/PMI, IFSAC, NASAC, SHRM, and NAADAC; provided however, New University may elect, as part of the Support Functions performed by Contributor under this Agreement, to seek assistance from Contributor for such procurement and maintenance of these Educational Approvals.

(k) Office of the Chancellor. Establish and maintain an Office of Chancellor of New University, which includes the Chief Academic Officer, VP of Finance, and an academic operations management team.

(l) Compliance. Subject to Section 6.2(a) (Compliance with Law), maintaining processes and procedures designed to ensure compliance with Laws applicable to New University's businesses, including the Academic Programs, including Department of Education and state agency regulations and accreditation and programmatic accreditation requirements.

2.3 New University Operating Policies.

New University shall perform its Academic Functions in accordance with applicable Laws and Educational Approvals. The New University Board of Trustees has also adopted the Key Academic and Operating Policy Guide, attached as Exhibit B, under which New University operates (the "**NU Policy Guide**"). New University promptly shall provide the Advisory Committee with copies of each amendment to the NU Policy Guide.

2.4 Contributor's Support Functions.

During the Term, Contributor will perform, on behalf of New University, and subject to the ultimate control of New University and its Board of Trustees, the following support functions (collectively referred to as the "Support Functions"), which functions are critical to the performance of the Academic Functions by New University and will be subject to oversight by the New University Board of Trustees.

(a) Editorial Services, Marketing and Advertising. Contributor will perform Support Functions relating to the marketing of Academic Programs to the general public and the identification, application and enrollment of qualified students, as such Support Functions are further described on Exhibit C.

(b) Front-End Student Advising. During the student's first academic year, Contributor will provide educational student services, student advisement and retention services and student completion, satisfaction and monitoring services, such as answering questions, resolving issues, providing advice and monitoring and supporting the progression of students towards degree completion and graduation.

(c) Admissions Support Services. All student admissions decisions and policies shall be made by New University, with Contributor providing admissions Support Functions, described in more detail on Exhibit C, in each case, pursuant to New University's codes of conduct and other policies (delivered to Contributor in writing).

(d) Financial Aid and Student Finance. The Financial Aid team provides services and administration related to the qualification of New University students for, and distribution to New University students of, federal financial aid under the Title IV Program, including maintenance of New University's eligibility to participate in the Title IV Program. Contributor also shall provide services and administration related to student and New University qualification and access to any other federal aid programs run through the Department of Defense, Department of Veterans Affairs, or any other federal department or agency, state run financial aid or loan programs, third party financial aid or loan programs, or scholarship programs provided by New University. Specific areas of responsibility are set forth on Exhibit C.

(e) International Student Recruitment. Contributor has a team of marketing, admissions and operations personnel dedicated to the recruitment of and provision of support services to international students, and will continue to provide such services to New University. Contributor will provide, at New University's election and on terms the Parties agree from time-to-time, additional international student recruitment efforts by leveraging the international student recruiting network and capabilities of its Affiliated companies to endeavor to attract additional international students to New University in the U.S. and abroad.

(f) Test Preparation. Contributor provides test preparation services to students in certain programs that lead to standardized licensure or admission tests, using proprietary materials and approaches developed within Contributor and its Affiliated companies. Contributor will continue to provide such services for New University. Contributor (or its Affiliate(s)) will provide, at New University's election and on terms the Parties agree to from time to time, additional test preparation for college and professional services to students and graduates of New University

(g) Business Office. Contributor will perform Support Functions related to Business Office functions consisting of: (i) billing of tuition and fees to the student ledgers; (ii) calculation and application of drop and refund amounts to be applied to student ledgers; (iii) stipend and credit balance processing and payments; (iv) processing of write offs; (v) application of scholarship and discounts; and (vi) daily cash application of receipts to student ledgers.

(h) Technology Support. Contributor will provide the Contributor Platform to host New University's online course offerings, and provide access to the Contributor Platform(s) that support the student experience and Academic Functions of New University, including learning management, content management, student management, and financial aid processing. The Contributor Platforms are proprietary or may be hosted by a third party. In addition, support related to the Contributor Platforms, including IT "help desk", will be provided, comprised of the technology, hardware and support functions relating to the hardware infrastructure, computer systems, software systems, telecommunications systems, internet and other technology necessary for the operation of the academic institution of New University.

(i) Human Resources. Contributor will provide to New University certain Support Functions related to human resources functions. Contributor's human resources department provides human resource management by developing policies, programs and services that are designed to contribute to the attainment of New University institutional and employee goals. Specifically for New University, the Human Resources department will work toward the goals of engagement by faculty, staff and administration in their work. Specific areas of responsibility are set forth on Exhibit C.

(j) Facilities and Property Management. Contributor will deliver certain property management and Support Functions related to facilities where New University operates.

(k) Finance and Accounting. Contributor will deliver certain Support Functions related to finance and accounting functions, comprised of month end closing of accounts, assistance in the preparation of New University Budgets, and financial reporting, to support New University in maintaining accurate and compliant financial reporting and internal mechanisms to assist in maintaining the financial health of the institution.

(i) *Account Management:* Contributor will assist New University in managing the NU Account, including calculations and processing of any set off, credit, and payments to or from New University or Contributor under this Agreement, and preparation of Reconciliation Statements.

(ii) *No Practice of Accountancy*: In no event shall the Support Functions include, or the Agreement be construed as requiring that Contributor: (1) perform any services reserved to a licensed or certified public accountant pursuant to the Law of any applicable jurisdiction ("**Accountancy**"), or (ii) provide, or be deemed or construed to have provided, any Attestation or Opinion in connection with the Support Functions or with respect to any financial statements or disclosures made by New University or any of its Affiliates. "**Opinion**" means a statement or other form of language on a financial statement or report that purports to be expressed in accordance with any AICPA standards, as to the fairness of presentation of certain information that is used for guidance in financial transactions, for accounting, for assessing the status of the performance of an enterprise, or as to the reliability of any financial statements or information.

(l) General Administrative Functions. Contributor will provide to New University Support Functions related to general administrative functions comprised of:

(i) *Communications*: Contributor will work with New University's communications team to, as reasonably requested, provide professional communications services for consistent New University messaging internally and externally.

(ii) *Default Management*: Contributor will provide debt management services on behalf of New University to current and former New University students to assist in the management of debt load.

(iii) *Training*: Contributor will provide centralized training services to New University employees as requested and defined by New University.

(iv) *Advanced Analytics*: Contributor will provide certain data analytics support to New University.

(v) *Operations Support and Project Management*: Contributor will provide project management support to New University as reasonably requested.

(vi) *Compliance*. Upon request, provide compliance audit services, and will provide assistance to New University in connection with New University's procurement and maintenance of Educational Approvals, or procure on behalf of New University such Educational Approvals. Subject to Section 6.2(a) (Compliance with Law), maintain processes and procedures designed to ensure compliance with Law applicable to Contributor's obligations under the Agreement, including the Support Functions.

The obligations of Contributor under Section 2.4(e) and Section 2.4(f) shall continue only so long as Contributor or any of its Affiliates own such businesses.

2.5 Support Function Standards.

Subject to Section 2.7 (Excused Performance; Force Majeure), Contributor will deliver the Support Functions, in accordance with the Service Levels. "Service Levels" means the service levels and standards for the performance of the Support Functions in the categories set forth in Sections 2.5(a) through (j), which levels and services are agreed upon by New University and Contributor in writing annually in connection with the development of, and conditioned upon the adoption of, a mutually approved Annual New University Budget. New University and Contributor agree that such Service Levels (including the budgeted line items reflecting Support Costs to deliver such Service Levels) shall substantially represent, and be consistent in all material respects with, the manner in which Contributor and its Affiliates have performed Support Functions for Kaplan University prior to the Effective Date. If Contributor and New University do not agree on the line items costs in the Annual New University Budget that relate to Support Costs to deliver Service Levels, New University and Contributor shall revise the Service Levels to conform with the line item costs so approved. To the extent Contributor's collective ongoing failure to meet Service Levels directly causes a material adverse effect on the operations and results of New University taken as a whole ("Critical Service Level Failure"), then such Critical Service Level Failure, and no other Service

Level failure or failures, may be a material breach under this Agreement under Section 14.5(c) (Termination for Contributor Material Breach).

(a) Editorial Support Functions, Marketing and Advertising.

(i) Requests for editorial services or for legal, regulatory and compliance services shall be completed in a number of Business Days as agreed by the Parties from time-to-time. Such completion times will take into consideration the nature of the item for review and the volume of items in the queue.

(ii) Content development projects shall be completed in the number of Business Days agreed by the Parties from time-to-time for a standard request; depending on the project scope and complexity. The Parties also shall agree on shorter completion time frames for priority requests. Both are subject to adjustment based on the nature of the projects/initiatives under development and the volume of projects/initiatives in the content development queue.

(iii) Creative and production projects shall be completed in the number of Business Days as agreed by the Parties from time-to-time. Such completion times will take into consideration the nature of the item for review and the volume of items in the queue.

(iv) Maintain agreed-upon quality standards for any outside vendors, including advertising and marketing agencies, lead aggregators, communication specialists, etc.

(v) Diligently monitor the activities of outside vendors via third party compliance intelligence firms, mystery shopping aggregator call centers, leveraging fraud detection technologies and big data analytics so as to adhere to all applicable New University practices and policies delivered to Contributor in writing.

(b) Admissions Support Functions (Core Admissions).

(i) Students enrolled at New University must be enrolled based on the specific enrollment requirements as set forth in the NU Policy Guide and in compliance with applicable Law, including Educational Law.

(ii) Students enrolled at New University must complete a New University enrollment agreement and all other documentation as required by the NU Policy Guide.

(iii) Students must complete an informational interview and attest to certain technological competencies.

(iv) Seek improvement in the Net Promoter Score (“**NPS**”).

(c) Admissions Support Functions (Military Affairs).

(i) All military-affiliated students enrolled at New University must be enrolled based on the specific enrollment requirements as set forth in the NU Policy Guide and in compliance with applicable Law, including Educational Law.

(ii) Students enrolled at New University must complete a New University enrollment agreement and all other documentation as required by the NU Policy Guide.

(iii) Students also must complete an informational interview and attest to certain technological competencies.

(iv) Seek improvement in the NPS.

(d) Financial Aid/Student Finance.

(i) Credit balance processing within ED guidelines.

(ii) Agreed-upon Contact Center metrics on call and email turnaround times.

(iii) Adherence to established turnaround times for packaging students once the ISIR imports into the New University systems.

(iv) Satisfactory internal audit compliance score.

(v) Seek improvement in the NPS.

(e) Business Office.

(i) Calculations relating to the student ledgers (including tuition billing; drop and refund calculations; stipends; scholarships and discounts) must be performed in a timely and accurate manner in accordance with generally accepted guidelines.

(ii) Internal activities such as cash applications; and credit balance processing shall be performed in a timely and accurate manner in keeping with internal practices.

(iii) Satisfactory internal audit compliance score.

(iv) Processes must be in accordance with applicable Law, including Educational Law.

(f) Technology Support.

(i) Timely delivery of technology services that meet the specifications agreed by the Parties.

(ii) Regular and periodic meetings to review status of outstanding projects.

(iii) Support Functions delivered within agreed-upon budgetary requirements.

(iv) Maintaining relationships with technology vendors and holding same accountable for agreed-upon technology services.

(v) Maintaining up-time system availability for both outward and inward facing technology consistent with industry standards.

(g) Human Resources.

(i) Employee engagement (measured annually by institution-wide survey).

(ii) Staff retention.

(iii) Time to fill open positions.

(iv) Utilization of employee LMS.

(v) Successful outcome of employment litigation and charges.

(h) Facilities and Property Management.

(i) Periodic and routine maintenance of the facilities and other maintenance services as are commonly provided, or as generally accepted, in the operations of similar facilities and property under similar circumstances.

(ii) Facilities with be maintained commensurate with standards of safety, performance, dependability, efficiency, and economy, and in accordance with generally accepted standards of professional care under similar circumstances.

(iii) Provide services related to the expansion, contraction and re-configuration of existing and future sites.

(i) Finance and Accounting.

(i) Timely and accurate payroll processing and support to employees and adjunct faculty. Timely accounts payable processing and payments.

(ii) Month-end close of accounts and records within agreed-upon timeframe.

(iii) Generation of monthly and periodic financial statements.

(iv) Analytical review of monthly results.

(v) Oversee internal audit compliance function and prepare monthly reporting to New University executive team.

(vi) Develop/generate weekly and monthly financial forecasts.

(vii) Provide financial analysis support to New University.

(viii) Support New University in the development of the New University Budget and long-term financial planning.

(j) General Administrative Support Functions.

(i) All general administrative Support Functions will be provided in accordance with applicable Law.

(ii) Internal and external communication Support Functions will be provided in a manner consistent with the style and messaging as agreed by the Parties.

(iii) Other administrative Support Functions will be delivered in an agreed-to timeframe and within the guidelines as determined by the Parties, including assistance in procuring and maintaining Educational Approvals, if requested by New University pursuant to Section 2.2(j) above.

2.6 Root Cause Analysis

(i) If Contributor does not provide the Support Functions in accordance with the applicable Service Levels, Contributor shall, after using commercially reasonable efforts to restore the Support Function or otherwise resolve any immediate problem, and unless New University agrees in writing to waive the Contributor obligations set forth in this Section: (a) promptly investigate and report on the causes of the problem; (b) provide a Root Cause Analysis of such failure within the number of days designated in the applicable Service Level; (c) use commercially reasonable efforts to implement remedial action and begin meeting the Service Level as soon as practicable, but in any event within the target resolution times designated in the applicable Service Level if Root Cause Analysis has indicated the problem is the fault, or otherwise under the control, of Contributor; (d) advise New University of the status of remedial efforts being undertaken with respect to such problem; and (e) demonstrate that Contributor has a solution or work-around that corrects the causes of such problem and that allows Contributor to provide the Support Functions in accordance with the applicable Service Levels. Nothing in this Section 2.6 shall limit New University's rights under this Agreement based upon a Critical Service Level Failure. "**Root Cause Analysis**" means the formal process to be used by Contributor to diagnose problems at the lowest reasonable level so that corrective action can be taken that will eliminate repeat failures.

2.7 Excused Performance; Force Majeure

(a) Excused Performance. The Parties agree that a Party (such Party, the "**non-performing Party**") shall not have liability for any failure to perform, or for the late performance of, any such non-performing Party's obligation to the extent: (i) such non-performing Party's non-performance is caused, directly or indirectly, by the failure of the other Party, or any of their respective Affiliates or third party providers, to perform its obligations under this Agreement; (ii) such non-performing Party's obligations require possession of or Access to personnel or data, information or other materials possessed, prepared or generated or otherwise accessible by, the other Party (or its Affiliates or third party providers), or otherwise, and such other Party has failed to provide or grant Access to the same or to cause the same to be timely provided or Access to be given to the non-performing Party in accordance this Agreement or otherwise upon the non-performing Party's reasonable written or oral requests; or (iii) the other Party interferes with the non-performing Party's performance of its obligations under this Agreement.

(b) Force Majeure. Neither Party shall be liable, or in breach of this Agreement, for any delay or failure to perform under this Agreement, including, in the case of Contributor, any interruption of the provision of Support Functions, to the extent such interruption, delay or failure results from causes beyond that Party's reasonable control (other than financial inability in and of itself), including as a result of strikes, lock-outs or other labor difficulties; riot, insurrection, acts of terrorism or other hostilities; embargo, fuel or energy shortage; fire, flood, acts of God, wrecks or transportation delays; or the inability to obtain necessary labor, materials or utilities from usual sources. In such event, the Party suffering the force majeure event shall promptly notify the other Party in writing and use commercially reasonable efforts to resume performance. The obligations of the Party subject to the force majeure event shall be postponed for such time as its performance is suspended or delayed on account thereof. Upon the cessation of the force majeure event, each Party will use commercially reasonable efforts to resume its performance with the least possible delay.

2.8 Reports.

Each Party will produce ("**Reporting Party**") and provide to the other Party such reports as are agreed by the Parties, or that are required by applicable Law, in the form and timeframe, and using the delivery method, agreed by the Parties, including the Financial Reports (collectively, the "**Reports**"). Disputes regarding the matters addressed in the Financial Reports will be addressed pursuant to Section 10.2(d) (Examination Notice; Disputes) and Section 10.2(e) (Resolution), and disputes regarding the matters addressed in the Reports other financial Reports (if any) will be addressed pursuant to Section 16.1 (Management Escalation).

2.9 Access.

Each Party shall provide the other Party with reasonable and necessary Access, as necessary for such other Party to perform its obligations under the Agreement. In furtherance of the foregoing, and subject to Contributor's compliance with the terms of this Agreement, New University shall provide Contributor with immediate and ongoing Access to the Campuses and to New University's systems as necessary to facilitate the performance of the Support Functions.

3. Coordination of Functions.

3.1 Advisory Activities - Cooperation.

The Parties agree to cooperate and perform all functions contemplated in this Agreement in good faith and in accordance with the terms and conditions set forth in this Agreement. Without limiting the foregoing, the Parties agree that the economic terms of this Agreement and Contributor’s willingness to enter into this Agreement are based upon the assumption that New University will operate in a manner consistent with its NU Policy Guide, which policies are designed to ensure institutional success.

3.2 Relationship Managers; Advisory Committee.

(a) Relationship Managers. New University will appoint an individual who will serve as the day-to-day primary New University representative under this Agreement (the "**NewU Relationship Manager"**). The NewU Relationship Manager will: (i) have overall responsibility for managing and coordinating the performance of New University's obligations under this Agreement, and (ii) be authorized to act for and on behalf of New University with respect to all matters relating to this Agreement. Contributor will appoint an individual who will serve as the primary Contributor representative under this Agreement (the "**Contributor Relationship Manager**"). The Contributor Relationship Manager will: (i) have overall responsibility for managing and coordinating the performance of Contributor's obligations under this Agreement, and (ii) be authorized to act for and on behalf of Contributor to address day-to-day issues related to the Support Functions. The NewU Relationship Manager and Contributor Relationship Manager will meet regularly to discuss the operations of New University and the performance of Contributor's Support Functions.

(b) Advisory Committee Make-Up and Meetings. The New University Board of Trustees shall form a committee consisting of two (2) representatives of New University designated by Purdue and two (2) representatives designated by Contributor ("**Advisory Committee**"), who will meet from time-to-time (but no less than quarterly). A representative of each Party must be present for a meeting to be held. Each Party's representatives to the Advisory Committee need not be employees of such Party, and can be any person who, in such Party's sole discretion, is best suited to serve as its representative on the Advisory Committee. Either Party may call a special meeting of the Advisory Committee upon delivery of prior written notice to the other Party no less than five (5) Business Days prior to the date of such special meeting. Meetings may be held in person, or by teleconference, videoconference or similar communication technologies. Each Party may change one or more of its designated representatives on the Advisory Committee from time-to-time, effective upon notice to the other Party of such change. Each Party shall bear its own expenses related to the attendance of Advisory Committee meetings.

(c) Advisory Committee Activities. Subject to the ultimate authority of the New University Board of Trustees over the operation and control of New University and its policies and procedures, and without limiting the powers of New University Board of Trustees, the Advisory Committee shall meet to coordinate on developing strategies, objectives, and make recommendations to the New University executive leadership and Board of Trustees on topics or issues including:

(i) development of the New University Budget, including amounts budgeted for Academic Functions and Support Functions thereunder;

(ii) development of and modifications to the Marketing Plan;

(iii) development of Service Levels;

(iv) timing of implementation of Academic Functions and Support Functions, and Marketing Plan performance tracking;

(v) increase or decrease in the tuition or fees, or changes in grants or relationship discounts, for any of the Academic Programs; provided that the Parties shall develop an expedited review process for proposed discounts in connection with strategic business opportunities and will seek to develop pre-approved frameworks under which Contributor can offer discounts to secure strategic business relationships for New University;

(vi) the increase of any Cost in, or the implementation or roll out of, any Academic Programs, or the reduction or elimination of any Academic Program;

(vii) material changes to the NU Policy Guide, including policies relating to New University admissions standards, student advancement or academic term structure; and

(viii) any defense, settlement or prosecution of any legal action against or in the name of or on behalf of New University that could: (1) result in financial liability to either Party or (2) reasonably be expected to adversely affect: (A) the Support Functions, (B) the respective rights or expectations of the Parties under this Agreement, or (C) in any material respect, the tax liabilities or tax and financial reporting position of either Party.

(d) Advisory Committee Recommendations. Prior to submitting to the New University Board of Trustees for approval a Marketing Plan or New University Budget, or any other recommendation, strategy or objective, the members of the Advisory Committee shall seek consensus among all members and will work in good faith to resolve any matter with respect to which all members of the Advisory Committee have not agreed.

(e) Material Departures from NU Policy Guide. Actions taken by New University which are outside the parameters of the NU Policy Guide (whether by amendment to the NU Policy Guide or otherwise) could change the assumptions on which the Parties based the economic terms in this Agreement and cause Contributor material financial harm. Accordingly, if New University, or the New University Board of Trustees, uses its authority to: (i) materially change the NU Policy Guide; or (ii) take an action that is, or allow an omission that results in being, outside of the parameters the NU Policy Guide as described in Part B of Exhibit D (NU Policy Guide Departures), in each case, in a manner not previously agreed by Contributor, and Contributor believes that there is, or is likely to be, a Significant Adverse Impact, then the Parties shall follow the evaluation process set forth in set forth in Part C of Exhibit D (the "**Evaluation Process**") to determine whether such action or omission has had, or is likely to have, a Significant Adverse Impact and, if so, whether and to what extent Contributor is to be compensated for such Significant Adverse Impact. "**Significant Adverse Impact**" means the effect of an act or omission that Contributor believes in good faith has, or is likely to have, the effect of decreasing either or both of then-current and/or future Revenues by $5 Million or more.

4. New University Budgets.

4.1 New University Budget and Line Items.

(a) Initial Budget. As of the Effective Date, and through the end of Fiscal Year 2018, the Parties shall perform their respective functions pursuant to the initial budget ("**Initial Budget**"), which shall be developed by the Advisory Committee and subject to approval by the New University Board of Trustees. Set forth in Exhibit E is a preliminary initial budget based upon information, principles and assumptions of New University as of the date of execution of the Transfer Agreement. New University, with input from Contributor, shall develop and finalize the Initial Budget no later than ten (10) days after the Effective Date using Exhibit E as the basis of such Initial Budget, but containing such changes and updates as are appropriate to project the operations of New University as of the Effective Date and for the remainder of the Fiscal Year.

(b) Annual New University Budget. During the Term, the Advisory Committee will prepare by May 15th of each Fiscal Year, a budget for the next Fiscal Year for New University, and present such budget to the New University Board of Trustees for approval (each, an "**Annual New University Budget**"; the Initial Budget and the Annual New University Budgets are sometimes referred to individually as a "**New University Budget**" and collectively as the "**New University Budgets**"). On at least a quarterly basis, New University shall consider the need to, and as appropriate, revise forecasted Revenues based upon historical performance and applicable trends and/or upon recommendation of the Advisory Committee.

(c) Budget Approval. The Advisory Committee shall work in good faith to recommend an annual New University Budget to the New University Board of Trustees at least six weeks prior to end of each Fiscal Year. Until the Advisory Committee recommends, and the New University Board of Trustees approves, the Annual New University Budget for a new Fiscal Year, New University shall operate pursuant to the New University Budget for the Fiscal Year just-ended. New University shall provide to the members of the Advisory Committee the Annual New University Budget within three days after the New University Board of Trustees' approval of the Annual New University Budget. If the approved New University Budget differs in any material way from the New University Budget recommended by the Advisory Committee, the New University Board of Trustees shall explain in writing within three-days from the date of approval the reasons for the difference(s) and why its determination deviated from the Advisory Committee recommendation.

4.2 Line Items.

Each New University Budget recommended by the Advisory Committee and/or approved by the Board of Trustees shall include at least the following line items:

(a) projected Revenue, on a line item basis;

(b) projected student enrollment numbers for the Academic Programs and any other additional data reasonably necessary for budgetary planning purposes;

(c) costs related to completion and implementation of the Marketing Plan, and creation of marketing materials and other New University brand promotion;

(d) costs incurred by New University in performing its obligations hereunder in the line item categories set forth on Exhibit E-1 (New University Academic Cost Line Items);

(e) costs incurred by Contributor in connection performing its obligations hereunder in the line item categories set forth on Exhibit E-2 (Contributor Support Cost Line Items);

(f) lease payments and license payments;

(g) capital expenditure amounts;

(h) maintenance and purchase requirements for technology;

(i) costs for fees of attorneys, accountants, consultants and advisors engaged by the Advisory Committee or either Party in connection with the functions performed under this Agreement; and

(j) other items reasonably requested by either Party, and agreed upon by the Parties;

provided that, in no event shall costs include Losses arising from or related to a Party's failure to comply with applicable Law, including Educational Law, or Educational Approvals.

5. Marketing Plan.

The Parties shall develop and finalize an initial Marketing Plan no later than ten (10) days after the Effective Date. Thereafter, the Parties shall consult with each other on an annual basis or more frequently as the Parties may agree, to develop a Marketing Plan for upcoming periods, or to modify the then existing Marketing Plan. The Parties shall use commercially reasonable efforts to conduct the activities set forth in the Marketing Plan, and shall operate within the constraints of the marketing budget set forth in the applicable New University Budget. Any use of a Party's trademarks or logos contemplated by a Marketing Plan shall be done in accordance with the provisions of Article 8 of this Agreement and such Party's brand usage guidelines.

6. Compliance with Laws and Policies.

6.1 FERPA; GLB.

New University acknowledges that, in order to perform certain of the Support Functions requested under this Agreement, it will be necessary and desirable for Contributor to have Access to personally identifiable information of students and prospective students of New University, and of New University employees, that is subject to the provisions of the Family Educational Privacy & Rights Act ("**FERPA**"), 20 U.S.C. § 1232g, the Gramm Leach Bliley Act, 15 U.S.C. § 6801 et seq. (the "**GLB**") and/or any other applicable Laws. New University and Contributor agree to maintain and use all such information in material compliance with the requirements of all such Laws, including taking required steps to comply with the requirements of 34 C.F.R. 99.31(a)(1) with respect to information protected by FERPA that may be disclosed to a party to whom an institution has outsourced institutional services or functions.

6.2 Compliance with Law; Changes in Law.

(a) Compliance with Law. Each Party will be responsible for compliance with: (i) Law applicable to such Party and its business and operations; and (ii) with respect to Contributor, Law applicable to the performance and delivery of the Support Functions and, with respect to New University, Law applicable to performance and operation of the university. Each Party also will comply with the specific requirements of any Law, which is primarily applicable to the other Party ("**Primary Party**"), to the extent: (1) compliance by such Party in connection with the performance of its obligations under this Agreement is necessary for the Primary Party to remain in compliance with such Law and (2) the Primary Party specifically identifies such specific requirements in writing to such other Party, including through this Agreement.

(b) Changes in Law. The Parties will work together to identify the effect of changes in Law on New University and Support Functions performed under this Agreement, and the respective operations and businesses of each Party, and each Party will give notice to the other Parties of any such change in Law. With respect to any change in Law that affects any of the Academic Functions or Support Functions performed under this Agreement, the Advisory Committee will discuss, and recommend to New University for consideration, modifications to the Academic Functions or Support Functions necessary to comply with such change in Law, and modifications to the New University Budget to allocate costs associated with actions necessary to comply with such changes in Law. Subject to the consent of the New University Board of Trustees, the applicable Party will implement in a timely manner any modifications necessary to comply with such change in Law.

Neither Contributor nor its Affiliates (nor third party service providers) shall be required to provide any Support Functions to the extent that providing such Support Functions would require Contributor or its Affiliates (or the third party service providers) to violate any Law; provided, however, that promptly upon learning of such circumstance, Contributor shall deliver to New University written notice of such potential violation, and Contributor and the Parties shall reasonably cooperate to mitigate the impact of Contributor being unable to provide such Support Functions, including the development and implementation of a reasonable work-around.

6.3 Policies.

New University will access and use the Contributor Platform and any Contributor Confidential Information in compliance with the Contributor policies and procedures delivered to New University in writing (as modified from time-to-time, the "**Contributor Policies**"); provided that, subject to Section 6.2(b) (Changes in Law) and changes in data security or privacy measures responsive to market conditions, Contributor shall not modify the Contributor Policies in a way that prevents, in any material respect, New University's use of or access to the Contributor Platform in connection with the Academic Functions for which the Contributor Platform is used.

7. Confidentiality.

7.1 Definition.

"**Confidential Information**" shall mean: (a) the terms of this Agreement; (b) any non-public, proprietary information, intellectual property and other confidential information, including any technical and non-technical information regarding current, future and proposed business operations, products and services, including for example, information concerning research and development, financial information, procurement requirements, student and customer information and lists, business forecasts, sales information and marketing plans, descriptions, specifications and the like of a Disclosing Party, and (c) any information the Disclosing Party has received from its Affiliate(s) or a third party, which the Disclosing Party is obligated to treat as confidential or proprietary, that is provided or communicated by the Disclosing Party to the Receiving Party in connection with this Agreement, including pursuant to Article 17 (Duty to Cooperate).

7.2 Obligations.

Each Party (in such capacity, the "**Receiving Party**") acknowledges that Confidential Information may be disclosed to it by another Party (in such capacity, the "**Disclosing Party**") in connection with this Agreement, and agrees to: (a) use, with respect to the Confidential Information of the Disclosing Party, the same care and discretion to prevent such Confidential Information from being disclosed, published or disseminated as it employs to avoid disclosure, publication or dissemination of its own similar Confidential Information (but in no event less than reasonable care); (b) use the Disclosing Party's Confidential Information only for the purpose for which it was disclosed; and (c) not disclose, disseminate or provide access to the Disclosing Party's Confidential Information to any person other than to those Affiliates, employees and agents who: (i) have a need to know it in order to assist the Receiving Party in performing its obligations hereunder, or to permit the Receiving Party to exercise its rights under this Agreement, and (ii) are legally bound by substantially the same obligations regarding Confidential Information as the Parties under this Article 7; provided that, the Receiving Party assumes full responsibility for any failure by such Affiliates, employees and agents to abide by the confidentiality obligations under this Article 7. In addition, each of the Parties shall take commercially reasonable steps by agreement or otherwise so that their respective Affiliates, employees, and agents comply with these confidentiality provisions.

7.3 Exclusions.

Notwithstanding anything to the contrary in the foregoing, Confidential Information does not include, and this Article 7 will not apply to, any information that the Receiving Party can demonstrate was:

(a) at the time of disclosure of such information to the Receiving Party, in the public domain through no unauthorized act of the Receiving Party;

(b) after disclosure of such information to the Receiving Party, published or otherwise became part of the public domain through no fault of the Receiving Party or its directors, trustees, officers, employees and agents;

(c) rightfully in the possession of the Receiving Party at the time of disclosure of such information to the Receiving Party, free of any obligation of confidentiality;

(d) received after disclosure of such information to the Receiving Party from a third party who had a lawful right to disclose such information to the Receiving Party; or

(e) independently developed by the Receiving Party without reference to Confidential Information of the Disclosing Party.

7.4 Requests for Documents.

If any Receiving Party is presented with a request for documents: (a) by any Governmental Entity or Accrediting Body, or (b) by any other Person pursuant to applicable public records laws or (c) pursuant to a subpoena duces tecum regarding any records, data or documents of a Disclosing Party, which may be in such Receiving Party's possession by reason of this Agreement, such Receiving Party must immediately give notice to the Disclosing Party, and the Disclosing Party will have the opportunity to contest such process by any means available to it, or to redact Confidential Information as provided below in this Section, before the records, data or documents are submitted to such Governmental Entity, Accrediting Body, court or other Person. The Receiving Party, however, is not obligated to withhold the delivery beyond the time ordered by the Governmental Entity, Accrediting Body or court, or pursuant to applicable public records laws, unless the subpoena or request is quashed or the time to produce is otherwise extended. In the event documents are requested pursuant to applicable public records laws, the Parties shall cooperate in producing a redacted version of the requested document(s) that is in conformance with requirements under the applicable public records law, with the Disclosing Party having the right to produce the first draft of such redacted documents.

7.5 Loss of Confidential Information.

In the event of any disclosure or loss of, or inability to account for, or unauthorized use of, Confidential Information, the Receiving Party will notify the Disclosing Party immediately in writing, and shall reasonably assist the Disclosing Party in remedying the unauthorized disclosure or use.

7.6 Period of Confidentiality.

Confidential Information will be subject to the terms of this Agreement until such time as it ceases to be characterized as Confidential Information under one or more provisions of this Article 7.

7.7 Return of Confidential Information.

Each Party will, upon expiration or termination of this Agreement or otherwise upon demand, at the Disclosing Party's option, either return to the Disclosing Party or destroy (and certify in writing to the Disclosing Party the destruction of), any and all documents (including any writing, instrument, agreement, letter, memorandum, chart, graph, blueprint, photograph, financial statement or data, telex, facsimile, cable, tape, disk or other electronic, digital, magnetic, laser or other recording or image in whatever form or medium), papers and materials and notes thereon in the Receiving Party's possession, including copies or reproductions thereof, to the extent they contain

Confidential Information of the Disclosing Party. All records in Contributor's possession pertaining to the Title IV, HEA program funds received from or on behalf of New University shall be returned to New University pursuant to Section 20.1(e). Notwithstanding the foregoing, each Party shall have the right to retain archival copies of the Confidential Information required for compliance with applicable Law; provided, however, that any use of such Confidential Information shall be restricted to uses that are required by applicable Law.

8. Proprietary Rights.

8.1 Licenses.

In addition to the License Agreement - Academic Content, dated the date of this Agreement, between KHE, ICA and New University, the Parties grant the following licenses under this Agreement.

(a) New University License. New University hereby grants Contributor a limited, nonexclusive, nontransferable, royalty-free, fully paid-up, and non-assignable license to use, during the Term, any New University trademarks and logos listed in the Marketing Plan, in each case, as directed by New University or in the manner set forth in the Marketing Plan, solely in connection with the exercise of Contributor's rights and performance of its obligations under the Marketing Plan.

(b) Purdue License to Contributor. Purdue hereby grants Contributor a limited, nonexclusive, nontransferable, royalty-free, fully paid-up, and non-assignable license to use, during the Term, the Purdue trademarks and logos listed in the Marketing Plan, in each case, as directed by Purdue or in the manner set forth in the Marketing Plan, solely in connection with the exercise of Contributor's rights and performance of its obligations under the Marketing Plan.

(c) Purdue License to New University. Purdue hereby grants New University a limited, nonexclusive, nontransferable, royalty-free, fully paid-up, and non-assignable license to use, during the Term, the Purdue trademarks and logos listed in the Marketing Plan, in each case, as directed by Purdue or in the manner set forth in the Marketing Plan, solely in connection with the exercise of New University's rights and performance of its obligations under the Marketing Plan.

(d) Kaplan License to New University and Purdue. KHE hereby grants to New University and Purdue a limited, nonexclusive, nontransferable, royalty-free, fully paid-up, and non-assignable license to use, during the Term, the Kaplan trademarks and logos as approved by Contributor and listed in the Marketing Plan, in each case, as directed by Contributor or in the manner set forth in the Marketing Plan, solely in connection with the exercise of New University's and Purdue's respective rights and performance of its obligations under the Marketing Plan.

(e) Trademark Provisions. Each of the Parties to the above license agreements agrees, as applicable, to the following: (i) each Party, which is a licensor above (each, a "**Licensor**"), owns and will continue to own all right, title and interest in and to the trademarks such Licensor is licensing, and all Parties agree that any goodwill in such Licensor's trademarks that may arise in connection with this Agreement shall vest in such Licensor immediately upon its coming into existence; (ii) each of the Parties above, which is a licensee (each a "**Licensee**"), shall execute, at no charge or expense to the applicable Licensor, any documents necessary in the reasonable judgment of the Licensor to vest all rights described in clause (i) in the applicable Licensor; (iii) each Licensee agrees that, during the Term and after the expiration or termination of this Agreement, it will not directly or indirectly contest, or aid in contesting, the validity or ownership rights of the Licensor in its trademarks or take any action whatsoever in derogation of the property rights in such trademark; (iv) each Licensee agrees to observe all such requirements with respect to trademark notices, fictitious name registrations, and the display of the legal name or other identification of the trademark as the applicable Licensor may direct; and (v) each Licensee agrees that it will promptly inform the applicable Licensor of any action by third parties, which comes to its attention, which in any way infringes or is reasonably likely to infringe a Licensor's rights, or impair the validity, scope or title of such

Licensor, in its trademarks. NO PARTY SHALL TAKE ACTION AGAINST SUCH THIRD PARTIES WHICH IS NOT DIRECTED IN WRITING, OR APPROVED IN ADVANCE BY THE APPLICABLE LICENSOR.

8.2 Third Party Materials.

To the extent a Party provides to the other Party access to, or use of, or uses in connection with meeting such Party's obligations under this Agreement ("**Supplier Party**"), any third party Materials, such Supplier Party shall be responsible for obtaining any Consent or other rights with respect to such third party Materials, necessary to allow such Supplier Party to sublicense to the other Party the rights necessary for the other Party to perform its obligations under this Agreement, and to receive the benefits to which such Party is entitled under this Agreement. In addition, each Party shall comply with any applicable third party restrictions or limitations regarding such third party materials made known to such Party.

8.3 Reservation.

Each Party retains all rights in its owned materials and third party Materials not expressly granted or licensed pursuant to this Agreement. Notwithstanding anything to the contrary, no Party shall resell or distribute the other Party's owned Materials or third party Materials other than as permitted under this Agreement. For the avoidance of doubt, marketing and other data that is generated in connection with the provision of the Support Functions, including data relating to inquiries from individuals who do not enroll as students within 60 days of initial inquiry, as between the Parties, shall be owned by Contributor. Upon the request of New University or Purdue, made with reasonable advance notice, Contributor will afford New University or Purdue reasonable access to such marketing and other data (on an aggregated, anonymized basis) for the purpose of conducting analytics designed to evaluate and improve New University's performance in such areas as student access, recruitment and retention.

8.4 Residuals.

Nothing contained in this Agreement shall restrict either Party from the use of any general ideas, concepts or know-how which either Party, individually or jointly, develops or discloses under this Agreement, provided that in doing so such Party does not breach its obligations regarding confidentiality, or infringe or misappropriate the Intellectual Property Rights of any of the other Parties or any third party.

9. Reimbursements and Payments.

In order to provide financial protection and certain financial incentives to New University, while compensating Contributor fairly for its original contribution of the Institutional Assets to New University under the Transfer Agreement and its performance of the Support Functions hereunder, the Parties have agreed that, in addition to the payments required under Article 14 and all other covenants of New University and Purdue in this Agreement, the Revenue that New University generates each Fiscal Year shall be applied in the order of the priorities set forth in Sections 2 and 3 of Exhibit F, as applicable (the "**Distribution Waterfall**"), and Contributor will not be reimbursed its costs or paid its Contributor Fee (as defined in Exhibit F) unless and until New University costs and fees with priority under the Distribution Waterfall have been paid. In order to establish a mechanism to ensure the efficient day-to-day academic operations of New University and related Support Functions, the Parties have agreed on procedures for the timely payment of such expenses from cash in the NU Account, as described in Exhibit F. In addition, to ensure that the Distribution Waterfall is given effect as intended, the Parties have established the Reconciliation procedures set forth in Exhibit F to reconcile the amounts paid under this Agreement with the priorities under the Distribution Waterfall.

10. Books and Records; Audited Financial Statements; Examination.

10.1 Books and Records; Audited Financial Statements.

(a) Books and Records. Each Party shall maintain consistently applied, accurate and complete Books and Records, including as are necessary: (i) to substantiate the Support Costs and Academic Costs, including supporting documentation; (ii) to substantiate the information in Reports, including Financial Reports, and (iii) to perform the Reconciliation process. Each Party shall maintain such Books and Records in conformance with GAAP at or accessible from such Party's principal place of business for the period of time required under applicable Law, but not less than seven (7) years after creation.

(b) Audited Financial Statements. New University shall deliver to Contributor each year, promptly upon completion thereof, its Audited Financial Statements.

10.2 Examination.

During the twelve (12) month period following receipt of any Financial Report, including Fiscal Year End Reconciliation Statement, each Party shall have the right to examine and audit (or cause its external auditors to examine and audit) the Books and Records of the other Party as necessary to verify the examined Party's compliance with the terms of this Agreement, including the calculation of any of the information required to be included in the Reconciliation Statements and any other Financial Reports. All examinations shall be performed in accordance with the following terms:

(a) Limitations and Cooperation. The examined Party shall reasonably cooperate with the examining Party in conducting any such examination. The examining Party and its representatives (including third party accountants) shall keep all information obtained during any such examination confidential pursuant to and in accordance with Article 7 (Confidentiality).

(b) Frequency. Examinations shall: (i) be performed, upon not less than five (5) Business Day's advance written notice to the examined Party, at the examined Party's principal place of business (or other location mutually agreed by the Parties in writing) during normal business hours, (ii) be performed no more frequently than twice during each Fiscal Year (or portion thereof) by any Party (except for examinations to ensure that a previously discovered problem is not reoccurring), (iii) not be conducted in a manner that unreasonably interferes with the audited Party's course of business, and (iv) subject to delays outside the control of the Parties, be concluded within one hundred and eighty (180) days of commencement of the examination.

(c) Third Party Auditors. The examining Party may perform examinations hereunder using an independent third party accounting firm, in which case the examined Party shall permit entry of the examining Party's third party auditor to its principal place of business to perform inspections of the examined Party's Books and Records.

(d) Examination Notice; Disputes. If any examination made pursuant to this Section 10.2 reveals that any calculation, or any set off or credit, or payments to or from New University or Contributor under this Agreement have not been made in accordance with the terms of this Agreement, the examining Party shall promptly deliver to the examined Party written notice specifying the nature of any miscalculation or the disputed amount of such underpayment or overpayment and providing the data and information necessary, or requested, to support such claim (an "**Examination Notice**"). Following its receipt of any such Examination Notice, the examined Party will have a period of thirty (30) days to dispute in writing to the examining Party any of the findings contained in the Examination Notice. If the examined Party fails to dispute the findings in the Examination Notice during such thirty (30) day period, then the results of the examination set forth in the Examination Notice shall become final and binding on the Parties. If the examined Party disputes any findings in the Examination Notice within the applicable thirty (30) day period in accordance with this Section, then the Parties will work together in good faith for a period of up to thirty (30) days to seek to resolve the disputed matter, including the exchange of underlying information and records as reasonably requested. Should no resolution be reached within the first fifteen (15) days of said period, such efforts to resolve the disputed matter shall include escalating the matter to the Parties' respective chief executives. If the Parties agree in writing to the resolution of any disputed matters during the thirty (30) day negotiation period described above, then the terms of such written agreement shall be final and binding on the Parties with respect to such resolved matters.

(e) Resolution. If any of the disputed matters remain unresolved at the end of the thirty (30) day negotiation period described in Section 10.2(d) or in the case of any disagreements between the Parties regarding any Reconciliation or related payments, or any Financial Reports, then such disputed matters shall be resolved by an Independent Accounting Firm in accordance with this Section 10.2(e).

For purposes of this Agreement, "**Independent Accounting Firm**" means either: (i) a nationally recognized independent chartered accounting firm mutually agreed upon and engaged by Contributor and New University within twenty (20) days after the expiration of the applicable time period for the Parties to resolve their disputes through negotiations, or (ii) if Contributor and New University are unable to mutually agree upon and engage the Independent Accounting Firm during such twenty (20) day period, then, no later than twenty (20) days thereafter, each of Contributor and New University shall select and engage a nationally recognized independent chartered accounting firm and those two accounting firms will promptly, but in no event more than twenty (20) days later, select and engage a third nationally recognized independent chartered accounting firm, which third accounting firm shall serve as the Independent Accounting Firm. Notwithstanding the foregoing, in the case of the application of clause (ii) of this definition, if either Contributor or New University fails to timely engage an accounting firm, then the Independent Accounting Firm will be the accounting firm timely engaged by the non-defaulting Party.

Within thirty (30) days after the Independent Accounting Firm has been engaged, Contributor and New University shall each submit a written statement to the other Party and the Independent Accounting Firm identifying in reasonable detail such Party's calculation of each disputed amount. If either Party fails to timely submit its written statement to the other Party and the Independent Accounting Firm, or if either Party fails to timely provide records requested by the other Party, then the Independent Accounting Firm shall resolve such disputed matters in accordance with the written statement of the Party that was timely submitted. Otherwise, the Independent Accounting Firm shall resolve each disputed amount by selecting either the calculation submitted by Contributor or the calculation submitted by New University, based on which calculation the Independent Accounting Firm determines to be more accurate. The Independent Accounting Firm shall submit its final written report to the Parties within sixty (60) days (or such other time period as the Parties mutually agree in writing) after the deadline for the Parties to submit their written statements to the Independent Accounting Firm. For the avoidance of doubt, the Independent Accounting Firm shall only decide the specific items under dispute by the Parties and its decision for each disputed amount must be either the calculation submitted by Contributor or New University and not a different calculation it performs. In connection with the resolution of the disputes, each of the Parties shall make available to the other Parties and the Independent Accounting Firm, as the case may be, such Books and Records, documents, work papers, facilities and other information as such Party or the Independent Accounting Firm may reasonably request to resolve the dispute. The Independent Accounting Firm determination made in accordance with this Section will be final and binding upon the Parties and will not be subject to appeal, absent fraud or manifest error.

Each Party shall be responsible for its own costs and fees relating to any dispute resolution pursuant to this Section 10.2(e) except that the cost and fees of the Independent Accounting Firm shall be the responsibility of the Party that fails to prevail in any such dispute.

11. Tax Matters.

11.1 Tax.

The Contributor Fees are exclusive of all Tax. New University will pay and be liable for any and all Tax imposed on, sustained, incurred, levied and measured by the cost, value or price of the Support Functions; provided, however, that in no event shall New University be liable for any Taxes that are imposed on or calculated by reference to the net income received or receivable by Contributor. All such Taxes for which New University is liable will be New University Costs. Notwithstanding anything to the contrary contained in this Agreement, in the event that any applicable Taxing Authority imposes a transaction privilege, sales or similarly denominated Tax on the delivery of the Support Functions, the responsibility for such Tax shall be borne by New University. The Parties shall cooperate in obtaining any available exemption from, or reduction of, any Taxes for which New University is liable.

11.2 Tax Withholding.

New University shall: (a) make all payments of Contributor Fees to Contributor without any Tax withholding, unless, based on either the written notice of any Taxing Authority or the Contributor's Tax opinion, a Tax withholding is required by applicable Law and (b) promptly upon becoming aware that New University must make a Tax withholding (or that there is any change in that rate or the basis of a Tax withholding) notify Contributor accordingly. If any such withholding is so required, New University shall increase the amount payable such that the amount that Contributor receives, net of such withholding, shall equal the amount Contributor would have received had no such withholding been made. The Parties shall cooperate in obtaining any available exemption from, or reduction of, any withholding Taxes, including by completing any procedural formalities necessary for New University to obtain authorization to make payment without a Tax withholding.

11.3 Tax Treatment.

The Parties intend that, for U.S. federal income tax purposes, the payment of the Contributor Fees constitutes service fee income and agree to treat such payments consistent with the foregoing unless required to do otherwise by a change in applicable Tax Law or pursuant to the good faith resolution of any action with an applicable Taxing Authority.

12. Representations and Warranties; Covenants.

12.1 Representations and Warranties; Covenants - Purdue and New University.

(a) Representations and Warranties - Purdue and New University. Purdue and New University represent and warrant, jointly and severally, as of the Effective Date as follows:

(i) Purdue is a state chartered, land-grant institution authorized by legislative authority of the State of Indiana; and New University is a nonprofit, public benefit corporation duly organized and validly existing under the Laws of the State of Indiana, authorized by legislative authority, and of a controlled Affiliate of Purdue authorized pursuant to an Indiana State statute.

(ii) The execution, delivery and performance of this Agreement have been duly authorized by Purdue and New University, respectively, and this Agreement constitutes a valid, legal and binding obligation of Purdue (to the extent of the Purdue Provisions) and New University, and assuming the due execution by KHE and ICA, is enforceable against each in accordance with the term of this Agreement. Without limiting the foregoing, the New University Board of Trustees has authorized the execution, delivery and performance of this Agreement by New University intending that both it and New University shall comply with this Agreement.

(iii) New University has obtained or will obtain all Consents (including Educational Approvals), including those set forth on Exhibit C to the Transfer Agreement and provided thereunder, necessary for it to perform its obligations and exercise its rights under this Agreement and to satisfy all material legal and regulatory requirements under applicable Law.

(b) Covenants - Purdue and New University. Neither Purdue nor New University shall take, or permit any other Person to take, directly or indirectly, any act or omission that results in any of the representations and warranties in Section 12.1(a) being untrue or inaccurate during the Term.

12.2 Representations and Warranties; Covenants - Contributor

(a) Representations and Warranties - Contributor. KHE and ICA represent and warrant, jointly and severally, as of the Effective Date as follows: \

(i) KHE is a limited liability company, and ICA is a limited liability company, and each is duly organized, validly existing and in good standing under the Laws of the State of Delaware.

(ii) The execution, delivery and performance of this Agreement have been duly authorized by KHE and ICA, respectively, and this Agreement constitutes a valid, legal and binding obligation of each, and assuming due execution by Purdue and New University, is enforceable against each in accordance with the terms of this Agreement.

(iii) Each of KHE and ICA has obtained, or will obtain, all Consents necessary for each to perform their respective obligations and exercise their respective rights under this Agreement and to satisfy all material legal and regulatory requirements under applicable Law, except for those Consents New University is obligated to obtain.

(b) Covenants - Contributor. None of KHE or ICA shall take, or permit any other Person to take, directly or indirectly, any act or omission that results in any of the representations and warranties in Section 12.2(a) being untrue or inaccurate during the Term.

12.3 Performance Warranties.

Without limiting Section 2.5 (Support Function Standards) or the Service Levels established by the Parties from time-to-time, each of the Parties agrees that, in performing their respective Academic Functions or Support Functions, as the case may be, it shall:

(a) allocate the performance of activities related to such functions to sufficient personnel with appropriate experience, knowledge and competence;

(b) perform such activities in a workmanlike manner; and

(c) have responsibility for, and complete discretion with respect to, supervision and management of its employees and third party contractors providing support in connection with such activities.

12.4 Disclaimer.

EXCEPT FOR THE EXPRESS REPRESENTATIONS AND WARRANTIES SET FORTH IN THIS SECTION, NEITHER KHE NOR ICA MAKES ANY REPRESENTATIONS OR WARRANTIES IN RESPECT OF THE SUPPORT FUNCTIONS OR ANY ITEMS TO BE DELIVERED OR PROVIDED TO NEW UNIVERSITY OF ANY KIND, NATURE OR DESCRIPTION, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR NON-INFRINGEMENT, OR ANY WARRANTY ARISING FROM COURSE OF DEALING, COURSE OF PERFORMANCE OR USAGE OF TRADE, AND CONTRIBUTOR HEREBY DISCLAIMS THE SAME.

13. Certain Covenants.

13.1 Restrictive Covenants.

(a) Discontinued Courses. During the Term, if New University or the New University Board of Trustees decides to discontinue an online or hybrid online/ground Course or program that is part of the

Academic Programs offered by New University, neither Purdue nor any of its Affiliates shall offer such online or hybrid online/ground course or program in substantially the same manner, targeting the same student profile and using substantially the same content for at least three (3) years following such discontinuance.

(b) New Online Institution. During the Term, none of Purdue, KHE, ICA nor any of their respective Affiliates shall create a new U.S degree-granting online institution designed specifically to serve non-traditional students, except with the written consent of the other Parties hereto; provided that nothing herein shall prevent Purdue from offering its programs online or engaging an online program management provider to assist them in doing so.

(c) Non-Solicitation; Non-Hire. During the Term, and for one (1) year following expiration or termination of this Agreement, (i) without the approval of a Party ("**Employer Party**"), the other Party will not, directly or indirectly, solicit for employment any directors, officers, management level employees, or other employees of the Employer Party (collectively "**Employee Group**"); and (ii) will not hire any member of the other Party's Employee Group who serves as a director or management level employee or who interfaces with the other Party under this Agreement or possesses specialized skill or know-how required by the Employer Party to operate its business, whether in connection with this Agreement or otherwise, without first notifying, consulting with and receiving, prior approval from, the other Party. Notwithstanding the foregoing, the consideration of persons responding to classified advertisements in newspapers, periodicals, Internet bulletin boards, or other publications (print or electronic) of general availability or circulation shall not be deemed a breach of the prohibition on solicitation under this Section, unless the advertisement and solicitation is undertaken as a means to circumvent or conceal a violation of this provision; but in no event shall the other Party be permitted to hire any member of such Party's Employee Group except as authorized by this Section. If New University exercises the Buyout Option, the restriction on solicitation under this Section shall cease to apply to Exclusive Employees once they have been mutually identified by the Parties following New University's delivery of the related Buyout Notice, and the restriction on hiring shall cease to apply upon consummation of the Buyout in accordance with the terms of this Agreement.

13.2 Transfer of Revenue Generating Assets

The assumptions and expectations which the Parties made in entering into this Agreement included, among other things, the continued operation and growth of New University's ED Institution and Academic Programs. Accordingly, without limiting Section 13.1(b), during the Term, any sales, assignments, licenses or other transfers (whether by merger, consolidation, sale of equity, sale of assets, joint venture or otherwise), of any Revenue generating assets or Academic Programs by New University (collectively, a "**Transfer**"), shall be made on an arm's length basis in exchange for cash consideration, payable at the consummation of the Transfer, representing the fair market value of such transferred assets or Academic Programs. New University shall pay to Contributor (without regard to any of the priorities set forth in Exhibit F), at the closing of any such Transfer, an amount in cash equal to (i) the Fee Based Product if such Transfer has not resulted in the Material Sales Threshold being exceeded or such Transfer occurs after the Initial Term, or (ii) the Revenue Based Product for all other Transfers.

For purposes hereof:

(a) "**Material Sales Threshold**" means an amount of Revenue associated with the assets or Academic Programs transferred in a Transfer that, when aggregated with the Revenue associated with the assets or

Academic Programs transferred in all prior Transfers during the Term, represents twenty percent (20%) of New University's Revenues, with the latter such Revenues for this purpose being equal to: (i) Revenues earned during the twelve (12) month period prior to the month in which New University provides Contributor with notice of Transfer as required below, plus (ii) the Revenue associated with the assets or Academic Programs transferred in all prior Transfers;

(b) "**Fee Based Product**" means the product of 0.75 multiplied by the Revenue earned from the transferred assets or Academic Programs during the twelve (12) month period prior to the month in which such Transfer was consummated; and

(c) "**Revenue Based Product**" means the product of 1.25 multiplied by the Revenue earned from the transferred assets or Academic Programs during the twelve (12) month period prior to the month in which such Transfer was consummated.

Any dispute between the Parties relating to payment under this Section 13.2, including the calculation of Revenues and Contributor Fees, shall be resolved by the Financial Expert pursuant to Section III of Part C of Exhibit D and pending such resolution, the proceeds of the Transfer shall be placed into an escrow account which requires the approval of both Parties to withdraw. If New University wishes to Transfer any assets or Academic Programs prior to the first anniversary of the Effective Date, the Revenue generated from the assets or Academic Programs proposed to be Transferred, and the Contributor Fee paid or payable to Contributor, shall be annualized for purposes of determining the Applicable Product. New University shall provide Contributor with not less than thirty (30) days prior written notice of any Transfer, specifying in such notice the projected closing date and details of such transaction, including the purchaser, purchase price, the Revenue earned from the transferred assets or Academic Programs during the applicable period, the amount projected to be payable to Contributor under this Section 13.2 at the closing of such Transfer, and the advice and opinions obtained by New University regarding fairness and valuation of the purchase price. Purdue shall not take or permit any action to be taken which would impede New University's compliance with the terms of this Section. Whenever this Section refers to Transfers of assets or Academic Programs, the meaning is either or both.

Exhibit J sets forth, by way of example only, an illustration of the methodology contemplated by this Section.

14. Term; Termination.

14.1 Term.

The term of this Agreement shall commence on the Effective Date and, unless earlier terminated as provided in this Agreement, continue until the thirtieth (30th) anniversary of the Effective Date ("**Initial Term**"), and shall automatically renew for successive five (5) year terms (each, a "**Renewal Term**"; the Initial Term and all Renewal Terms, the "**Term**"), unless either Party shall give written notice to the other Party of non-renewal at least twelve (12) months prior to the end of the Initial Term or then current Renewal Term.

14.2 Early Termination.

(a) Early Termination. At any time following the sixth (6th) anniversary of the Effective Date and prior to the expiration of the Initial Term, New University may elect to terminate this Agreement by providing Contributor with not less than one hundred and eighty (180) days' prior written notice of termination, specifying therein the effective date of termination. As a condition to such termination, New University shall have the obligation to pay, and Contributor shall have the right to receive, on the effective date of termination, an Early Termination Fee payable in the form of the Early Termination Note if such termination occurs during the Initial Term (and, in each case, with execution and delivery of a Security Agreement having terms more particularly described in Section

14.2(b) and together with the Guaranty or letter of credit described in Section 14.8(c)(ii)(2)). Upon any termination under this Section 14.2(a), New University shall not be subject to any non-competition covenant with respect to Contributor's business or to any non-solicitation covenant with respect to the Exclusive Employees.

(b) Early Termination Fee. "**Early Termination Fee**" means an amount equal to the product of 1.25 multiplied by the total Revenue earned during the twelve (12) month period prior to the month in which the termination notice was duly delivered (provided that if such termination notice is delivered during the first twelve (12) months after the Effective Date, the amount of Revenues will be calculated on an annualized basis) payable: (i) pursuant to Section 14.2(a) (Early Termination for Convenience) or (ii) during the Initial Term, upon the exercise by New University of the Buyout Option in connection with a termination pursuant to Section 14.4 (Termination for Certain Financial Results), Section 14.5(b)(v) (Termination for New University Material Breach), or Section 14.5(c) (Termination for Contributor Material Breach). The Early Termination Fee shall be payable in the form of a ten (10) year senior note, substantially in the form of Exhibit I-1, secured by the assets of New University, with monthly payments equal to the quotient of the entire Early Termination Fee due divided by 120, and bearing interest at Current Fair Market Rate ("**Early Termination Note**"). Fifty percent (50%) of the principal of the Early Termination Note shall be unconditionally and irrevocably guaranteed by Purdue, another third party guarantor acceptable to Contributor or by the provision of a letter of credit, all on terms and conditions and in such form as is acceptable to Contributor. Purdue hereby agrees to unconditionally and irrevocably guarantee fifty percent (50%) of the principal of any Early Termination Note issued by New University to Contributor if New University chooses Purdue to be the guarantor of such Note. "**Current Fair Market Rate**" means LIBOR plus two percent (2%).

To secure timely payments of the Early Termination Fee in accordance with the terms of the Early Termination Note (which Early Termination Fee, the Parties acknowledge and agree, is a contingent obligation until the termination date on which the Early Termination Fee becomes payable), New University hereby grants to Contributor a continuing security interest in, and a right to set off against, any and all right, title and interest of New University in and to all of the assets described, and pursuant to the terms set forth, in Exhibit I-3. At the time of execution and delivery to Contributor of an Early Termination Note, the Parties also shall execute and deliver a Security Agreement, which amends and supplements the terms of the security interest herein, containing reasonable and customary terms designed to secure New University's obligations under the Early Termination Note and otherwise in form and substance reasonably acceptable to the Parties.

(c) Post-Initial Term Fee. "**Post-Initial Term Fee**" means an amount equal to the product of six (6) multiplied by the amount of the most recent Contributor Fee paid or payable (regardless of sufficiency of cash or Available Cash) to Contributor for the twelve (12) months ending on the last day of the most recently completed quarter prior to the date the termination notice was duly provided after the Initial Term, payable: (i) pursuant to Section 14.3 (Non-Renewal by New University) or (ii) in connection with the exercise by New University of the Buyout Option pursuant to Section 14.4 (Termination for Certain Financial Results), Section 14.5(b)(v) (Termination for New University Material Breach), or Section 14.5(c) (Termination for Contributor Material Breach). The Post-Initial Term Fee shall be payable in the form of a ten (10) year senior note in the form of Exhibit I-2, with monthly payments (subject to the following sentence) equal to the quotient of the entire Post-Initial Term Fee due divided by 120 and bearing interest at the Current Fair Market Rate ("**Post-Initial Term Note**"). Each payment under the Post-Initial Term Note will be made by New University from the Revenue remaining for the applicable month after payment of its Academic Costs for such month (but excluding for this purpose any costs paid to any third party for delivery of services which are the same or comparable to any of the Support Functions), and any amounts that are not paid when due will be added to the following month's payment, and such amounts will continue to roll over to subsequent months (including years) to the extent sufficient Revenue is not available for payment until the maturity of the Post-Initial Term Note, at which time the Post-Initial Term Note shall be paid in full. If any monthly payment under such Post-Initial Term Note is not paid in full due to insufficient Revenues, New University shall provide to Contributor on such due date a statement setting forth the detail reflecting the shortfall and the Parties shall have the rights of examination set forth in the Post-Initial Term Note.

14.3 Non-Renewal by New University.

If New University chooses not to renew this Agreement either after the Initial Term or any Renewal Term ("**Non-Renewal**"), then, as a condition to such Non-Renewal, New University shall have the obligation to pay, and Contributor shall have the right to receive on the last day of the Initial Term or then current Renewal Term, as applicable, a Post-Initial Term Fee, in the amount and payable in the form of the Post-Initial Term Note and otherwise in the manner described in Section 14.2(c) (Post-Initial Term Fee). Upon such Non-Renewal, New University shall not be subject to any non-competition covenant with respect to Contributor's business or to any non-solicitation covenant with respect to the Exclusive Employees.

14.4 Termination for Certain Financial Results.

Either Party shall have the right to terminate this Agreement in the event that New University generates $25 million or more in annual Cash Operating Losses for three (3) consecutive Fiscal Years, or incurs, during any period of the Initial Term, aggregate Cash Operating Losses greater than $75 million (taking into account gains during such period) (either circumstance being called a "**Triggering Loss**"). At any time within six (6) months of the completion of Audited Financial Statements of New University that demonstrate the existence of a Triggering Loss, either Party may notify the other in writing of its election to terminate this Agreement, specifying therein the effective date of such termination, which shall not be more than sixty (60) days from the date the Parties agree that the Audited Financial Statements of New University demonstrate the existence of the Triggering Loss. In the event of a termination under this Section 14.4, no termination fee shall be owed by either Party to the other unless New University elects to exercise its Buy Out Option under Section 14.8, in which case New University shall be obligated to pay the consideration in the amount, at the time and on the terms set forth in that Section. If Contributor objects to information contained on the Audited Financial Statements on which the determination of a Triggering Losses is based, Contributor shall have the right to object to such information and the Parties shall attempt to resolve any differences between them pursuant to Section 10.2. Upon any termination of this Agreement pursuant to this Section 14.4, New University shall not be subject to any non-competition covenant with respect to Contributor's business or to any non-solicitation covenant with respect to the Exclusive Employees.

14.5 Termination of Agreement for Material Breach.

(a) Termination for Material Breach - Generally. This Agreement may be terminated by either Party (such Party, the "**Non-Defaulting Party**") upon a material default or material breach by the other Party (the "**Defaulting Party**") of the terms of this Agreement. A material breach shall include any act or omission by a Defaulting Party which materially interferes with another Party's performance of its obligations under this Agreement. The Non-Defaulting Party shall give the Defaulting Party written notice of such material default or breach, stating the nature thereof. If the Defaulting Party does not remedy any such default or breach within one hundred and twenty (120) days after delivery of such notice by the Non-Defaulting Party (the "**Cure Period**"), the Non-Defaulting Party may thereafter terminate this Agreement effective immediately upon written notice or such later date as specified in the Non-Defaulting Party's notice. Upon any termination pursuant to this Section 14.5, New University shall not be subject to any non-competition covenant with respect to Contributor's business or to any non-solicitation covenant with respect to the Exclusive Employees. References in this Section 14.5 to a Party's breach shall include a breach by Purdue of any Purdue Provisions (with respect to which Purdue shall be responsible). The obligations of each of New University and Contributor under this Agreement include the obligations of its Board and designated members of the Advisory Committee to perform their respective functions contemplated by this Agreement, so as to cause New University and Contributor, as applicable, to perform their respective obligations hereunder.

(b) Termination for New University Material Breach. Upon termination of this Agreement by Contributor pursuant to Section 14.5(a) (Termination for Material Breach - Generally), as a result of New University's or Purdue's uncured material default or breach, subject to Section 14.5(b)(v), New University will pay to Contributor, as Contributor's sole and exclusive remedy, an agreed measure of damages determined pursuant to the procedure described in this Section, and New University will thereafter have no further obligation or liability to Contributor with respect to this Agreement, unless New University exercises the Buyout Option as permitted under Section 14.5(b)(v).

(i) Prior to termination of this Agreement by Contributor pursuant to Section 14.5(a) (Termination for Material Breach - Generally), as a result of New University's uncured material default or breach, the Parties will work together in good faith for a period of sixty (60) days (the "**Pre-Termination Resolution Period**") to seek to resolve the matter prior to Contributor terminating this Agreement (including escalating the matter to their respective chief executives should no resolution be reached within the first thirty (30) days).

(ii) Thereafter, if Contributor terminates this Agreement, the Parties will again work in good faith in the manner contemplated in the preceding subsection (i), for a period of sixty (60) days (the "**Post-Termination Resolution Period**") to seek to agree on the agreed measure of damages suffered by Contributor.

(iii) During the Post-Termination Resolution Period, the Parties will agree upon a third party mediator (or, if the Parties fail to agree upon a third party mediator, Allen & Co.) and if at the conclusion of the Post-Termination Resolution Period, they are unable to agree on the measure of damages suffered by Contributor, the Parties shall engage such mediator to assist in resolving the matter over the course of the next sixty (60) days (the "**Mediation Period**").

(iv) During the Mediation Period, the Parties also will agree upon a third party valuation firm of national reputation (and, if the Parties fail to agree upon a third party valuation during the Mediation Period, the then serving Financial Expert's firm shall be deemed the selected valuation firm), and if after the Mediation Period, no resolution has been reached, the Parties will engage such third party valuation firm to determine over the course of the next sixty (60) days (the "**Valuation Period**") the agreed measure of damages suffered by Contributor, which amount shall reflect (without double counting) both: (1) the contribution made to New University under the Contribution Agreement and the value of New University as a going concern, nonprofit entity, taking its tax status at the time of termination into consideration, and (2) the present value of all future payments that would have been made to Contributor if this Agreement had not been so terminated and New University had not materially breached its obligations under this Agreement, including the Contributor Fee, Unpaid Contributor Funds, and either the Early Termination Fee if the effective date of termination is during the Initial Term, or the Post-Initial Term Fee if the effective date of termination is after the Initial Term. The determination made in accordance with this Section by such third party valuation firm will be final and binding upon the Parties and will not be subject to appeal, absent fraud or manifest error.

(v) At any time before, during or within ten (10) days after completion of the process described in Section 14.5(b) above, New University may elect to pay to Contributor, in lieu of damages agreed to or awarded pursuant to this Section, the Early Termination Fee if the effective date of termination is during the Initial Term, or the Post-Initial Term Fee if the effective date of termination is after the Initial Term, in connection with New University's exercise of the Buyout Option in accordance with Section 14.8 (Buyout Option).

(c) Termination for Contributor Material Breach. Upon termination of this Agreement by New University pursuant to Section 14.5(a) (Termination for Material Breach - Generally), as a result of Contributor's uncured material default or breach, New University may elect, without prejudice to any other available remedy pursuant to this Agreement, to exercise the Buyout Option upon payment to Contributor of: (i) an Early Termination Fee, if the effective date of termination is during the Initial Term, or (ii) the Post-Initial Term Fee, if the effective date of termination is after the Initial Term, in either case in accordance with and subject to the terms of Section 14.8 (Buyout Option). For the avoidance of doubt, no Early Termination Fee or Post-Initial Term Fee shall be payable in connection with a termination under this Section 14.5(c) unless New University elects to exercise the Buyout Option.

14.6 Reports; Unpaid Fees.

(a) Termination Fee Report. With respect to all payments required to be made by New University upon termination or Non-Renewal under the preceding Sections of this Article 14, Contributor shall prepare and deliver to New University for its approval, a calculation of the amount of the Early Termination Fee or the Post-Initial Term Fee, as applicable, and all supporting documentation relating to such calculation. If New University objects to such calculation, the Parties shall cooperate to reach a settlement of any differences between them and if the Parties fail to reach resolution, such differences shall be resolved pursuant to Section 10.2(d) (Examination Notice; Disputes) and Section 10.2(e) (Resolution).

(b) Unpaid Funds. With respect to any termination or expiration of this Agreement contemplated by this Article 14, the Parties shall perform a Reconciliation as of the effective date of such termination or expiration to determine the amount, if any, owed to a Party pursuant to the Distribution Waterfall for the period ending on the effective date of termination or expiration, including all Unpaid Contributor Funds existing as of such date ("**Reconciled Termination Sum**"). Based upon the Agreed Reconciliation Statement for such period, such amount shall be paid to the appropriate Party on such effective date in accordance with the Distribution Waterfall from funds (if any) remaining in the NU Account. However, if New University has delivered to Contributor on the effective date of termination or expiration either an Early Termination Note or Post-Initial Term Note, as applicable, pursuant to the terms of this Article (whether on account of termination or Buyout), then no Reconciled Termination Sum is owed by New University to Contributor. For the avoidance of doubt, and subject to New University's obligation to pay the agreed measure of damages in the event of a termination pursuant to Section 14.5(b) (which damages shall include any unreimbursed costs and fees of Contributor described in this Section below), if there is a deficiency in the NU Account following a termination or expiration that does not involve the delivery of a Note, New University shall have no obligation to pay Contributor any amounts that have accumulated in any deferred account maintained to record New University working capital balances, unreimbursed Unpaid Contributor Funds and/or Contributor Fees that have accrued but not been paid in accordance with the Distribution Waterfall.

14.7 Teach-Out Period.

(a) Establishment of Teach-Out Period. If New University elects to both: (i) terminate or not renew this Agreement and (ii) close or shut down its ED Institution, assets and operations (collectively, a "**Closure**"), then, provided that New University has not exercised the Buyout Option, the Parties will continue to operate as contemplated under this Agreement until such time as all students enrolled, as of the date such expiration or termination is effective, as the case may be, in any Academic Program have either graduated or withdrawn from the Academic Program (the "**Teach-Out Period**").

(b) Operations During Teach-Out Period. During the Teach-Out Period, the Parties shall continue to operate under this Agreement as if the term of the Teach-Out Period were part of the Term and shall comply with all provisions of this Agreement, except that, to the extent of any inconsistency between the terms of this Agreement and the remaining provisions of this Section 14.7, the terms of this Section 14.7 shall control.

(c) Closure Budget; Closure Reserve. New University shall notify Contributor of its election of Closure no later than the date upon which Contributor receives notice of termination or non-renewal of this Agreement. Promptly following notice to Contributor of such Closure decision, the Parties, acting through the Advisory Committee, shall meet and collaborate in good faith: (i) to develop a Closure Budget and (ii) to establish a Closure reserve within the NU Account to cover the estimated Wind-Down Costs reflected in the Closure Budget

("**Closure Reserve**"). The term "**Closure Budget**" shall mean a budget mutually approved by the Parties, prepared (and updated as necessary during the Teach-Out Period) by the Parties in good faith, reflecting reasonably anticipated Revenue of New University during the Teach-Out Period and reasonably anticipated Wind-Down Costs which New University is expected to incur (regardless of when payable) from the commencement of the Teach-Out Period through the date of Closure ("**Closure Period**"). The term "**Wind-Down Costs**" shall mean the estimated reasonable expenses owed to Persons (other than any Party or its Affiliates) which New University is, or will be, obligated to pay to fulfill its educational obligations to students, its obligations to faculty and other employees (including severance), and such other reasonable expenses, including lease obligations and contingent liabilities (or insurance covering such liabilities), during the Closure Period and, to the extent applicable, thereafter. For purposes of this Section 14.7, the reasonableness of Wind-Down Costs shall be determined in a manner consistent with the historic practices of Contributor in closing or shutting down academic programs or schools. To the extent New University has incurred, or chooses to incur, costs and expenses in excess of reasonable Wind-Down Costs, Contributor shall not be responsible for contributing to the NU Fund, for purposes of funding the Closure Reserve, the amount of such excess costs and expenses that are not reasonable Wind-Down Costs.

(d) Distributions. During the Teach-Out Period, the distribution of cash in the NU Account shall be distributed as follows, subject in all cases to retention of cash in an amount equal to the then applicable Closure Reserve (it being agreed that the Closure Reserve shall be decreased to the extent of payments from the NU Fund in satisfaction of expenses reflected in calculating the amount of the Closure Reserve): (i) first, to reimburse New University for unpaid Academic Costs incurred in the applicable period, up to the NU Costs Cap (as the same may be adjusted by the Advisory Committee in the preparation of the Closure Budget), as well as for any Unpaid NU Funds, (ii) second, 20% of the balance of the NU Account funds to New University, and (iii) third, all remaining funds to Contributor. The foregoing distributions shall not be made in lieu of damages or fees to which Contributor may be entitled under this Agreement.

(e) Insufficient Revenue. If, based upon the Closure Budget, there is insufficient estimated Revenue to cover the reasonable Wind-Down Costs, then Purdue and Contributor shall share the responsibility for covering such deficiency on a 50-50 basis and make appropriate cash contributions to the NU Fund. Contributor shall continue to manage the cash in the NU Fund during the Teach-Out Period and thereafter, New University or its assignee shall assume such responsibility.

14.8 Buyout Option.

Upon each of the following events, New University shall have the right to acquire from Contributor the Buyout Assets, subject to the terms and conditions described in this Section 14.8: (i) Non-Renewal of this Agreement by New University pursuant to Section 14.3 (Non-Renewal by New University), or (ii) termination of this Agreement by New University pursuant to Section 14.2, Section 14.4 or Section 14.5 (each of the foregoing being called "**Buyout Option**"). New University shall exercise the Buyout Option by delivering written notice of its exercise to Contributor at least thirty (30) days prior to the effective expiration date under Section 14.3 or the effective date of termination in Section 14.2, Section 14.4 or Section 14.5 (or such shorter period as exists between the date of a notice of termination (or notice of material breach) and the effective date of termination) ("**Buyout Notice**").

Within ten (10) Business Days of Buyer's timely exercise of the Buyout Option as permitted by this Section 14.8, Contributor shall deliver to New University for its approval, a calculation of the amount of the Early Termination Fee or Post-Initial Term Fee, as applicable, arising solely by reason of the exercise of the Buyout Option under Section 14.4 and Section 14.5, and all supporting documentation relating to such calculation. If New University objects to such calculation, the Parties shall cooperate to reach a settlement of any differences between them, and if the Parties fail to reach resolution, such differences shall be resolved pursuant to Section 10.2(d) (Examination Notice; Disputes) and Section 10.2(e) (Resolution).

(a) Buyout Option Exercise. If New University delivers to Contributor a Buyout Notice, Contributor shall transfer or license, or make available for hire (in the case of Exclusive Employees) to New University, in accordance with, and subject to this Section 14.8, the following (collectively, the "**Buyout Assets**"). Notwithstanding anything to the contrary herein, New University will be responsible for payment of: (i) any one-time transition or implementation related fees and ongoing, executory fees and obligations, in each case, under Buyout Contracts or otherwise charged by third parties in connection with the transfer or license of Buyout Assets and (ii) any reasonable fees for transition services.

(i) Contributor shall transfer to New University all of Contributor's right, title and interest in and to the equipment and other tangible assets owned by Contributor and used by Contributor exclusively to provide the Support Functions to New University at the time of exercise of such Buyout Option ("**Buyout Tangible Assets**").

(ii) Contributor shall transfer to New University third party contracts: (1) for the license of software, equipment or other technology, including maintenance contracts related to any of the foregoing; (2) for services; or (3) for the lease of tangible personal property or real property, in each case that is licensed or leased by Contributor, and, in each case where the services and assets, which are the subject of such contracts, are used exclusively in the performance of the Support Functions at the time of exercise of such Buyout Option, subject in each case, to any third party Consents required by, and assumption by New University of post-transfer liabilities under, and any obligations imposed under, such third party contracts ("**Buyout Contracts**").

(iii) New University must extend employment offers to key personnel of Contributor whose employment at the time of exercise of such Buyout Option is solely dedicated to providing the Support Functions, and who are then deemed integral to the operation of New University and the servicing of the Institutional Assets ("**Exclusive Employees**").

New University shall offer to hire Exclusive Employees, not later than five (5) days prior to the Buyout Closing Date, and Contributor shall cooperate with New University in New University's efforts to accomplish the retention and hiring of such Exclusive Employees. New University will offer employment to such Exclusive Employees on such terms and conditions of employment reasonably comparable to those enjoyed by such Exclusive Employees prior to the Buyout Closing. The obligations of New University to hire such Exclusive Employees shall not be affected by virtue of the absence of any such Exclusive Employee as of the Buyout Closing Date due to any short term disability, long term disability or leave of absence. Effective as of the Buyout Closing, the employment of all of those Exclusive Employees who are so hired by New University will be terminated by Contributor, and Contributor shall be responsible for severance, if any, due such Exclusive Employees who are hired by New University. Nothing contained in this Agreement shall confer upon any Contributor employee any right with respect to continuance of employment by New University after the Buyout Closing Date.

(b) Shared Assets; Prohibitions on Transfer. Contributor will use commercially reasonable efforts throughout the Term to cause material contracts entered into after the Effective Date, which would be part of the Buyout Contracts, to not contain restrictive clauses that would limit or preclude Contributor's ability to assign to New University such Buyout Contracts in connection with the exercise of the Buyout Option without the Consent of the applicable third party and without the payment of additional compensation and will not, without the prior written consent of New University, execute any such contracts that require by their express terms the payment of a fee upon assignment of such contract.

To the extent that any of Contributor's assets, contracts or personnel used to deliver the Support Functions at the time of exercise of the Buyout Option are also used in another area of business engaged in by Contributor or its Affiliate(s), or are subject to restrictions on transfer or assignment, Contributor will use commercially reasonable efforts to provide to New University assets substantially comparable to those which are shared, or which are subject to agreements which prohibit transfer or assignment (through transition services, forking of code or otherwise), and will assist New University in obtaining comparable contracts from third party service Contributors, it being the intent of the Parties that following the consummation of the transfer of the Buyout Assets, New University will have the property required to operate and perform services for itself that are substantially comparable to the Support Functions performed at the time of exercise of the Buyout Option.

(c) Buyout Closing Date; Closing Deliverables.

(i) Buyout Closing Date. The closing of the transfer of the Buyout Assets and the hiring of the Exclusive Employees (the "**Buyout Closing**") shall take place on the date that is mutually agreeable to the Parties, but not later than ninety (90) days following the date of the Buyout Notice, except as may be extended due to any good faith dispute resolution or a Party's need to comply with any Law applicable to the Buyout.

(ii) Closing Deliverables of New University. At the Buyout Closing, New University shall deliver to Contributor, in forms satisfactory to Contributor, the following:

(1) An Early Termination Note, substantially in the form of Exhibit I-1, together with the Security Agreement, or a Post-Initial Term Note, substantially in the form of Exhibit I-2, as applicable, in connection with New University's obligation to pay a fee on account of its exercise of the Buyout Option (and, if for any reason, Contributor has not received the applicable Note and, if applicable, Security Agreement in payment of the Early Termination Fee or Post-Initial Term Fee);

(2) In the event of a termination pursuant to Section 14.2(a) (Early Termination for Convenience) or, if the Buyout Option is exercised during the Initial Term in connection with a termination pursuant to Section 14.4 (Termination for Certain Financial Results), Section 14.5(b)(v) (Termination for New University Material Breach), or Section 14.5(c) (Termination for Contributor Material Breach), either: (1) an unconditional, irrevocable guaranty, substantially in form and substance reasonably satisfactory to Contributor, executed by either Purdue or another third party guarantor reasonably acceptable to Contributor, guaranteeing fifty percent (50%) of the principal of an early Termination Note ("**Guaranty**"), or (2) a letter of credit, in form and substance reasonably satisfactory to Contributor, by New University, and payable to Contributor and denominated in U.S. dollars, issued by a bank or financial institution that is federally insured, rated investment grade or higher, chartered, doing business in, and incorporated in the United States.

(3) A mutual general release, in form and substance reasonably satisfactory to Contributor, which pertains to the Parties' respective payment and/or performance obligations under this Agreement through the date of the Buyout Closing ("**Release**"), executed by New University and Purdue;

(4) To the extent necessary, a transition services agreement mutually agreeable to the Parties and executed by New University, which sets forth the terms and conditions governing the delivery by Contributor of certain transition services in support of the orderly transition of the Buyout Assets to New University ("**Transition Services Agreement**");

(5) A transfer agreement executed by New University, and containing agreed-upon representations and warranties regarding the Buyout Assets, and customary covenants and conditions ("**Buyout Transfer Agreement**"),

(6) Sufficient instruments of assignment and assumption to evidence the transfer of assumed liabilities from Contributor to New University necessary or desirable in Contributor's

discretion; and

(7) All such other documents and instruments executed by New University or Purdue, in each case as Contributor or its counsel shall reasonably request in connection with the consummation of the transactions contemplated by the Buyout Transfer Agreement.

(iii) Closing Deliverables of Contributor. At the Buyout Closing, Contributor shall deliver to New University, in forms satisfactory to New University, the following:

(1) The Release, executed by KHE and ICA;

(2) The Transition Services Agreement, if any, executed by KHE and ICA;

(3) The Buyout Transfer Agreement, executed by KHE and ICA;

(4) Sufficient instruments of assignment and assumption to evidence the transfer of assumed liabilities from Contributor to New University necessary or desirable in Contributor's discretion; and

(5) All such other documents and instruments executed by KHE and ICA, in each case as New University or its counsel shall reasonably request in connection with the consummation of the transactions contemplated by the Buyout Transfer Agreement.

14.9 Transfer of Certain Support Functions and Related Assets.

(a) Transfer of Select Support Functions. New University may, at any time with nine (9) months prior written notice to Contributor ("**Support Transfer Notice**"), elect to directly assume performance of a Back-Office Support Function, as designated by New University in such Support Transfer Notice; provided that: (i) Contributor will be paid any Support Costs related to the Back-Office Support Function assumed for the period prior to the effective date of such assumption, and continue to be paid its other Support Costs and Contributor Fee, in each case, pursuant to the Distribution Waterfall as provided in Sections 2 and 3 of Exhibit F without regard to such assumption of performance; (ii) the Parties will negotiate in good faith to determine appropriate adjustments to the Academic Cost Percentage Limit and the Non-Brand Support Cost Percentage Limit, as the case may be, to give effect to any transfer of costs associated with such assumption; and (iii) any such assumption of performance by New University, unless otherwise agreed by the Parties: (1) shall not be subject to Section 1(e)(ii) (Other Changes in Costs) of Exhibit F; and (2) shall not be subject to Section 1(e)(i) (Changes in Academic Costs) of Exhibit F (it being agreed that any additional Academic Costs arising from such transfer of responsibility shall be deemed not to be Special Academic Costs). The Parties agree that to the extent performance of the Back-Office Support Function assumed by New University requires amendment to this Agreement, the Parties shall make such amendments (in accordance with Section 20.5 (Amendment; Waiver)) in good faith consistent with the remaining terms of this Agreement. New University shall not retain any other Person during the Term to perform any Back-Office Support Functions assumed pursuant to this Section; provided a New University Affiliate, may perform such Back-Office Support Functions on behalf of New University. "**Back-Office Support Functions**" means the Support Functions described in Section 2.4(h) (Technology Support) (except that, New University will supply its own technology and IT platforms and will no longer have the right to access or use the Contributor Platform, except in connection with Support Functions that are not assumed by New University), Section 2.4(i) (Human Resources), Section 2.4(j) (Facilities and Property Management), Section 2.4(k) (Finance and Accounting), Section 2.4(l)(i) (Communications), and Section 2.4(l)(ii) (Default Management).

(b) Transfer of Certain Support Function Assets. At any time after the sixth (6th) anniversary of the Effective Date, as part of a Support Transfer Notice, New University may request that Contributor transfer to New University some, but not all, of the Buyout Assets designated in such Support Transfer Notice, whereupon the Parties shall negotiate in good faith, for a period of up to ninety (90) days, the terms of transfer of such Buyout

Assets, including price and, upon agreement by the Parties, amend this Agreement accordingly pursuant to Section 20.5 (Amendment; Waiver), and effectuate the transfer of such Buyout Assets. If the Parties do not reach agreement within such ninety (90) day period, then either Party shall have the right to withdraw from such negotiations and Contributor shall have no obligation to transfer any of such Buyout Assets, unless and until, for the avoidance of doubt, such time as New University exercises the Buyout Option pursuant to the terms of this Agreement.

14.10 Elections and Options.

Any provision in this Article 14 that grants to any Party the right to make an election or exercise an option shall not obligate such Party to make such election or exercise such option.

14.11 Survival.

The provisions of Section 1(b) (Presumption), Section 1(c) (Exhibits), Section 1(d) (Precedence), Section 2.4(k)(ii) (No Practice of Accountancy), Section 6.1 (FERPA; GLB) (with respect to the last sentence), Article 7 (Confidentiality), Section 8.3 (Reservation), Section 8.4 (Residuals), Section 10.1(a) (Books and Records), Section 10.2 (Examination), Article 11 (Tax Matters), Section 12.1(b)(ii) (with respect to the last sentence of Section 12.1(a)(ii)), Section 12.4 (Disclaimer), Section 13.1(a) (Discontinued Courses), Section 13.1(c) (Non-Solicitation; Non-Hire), Section 13.2 (Transfer of Revenue Generating Assets) and Exhibit J (Transfer - Example), Section 14.2(a) (Early Termination for Convenience) (with respect to the last two sentences), Section 14.2(b) (Early Termination Fee), Section 14.2(c) (Post-Initial Term Fee), Section 14.3 (Non-Renewal by New University), Section 14.4 (Termination for Certain Financial Results (with respect to the last three sentences), Section 14.5(a) (Termination for Material Breach - Generally) (with respect to the fifth sentence), Section 14.5(b) (Termination for New University Material Breach), Section 14.5(c) (Termination for Contributor Material Breach), Section 14.6 (Reports; Unpaid Fees), Section 14.7 (Teach-Out Period), Section 14.8 (Buyout Option), Section 14.10 (Elections and Options), Section 14.11 (Survival), Article 15 (Limitation of Liability), Section 16.2 (Governing Law; Jurisdiction and Forum; Waiver of Jury Trial); Section 16.3 (Certain Remedies), Article 17 (Duty to Cooperate), Sections 20.1(b), (c), (d)(ii) and (e), Section 20.2 (Relationship of the Parties), Section 20.3 (Expenses), Section 20.4 (Notices) Section 20.5 (Amendment; Waiver) (with respect to the last sentence), Section 20.7 (Third Party Rights) through Section 20.10 (Severability), and Section 20.12 (Further Assurances), and Exhibit A (Definitions) (as applicable), Exhibit I-1 (Early Termination Note), Exhibit I-2 (Post-Initial Term Note) and Exhibit I-3 (Terms of Security Interest Grant), as well as any other provisions of this Agreement which contemplate performance or observance subsequent to any termination or expiration of this Agreement, or is required to survive to give the Parties the benefits of this bargain, will survive any termination or expiration of this Agreement and continue in full force and effect. To the extent a provision of this Agreement relates to the Teach-Out Period or provides for rights, interests, duties, claims, undertakings and/or obligations during any Teach-Out Period, such provision shall survive termination or expiration until such Teach-Out Period is completed and any issues with respect thereto have been fully resolved. To the extent a provision of this Agreement relates to any reimbursement or payment to be made under this Agreement, or to payments under any Note, or provides for rights, interests, duties, claims, undertakings and/or obligations related to any such payment, including Article 9 (Reimbursements and Payments), Section 10.1(b) (Audited Financial Statements), Article 19 (Accreditation and Licensing) (with respect to the second paragraph), Section 20.6 (Successors and Assigns), Exhibit F (Reimbursements and Payments), Exhibit G (Agreed Principles) and Exhibit H (Deposit Credits), such provision shall survive termination or expiration until the later of that time when all reimbursements and payments have been paid in full in accordance with this Agreement, or until all amounts due under any Note have been fully paid, and any issues with respect to any of the foregoing have been fully resolved.

15. Limitation of Liability.

Except as provided below, the Parties hereby agree that: (i) the total aggregate liability of Contributor under or in connection with the Agreement, regardless of the form of the action or the theory of recovery, shall be limited to an amount equivalent to the greater of (a) the Contributor Fees paid or payable during the twelve (12) months prior to the month in which the most recent event (before asserting the claim) giving rise to liability occurred (provided that if such event giving rise to liability occurs during the first twelve (12) months after the Effective Date the amount will be calculated as four (4) times the average quarterly Contributor Fees paid or payable under this Agreement during the elapsed time since the Effective Date) and (ii) IN NO EVENT, WHETHER IN CONTRACT OR IN TORT (INCLUDING BREACH OF WARRANTY, NEGLIGENCE AND STRICT LIABILITY) OR OTHERWISE, WILL A PARTY BE LIABLE TO THE OTHER PARTY UNDER THE AGREEMENT FOR ANY INDIRECT, CONSEQUENTIAL,

INCIDENTAL, EXEMPLARY, PUNITIVE OR SPECIAL DAMAGES OF ANY KIND OR NATURE WHATSOEVER (INCLUDING LOST REVENUES, LOST PROFITS, OR CONTRIBUTION IN RESPECT OF ANY CLAIM AGAINST THE PARTY), EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES IN ADVANCE OR SUCH DAMAGES COULD HAVE BEEN REASONABLY FORESEEN BY SUCH PARTY. The foregoing limitations shall not apply to any losses arising from the willful malfeasance, gross negligence or fraud of a Party.

For purposes of clarification, this limitation of liability is an aggregate limitation of liability for this Agreement, and all remedies provided for in this Agreement are cumulative.

16. Management Escalation; Choice of Law; Available Remedies.

16.1 Management Escalation.

Except for a dispute, claim or other controversy that is subject to the Evaluation Process, to Section 10.2 (Examination) or is a matter that is subject to the process set forth in Section 14.5(b) (Termination for New University Material Breach), in the event of any other dispute, controversy or claim, whether based on contract, tort, statute or other legal or equitable theory (including any claim of fraud, misrepresentation or fraudulent inducement), arising out of or related to each Party's obligations hereunder, prior to taking formal legal action, the Parties agree to: (a) work in good faith for thirty (30) days to attempt to resolve such matter, and (b) if such matter is not resolved in such thirty (30) day period, escalate the matter to the Chief Executive Officer of Contributor and the President of Purdue, who will then work in good faith for thirty (30) days to attempt to resolve the matter, and following such time if the matter has not been resolved, the Parties are free to pursue any legal remedy available to them.

16.2 Governing Law; Jurisdiction and Forum; Waiver of Jury Trial.

(a) Governing Law. This Agreement shall be governed by and construed in accordance with the Laws of the State of Indiana applicable to contracts executed and to be performed wholly within such State and without reference to the choice-of-law principles that would result in the application of the Laws of a different jurisdiction.

(b) Jurisdiction and Forum. In any Action arising out of or in any way relating to this Agreement or the administration thereof or any of the transactions contemplated hereby, each Party irrevocably submits to the exclusive jurisdiction of the federal courts of the Southern District of Indiana (and any federal courts of appeal with respect to such courts), or, in the event the federal courts of the Southern District of Indiana do not have jurisdiction, the state courts of Marion County, Indiana (and any Indiana courts of appeal with respect to such courts) (the "**Chosen Courts**"), and hereby irrevocably agrees that all claims in respect of such Action may be heard and determined in the Chosen Courts. Each Party hereby irrevocably waives, to the fullest extent that it may effectively do so, the defense of an inconvenient forum to the maintenance of such Action in the Chosen Courts. Delivery of any process required by any such Chosen Court in accordance with Section 20.4 (Notices) shall constitute valid and lawful service of process against a Party, without necessity for service by any other means provided by statute or rule of court. To the extent permitted by Law, that final and unappealable judgment against any of them in any Action contemplated above shall be conclusive and may be enforced in any other jurisdiction within or outside the United States by suit on the judgment, a certified copy of which shall be conclusive evidence of the fact and amount of such judgment.

(c) Waiver of Jury Trial. Each Party waives trial by jury in any Action arising out of or in any way relating to this Agreement or the administration thereof or any of the transactions contemplated thereby. No Party shall seek a jury trial in any such Action and no Party shall seek to consolidate any such Action in which a jury trial has been waived with any other Action in which a jury trial cannot be or has not been waived.

16.3 Certain Remedies.

Notwithstanding anything herein to the contrary, the Parties agree that the failure of a Party to perform any obligation which arises under Section 6.1 (FERPA; GLB), Article 7 (Confidentiality), Section 8.1(e) (Trademark Provisions), Section 8.3 (Reservation) and Section 13.1 (Restrictive Covenants) will cause irreparable harm to the other Party, which may not be fully or adequately compensated by the award and/or payment of monetary damages alone. In the event of actual or threatened breach by a Party of any of the foregoing Sections, the Parties agree that the non-breaching Party shall be entitled to seek injunctive or other equitable relief in order to enforce or prevent any such conduct or continuing violation, without having to post a bond or other security and the breaching Party agrees not to raise the defense of an adequate remedy at law in any such proceeding. Nothing herein shall be construed as prohibiting either Party from pursuing any other remedies available for such breach or threatened breach, including the recovery of damages, costs, and reasonable attorneys' fees from the other.

17. Duty to Cooperate.

If a Governmental Entity, Educational Agency, or third party files any type of demand, suit, claim, action or cause of action, or commences an investigation, review, audit, or site visit against Contributor or one of its Affiliates or New University or one of its Affiliates, each Party (and its respective Affiliates, to the extent applicable) shall use commercially reasonable efforts to cooperate with the other Party's defense. Each Party (and its Affiliates, to the extent applicable) further agrees in principle to execute such joint defense agreements, on customary terms, as may be necessary or appropriate for the protection of any privilege or confidentiality in the course of cooperating with the other Party's defense. Contributor and New University agree to use commercially reasonable efforts to make available to the other, upon reasonable request in writing, any and all non-privileged or non-proprietary documents that either Party (or either of their respective Affiliates, to the extent applicable) has in its or their possession, which relate to any such demand, suit, claim, action or cause of action, investigation, review, audit, or site visit. This provision is not intended to waive or otherwise limit any privilege or work product protection any Party may have over any documents or other information. However, neither Party (nor any of their respective Affiliates) shall have the duty to cooperate with the other Party if the dispute is between the Parties themselves, nor shall this provision preclude the raising of cross-claims or third party claims between Contributor and New University (or one of their respective Affiliates) if the circumstances justify such proceedings. The Parties agree that this provision shall survive the termination of this Agreement.

18. Insurance.

Throughout the Term, each Party shall purchase and maintain, at its expense, insurance coverage in types and amounts as is customary and reasonable for similarly situated organizations and businesses.

19. Accreditation and Licenses.

The Parties have set forth the terms, conditions and responsibilities in this Agreement in the good faith belief that they are fully in compliance with all legal and accreditation requirements generally applicable to New University or Contributor, or specifically applicable to such party's obligations hereunder; provided, however, in the event that either Party reasonably determines that the performance of any particular service, duty or function by either Party is in violation of such legal or accreditation requirements, the Parties agree that such service, duty or function shall be promptly modified to the extent reasonably necessary to secure continued compliance with such legal and accreditation requirements.

New University shall maintain in full force and effect, as required for the offering of the Academic Programs: (a) state authorization where such authorization is material to New University and its Academic Programs, (b) accreditation by the Higher Learning Commission and any other Accrediting Body where such accreditation is material to New University and its Academic Programs, and (c) eligibility and certification to participate in the Title IV Programs, including complying with the Higher Education Act of 1965, as amended, and its implementing regulations and the terms and conditions of the Program Participation Agreement between New University and ED, as in effect from time-to-time.

20. Miscellaneous.

20.1 Third Party Servicer Requirements.

(a) The Parties agree to comply with all statutory provisions of or applicable to Title IV of the HEA, all regulatory provisions prescribed under that statutory authority, and all special arrangements, agreements, limitations, suspensions, and terminations entered into under the authority of statutes applicable to Title IV, HEA program, including the requirement to use any funds that Contributor administers under any Title IV, HEA program and any interest or other earnings thereon solely for the purposes specified in and in accordance with that program.

(b) Contributor agrees to refer to the Office of Inspector General ("**OIG**") of the Department of Education for investigation of any information indicating there is reasonable cause to believe that New University might have engaged in fraud or other criminal misconduct in connection with the institution's administration of any Title IV, HEA program or an applicant for Title IV, HEA assistance might have engaged in fraud or other criminal misconduct in connection with his or her application, including the examples of information that must be referred to the OIG as stated in 34 CFR § 668.25(c)(2)(i)-(vii).

(c) Contributor agrees to be jointly and severally liable with New University to the ED for any violation by Contributor of any statutory provision of or applicable to Title IV of the HEA, any regulatory provision prescribed under that statutory authority, and any applicable special arrangement, agreement, or limitation entered into under the authority of statutes applicable to Title IV of the HEA.

(d) In the event that Contributor disburses funds (including funds received under the Title IV, HEA programs) or delivers Federal Stafford Loan Program proceeds to a student, Contributor agrees to: (i) confirm the eligibility of the student before making that disbursement or delivering those proceeds. This confirmation must include, but is not limited to, any applicable information contained in the records required under 34 C.F.R. § 668.24; and (ii) calculate and return any unearned Title IV, HEA program funds to the Title IV, HEA program accounts and the student's lender, as appropriate, in accordance with the provisions of 34 C.F.R. §§ 668.21 and 668.22, and applicable program regulations.

(e) Upon the termination of this Agreement by any Party or if Contributor stops providing services for the administration of a Title IV, HEA program, goes out of business, or files a petition under the Bankruptcy Code, Contributor agrees to return to New University all: (i) records in Contributor's possession pertaining to New University's participation in the program or programs for which services are no longer provided and (ii) funds, including Title IV, HEA program funds, received from or on behalf of New University or its students for the purposes of the program or programs for which services are no longer provided.

20.2 Relationship of the Parties.

The Parties intend to create an independent contractor relationship and nothing contained in this Agreement will be construed to make either Contributor or New University, or any of their respective Affiliates, partners, joint venturers, principals, agents, or employees of the other. No officer, director, employee, agent, Affiliate, or contractor retained by a Party to perform services under this Agreement will be deemed to be an employee, agent, or contractor of the other Party. Neither Party will have any right, power or authority, express or implied, to bind the other.

Each Party shall be solely responsible for the fulfillment of all applicable Fair Labor Standard Act, state labor laws and other labor laws and Social Security provisions that affect the labor relationships with its personnel, either currently in force or that may be enacted during the Term, expressly discharging the other Party from any liability for the breach thereof. Each Party shall hold the other Party harmless in connection with any Tax and salaries to be paid in connection with its activity, to the extent such Tax and salaries are imposed upon such other Party under applicable Law or under the terms of this Agreement. The terms of this Agreement are not intended to cause any of the Parties or their respective Affiliates to become a joint employer for any purpose.

20.3 Expenses.

Whether the transactions contemplated by this Agreement are consummated or not, all legal and other costs and expenses incurred in connection with this Agreement and the transactions contemplated by this Agreement shall be paid by the Party incurring such costs and expenses except as expressly otherwise set forth in this Agreement.

20.4 Notices.

All notices, requests, demands and other communications permitted or required to be given or delivered under or by reason of the provisions of this Agreement shall be in writing and shall be deemed conclusively to have been given: (a) when personally delivered, (b) when sent by facsimile (with hard copy to follow in accordance with sub clauses (a), (d) or (e)) during a Business Day (or on the next Business Day if sent after the close of normal business hours or on any non-Business Day), (c) when sent by electronic mail (with hard copy to follow in accordance with sub clauses (a), (d) or (e)) during a Business Day (or on the next Business Day if sent after the close of normal business hours or on any non-Business Day), (d) one Business Day after being sent by reputable overnight express courier (charges prepaid) or (e) three Business Days following mailing by certified or registered mail, postage prepaid and return receipt requested. Unless another address is specified in writing, notices, requests, demands and communications to the Parties shall be sent to the following addresses:

(a) If to Purdue:

The Trustees of Purdue University
610 Purdue Mall, Room 247
West Lafayette, IN 47907
Attn: Steven R. Schultz
Fax: (765) 496-7465
Email: schult51@purdue.edu

with a copy to:

Stuart & Branigin LLP
300 Main Street, Suite 900
Lafayette, IN 647901
Attn: Thomas B. Parent
Fax: (765) 742-8175
Email: tbp@stuartlaw.com

(b) If to New University:

Purdue NewU, Inc.
9000 Keystone Crossing, Suite 800
Indianapolis, IN 46240
Attn: Steven R. Schultz
Fax: (765) 496-7465
Email: schult51@purdue.edu

with a copy to:

Stuart & Branigin LLP
300 Main Street, Suite 900
Lafayette, IN 647901
Attn: Thomas B. Parent
Fax: (765) 742-8175
Email: tbp@stuartlaw.com

(c) If to KHE or ICA:

Kaplan, Inc.
6301 Kaplan University Avenue
Fort Lauderdale, FL 33309
Attn: Janice Block
Fax: (888) 652-6308
Email: jblock@kaplan.edu

With a copy to:

Dentons US LLP
233 South Wacker Drive, Suite 5900
Chicago, IL 60606
Attn: Linda Chaplik Harris
Fax: (312) 876-7934
Email: linda.harris@dentons.com

20.5 Amendment; Waiver.

This Agreement (including the Exhibits other than the NU Policy Guide Policy) may not be modified or amended except by an instrument or instruments in writing signed by Contributor and New University. The failure of any Party to assert any of its rights hereunder shall not constitute a waiver of such rights and the waiver by any Party of any one breach shall not be construed as a waiver of any other or subsequent breach.

20.6 Successors and Assigns.

This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns; provided, however, that no Party to this Agreement may assign its rights or delegate or subcontract any or all of its obligations under this Agreement without the express prior written consent of each other Party to this Agreement, except that Contributor may assign this Agreement to another entity owned, directly or indirectly, by Graham Holdings Company or its successor, or to a purchaser of all or substantially all of the assets or equity of Contributor (regardless of the form of such transaction), and Contributor may subcontract portions of its services consistent with past practices, and in any event so long as it does not subcontract all or substantially all of any Service Function. For purposes of this Section, a Change of Control will be deemed an assignment under this Agreement. Each Party shall notify the other Party in writing upon the public announcement of a Change of Control of such Party or its parent.

20.7 Third Party Rights.

Nothing in this Agreement, whether express or implied, is intended to confer in or on behalf of any Person not a Party to this Agreement (and their successors and assigns) any rights, benefits, causes of action or remedies with respect to the subject matter or any provision hereof.

20.8 Public Announcements.

Except as required by Law or the rules of any national securities exchange, each of the Parties shall (and shall cause their respective Affiliates and representatives to) consult with the other Parties and obtain the prior written consent of the other Parties (which consent (other than with respect to price) shall not be unreasonably conditioned, withheld or delayed) before issuing any press releases or any public statements or announcements with respect to the activities hereunder contemplated by this Agreement; provided that, prior to any such release, statement or announcement as required by Law or the rules of any such exchange, the Person required to issue the release, statement or announcement shall allow the other Parties reasonable time to comment thereon in advance of such issuance.

20.9 Entire Agreement.

This Agreement constitutes the entire agreement among the Parties with respect to the subject matter of this Agreement and supersedes any prior discussion, correspondence, negotiation, proposed term sheet, agreement, understanding or arrangement and there are no agreements, understandings, representations or warranties among the Parties other than those set forth or referred to in this Agreement.

20.10 Severability.

If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any Party. Upon such a determination, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

20.11 Counterparts.

This Agreement may be executed in two or more counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument, and shall become effective when one or more counterparts have been signed by each of the Parties and delivered to each of the other Parties. Signatures to this Agreement transmitted by facsimile transmission, by electronic mail in ".pdf" form, or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing the original signature.

20.12 Further Assurances.

Each Party shall execute such deeds, assignments, endorsements, evidences of transfer and other instruments and documents and shall give such further assurances as shall be necessary to perform such Party's obligations hereunder.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first above written.

KAPLAN HIGHER EDUCATION, LLC

by:

Name:

Title:

IOWA COLLEGE ACQUISITION, LLC

by:

Name:

Title:

PURDUE NEWU, INC.

by:

Name:

Title:

THE TRUSTEES OF PURDUE UNIVERSITY, solely for the purpose of being bound by the Purdue Provisions

by:

____

Name:

Title:

[Signature Page to Transition and Operations Support Agreement]

EXHIBIT A

Definitions

"**Academic Costs**" has the meaning set forth in Section 2 of Exhibit F.

"**Academic Functions**" has the meaning set forth in Section 2.2.

"**Academic Programs**" means New University's programs, plans, procedures and systems pursuant to which educational instruction and training is delivered either online or via hybrid ground-based programs on the Physical Campuses, and academic degrees, diplomas, honors or certificates are awarded for completion of undergraduate degree programs, graduate degree programs, certificate programs, professional studies programs or other educational programs offered by New University from time-to-time.

"**Access**" means the ability of authorized agents, officers, directors and employees of Contributor to: (i) enter and exit the Campuses to perform the Services, (ii) review and analyze relevant documents, books and records of New University (including copies) as reasonably necessary to perform the Services and (iii) consult with any employees, agents or other representatives, or students, of New University as reasonably necessary to perform the Services.

"**Accountancy**" has the meaning in Section 2.4(k)(ii).

"**Accrediting Body**" means any governmental or non-governmental entity, including any institutional and/or specialized accrediting agency, that engages in the granting or withholding of accreditation of postsecondary educational institutions or programs in accordance with standards relating to the performance, operations, financial condition or academic standards of such institutions, including the Higher Learning Commission.

"**Action**" means any action, claim (including any cross–claim or counterclaim), lawsuit, complaint, charge, arbitration, litigation, proceeding or hearing by or before a court, Governmental Entity or arbitral tribunal, whether at law or in equity.

"**Additional Fee**" has the meaning in Part B of Exhibit D.

"**Advisory Committee**" has the meaning in Section 3.2(b).

"**Affiliate**" means, (a) with respect to any Person, any other Person that directly, or through one or more intermediaries, controls, is controlled by or is under common control with such Person; and (b) in the case of Purdue and New University, any such Party or other Person that directly, or through one or more intermediaries, is a support organization for, or exists for the benefit of, either of Purdue or New University. For purposes hereof, "control" shall mean, as to any Person, the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise (and the terms "controlled by" and "under common control with" shall have correlative meanings).

"**Agreed Principles**" has the meaning in Section 4(b)(i) of Exhibit F.

"**Agreed Reconciliation Statement**" has the meaning in Section 2 and Section 4(a)(iii) of Exhibit F.

"**Agreement**" has the meaning in the Prologue.

"**Annual New University Budget**" has the meaning in Section 4.1(b).

"**Applicable Interest**" has the meaning in Section 2 of Exhibit F.

"**Applicable Period**" has the meaning in Section 2 of Exhibit F.

"**Applicable Product**" has the meaning in Section 13.2.

"**Audited Financial Statements**" means the income statement, balance sheet, cash flow statement and footnotes of New University prepared in accordance with GAAP consistently applied and certified by such Party's auditor.

"**Available Cash**" has the meaning in Section 2 of Exhibit F.

"**Back-Office Support Functions**" has the meaning in Section 14.9(a).

"**Books and Records**" means originals (or true, correct and complete copies) of all business, accounting, Tax and financial records (including supporting orders and invoices), files, lists, ledgers, correspondence, studies, reports databases and other documents (whether in hard copy, electronic or other form), including: (a) all analysis reports, advertising, promotional and marketing materials and creative material and (b) all records and lists relating to students, vendors or personnel, but shall exclude student records, other than lists of students.

"**Brand Costs**" has the meaning in Section 2 of Exhibit F.

"**Business Day**" means any day other than a Saturday, a Sunday or a day on which commercial banks in New York, New York are authorized or obligated by Law or executive order to remain closed.

"**Business Office**" has the meaning in Section 2.4(g).

"**Buyout Assets**" has the meaning in Section 14.8(a).

"**Buyout Closing**" has the meaning in Section 14.8(c)(i).

"**Buyout Contracts**" has the meaning in Section 14.8(a)(ii).

"**Buyout Fee**" has the meaning in Section 14.6(b).

"**Buyout Notice**" has the meaning in Section 14.8.

"**Buyout Option**" has the meaning in Section 14.8.

"**Buyout Tangible Assets**" has the meaning in Section 14.8(a)(i).

"Buyout Transfer Agreement" has the meaning in Section 14.8(c)(ii)(5).

"**Campuses**" means: (a) those certain real properties and owned or leased by New University at which New University operates its Academic Program, all improvements and personal property thereon, and any equipment related thereto (each, a "**Physical Campus**"); and (b) online portals, and any content related thereto, used by New University to carry out its Academic Program ("**Online Campus**").

"**Cash Operating Losses**", for any Fiscal Year, means the amount by which: (a) the sum of: (1) the Academic Costs plus the Support Costs incurred in such Fiscal Year, plus (2) $10 million for each of the first 60 months following the Effective Date, exceeds (b) the total Revenue earned by New University in such Fiscal Year.

"**Cash Transactions**" has the meaning in Section 1(b)(ii) of Exhibit F.

"**Change of Control**" means: (i) a recapitalization, merger, consolidation or other business combination in which the direct or indirect owners of a Party or its parent, immediately prior to such transaction, own, immediately following the consummation of such transaction, less than 50% of the voting power of the surviving entity; (ii) an acquisition, directly or indirectly through one transaction or a series of transactions, of more than 10% of the (1) equity interests or (2) voting power of a Party or its parent; (iii) in the case of New University, any transaction that would cause New University not to recognize or receive in the NU Account all Revenue of its businesses and operations, including all Revenue of its ED Institution; or (iv) any combination of, or similar transaction to, the foregoing; provided, however, that this definition shall not apply to any Person that is a reporting person under the Securities Exchange Act of 1934, as amended, or to Kaplan, Inc.

"**Chosen Courts**" has the meaning in Section 16.2(b).

"**Closure**" has the meaning in Section 14.7(a).

"**Closure Budget**" has the meaning in Section 14.7(c).

"**Closure Period**" has the meaning in Section 14.7(c).

"**Closure Reserve**" has the meaning in Section 14.7(c).

"**Code**" means the Internal Revenue Code of 1986, as amended for time-to-time.

"**Collateral**" has the meaning in Exhibit I-3.

"**Confidential Information**" has the meaning in Section 7.1.

"**Consent**" means a consent, authorization, order or approval of, or filing or registration with, or notification to any Person not a party to this Agreement, including any Governmental Entity.

"**Contributor**" has the meaning in the Prologue.

"**Contributor Brand Marketing Department**" has the meaning in Exhibit C.

"**Contributor Cash Transactions**" has the meaning in Section 1(b)(ii) of Exhibit F.

"**Contributor Efficiency Payment**" has the meaning in Section 2 of Exhibit F.

"**Contributor Fee**" has the meaning set forth in Section 2 of Exhibit F.

"**Contributor Non-Brand Costs Cap**" has the meaning in Section 2 of Exhibit F.

"**Contributor Platform(s)**" means the IT infrastructure and the platform(s), technology or any transmission or storage methodology, on which **Institutional Asset**s are stored, housed, offered, delivered or otherwise made available, whether by any wireline or wireless networks now known or later developed (or any combination thereof) in any form, analog, digital, or other, now known or later developed (including limited downloads, permanent downloads, streams, streaming audio and/or video, digital downloads, direct broadcast satellite, point-to-multipoint satellite, multipoint distribution service, point-to-point distribution service, cable system, telephone system, and any other forms of transmission made on-demand or near on-demand (or otherwise interactive), and the other IT infrastructure and technology used in connection with the delivery of the Support Functions.

"**Contributor Policies**" has the meaning in Section 6.3.

"**Contributor Relationship Manager**" has the meaning in Section 3.2(a).

"**Contributor Support Costs Cap**" has the meaning in Section 2 of Exhibit F.

"**Cost Covering Students**" has the meaning in Part B, Section IV of Exhibit D.

"**Course**" means any academic course to be offered as part of the Academic Program.

"**Critical Service Level Failure**" has the meaning in Section 3.5.

"**Cure Period**" has the meaning in Section 14.5.

"**Current Fair Market Rate**" has the meaning in Section 14.2(b).

"**Defaulting Party**" has the meaning in Section 14.5.

"**Deferred Revenue Adjustment**" means an amount equal to 35% of the average Kaplan University month-end deferred revenue balance for the 12 month period ending on the most recent month-end prior to the Effective Date.

"**Deposit Credits**" has the meaning in Section 5 of Exhibit F.

"**Derivative Work**" means a work based on one or more preexisting works, including a condensation, transformation, translation, modification, expansion or adaptation, that, if prepared without authorization of the owner of the copyright of such preexisting work, would constitute a copyright infringement under applicable Law, but excluding the preexisting work.

"**Disclosing Party**" has the meaning in Section 7.2.

"**Distribution Waterfall**" has the meaning in Article 9.

"**Early Termination Fee**" has the meaning in Section 14.2(b).

"**Early Termination Note**" has the meaning in Section 14.2(b).

"**ECAR**" has the meaning in Part A, Section II of Exhibit D.

"**ED**" means the United States Department of Education.

"**ED Institution**" has the meaning in Recital A.

"**Educational Agency**" means any Person, whether governmental, government chartered, private, or quasi-private, that engages in granting or withholding approvals for, or otherwise regulates, postsecondary institutions, their agents or employees in accordance with standards relating to performance, operation, financial condition or academic standards of such institutions, and the provision of financial assistance to such institutions or students attending such institutions, including ED, any Accrediting Body, the Higher Learning Commission, the U.S. Department of Veterans' Affairs and state educational agencies.

"**Educational Approvals**" means any license, permit, approval, authorization, certificate or accreditation issued or required to be issued by an Educational Agency to a Person with respect to any aspect of such Person's operations subject to the oversight of such Educational Agency or the participation of such Person in Student Financial Assistance Programs.

"**Educational Law**" means any federal, state, municipal, foreign or other law, regulation, order, Accrediting Body standard or other requirement that is applicable to a Party, including the provisions of Title IV of the HEA and any regulations or written guidance implementing or relating thereto, issued or administered by, or related to, any Educational Agency.

"**Effective Date**" has the meaning in the Prologue.

"**Employer Party**" has the meaning in Section 13.1(c).

"**Evaluation Process**" has the meaning set forth in Section 3.2(e).

"**Examination Notice**" has the meaning in Section 10.2(d).

"**Excess Payments**" has the meaning in Section 1(d) of Exhibit F.

"**Exclusive Employees**" has the meaning in Section 14.8(a)(iii).

"**Fee**" means the Early Termination Fee or the Post-Initial Term Fee.

"**Fee Based Product**" has the meaning in Section 13.2.

"**FERPA**" has the meaning in Section 6.1.

"**Financial Expert**" has the meaning in Section III of Part C of Exhibit D.

"**Financial Reports**" means the Reports prepared and delivered under this Agreement, which relate to financial and accounting matters of New University, Contributor or the functions each Party performs in connection with this Agreement, including the Reconciliation Statements, the Agreed Reconciliation Statements, the Unpaid Funds Reports, and the Termination Fee Report.

"**Fiscal Year**" means the fiscal year of New University, beginning on July 1 and ending on June 30.

"**GAAP**" means the generally accepted accounting principles for the United States as in effect at the time the applicable financial statements or other calculations or statement were prepared, consistently applied.

"**GLB**" has the meaning in Section 6.1.

"**Governmental Entity**" means any court, administrative agency, commission or other governmental authority, body or instrumentality, supranational, national, federal, state, provincial, local, municipal, domestic or foreign government or governmental or regulatory authority or any self-regulatory authority or arbitral or similar forum of any nature, including any agency, branch, bureau, commission, department, entity, official or political subdivision, whether domestic or foreign, including any Educational Agency.

"**Guaranty**" has the meaning in Section 14.8(c)(ii)(2).

"**HEA**" means the Higher Education Act of 1965, 20 U.S.C. § 1001 et seq., as amended, or successor statutes thereto.

"**HR Evaluation Standard**" has the meaning in Section 2.2(f).

"ICA" has the meaning in the Prologue.

"**Independent Accounting Firm**" has the meaning in Section 10.2(e).

"**Initial Budget**" has the meaning in Section 4.1(a).

"**Initial Term**" has the meaning in Section 14.1.

"**Institutional Assets**" has the meaning in Recital E.

"**Intellectual Property Rights**" means, on a worldwide basis, any and all: (i) rights associated with works of authorship, including copyrights, moral rights and mask-works; (ii) trademarks and service marks; (iii) trade secret rights; (iv) patents and other industrial property rights; (v) other intellectual and industrial property rights of every kind and nature, however designated, whether arising by operation of law, contract, license or otherwise; and (vi) registrations, initial applications, renewals, extensions, continuations, divisions or reissues thereof now or hereafter in force (including any rights in any of the foregoing).

"**Kaplan University**" or "**KU**" has the meaning in Recital A.

"**Key Contracts**" has the meaning in Section 8.3.

"KHE" has the meaning in the Prologue.

"**Law**" means any laws, statutes, rules, regulations, ordinances, orders, codes, arbitration awards, judgments, decrees or other legal requirements of any Governmental Entity or Educational Agency, including any Educational Law, applicable to a Party.

"**Letter of Credit**" has the meaning in Section 14.8(c)(ii)(B).

"**Licensee**" has the meaning in Section 8.1(d).

"**Licensor**" has the meaning in Section 8.1(d).

"**Losses**" means losses, costs, charges, expenses, fees (including reasonable fees of attorneys, consultants and advisors), obligations, liabilities, settlement payments, awards, judgments, fines, penalties, damages, demands, claims, assessments or deficiencies of any kind.

"**Marketing Materials**" means the works of authorship and other content created by both or either of New University and Contributor under the Marketing Plan or otherwise under this Agreement and which may be made available to each Party under this Agreement, including presentations, webcasts, video and audio clips, pictures, sound files, graphics, logos, and other similar materials and content; provided, however, in no event shall any IP or proprietary information of New University or Contributor be considered or deemed jointly owned.

"**Marketing Plan**" means the marketing plans developed jointly by the Parties which outline the marketing activities relating to the Academic Programs and the responsibilities of the Parties for those activities, which shall include the process regarding the production of Marketing Materials and the determination of marketing channels employed to display or disseminate such Marketing Materials.

"**Materials**" means, collectively, software, literary works, other works of authorship in whatever form (including written, magnetic, electronic, graphic or digitized), specifications, design documents and analyses, algorithms, processes, methodologies, programs, program listings, programming tools, user manuals, documentation, reports, drawings, databases, machine readable text and files, business rules or requirements, inventions, interfaces, scenarios, scripts, business models, business logic, templates, studies, strategies, operating models, technical architecture, design ware, software objects, source code, object code, artifacts, requirements, specifications, abstracts and summaries, software configurations, test plans, test results and similar work product.

"**Material Sales Threshold**" has the meaning in Section 13.2.

"**Mediation Period**" has the meaning in Section 14.5(b)(iii).

"**New University**" has the meaning in the Prologue.

"**New University Board of Trustees**" shall mean the independent governing board of New University.

"**New University Budget(s)**" has the meaning in Section 4.1(b).

"**New University Efficiency Payment**" has the meaning in Section 2 of Exhibit F.

"**NewU Relationship Manager**" has the meaning in Section 3.2(a).

"**Non-Defaulting Party**" has the meaning in Section 14.5(a).

"**non-performing Party**" has the meaning in Section 2.7(a).

"**Non-Renewal**" has the meaning in Section 14.3.

"**Note**" means an Early Termination Note or a Post-Initial Term Note.

"**NPS**" has the meaning in Section 2.5(b)(iv).

"**NU Account**" has the meaning in Section 1(a) of Exhibit F.

"**NU Cash Transactions**" has the meaning in Section 1(b)(i) of Exhibit F.

"**NU Costs Cap**" has the meaning in Section 2 of Exhibit F.

"**NU Policy Guide**" has the meaning in Section 2.3.

"**NU Upfront Payment**" has the meaning in Section 3(b) of Exhibit F.

"**OIG**" has the meaning in Section 20.1(b).

"**Opinion**" has the meaning in Section 2.4(k)(ii).

"**Organizational Documents**" means: (a) the articles or certificate of incorporation and the bylaws of a corporation; (b) the partnership agreement and any statement of partnership of a general partnership; (c) the operating agreement and the articles of organization of a limited liability company; (d) any charter or similar document adopted or filed in connection with the creation, formation, or organization of an entity; and (e) any amendment to any of the foregoing.

"**Party(ies)**" has the meaning in the Prologue.

"**Payment Shortfall**" has the meaning in Section 1(e) of Exhibit F.

"**Person**" means any individual, partnership (general or limited), corporation, limited liability company, joint venture, association, or other form of business organization (whether or not regarded as a legal entity under applicable Law), trust or other entity or organization, including a Governmental Entity and an Accrediting Body.

"**Post-Initial Term Fee**" has the meaning in Section 14.2(c).

"**Post-Initial Term Note**" has the meaning in Section 14.2(c).

"**Post-Termination Resolution Period**" has the meaning in Section 14.5(b)(ii).

"**Pre-Termination Resolution Period**" has the meaning in Section 14.5(b)(i).

"**Primary Party**" has the meaning in Section 6.2(a).

"**Priority Payment**" has the meaning in Section 2 of Exhibit F.

"**Priority Payment Differential**" has the meaning in Section 2 of Exhibit F.

"**Purdue**" has the meaning in the Prologue.

"**Purdue Provisions**" means those provisions of this Agreement (including the Exhibits to this Agreement) and defined terms, which by their terms or as the context provides refer to Purdue, including the Recitals, Section 2.1 (New University Board of Trustees), Section 2.7 (Excused Performance; Force Majeure), Section 3.2(b) (Advisory Committee Make-Up and Meetings), Section 6.2 (Compliance with Law; Changes in Law), Article 7 (Confidentiality), Section 8.1(b) (Purdue License to Contributor), Section 8.1(c) (Purdue License to New University), Section 8.1(d) (Kaplan License to New University and Purdue), Section 8.1(e) (Trademark Provisions), Section 8.2 (Third Party Materials), Section 8.3 (Reservation), Section 8.4 (Residuals), Section 10.1(a) (Books and Records), Section 12.1 (Representations and Warranties; Covenants - Purdue and New University), Section 12.4 (Disclaimer), Section 13.1 (Restrictive Covenants), Section 13.2 (Transfer of Revenue Generating Assets), Section 14.1 (Term), Section 14.2(b) (Early Termination Fee), Section 14.5(a) (Termination for Material Breach - Generally), Section 14.7 (Teach-Out Period), Sections 14.8(c)(ii)(2), (3) and (7) (Closing Deliverables by New University), Article 15 (Limitation of Liability), Section 16.1 (Management Escalation), and Section 16.2 (Governing Law; Jurisdiction and Forum; Waiver of Jury Trial), Article 17 (Duty to Cooperate), Section 20.2 (Relationship of Parties), Section 20.3 (Expenses), Section 20.4 (Notices), Section 20.5 (Amendment; Waiver), Section 20.7 (Third Party Rights), Section 20.8 (Public Announcements), Section 20.9 (Entire Agreement), Section 20.10 (Severability), Section 20.11 (Counterparts), Section 20.12 (Further Assurances), and Sections 1(a) (NU Account) and 4(b) (Calculations of Payments; Process) of Exhibit F.

"**Receiving Party**" has the meaning in Section 7.2.

"**Reconciled Termination Sum**" has the meaning in Section 14.6(b).

"**Reconciliation Statement**" has the meaning in Section 4(a) of Exhibit F.

"**Reconciliations**" has the meaning in Section 4(a) of Exhibit F.

"**Release**" has the meaning in Section 14.8(c)(ii)(3).

"**Remainder Payment**" has the meaning in Section 2(g) of Exhibit F

"**Remaining Revenue**" has the meaning in Section 3(b) of Exhibit F.

"**Renewal Term**" has the meaning in Section 14.1.

"**Reports**" has the meaning in Section 2.8.

"**Reporting Party**" has the meaning in Section 2.8.

"**Revenue**" or **"Revenues"**, unless otherwise specified, means consolidated revenue of New University for the designated time period, calculated in accordance with GAAP, consistently applied in accordance with the past practices of Contributor, adjusted to include all insurance proceeds payable to New University related to either or both business interruption or a force majeure event, and further adjusted to reflect a reserve for bad debt calculated in a manner consistently applied in accordance with the past practices of Contributor. For purposes of this definition, past practices of Contributor shall mean the applicable practices most recently applied prior to the Effective Date.

"**Revenue Based Product**" has the meaning in Section 13.2.

"**Root Cause Analysis**" has the meaning in Section 2.6.

"**Service Levels**" has the meaning in Section 2.5.

“**Short Term Advances**” has the meaning in Section 1(c) of Exhibit F.

“**Significant Adverse Impact**” has the meaning set forth in Section 3.2(e).

“**Special Academic Costs**” has the meaning in Section 1(e)(i) of Exhibit F.

“**State Subsidy**” means, where applicable: (a) Revenue collected by New University relating to any State share of instruction earned by New University students as a result of the Courses and credit hours of such students; and (b) the success points earned on a proportionate basis of such students compared to the total subsidy eligible enrollment.

“**Student Financial Assistance Program**” means any form of student financial assistance, grants or loans administered by any Governmental Entity, including the Title IV Programs, state grant programs, and veterans’ education benefits administered by the U.S. Department of Veterans’ Affairs.

“**Supplier Party**” has the meaning in Section 8.2.

“**Support Costs**” has the meaning in Section 2 of Exhibit F.

“**Support Functions**” has the meaning in Section 2.4.

“**Support Transfer Notice**” has the meaning in Section 14.9(a).

“**Target Outreach and Admission Spend**” has the meaning in Part A, Section IV of Exhibit D.

“**Tax**” means any and all taxes and all other charges, fees, duties, contributions, levies, assessments or liabilities in the nature of a tax, whether disputed or not, imposed by any Governmental Entity, and any interest, fines, penalties, assessments or additions to tax imposed with respect to such items or any contest or dispute thereof.

“**Taxing Authority**” means any Governmental Entity exercising regulatory authority in respect of any Taxes.

“**Teach-Out Period**” has the meaning in Section 14.7.

“**Term**” has the meaning in Section 14.1.

“**Threshold Amount**” has the meaning in Part B of Exhibit D.

“**Title IV**” means Title IV of the HEA, and any amendments or successor statutes thereto.

“**Title IV Program**” means the programs of federal student financial assistance administered pursuant to Title IV of the HEA.

“**Transfer**” has the meaning in Section 13.2.

"**Transfer Agreement**" has the meaning in Recital E.

"**Transition Services Agreement**" has the meaning in Section 14.8(c)(ii)(4).

"**Triggering Loss**" has the meaning in Section 14.4.

"**UCC**" has the meaning in Exhibit I-3.

"**University Partner**" has the meaning in the Prologue.

"**Unpaid Contributor Fees**" has the meaning in Section 2 of Exhibit F.

"**Unpaid Contributor Funds**" has the meaning in Section 2 of Exhibit F.

"**Unpaid Funds Report**" has the meaning in Section 4(c) of Exhibit F.

"**Unpaid NU Funds**" has the meaning in Section 2 of Exhibit F.

"**Valuation Period**" has the meaning in Section 14.5(b)(iv).

"**Valuation Process**" is the process set forth in Section 14.5(b)(iv).

"**Wind-Down Costs**" has the meaning in Section 14.7(c).

"**Year End Reconciliation**" has the meaning in Section 4(a)(ii) of Exhibit F.

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

FOR THE FISCAL YEAR ENDED December 31, 2020
or

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Commission file number 001-06714

Graham Holdings Company

(Exact name of registrant as specified in its charter)

Delaware	53-0182885
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1300 North 17th Street, Arlington, Virginia	22209
(Address of principal executive offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code: (703) 345-6300
Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class B Common Stock, par value $1.00 per share	GHC	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☒	Accelerated filer	☐	Non-accelerated filer	☐	Smaller reporting company	☐	Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes ☒ No ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

Aggregate market value of the registrant's common equity held by non-affiliates on June 30, 2020, based on the closing price for the Company's Class B Common Stock on the New York Stock Exchange on such date: approximately $1,400,000,000.

Shares of common stock outstanding at February 19, 2021:

Class A Common Stock – 964,001 shares

Class B Common Stock – 4,038,125 shares

Documents partially incorporated by reference:

Definitive Proxy Statement for the registrant’s 2021 Annual Meeting of Stockholders (incorporated in Part III to the extent provided in Items 10, 11, 12, 13 and 14 hereof).

GRAHAM HOLDINGS COMPANY 2020 FORM 10-K

PART I

Item 1. Business.

Graham Holdings Company (the Company) is a diversified education and media company whose operations include educational services; television broadcasting; online, print and local TV news; home health and hospice care; and manufacturing. The Company's Kaplan, Inc. (Kaplan) subsidiary provides a wide variety of educational services, both domestically and outside the United States (U.S.). The Company's media operations comprise the ownership and operation of television broadcasting (through the ownership and operation of seven television broadcast stations) plus Slate and Foreign Policy magazines; and Pinna, an ad-free audio streaming service for children. The Company's home health and hospice operations provide home health, hospice and palliative services. The Company's manufacturing companies comprise the ownership of a supplier of pressure treated wood, an electrical solutions company, a manufacturer of lifting solutions, and a supplier of certain parts used in electric utilities and industrial systems. The Company also owns automotive dealerships, restaurants, a custom framing service company, a cybersecurity training company, a marketing solutions provider, and a customer data and analytics software company. The Company sold Megaphone, a technology podcasting company, in December 2020.

Financial information concerning the principal segments of the Company's business for the past three fiscal years is contained in Note 19 to the Company's Consolidated Financial Statements appearing elsewhere in this Annual Report on Form 10-K. Revenues for each segment are shown in Note 19 gross of intersegment sales. Consolidated revenues are reported net of intersegment sales, which did not exceed 0.1% of consolidated operating revenues.

The Company's operations in geographic areas outside the U.S. consist primarily of Kaplan's non-U.S. operations. During each of the fiscal years 2020, 2019 and 2018, these operations accounted for approximately 22%, 24% and 24%, respectively, of the Company's consolidated revenues, and the identifiable assets attributable to non-U.S. operations represented approximately 21% and 24% of the Company's consolidated assets at December 31, 2020 and 2019, respectively.

Education

Kaplan, a subsidiary of the Company, provides an extensive range of education and related services worldwide for students and professionals. In 2020, Kaplan served approximately 700,000 students and professionals worldwide and had associations with approximately 14,000 companies and commercial relationships with approximately 4,000 universities, colleges, schools and school districts across the globe. Kaplan conducts its operations through three segments: Kaplan North America Higher Education, Kaplan North America Supplemental Education, and Kaplan International. As more fully described below, Kaplan consolidated its former Kaplan Higher Education, Kaplan Test Preparation and Kaplan Professional segments into one business, Kaplan North America, operating through two segments, Higher Education and Supplemental Education. In addition, the results of the Kaplan Corporate segment include results of Kaplan's investment activities in education technology companies. The following table presents revenues for each of Kaplan's segments:

	Year Ended December 31		
(in thousands)	**2020**	2019	2018
Kaplan International	**$ 653,892**	$ 750,245	$ 719,982
Kaplan North America Higher Education	**316,095**	305,672	342,085
Kaplan North America Supplemental Education	**327,087**	388,814	390,289
Kaplan Corporate and Intersegment Eliminations	**8,639**	7,019	(1,341)
Total Kaplan Revenue	**$ 1,305,713**	$ 1,451,750	$ 1,451,015

In 2020, Kaplan combined its three segments based in the United States (Kaplan Higher Education, Kaplan Test Preparation and Kaplan Professional) into one business known as Kaplan North America. The combination reinforces Kaplan's interconnected products and services, increases competitiveness in Kaplan's markets and drives efficiencies.

Kaplan International

Kaplan International (KI) operates businesses in Europe and the Middle East, North America and the Asia Pacific region, each of which is discussed below. In March 2020, Kaplan acquired BridgeU, a provider of university and careers guidance services for global and international schools.

Europe and Middle East. In Europe, KI operates the following businesses, all of which are based in the United Kingdom (U.K.) and Ireland: Kaplan UK, KI Pathways, KI Languages, Mander Portman Woodward, Dublin Business School, Kaplan Open Learning and BridgeU. In the Middle East, Kaplan International has operations in the United Arab Emirates.

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The Kaplan UK business in Europe, through Kaplan Financial Limited, is a provider of apprenticeship training and test preparation services for accounting and financial services professionals, including those studying for ACCA, CIMA and ICAEW qualifications. In 2020, Kaplan UK provided courses to over 48,000 students in accountancy and financial services. In addition, Kaplan UK is the sole authorized assessment provider for the Solicitors Regulation Authority of assessments under The Qualified Lawyers Transfer Scheme for candidates seeking to become solicitors of England and Wales who are already qualified lawyers in certain recognized jurisdictions, and will in 2021 transition to being the sole authorized assessment provider for the Solicitors Qualifying Examination for all candidates seeking to become a solicitor in England and Wales. Kaplan UK is headquartered in London, England, and has 21 training centers located throughout the U.K.

The KI Pathways business offers academic preparation programs especially designed for international students who wish to study for degrees from universities in English-speaking countries. In 2020, university preparation programs were delivered in Australia, Japan, Myanmar, Singapore and the U.K.

The KI Languages business provides English-language training, academic preparation programs and test preparation for English proficiency exams, principally for students wishing to study and travel in English-speaking countries. As of December 31, 2020, KI Languages operates 25 English-language schools, with 18 located in the U.K., Ireland, Australia, New Zealand and Canada and seven located in the U.S. In 2020, KI Languages served approximately 15,000 students for in-class English-language instruction. Through the Alpadia language schools, KI Languages also offers French and German language training in France, Germany, Switzerland and the U.K. Alpadia has four language schools, located in France, Germany and Switzerland, and operates summer camps for juniors in other European destinations. KI Languages also offers Spanish language training in four Spanish cities through its partnership with Enforex.

Mander Portman Woodward (MPW) is a U.K. independent sixth-form college that prepares domestic and international students for A-level examinations that are required for admission to U.K. universities. MPW operates three colleges, in London, Cambridge and Birmingham.

KI also operates Dublin Business School in Ireland, a higher education institution, and Kaplan Open Learning in the U.K., an online learning institution. At the end of 2020, these institutions enrolled an aggregate of approximately 9,000 students.

In 2020, Kaplan Professional ME (formerly Kaplan Genesis), a financial training business operating in Dubai, United Arab Emirates, taught approximately 1,600 students.

U.K. Immigration Regulations. Certain KI businesses serve a significant number of international students; therefore, the ability to sponsor international students to come to the U.K. is critical to these businesses. Pursuant to regulations administered by the United Kingdom Visas and Immigration Department (UKVI), the KI Pathways business is required to hold or operate Student Route sponsorship licenses (which replaced Tier 4 licenses) for international students to be permitted to enter the U.K. to study the courses that KI Pathways delivers. One of the KI Languages schools also has a Student Route license to enable it to teach international students, although students at these schools generally choose to enter the U.K. on a Visitor or Short Term Student visa as opposed to a Student Route visa.

Each Student Route license holder is required to have passed the Basic Compliance Assessment (BCA) and hold Educational Oversight accreditation. Students who do not satisfy these criteria cannot be issued a Confirmation of Acceptance for Studies by KI's U.K. schools, which is a prerequisite for obtaining a Student Route visa. The UKVI rules also require all private institutions to obtain Educational Oversight accreditation, which requires a current and satisfactory full risk assessment, audit or review by the appropriate academic standards body. For the ninth consecutive year, all of KI institutions have retained Educational Oversight accreditation, with high grades across all colleges, and all Student Route annual BCA renewals have been approved with high scores in the core measurable requirements. KI Languages has one U.K. English-language school listed on the Kaplan Student master license. The MPW schools each hold current Student and Child Student Route licenses and have performed well consistently, with good records in their Office for Standards in Education, Children's Services and Skills (OFSTED) and Independent Schools Inspectorate (ISI) Educational Oversight inspections.

The Higher Education and Research Act 2017 (HERA), formally approved on April 27, 2017, significantly reformed the regulation of the higher education sector in the U.K., including the formation of a new regulator for England, the Office for Students (OfS). The OfS published regulatory guidance in April 2019, including the new Regulatory Framework for Higher Education in England. Students enrolled at Pathways institutions registered with the OfS are, subject to the institution meeting certain compliance requirements, given many of the same student privileges as students of universities in the U.K. All of KI's other higher education businesses in the U.K., excluding Glasgow International College and University of York International Pathway College, successfully completed registration with the OfS in 2020 to ensure that they could continue operating and retain their Student sponsor licenses and/or continue to accept students funded by U.K. student loans. Glasgow International College, which is located in

Scotland, is not regulated by the OfS and remains overseen by the Quality Assurance Agency for higher education (QAA). York Pathway College forms part of the University of York's OfS registration. No assurance can be given that each KI business in the U.K. will be able to maintain its Student Route or Child Student Route BCA status and Educational Oversight or OfS/QAA registration. Maintenance of each of these approvals requires compliance with several core metrics that may be difficult to sustain. Loss by one or more institutions of either Student BCA status or Educational Oversight or OfS/QAA registration, would have a material adverse effect on KI Europe's operating results.

Impact of Brexit. On June 23, 2016, the U.K. held a referendum in which voters approved a proposal that the U.K. leave the European Union (EU), commonly referred to as "Brexit." The U.K.'s withdrawal became effective on January 31, 2020, at which time it entered an 11-month transition period which ended December 31, 2020. The impact of Brexit on KI over time will depend on the agreed terms of the U.K.'s withdrawal from the EU. Uncertainty over the impact and terms of Brexit trade deals may materially diminish interest in traveling to the U.K. for study. If the U.K. is no longer viewed as a favorable study destination, KI's ability to recruit international students will be adversely impacted, which would materially adversely affect KI's results of operations and cash flows. As part of the new trade deal, the EU did not grant the U.K. an adequacy decision under the General Data Protection Regulation (GDPR). Instead, the EU and U.K. agreed to delay restrictions on the transfer of personal data for an initial period of at least four months from January 1, 2021, which can be extended to up to six months. If the EU does not determine that the U.K. is an adequate destination for the transfer of personal data by the end of the relevant period, all transfers of personal data from the European Economic Area (EEA) must be made with alternative safeguards. If the U.K. does not receive a determination of adequacy under EU law, then KI will need to work with its corporate and university clients, suppliers, business partners and affiliates in order to implement suitable alternative safeguards to transfer personal data from the EEA to the U.K. KI will also need to review the position under U.K. law. The U.K. has on a transitional basis deemed the EEA to be adequate, meaning that currently alternative safeguards are not required in order to transfer personal data from the U.K. to the EEA. However, this adequacy can be removed at any time by the U.K. which may require KI to implement suitable alternative safeguards.

Revised U.K. immigration rules became effective on January 1, 2021, as the Brexit transition was completed. Effective January 1, 2021, all international students, including EEA and Swiss students studying in the U.K. for more than six months, are required to obtain a Student Route visa unless they are undertaking an English language course under a Short Term Study visa of up to 11 months. Free movement ceased between the EEA (together with Switzerland) and the U.K.; students from these countries entering the U.K. are now subject to the same U.K. immigration rules as students from outside the EEA and Switzerland. EEA and Swiss nationals commencing a higher education course in England from August 2021 will no longer qualify for home fee status or have access to financial support from Student Finance England. It is unclear how international student recruitment agents and prospective international students may view the U.K. as a study destination after the introduction of any new immigration requirements, the EU exit negotiations and the U.K.'s exit from the EU. The introduction of revised immigration rules has historically increased, and may continue to increase, KI's operating costs in the U.K. The introduction of new visa and other administrative requirements for entry into the U.K., Brexit and the perception of the U.K. as a less favorable study destination may have a materially adverse impact on KI's ability to recruit international students and KI's results of operations and cash flows.

Asia Pacific. In the Asia Pacific region, Kaplan operates businesses primarily in Singapore, Australia, New Zealand and the People's Republic of China, including the Hong Kong Special Administrative Region (Hong Kong).

In Singapore, Kaplan operates two business units: Kaplan Higher Education and KHEA-Genesis (which comprises the former Kaplan Financial and Kaplan Professional business units). During 2020, the Higher Education and KHEA-Genesis (Financial) divisions served more than 10,300 students from Singapore and approximately 4,100 students from other countries throughout Asia and Western Europe. KHEA-Genesis (Professional) provided short courses to approximately 700 professionals, managers, executives and businesspeople in 2020.

Kaplan Singapore's Higher Education business provides students with the opportunity to earn bachelor's and postgraduate degrees in various fields on either a part-time or full-time basis. Kaplan Singapore's students receive degrees from affiliated educational institutions in Australia, Ireland and the U.K. In addition, this division offers pre-university and diploma programs.

Kaplan Singapore's KHEA-Genesis Financial (KHEA-Genesis) business provides preparatory courses for professional qualifications in accountancy and finance, such as the Association of Chartered Certified Accountants (ACCA) and Chartered Financial Analyst (CFA). Kaplan Singapore's Professional business, through Kaplan Learning Institute, an authorized SkillsFuture Singapore (SSG) Approved Training Organization (ATO), provided professionals with various skills training through workforce skills qualifications (WSQ) courses. Kaplan Learning Institute ceased offering such courses and voluntarily deregistered Kaplan Learning Institute as a private education institution on March 9, 2020, following a notice in June 2019 from SSG suspending Kaplan Singapore Professional's WSQ ATO status and revoking accreditation and funding for all WSQ courses effective July 1, 2019. These actions have adversely affected and will continue to adversely affect Kaplan Singapore's revenues and operating results.

On October 7, 2020, Kaplan Higher Education Academy (KHEA) was granted approval by SSG to deliver WSQ courses as an ATO for a period of two years. KHEA-Genesis is currently securing approvals from SSG for the WSQ courses they intend to offer, with the aim of having the first courses authorized to commence in the second quarter of 2021.

In Australia, Kaplan delivers a broad range of financial services programs from certificate level through master's level, together with professional development offerings through Kaplan Professional, as well as higher education programs in business, accounting, hospitality, and tourism and management through Kaplan Business School. In 2020, these businesses provided courses to approximately 5,000 students through face-to-face classroom programs (within Kaplan Business School) and approximately 26,000 students through online or distance-learning programs offered by Kaplan Professional. In 2020, Kaplan Professional also had approximately 35,000 subscribers for Ontrack, its continuing professional development platform for financial services professionals.

Kaplan Australia's English-language business is part of KI Languages, which operates across five locations in Australia and one location in New Zealand, teaching approximately 3,000 students in 2020. The Kaplan Australia Pathways business is also part of KI Pathways. It consists of Murdoch Institute of Technology and the University of Adelaide College and offered face-to-face pathways and foundational education to approximately 1,300 students wishing to enter Murdoch University in Perth and the University of Adelaide in 2020. The contract with Murdoch University to run the Murdoch Institute of Technology is set to expire in June 2021. In November 2019, Kaplan Australia obtained regulatory approval to operate a Melbourne campus for the University of Adelaide, which will commence in March 2021. In November 2020, Kaplan Australia also entered into a seven-year partnership with the University of Newcastle, Australia to operate an on-campus pre-University pathway college offering pathways and English language programs.

Kaplan Australia also owns Red Marker Pty Ltd., a machine learning and artificial intelligence-based provider of regulatory software for the financial services industry. Red Marker's Artemis product detects potentially noncompliant content as it is being created, helping advisers and licensees to identify and remediate compliance risks associated with the promotion of financial products or services.

In Hong Kong, Kaplan operates three main business units: Kaplan Financial, Kaplan Language Training and Kaplan Higher Education, serving approximately 9,200 students annually.

Kaplan Hong Kong's Financial division delivers preparatory courses to approximately 7,400 students and business executives wishing to earn professional qualifications in accountancy, financial markets designations and other professional fields.

Hong Kong's Language Training division offers test preparation for both overseas study and college applications, including TOEFL, IELTS, SAT and GMAT, to approximately 700 students.

Kaplan Hong Kong's Higher Education division offers both full-time and part-time programs to approximately 1,100 students studying for degrees from leading Western universities. Students earn doctorate, master's and bachelor's degrees in Hong Kong. Kaplan also offers a proprietary pre-college diploma program through the Kaplan Business and Accountancy School.

In 2014, Kaplan Holdings Limited (Hong Kong) signed a joint venture agreement with CITIC Press Corporation. Under the terms of the agreement, the parties incorporated a joint venture company, Kaplan CITIC Education Co. Limited, 49% of which is owned by Kaplan Holdings Limited. The joint venture company is carrying out publishing and distribution of Kaplan Financial training products in the People's Republic of China (including CFA, FRM and ACCA) and is expanding its business with other Kaplan divisions under an intellectual property license from Kaplan.

Each of Kaplan's international businesses is subject to unique and often complex regulatory environments in the countries in which they operate, and the degree of consistency in the application and interpretation of such regulations can vary significantly in certain jurisdictions.

Kaplan North America

As discussed above, in the second half of 2020 Kaplan combined its Kaplan Higher Education, Kaplan Test Preparation and Kaplan Professional segments into one business named Kaplan North America (KNA). The following disclosure combines those now legacy segments under the Kaplan North America business comprised of two segments, Kaplan North America Higher Education (comprising primarily former Kaplan Higher Education (KHE) products and services) and Kaplan North America Supplemental Education (comprising primarily former Kaplan Test Preparation (KTP) and former Kaplan Professional (KP) products and services).

Kaplan North America Higher Education

Until March 22, 2018, through the KHE segment, Kaplan provided postsecondary education services to students through Kaplan University's (KU) online and fixed-facility colleges. KU provided a wide array of certificate, diploma and degree programs designed to meet the needs of students seeking to advance their education and career goals.

On March 22, 2018, certain subsidiaries of Kaplan contributed the institutional assets and operations of KU to a new university: an Indiana nonprofit, public-benefit corporation affiliated with Purdue University, known as Purdue University Global (Purdue Global). As part of the transfer to Purdue Global, KU transferred students, academic personnel, faculty and operations, property leases for KU's campuses and learning centers, and Kaplan-owned academic curricula and content related to KU courses. Kaplan also indemnified Purdue for certain pre-closing liabilities. At the same time, KU and Purdue Global entered into a Transition and Operations Support Agreement, which was amended on July 29, 2019 (TOSA), pursuant to which KNA provides key non-academic operations support to Purdue Global. Kaplan received nominal cash consideration upon the transfer of the institutional assets and operations of KU. The combination of the KHE, KTP and KP segments into one KNA business did not change Kaplan's or Purdue Global's obligations under the TOSA.

The transfer of KU did not include any of the assets of the KU School of Professional and Continuing Education (now managed by KNA), which provides professional training and exam preparation for professional certifications and licensures. The transfer also did not include the transfer of other Kaplan businesses.

KNA also provides similar non-academic operations support services for online pre-college, certificate, undergraduate and graduate programs to institutions such as Purdue University and Wake Forest University. These are the same services and operations provided by the KHE segment which is now a part of the KNA business.

Transition and Operations Support Agreement (TOSA). Purdue Global operates largely online as an Indiana public university affiliated with Purdue University. The operations support activities that KNA provides to Purdue Global (and other institutions of higher education, including Purdue University) include technology support, help-desk functions, human resources support for transferred faculty and employees, admissions support, financial aid processing, marketing and advertising, back-office business functions, certain test preparation, and domestic and international student recruiting services.

Pursuant to the TOSA, KNA is not entitled to receive any reimbursement of costs incurred in providing support functions, or any fee, unless and until Purdue Global has first covered all of its operating costs (subject to a cap). If Purdue Global achieves cost efficiencies in its operations, KNA may be entitled to an additional payment equal to 20% of such cost efficiencies (Purdue Efficiency Payment). In addition, during each of Purdue Global's first five years, prior to any payment to KNA, Purdue Global is entitled to a priority payment of $10 million per year beyond costs (Purdue Priority Payment). To the extent that Purdue Global's revenue is insufficient to pay the Purdue Priority Payment, KNA is required to advance an amount to Purdue Global to cover such insufficiency. Upon closing of the transaction, Kaplan paid to Purdue Global an advance in the amount of $20 million, representing, and in lieu of, a Purdue Priority Payment for each of the fiscal years ending June 30, 2019, and June 30, 2020.

To the extent that there is sufficient revenue to pay the Purdue Efficiency Payment, Purdue Global will be reimbursed for its operating costs (subject to a cap) and will be paid the Purdue Priority Payment. To the extent that there is remaining revenue, KNA will then be reimbursed for its operating costs (subject to a cap) of providing the support activities. If KNA achieves cost efficiencies in its operations, then KNA may be entitled to an additional payment equal to 20% of such cost efficiencies (KNA Efficiency Payment). The TOSA, as amended, reflects the parties' intent that, subject to available cash (calculated as cash balance minus cash deficiencies, if any, projected for the next six-month period based on applicable budget), KNA is entitled to receive a fee equal to 12.5% (increasing to 13% from June 30, 2023, through June 30, 2027) of Purdue Global's revenue, which served as the deferred purchase price for the transfer of KU (Deferred Purchase Price). Separately, KNA is entitled to a fee for services provided equal to 8% of KNA's costs of providing such services to Purdue Global (Contributor Service Fee). KNA's Contributor Service Fee is deducted from any amounts owed to KNA for the Deferred Purchase Price. Together these payments are known as "Contributor Compensation." In each case, the Contributor Compensation remains subject to available cash and the limitations of payment carry over from year to year.

After the first five years of the TOSA, KNA and Purdue Global will be entitled to payments in a manner consistent with the structure described above, except that (i) Purdue Global will no longer be entitled to the Purdue Priority Payment and (ii) to the extent that there are sufficient revenues after payment of the KNA Efficiency Payment (if any), Purdue Global will be entitled to an annual payment equal to 10% of the remaining revenue after the KNA Efficiency Payment (if any) is paid, subject to certain other adjustments.

The TOSA has a 30-year initial term, which will automatically renew for five-year periods unless terminated. After the sixth year, Purdue Global has the right to terminate the agreement upon payment of a termination fee equal to 125% of Purdue Global's total revenue earned during the preceding 12-month period, which payment would be

made pursuant to a 10-year note, and at the election of Purdue Global, it may receive for no additional consideration certain assets used by KNA exclusively to provide the support activities pursuant to the TOSA. At the end of the 30-year term, if Purdue Global does not renew the TOSA, Purdue Global will be obligated to make a final payment of 75% of its total revenue earned during the preceding 12-month period, which payment will be made pursuant to a 10-year note, and at the election of Purdue Global, it may receive for no additional consideration certain assets used by KNA exclusively to provide the support activities pursuant to the TOSA. Either party may terminate the TOSA at any time if Purdue Global generates (i) $25 million in cash operating losses for three consecutive years or (ii) aggregate cash operating losses greater than $75 million at any point during the initial term. Operating loss is defined as the amount by which the sum of (1) Purdue Global's and KNA's respective costs in performing academic and support functions and (2) the $10 million Purdue Priority Payment in each of the first five years following March 22, 2018, exceeds the revenue Purdue Global generates for the applicable fiscal year. Upon termination for any reason, Purdue Global will retain the assets that Kaplan contributed pursuant to the TOSA. Each party also has certain termination rights in connection with a material default or material breach of the TOSA by the other party.

Regulatory Environment. KNA no longer owns or operates KU or any other institution participating in student financial aid programs created under Title IV of the U.S. Federal Higher Education Act of 1965 (Higher Education Act), as amended (Title IV). KNA provides services to Purdue Global, Purdue University, Wake Forest University and other Title IV participating institutions that may require KNA to comply with certain laws and regulations, including applicable statutory provisions of Title IV. KHE also provides financial aid services to Purdue Global and, as such, meets the definition of a "third-party servicer" contained in the Title IV regulations to Purdue Global (but no other institution as of the date of this report). As a third-party servicer, KNA is subject to applicable statutory provisions of Title IV and U.S. Department of Education (ED) regulations that, among other things, require KNA to be jointly and severally liable with its Title IV participating client institution(s) to the ED for any violation by such client institution of any Title IV statute or ED regulation or requirement. KNA is also subject to other federal and state laws, including, but not limited to, federal and state consumer protection laws and rules prohibiting unfair or deceptive marketing practices, data privacy, data protection and information security requirements established by federal state and foreign governments, including for example the Federal Trade Commission and the applicable provisions of the Family Educational Rights and Privacy Act regarding the privacy of student records. KNA's failure to comply with these and other federal and state laws and regulations could result in adverse consequences to KNA's business, including, for example:

- The imposition on KNA and/or Kaplan of fines, other sanctions, or liabilities, including repayment obligations for Title IV funds to the ED or the termination or limitation on Kaplan's eligibility to provide services as a third-party servicer to any Title IV participating institution;
- Adverse effects on KNA's business and results of operations from a reduction or loss in KNA's revenues under the TOSA or any other agreement with any Title IV participating institution if a client institution loses or has limits placed on its Title IV eligibility, accreditation, operations or state licensure, or is subject to fines, repayment obligations or other adverse actions due to noncompliance by KNA (or the institution) with Title IV, accreditor, federal or state agency requirements;
- Liability under the TOSA or any other agreement with any Title IV participating institution for noncompliance with federal, state or accreditation requirements arising from KNA's conduct; and
- Liability for noncompliance with Title IV or other federal or state laws and regulations occurring prior to the transfer of KU to Purdue.

Incentive compensation. Under the ED's incentive compensation rule, an institution participating in Title IV programs may not provide any commission, bonus or other incentive payment to any person or entity engaged in any student recruiting or admission activities or in making decisions regarding the awarding of Title IV funds if such payment is based directly or indirectly on success in securing enrollments or financial aid. KNA is a third party providing bundled services to Title IV participating institutions that include recruiting and, in the case of Purdue Global, financial aid services. As such, KNA is also subject to the incentive compensation rules and cannot provide any commission, bonus or other incentive payment to any covered employees, subcontractors or other parties engaged in certain student recruiting, admission or financial aid activities based on success in securing enrollments or financial aid. In addition, tuition revenue sharing payments to KNA under the TOSA (as well as any other agreement with any Title IV participating institution) must comply with revenue sharing guidance provided by the ED related to bundled services agreements. For more information, see Item 1A. Risk Factors. Failure to Comply with the ED's Title IV Incentive Compensation Rule Could Subject Kaplan to Liabilities, Sanctions and Fines.

Misrepresentations. A Title IV participating institution is required to comply with the ED regulations related to misrepresentations and with related federal and state laws. These laws and regulations are broad in scope and may extend to statements by servicers, such as KNA, that provide marketing or certain other services to such institutions. The laws and regulations may also apply to KNA's employees and agents, with respect to statements

addressing the nature of an institution's programs, financial charges or the employability of its graduates. Additionally, failure to comply with these and other federal and state laws and regulations regarding misrepresentations and marketing practices could result in the imposition on KNA or its client institutions of fines, other sanctions, or liabilities, including federal student aid repayment obligations to the ED, the termination or limitation on KNA's eligibility to provide services as a third-party servicer to Title IV participating institutions, the termination or limitation of a client institution's eligibility to participate in the Title IV programs, or legal action by students or other third parties. A violation of misrepresentation regulations or other federal or state laws and regulations applicable to the services KNA provides to its client institutions arising out of statements by KNA, its employees or agents could require KNA to pay the costs associated with indemnifying its client institutions from applicable losses resulting from the violation and could result in fines, other sanctions, or liabilities imposed on KNA.

Compliance by client institutions with Title IV program requirements and other federal, state and accreditation requirements. KNA currently provides services to education institutions that are heavily regulated by federal and state laws and regulations and subject to extensive accrediting body requirements. Presently, a material portion of KNA's revenues are attributable to service fees it receives under the TOSA, which are dependent upon revenues generated by Purdue Global and dependent upon Purdue Global's eligibility to participate in the Title IV federal student aid program. To maintain Title IV eligibility, Purdue Global and KNA's other client institutions must be certified by the ED as eligible institutions, maintain authorizations by applicable state education agencies and be accredited by an accrediting commission recognized by the ED. Purdue Global and KNA's other client institutions must also comply with the extensive statutory and regulatory requirements of the Higher Education Act and other state and federal laws and accrediting standards relating to their financial aid management, educational programs, financial strength, disbursement and return of Title IV funds, facilities, recruiting practices, representations made by the school and other parties, and various other matters. Additionally, Purdue Global and other client institutions are subject to laws and regulations that, among other things, limit student default rates on the repayment of Title IV loans, permit borrower defenses to repayment of Title IV loans based on certain conduct of the institution, establish specific measures of financial responsibility and administrative capability, regulate the addition of new campuses and programs and other institutional changes; require compliance with state professional licensure board requirements to the extent applicable to institutional programs and require state authorization and institutional and programmatic accreditation. If the ED finds that Purdue Global or other client institutions have failed to comply with Title IV requirements or improperly disbursed or retained Title IV program funds, it may take one or more of a number of actions, including, but not limited to:

- fining the school;
- requiring the school to repay Title IV program funds;
- limiting or terminating the school's eligibility to participate in Title IV programs;
- initiating an emergency action to suspend the school's participation in Title IV programs without prior notice or opportunity for a hearing;
- transferring the school to a method of Title IV payment that would adversely affect the timing of the institution's receipt of Title IV funds;
- requiring the submission of a letter of credit;
- denying or refusing to consider the school's application for renewal of its certification to participate in the Title IV programs or for approval to add a new campus or educational program; and
- referring the matter for possible civil or criminal investigation.

If Purdue Global or other client institutions lose or have limits placed on their Title IV eligibility, accreditation or state licensure, or if they are subject to fines, repayment obligations or other adverse actions due to their or KNA's noncompliance with Title IV regulations, accreditor or state agency requirements or other state or federal laws, KNA's financial results of operations could be adversely affected.

Compliance reviews and litigation. KNA and its client institutions are subject to reviews, audits, investigations and other compliance reviews conducted by various regulatory agencies and auditors, including, among others, the ED, the ED's Office of the Inspector General, accrediting bodies and state and various other federal agencies. These compliance reviews could result in findings of noncompliance with statutory and regulatory requirements that could, in turn, result in the imposition of fines, liabilities, civil or criminal penalties or other sanctions against KNA and its client institutions. Separately, if KNA provides financial aid services to more than one Title IV participating institution (i.e., one or more participating institutions in addition to Purdue Global), it will be required to arrange for an independent auditor to conduct an annual Title IV compliance audit of KNA's compliance with applicable ED requirements. KNA's client institutions are also required to arrange for an independent auditor to conduct an annual

Title IV compliance audit of their compliance with applicable ED requirements, including requirements related to services provided by KNA.

On September 3, 2015, Kaplan sold to Education Corporation of America (ECA) substantially all of the assets of the prior KHE Campuses. The transaction included the transfer of certain real estate leases that were guaranteed or purportedly guaranteed by Kaplan. ECA is currently in receivership, has terminated all of its higher education operations and has sold most, if not all, of its remaining assets (including New England College of Business). Additionally, the receiver has repudiated all of ECA's real estate leases. Although ECA is required to indemnify Kaplan for any amounts Kaplan must pay due to ECA's failure to fulfill its obligations under the real estate leases guaranteed by Kaplan, ECA's current financial condition and the amount of secured and unsecured creditor claims outstanding against ECA make it unlikely that Kaplan will recover from ECA. In the second half of 2018, the Company recorded an estimated $17.5 million in losses on guarantor lease obligations in connection with this transaction in other non-operating expense. The Company recorded an additional estimated $1.1 million in non-operating expense in 2019 and $1 million in non-operating expense in 2020, in each case consisting of legal fees and lease costs. The Company continues to monitor the status of these obligations. Kaplan also may be liable to the current owners of KU and the KHE schools related to the pre-sale conduct of the schools. Additionally, the pre-sale conduct of the schools could be the subject of future compliance reviews or lawsuits that could result in monetary liabilities or fines or other sanctions.

Kaplan North America Supplemental Education

In 2020, KNA's supplemental education products included all products of the former KTP and KP segments, including test preparation, data science education and training, healthcare simulation businesses, professional licensure training and preparation, corporate training and continuing education. Each of these businesses is discussed below.

Test Preparation. KNA's test preparation businesses prepare students under the Kaplan Test Prep, Manhattan Prep and Barron's Educational Series brands for a broad range of standardized, high-stakes tests, including the SAT, ACT, LSAT, GMAT, MCAT and GRE. KNA's accredited businesses, operating under the Kaplan Prep & Achieve brand, prepare students for licensing exams required to enter certain professions, including nursing, medicine and law. KNA also sells admissions consulting, tutoring and other advising services.
In 2020, KNA served over 220,000 students through its test preparation programs and related products (such as tutoring, online question banks and online practice tests), excluding sales of test prep books by third-party retailers. KNA test preparation programs are taught at Kaplan-branded locations and at numerous other locations, such as hotels, high schools, universities and companies throughout the U.S., including Puerto Rico, as well as in Canada, Mexico and the U.K. KNA also licenses material for certain programs to third parties. Since the end of the first quarter of 2020, virtually all KNA test preparation programs have been offered online, typically in a live online classroom or a self-study format, and in person. Private tutoring services are provided online and, in select markets, in person. As pandemic restrictions were lifted, KNA maintained its strategic decision to move away from in-person courses for test preparation programs to focus on primarily digital delivery of courses.

KNA supplemental education includes Kaplan Publishing, which focuses on print and digital test preparation and reference resources sold through retail channels under the Kaplan Test Prep, Manhattan Prep and Barron's Educational Series brands. At the end of 2020, Kaplan Publishing had over 1,100 titles in print and digital formats, including more than 250 digital products. In total, KNA test prep prepares students for more than 233 standardized tests, the large majority of which are U.S. focused.

Data Science. KNA operates Metis, a licensed data science and analytics school and training organization that operates immersive, live online boot camp programs and courses, and conducts training for corporations worldwide.

***Healthcare Simulation*.** i-Human Patients provides online, simulated patient interactions for use in training and assessing medical health professionals, which are typically purchased by medical, nursing and physician assistant schools.

Professional Licensure Training and Preparation, Corporate Training, and Continuing Education. The combination of the Kaplan Professional (U.S.) (KP) segment into the Kaplan North America Supplemental Education segment in 2020 did not alter or otherwise change the KP products or services that Kaplan offers. Through its professional licensure products, operating under the brands Dearborn Real Estate Education, Kaplan Real Estate Education, Bob Hogue School of Real Estate, Kaplan Financial Education, Professional Publications (PPI) and Kaplan Schweser, KNA helps professionals obtain certifications, licensures and designations that enable them to advance their careers. Additionally, KNA collaborates with organizations to solve their talent management challenges through customized corporate learning and development solutions. Through live and online instruction, KNA provides professional license test preparation, licensing and continuing education, as well as leadership and professional development programs to businesses and individuals in the accounting, insurance, securities, real estate, financial services, wealth management, engineering and architecture industries.

In 2020, KNA served approximately 3,200 business-to-business clients through its professional services (formerly KP products) including approximately 160 Fortune 500 companies. In 2020, approximately 150,000 students used KNA's professional licensure exam preparation offerings.

Television Broadcasting

Graham Media Group, Inc. (GMG), a subsidiary of the Company, owns seven television stations located in Houston, TX; Detroit, MI; Orlando, FL; San Antonio, TX; Jacksonville, FL; and Roanoke, VA, as well as SocialNewsDesk, a provider of social media management tools designed to connect newsrooms with their users. The following table sets forth certain information with respect to each of the Company's television stations:

Station, Location and Year Commercial Operation Commenced	National Market Ranking (a)	Primary Network Affiliation	Expiration Date of FCC License	Expiration Date of Network Agreement	Total Commercial Stations in DMA (b)
KPRC, Houston, TX, 1949	8th	NBC	Aug. 1, 2022	Dec. 31, 2022	17
WDIV, Detroit, MI, 1947	15th	NBC	Oct. 1, 2021	Dec. 31, 2022	10
WKMG, Orlando, FL, 1954	17th	CBS	Feb. 1, 2021*	June 30, 2022	16
KSAT, San Antonio, TX, 1957	31st	ABC	Aug. 1, 2022	Dec. 31, 2021	14
WJXT, Jacksonville, FL, 1947	43rd	None	Feb. 1, 2021*	—	9
WCWJ, Jacksonville, FL, 1966	43rd	CW	Feb. 1, 2021*	Aug. 31, 2021	9
WSLS, Roanoke, VA, 1952	71st	NBC	Oct. 1 2028	Dec. 31, 2022	7

(a) Source: 2020/2021 Local Television Market Universe Estimates, the Nielsen Company, September 2020, based on television homes in DMA (see note (b) below).

(b) Full-power commercial TV stations, Designated Market Area (DMA) is a market designation of the Nielsen Company that defines each television market exclusive of another, based on measured viewing patterns.

*The license renewals were filed in October 2020 and the applications are pending at the FCC. GMG does not anticipate any issues with its pending applications or in renewing its FCC licenses and expects the FCC to grant these pending applications in due course, but cannot provide any assurances that the FCC will do so.

Revenue from broadcasting operations is derived primarily from the sale of advertising time to local, regional and national advertisers. In 2020, advertising revenue accounted for 62% of the total for GMG's operations. Advertising revenue is sensitive to a number of factors, some specific to a particular station or market and others more general in nature. These factors include a station's audience share and market ranking; seasonal fluctuations in demand for air time; annual or biannual events, such as sporting events and political elections; and broader economic trends, among others.

Regulation of Broadcasting and Related Matters

GMG's television broadcasting operations are subject to the jurisdiction of the U.S. Federal Communications Commission (FCC) under the U.S. Federal Communications Act of 1934, as amended (the Communications Act). Each GMG television station holds an FCC license that is renewable upon application for an eight-year period. In 2020, four GMG stations timely submitted renewal applications, each of which was due four months prior to the applicable station's license expiration; one of these applications has been granted (WSLS) (Roanoke), and the three most recent applications remain pending (WKMG, WJXT, WCWJ) (GMG's Florida stations). While GMG does not anticipate any material delays in the grant of its pending license renewal applications, a station's operations may continue past the license expiration date in the event that its renewal application remains pending. As shown in the table above, the current terms of the GMG station licenses expire in 2021 through 2028. GMG does not anticipate any issues with its pending applications or in renewing its FCC licenses and GMG expects the FCC to grant future renewal applications for its stations in due course, but cannot provide any assurances that the FCC will do so.

Digital Television (DTV) and Spectrum Issues. Each GMG station (and each full-power television station nationwide) broadcasts only in a digital format, which allows transmission of HDTV programming and multiple channels of standard-definition television programming (multicasting).

Television stations may receive interference from a variety of sources, including interference from other broadcast stations, that is below a threshold established by the FCC. That interference could limit viewers' ability to receive television stations' signals. The amount of interference to stations could increase in the future because of the FCC's decision to allow electronic devices, known as "white space" devices, to operate in the television frequency band on an unlicensed basis on channels not used by nearby television stations.

In November 2017, the FCC voted to adopt rules authorizing broadcast television stations to voluntarily transition to a new technical standard, called Next Generation TV or ATSC 3.0. The new standard is designed to allow broadcasters to provide consumers with better sound and picture quality; hyper-localized programming, including news and weather; enhanced emergency alerts and improved mobile reception. The standard will allow for the use of targeted advertising and more efficient use of spectrum, potentially allowing for more multicast streams to be aired on the same six-megahertz channel. ATSC 3.0 is not backward compatible with existing television equipment, and the FCC's rules require full-power television stations that transition to the new standard to continue broadcasting a signal in the existing DTV standard until the FCC phases out the requirement in a future order. A transitioning station's DTV-formatted content must be substantially similar to the programming aired on its ATSC 3.0 channel until July17, 2023, five years from the date the rules in the original 2017 FCC order were finalized. In June 2020, the FCC re-affirmed this sunset date, but stated that it would open a proceeding one year prior to the sunset date to determine whether the date should be extended. In November 2020, GMG station WDIV (Detroit) applied for and was granted authority by the FCC to effectuate an ATSC 3.0 simulcasting arrangement with another station in the Detroit area (WMYD, licensed to Scripps Broadcasting Holdings, LLC). The station's ATSC 3.0 stream was then launched on December 7, 2020. As required by the FCC rules, the stream is in addition to WDIV's current DTV stream, which viewers continue to be able to view.

In connection with the transition to ATSC 3.0, which is an internet protocol-based standard, the FCC has updated its rules to reflect how broadcasters may use their spectrum in non-traditional ways (referred to as "Broadcast Internet"). In June 2020, the FCC issued a Declaratory Ruling clarifying that the television ownership rules would not apply to the lease of broadcast spectrum for Broadcast Internet purposes, and in December 2020, the FCC voted to adopt rules that specifically apply its existing framework regarding derogation of service and use of spectrum for ancillary and supplementary purposes to Broadcast Internet; i.e., a broadcaster must continue to air at least one free, over-the-air television signal in SDTV format, and if a broadcaster opts to use its spectrum for Broadcast Internet services, it will incur a five percent fee based on the gross revenue received by the broadcaster. It is too soon to predict how the use of broadcast spectrum for Broadcast Internet services could impact the industry. In April 2017, the FCC announced the completion of an incentive auction in which certain broadcast television stations bid to relinquish spectrum or move to a different spectrum band in exchange for a share of the revenues obtained by auctioning the reallocated broadcast spectrum for use by wireless broadband providers**.** None of GMG's stations participated in the incentive auction. However, certain GMG stations—specifically, WDIV, WSLS, WCWJ and WJXT—were required to move to new channel allotments in order to free up a nationwide block of spectrum for wireless broadband use. The FCC adopted rules requiring this "repacking" of broadcast television stations to new channels to be completed within 39 months after the incentive auction closed, with earlier deadlines set for particular stations in order to stagger the transition to new channels. The WSLS transition was completed on September 11, 2019, the WCWJ and WJXT transitions were completed on January 16, 2020, and the WDIV transition was completed on September 16, 2020 (following tolling of its assigned deadline due to delays related to the COVID-19 pandemic).

GMG's repacked stations have been eligible to seek reimbursement for repacking-related costs and have been receiving reimbursement payments through the FCC's process. Congress has capped the overall funds available for repack-related reimbursements. The initial legislation authorizing the incentive auction provided only $1.75 billion in total for all such reimbursements. Congress later made available an additional $1 billion in reimbursement funds, with $600 million in available funds allocated to 2018 and $400 million allocated to 2019.

To date, each repacked commercial television station, including each of the repacked GMG stations, has been allocated a reimbursement amount equal to approximately 92.5% of the station's estimated repacking costs, as verified by the FCC's fund administrator. Receipt of the allocated funds is subject to FCC approval of particular requests for reimbursement of actual costs fully incurred. As of December 31, 2020, the repacked GMG stations have received approximately $17.5 million in FCC reimbursements since 2018.

Carriage of Local Broadcast Signals. Congress has established, and periodically has extended or otherwise modified, various statutory copyright licensing regimes governing the local and distant carriage of broadcast television signals on cable and satellite systems. The Company cannot predict whether or how Congress may maintain or modify these regimes in the future, or what net effect such decisions would have on the Company's broadcast operations or on the Company overall.

The Communications Act and the FCC rules allow a commercial television broadcast station, under certain circumstances, to insist on mandatory carriage of its signal on cable systems serving the station's market area (must carry). Alternatively, stations may elect, at three-year intervals, to forgo must-carry rights and allow their signals to be carried by cable systems only pursuant to a "retransmission consent" agreement. Commercial television stations also may elect either mandatory carriage or retransmission consent with respect to the carriage of their signals on direct broadcast satellite (DBS) systems that provide "local-into-local" service (i.e., distribute the signals of local television stations to viewers in the local market area). Stations that elect retransmission consent may negotiate for compensation from cable or DBS systems in exchange for the right to carry their signals. Each of GMG's television stations has elected retransmission consent for both cable and DBS operators, and each is carried on all of the major cable and DBS systems serving each station's respective local market pursuant to

retransmission consent agreements. Retransmission consent elections must be made every three years. The most recent election deadline was October 1, 2020; all GMG stations elected retransmission consent for both cable and DBS operators. The 2020 election process was less time-intensive than prior processes, as the FCC in July 2019 moved to an electronic election system that now allows broadcasters to post their carriage elections online and to send notices to covered MVPDs electronically. The next election deadline is October 1, 2023 and will follow the same process.

Recent statutes have required the FCC to modify its rules governing retransmission consent negotiations. Under the STELA Reauthorization Act (STELAR), enacted in December 2014, the FCC adopted rules prohibiting same-market television broadcast stations from coordinating or jointly negotiating for retransmission consent unless such stations are under common control. The Television Viewer Protection Act, enacted on December 20, 2019, made changes to the “good faith” standards for retransmission consent negotiations, calling for the FCC to implement regulations requiring “large station groups” (groups of television broadcast stations that have a national audience reach of more than 20%) to negotiate in good faith with MVPD “buying groups” (entities that negotiate on behalf of multiple small MVPDs). GMG does not qualify as a “large station group” under the statute and therefore will not be subject to this obligation. While GMG does not anticipate that these recent changes will materially affect its bargaining position in retransmission consent negotiations, if Congress or the FCC were to enact further changes to the retransmission consent rules (such as by requiring small station groups like GMG to negotiate with MVPD buying groups, or otherwise giving MVPDs heightened bargaining power), such changes could have a material effect on retransmission consent revenues.

The FCC has also considered proposals to alter its rules governing network non-duplication and syndicated exclusivity. In March 2014, the FCC solicited comments on a proposal to eliminate its network non-duplication and syndicated exclusivity rules, which restrict the ability of cable operators, direct broadcast satellite systems and other distributors classified by the FCC as MVPDs to import the signals of out-of-market television stations with duplicate programming during retransmission consent disputes or otherwise. The FCC has not acted on that proposal to date. If Congress or the FCC were to enact further changes to the exclusivity rules, such changes could materially affect the GMG stations’ bargaining position in future retransmission consent negotiations.

Ownership Limits. The Communications Act and the FCC’s rules limit the number and types of media outlets in which a single person or entity may have an attributable interest. The FCC is required by statute to review its media ownership rules (with the exception of the national television ownership rule, discussed below) every four years to determine whether those rules remain necessary in the public interest as the result of competition. This process is referred to as the quadrennial review. In November 2017, the FCC conducted such a review and voted to eliminate certain of its ownership limit restrictions and to modify others. However, this FCC decision was challenged in court, and the Third Circuit Court of Appeals set aside the FCC’s decision in November 2019. The FCC appealed the Third Circuit court’s decision, and on January 19, 2021, the U.S. Supreme Court heard oral arguments in the case. A decision is expected in the first half of 2021.

Pending a decision from the Supreme Court, the FCC’s pre-November 2017 rules remain in effect. These rules include: the newspaper/broadcast cross-ownership rule, which prohibits a single entity from owning a full-power broadcast station and a daily print newspaper in the same local market; the radio/television cross-ownership rule, which imposes certain limits on the ability to own television and radio stations in the same market (in addition to the separate limits on the number of television or radio stations an entity may own in a given market); a more restrictive local television ownership rule, including the Eight Voices Test (generally prohibiting two commercial television stations in the same market from combining ownership if the transaction would result in fewer than eight independently owned stations remaining in the market) and the presumptive prohibition on transactions that would result in common ownership among the top four ranked stations in the same market; and a rule making certain television joint sales agreements (JSAs) attributable in calculating compliance with the FCC’s ownership limits.

The FCC’s most recent quadrennial review of its media ownership rules was initiated in December 2018, prior to the Third Circuit court’s decision setting aside the FCC’s November 2017 rule changes. That proceeding remains open. GMG’s ability to enter into certain transactions in the future may be affected by the reinstatement of the pre-November 2017 ownership rules, the outcome of the U.S. Supreme Court’s review of the Third Circuit court’s decision, and the resolution of the current FCC quadrennial review proceeding.

Under the national television ownership rule, a single person or entity may have an attributable interest in an unlimited number of television stations nationwide, as long as the aggregate audience reach of such stations does not exceed 39% of nationwide television households and as long as such interest complies with the FCC’s other ownership restrictions. In 2016, the FCC eliminated the 50% Ultra High Frequency (UHF) discount, under which stations broadcasting on UHF channels are credited with only half the number of households in their market for purposes of calculating compliance with the 39% cap. However, the FCC reversed that decision in early 2017, concluding that the UHF discount should not be altered except in connection with a broader review of the national ownership cap. The reinstatement of the UHF discount was upheld by the D.C. Circuit in the summer of 2018.

In December 2017, the FCC initiated a new rule making proceeding seeking comments regarding its authority to modify or eliminate the national television ownership cap, which was set at 39% by statute, as well as the potential elimination of the UHF discount. The FCC has received comments on its rule making but has not yet issued an order in the proceeding.

Programming. Six of GMG's seven stations are affiliated with one or more of the national television networks that provide a substantial amount of programming to their television station affiliates. The expiration dates of GMG's affiliation agreements are set forth at the beginning of this Television Broadcasting section. WJXT, one of GMG's Jacksonville stations, has operated as an independent station since 2002. In addition, each of the GMG stations receives programming from syndicators and other third-party programming providers. GMG's performance depends in part on the quality and availability of third-party programming, and any substantial decline in the quality or availability of this programming could materially affect the ability of GMG and its competitors to enter into certain transactions in the future.

Public Interest Obligations. To satisfy FCC requirements, stations generally are expected to air a specified number of hours of programming intended to serve the educational and informational needs of children and to complete reports on a quarterly basis concerning children's programming. In July 2019, the FCC modified these rules to provide broadcasters with more flexibility in meeting the public interest obligations. Among other things, the new rules allow up to 52 hours per year of children's programming to consist of educational specials and/or short-form programming. The prior rules required all qualifying programming to be regularly scheduled and in 30-minute blocks. While stations are required to air the substantial majority of their educational and informational children's programming on their primary program stream, under the new rules they may now may air up to 13 hours per quarter of regularly scheduled weekly programming on a multicast stream. In addition, the FCC requires stations to limit the amount of advertising that appears during certain children's programs.

The FCC has other regulations and policies to ensure that broadcast licensees operate in the public interest, including rules requiring the disclosure of certain information and documents in an online public inspection file; rules requiring the closed-captioning of programming to assist television viewing by the hearing impaired; video description rules to assist television viewing by the visually impaired; rules concerning the captioning of video programming distributed via the internet; and rules concerning the volume of commercials. Compliance with these rules imposes additional costs on the GMG stations that could affect GMG's operations.

Political Advertising. The FCC regulates the sale of advertising by GMG's stations to candidates for public office and imposes other obligations regarding the broadcast of political announcements more generally, including the disclosures of certain information related to such advertising in the station's online public inspection file. The application of these regulations may limit the advertising revenues of GMG's television stations during the periods preceding elections. Failure to comply with the political advertising rules may result in enforcement actions by the FCC. On October 16, 2019, the FCC admonished GMG because its WDIV station failed to disclose certain sponsorship information and failed to file in a timely manner certain materials in the public inspection file. GMG was one of several station groups so admonished, and GMG received no fines or other consequences as a result of this issue. Recently, the FCC has entered into consent decrees with a large number of radio station groups based on their failure to timely upload to the online public inspection files the materials required by the FCC's political advertising rules. The Company has procedures in place regarding compliance with the FCC's political advertising rules, but cannot predict how the FCC's future application of these rules will affect GMG's stations.

Broadcast Indecency. The FCC's policies prohibit the broadcast of indecent and profane material during certain hours of the day, and the FCC may impose monetary forfeitures when it determines that a television station has violated that policy. Broadcasters have repeatedly challenged these rules in court, arguing, among other things, that the FCC has failed to justify its indecency decisions adequately, that the FCC's policy is too subjective to guide broadcasters' programming decisions and that its enforcement approach otherwise violates the First Amendment. In June 2012, the U.S. Supreme Court held that certain fines against broadcasters for "fleeting expletives" were unconstitutional because the FCC failed to provide advance notice to broadcasters of what the FCC deemed to be indecent, but it also upheld the FCC's authority to regulate broadcast decency. The Company cannot predict how GMG's stations may be affected by the FCC's current or future interpretation and enforcement of its indecency policies.

Other Matters. The FCC is conducting proceedings concerning various matters in addition to those described in this section. The outcome of these proceedings and other matters described in this section could adversely affect the profitability of GMG's television broadcasting operations.

Other Activities

Graham Healthcare Group

Graham Healthcare Group (GHG) provides home health, hospice and palliative services to more than 50,000 patients annually. GHG operates 10 home care, seven hospice and two palliative care operating units in Michigan,

Illinois and Pennsylvania. Six of GHG's 19 operating units are operated through joint ventures with health systems and physician groups. The remainder are wholly owned and operated under the "Residential" brand name. Home health services include a wide range of health and social services delivered at home to recovering, disabled and chronically or terminally ill persons in need of medical, nursing, social or therapeutic treatment and assistance with the essential activities of daily living. Hospice care focuses on relieving symptoms and supporting patients with a life expectancy of six months or less. Hospice care involves an interdisciplinary approach to the provision of medical care, pain management and emotional and spiritual support, with an emphasis on comfort, not curing. Hospice services can be provided in the patient's home, as well as in free-standing hospice facilities, hospitals, nursing homes and other long-term care facilities. Palliative care is a specialized form of medicine provided by nurse practitioners that aims to enhance the quality of life of patients and their families who are faced with serious illness. It focuses on increasing comfort through prevention and treatment of distressing symptoms. In addition to expert symptom management, palliative care focuses on clear communication, advance planning and coordination of care. Each GHG operating unit offers care coordination, healthcare solutions and clinical expertise. All home health and hospice operations are Medicare certified and accredited by the Accreditation Commission for Health Care (ACHC) or are in the process of being ACHC accredited. GHG derives 90% of its revenues for home health and hospice services from Medicare. The remaining sources of revenue are from Medicaid, commercial insurance and private payers.

In 2020, GHG acquired two new business units, Clinical Specialty Infusions, LLC (CSI Pharmacy) located in Texarkana, Texas, and Clarus Care, LLC (Clarus) in Nashville, Tennessee. CSI Pharmacy is a nationwide specialty pharmacy licensed in 38 states that serves patients suffering from chronic illness. The Company specializes in treating rare diseases with biologics and plasma-derived therapies, with revenues derived primarily from intravenous immunoglobulin (IVIG) therapy. CSI Pharmacy delivers products to patients' houses and employs nurses to provide specialized infusion therapies in the home on a monthly basis. Clarus provides call management solutions to physician groups and hospitals. Clarus replaces traditional human-staffed answering services with a SaaS-based solution. Clarus streamlines calls, eliminates patient hold times, and manages referrals and new appointments. The solution eliminates delays, call routing errors and malpractice risk inherent with traditional call centers.

Hoover Treated Wood Products, Inc.

Hoover Treated Wood Products, Inc. (Hoover) is a supplier of pressure impregnated kiln-dried lumber and plywood products for fire-retardant and preservative applications. Hoover, founded in 1955 and acquired by the Company in 2017, is headquartered in Thomson, GA. It operates 10 facilities across the country and services a stocking distributor network of more than 100 locations spanning the U.S. and Canada.

Group Dekko Inc.

Group Dekko Inc. (Dekko) is an electrical solutions company that focuses on innovative power charging and data systems; industrial and commercial indoor lighting solutions; and the manufacture of electrical components and assemblies for medical equipment, transportation, industrial and appliance products. Dekko, founded in 1952, is headquartered in Garrett, IN, and operates 13 facilities in five states and Mexico.

Joyce/Dayton Corp.

Joyce/Dayton Corp. (Joyce/Dayton) is a leading manufacturer of screw jacks, linear actuators and related linear motion products and lifting systems in North America. Joyce/Dayton provides its lifting and positioning products to customers across a diverse range of industrial end markets, including renewable energy, metals and metalworking, oil and gas, satellite antennae and material handling sectors.

Forney Corporation

Forney Corporation (Forney) is a global supplier of burners, igniters, dampers and controls for combustion processes in electric utility and industrial applications. Forney is headquartered in Addison, TX, and its manufacturing plant is in Monterrey, Mexico. Forney's customers include power plants and industrial systems around the world.

Clyde's Restaurant Group

In July 2019, the Company acquired Clyde's Restaurant Group (Clyde's). Clyde's, founded in 1963, owns and operates 11 restaurants and entertainment venues in the Washington, D.C. metropolitan area, including seven Clyde's locations, Old Ebbitt Grill, The Hamilton, 1789 Restaurant, and The Tombs. Clyde's is managed by its existing management team as a wholly owned subsidiary of the Company.

Graham Automotive LLC

On January 31, 2019, the Company acquired a 90% interest in two automobile dealerships in the Washington, D.C. area, Honda of Tysons Corner in Virginia and Lexus of Rockville in Maryland. The two dealerships are established automotive retailers. In December 2019, the Company opened a new Jeep dealership in Bethesda, MD. The Company also entered into a management services agreement with an entity affiliated with Christopher J. Ourisman, a member of the Ourisman Automotive Group family of dealerships, to operate and manage the operations of the dealerships.

Framebridge, Inc.

In May 2020, the Company acquired an additional interest in Framebridge, Inc. (Framebridge), a custom framing service company, that resulted in the Company's ownership of approximately 93% of Framebridge. The CEO of Framebridge continues to hold an approximately 7% ownership stake in Framebridge. Framebridge provides high-quality, affordable and fast custom framing directly to consumers. Through its website, app, and retail locations, Framebridge offers consumers the option to drop off or ship artwork, pictures and other personal objects directly to Framebridge to be custom framed and then delivered directly to a customer or a retail store for in-store pick up. Framebridge is headquartered in Washington, D.C., has retail locations in Washington, D.C., Bethesda, MD, Brooklyn, NY, two locations in Atlanta, GA and two manufacturing facilities in Lexington, KY.

Code3 (formerly a part of SocialCode)

In 2020, SocialCode split into two separate companies: Code3 and Decile. SocialCode's marketing agency business now operates under the new name Code3. Code3 is a marketing and insights company that manages digital advertising for global brands and early-stage companies. It delivers software and service to transform consumer and performance data into planning, content, media activation and measurement to maximize ROI. Code3 works across platforms such as Facebook, Instagram, Amazon, Google, Twitter, Pinterest, Snapchat and YouTube. The legacy business surrounding the Audience Intelligence Platform (AIP) now operates as a separate software company, under the new name, Decile LLC.

Decile LLC

Decile LLC (Decile) is a customer data and analytics software company that helps marketers extract value from their proprietary first-party customer and sales data. Decile provides software and services to help its business clients better understand customer acquisition costs, customer retention, unit economics and how to increase profitable growth.

The Slate Group LLC

The Slate Group LLC (Slate) publishes *Slate*, an online magazine. *Slate* features articles and podcasts analyzing news, politics and contemporary culture and adds new material on a daily basis. Content is supplied by the magazine's own editorial staff, as well as by independent contributors. As measured by The Slate Group, *Slate* had an average of more than 20 million unique visitors per month and averaged more than 67 million page views per month across desktop and mobile platforms in 2020. The Slate Group owns an interest in E2J2 SAS, a company incorporated in France that produces two French-language news magazine websites at *slate.fr* and *slateafrique.com*. The Slate Group provides content, technology and branding support.

Pinna

Pinna is an audio-first children's media company offering an on-demand subscription service that delivers curated audio programming for children, all in one place, including podcasts, audio shows, audiobooks and music. The service offers children an ad-free, screen-free way to play and listen. Pinna creates and produces award-winning, original shows and partners with best-in-class brands and top creative talent to deliver age-appropriate, high-quality, highly entertaining audio experiences for three- to 12-year-olds.

The FP Group

The FP Group produces *Foreign Policy* magazine and the *ForeignPolicy.com* website, which cover developments in national security, international politics, global economics and related issues. The site features blogs, unique news content and specialized channels and newsletters focusing on regions and topics of interest. The FP Group provides insight and analysis into global affairs for government, military, business, media and academic leaders. FP Events also produces a growing number of live and virtual events, bringing together government, military, business and investment leaders to discuss important regional and topical developments and their implications.

CyberVista LLC

CyberVista LLC (CyberVista) is a cybersecurity training company headquartered in Arlington, VA. Its training solutions span cyber protection, operations, cloud and hardware/software. Its Resolve executive training suite helps large company boards and executives prepare for and mitigate cyber threats. Customers include Fortune 500 companies, leading cybersecurity providers and the defense industrial base.

Competition

Kaplan

Kaplan's businesses operate in fragmented and competitive markets. Each of Kaplan International's (KI) businesses competes in disaggregated markets with other for-profit institutions and companies (ranging in size from large for-profit universities to small competitors offering English-language courses) and, in certain instances, with government-supported schools and institutions that provide similar training and educational programs. Competitive factors vary by business and include program offerings, ranking of university partners, convenience, quality of instruction, reputation, placement rates, student services and cost. KI derives its competitive advantage from, among other things, delivering high-quality education and training experiences to students, having name brand recognition across multiple markets, developing strong relationships with corporate clients and recruitment partners and offering competitive pricing. Kaplan North America (KNA) competes with companies that provide various education technology solutions, consumer test and licensure preparation and course delivery, corporate training, university administrative support for online programs and courses, curriculum development, overall online program development and analytics for colleges and universities, as well as support for corporate, employer and employee education programs. The market for KNA's services and products, and especially its higher education services and products, is dynamic and rapidly evolving, and several competitors offer a mix of some of the same products and services or are seeking to move into KNA's markets. Competitive factors in these KNA markets include the ability to deliver a wide range of educational services and programs to clients across all levels of programs and administrative functions; cost effectiveness; expertise in marketing, recruitment and program delivery; student outcomes and satisfaction; the ability to invest in start-up and scaling initiatives; reputation; and compliance with laws and the ability to navigate complex regulatory requirements. KNA's ability to effectively compete in the higher education services markets will depend in large part on its successful delivery and navigation of these factors. While the competitive landscape is expanding, KNA's resources, capabilities and experience are key differentiators in the market. Similarly, KNA's supplemental education products and services compete with a wide range of national, regional, local, online and location-based competitors. Competitors vary by test, with many focused on preparing students for a single high-stakes test. For its curricular and assessment services, KNA has a number of national competitors, including, for example, ATI/Ascend Learning and HESI/Elsevier, as well as competitors focused on preparation for particular tests. Competitive factors for the supplemental education products vary by product line and include price, features, modality, schedule and reputation. Although KNA faces intense competition and shifting consumer preferences in these areas, particularly with respect to online test preparation, where some new competitors are offering lower-cost and free test preparation products, KNA, and particularly Kaplan Test Prep, remains a leading name in test preparation owing in part to its technical expertise and capabilities, quality of instructors, content, curricula, longevity and reputation in the industry. KNA's professional licensure training and preparation and corporate training products and services offer a broad portfolio of products, many within highly regulated and mature industries, including securities, insurance, real estate and wealth management, where competition includes a wide variety of national, regional and local companies seeking the same market share and resulting in deep price discounting and commoditization of offerings.

Graham Media Group

GMG competes for audiences and advertising revenues with television and radio stations, cable systems, video services offered by telephone and broadband companies serving the same or nearby areas, DBS services, digital media services, and, to a lesser degree, with other media providers, such as newspapers and magazines. Cable systems operate in substantially all of the areas served by the Company's television stations, where they compete for television viewers by importing out-of-market television signals; by distributing pay-cable, advertiser-supported and other programming that is originated for cable systems; and by offering movies and other programming on an on-demand, digital or pay-per-view basis. In addition, DBS services provide nationwide distribution of television programming, including pay-per-view programming and programming packages unique to DBS, using digital transmission technologies. Moreover, to the extent that competing television stations in the Company's television markets transition to ATSC 3.0, such stations may pose an increased competitive challenge to the Company's stations in the future, such as by offering an increased number of multicast channels or by offering advanced features.

Competition continues to increase from established and emerging online distribution platforms. Movies and television programming increasingly are available on an on-demand basis through a variety of online platforms, which include free access on the websites of the major TV networks, ad-supported viewing on platforms such as

Hulu, and subscription-based access through services such as Netflix. In addition, online-only subscription services offering live television services have been launched both by traditional pay-TV competitors (such as DISH and DirecTV) and new entrants (such as Fubo). The Company has entered into agreements for some of its stations to be distributed via certain of these services, typically through opt-in agreements negotiated by the stations' affiliated networks. Participation in these services has given the Company's stations access to new distribution platforms. At the same time, competition from these various platforms could adversely affect the viewership of the Company's television stations via traditional platforms and/or the Company's strategic position in negotiations with pay-TV services. In addition, the networks' increased role in negotiating online distribution arrangements for their affiliated stations, together with the networks' imposition of higher fees on affiliated stations in exchange for broadcast and traditional pay-TV retransmission rights, may have broader effects on the overall network-affiliate relationship, which the Company cannot predict.

Hoover

Hoover's predominant product line is fire-retardant treated wood products for building interior applications that are specified by architects in accordance with building code requirements for multi-family residential, commercial and institutional nonresidential buildings. Hoover's fire-retardant product lines are sold through a stocking distributor network of more than 100 locations spanning the U.S. and Canada. Hoover's competitors are licensees of other chemical suppliers to the wood treating industry who compete with Hoover's stocking distributors on a local basis. The primary areas of competition are product availability and price, although brand loyalty due to product quality is significant. Wood products are commodities with volatile market pricing; however, Hoover's reputation for quality products and its unique distribution model, which provides superior product availability, enable Hoover to maintain a leading position across the continent.

Dekko

Dekko has three distinct product families that compete in fragmented, competitive global markets: power and data distribution for office and furniture products, lighting solutions, and electrical harness manufacturing. These products are sold through dealer and distribution channels and original equipment manufacturer (OEM) customers, focused primarily on the North American market. While all markets and products are price sensitive, technology, engineering solutions, quality and delivery performance are critical in purchase decisions. Dekko's multiple long-term relationships, high-quality manufacturing facilities, engineering support and reputation as a solutions provider, in addition to being a product supplier, all contribute to sustaining its competitive advantages.

Graham Healthcare Group

The home health and hospice industries are extremely competitive and fragmented, consisting of both for-profit and nonprofit companies. According to the Medicare Payment Advisory Commission's July 2020 Data Book, there are approximately 11,365 Medicare-certified home health providers and approximately 4,639 hospice providers in the U.S., with the number of active home healthcare providers rapidly increasing. GHG markets its services to physicians, discharge planners and social workers at hospitals, nursing homes, senior living communities and physicians' offices through a direct sales model. GHG differentiates its offerings based on response time, clinical programming, clinical outcomes and patient satisfaction. Throughout the three states in which it operates, GHG competes primarily with both privately owned and hospital-operated home health and hospice service providers.

Clyde's

The restaurant industry is highly competitive. Clyde's competes with national and regional chains and independent, locally owned restaurants for customers and personnel. The principal basis for competition are types of food and service, quality, price, location, brand and attractiveness of facilities.

Graham Automotive

The retail automotive industry is highly competitive and fragmented. Automobile dealerships compete with dealerships offering the same brands as well as those offering other manufacturers' brands. Competitors include small local dealerships and large national multi-franchise automotive dealership groups. In addition to competition for vehicle sales, dealerships compete for parts and service business with other dealerships, automotive parts retailers and independent mechanics. The principal competitive factors in vehicle sales are price, selection of vehicles, location of dealerships and quality of customer service. The principal competitive factors in parts and service sales are price, the use of factory-approved replacement parts, factory-trained technicians and the quality of customer service.

Framebridge

Framebridge operates in a highly fragmented market. Competitors include small local retail operations and a few national retail chains. The competitive factors in the framing industry are price, selection and convenience.

Framebridge's centralized manufacturing, clear and transparent pricing, retail stores that are optimized for foot traffic and a curated buying experience rather than framing workshops, and strong e-commerce and digital capabilities contribute to its competitive advantages.

Code3 (formerly a part of SocialCode)

The business of managed digital advertising is highly competitive. Public multinational advertising agencies may exacerbate price competition in an attempt to protect existing relationships with advertising clients in traditional media formats such as television. Public and private advertising technology companies, digital media agencies and newer market entrants such as consulting firms also compete on price, service and technology offerings. Code3 seeks to maintain a competitive advantage and maximize its clients' return on advertising budgets by utilizing a combination of the deep expertise of its employees, who manage media spending on the largest digital platforms; a proprietary software (SaaS) as a service platform, allowing clients to make better use of first-party and third-party data to increase advertising effectiveness; and a full-service creative team with a nuanced understanding of digital media.

Decile

Decile faces competition from lower-cost providers that provide a narrower data analytics offering. In addition, at higher price points aimed at larger marketers ($50M+ annual revenue), there are several large customer data platform (CDP) competitors that attempt to unify many disparate sources of data to improve omnichannel advertising outcomes. Decile seeks to maintain a competitive advantage by simplifying the connection between data and marketing and bridging the gap between financial and marketing analytics to help marketers extract the most value out of their customer and sales data, all at a competitive price. Decile's additional third-party data enrichment capabilities and data science analytics serve as key differentiators in the mid-market space where those capabilities are not available at a competitive price.

Slate

As a digital media company, Slate operates in highly competitive markets for subscribers, audiences and advertisers. For written work, Slate faces competition from other online publishers, especially magazines and newspapers. In podcasting, Slate faces competition from other podcast networks, as well as traditional radio networks. In the face of stiff competition, Slate is able to attract and retain a large educated, affluent audience and subscriber base by creating high-quality content, and is then able to compete for advertisers who wish to reach that audience on trusted, brand-safe properties.

Pinna

Pinna is currently the only ad-free, audio on-demand streaming service designed just for children that offers multiple audio formats in one space that complies with the Children's Online Privacy Protection Act (COPPA). The market for children's subscription digital media entertainment is large. It includes media subscription services for families, subscription services for children, online learning/gaming destinations, audiobooks and podcasts for children, gaming subscriptions and free digital content. Key differentiators for Pinna include its access to multiple formats and its offering of curated best-in-class brands and original shows all in one ad-free COPPA-compliant place.

Executive Officers

The executive officers of the Company, each of whom is elected annually by the Board of Directors, are as follows:

Donald E. Graham, age 75, has been Chairman of the Board of the Company since September 1993 and served as Chief Executive Officer of the Company from May 1991 until November 2015. Mr. Graham served as President of the Company from May 1991 until September 1993 and prior to that had been a Vice President of the Company for more than five years. Mr. Graham also served as Publisher of The Washington Post (the *Post)* from 1979 until September 2000 and as Chairman of the *Post* from September 2000 to February 2008.

Timothy J. O'Shaughnessy, age 39, became Chief Executive Officer of the Company in November 2015. From November 2014 until November 2015, he served as President of the Company. He was elected to the Board of Directors in November 2014. From 2007 to August 2014, Mr. O'Shaughnessy served as chief executive officer of LivingSocial, an e-commerce and marketing company that he co-founded in 2007. Mr. O'Shaughnessy is the son-in-law of Donald E. Graham, Chairman of the Company.

Andrew S. Rosen, age 60, became Executive Vice President of the Company in April 2014. He became Chairman of Kaplan, Inc. in November 2008 and served as Chief Executive Officer of Kaplan, Inc. from November 2008 to April 2014 and from August 2015 to the present. Mr. Rosen has spent nearly 35 years at the Company and its affiliates. He joined the Company in 1986 as a staff attorney with the *Post* and later served as assistant counsel at

Newsweek. He moved to Kaplan in 1992 and held numerous leadership positions there before being named Chairman and Chief Executive Officer of Kaplan, Inc.

Wallace R. Cooney, age 58, became Senior Vice President–Finance and Chief Financial Officer of the Company in April 2017. Mr. Cooney served as the Company's Vice President–Finance and Chief Accounting Officer from 2008 to 2017. He joined the Company in 2001 as Controller.

Marcel A. Snyman, age 46, became Vice President and Chief Accounting Officer of the Company in January 2018. Mr. Snyman served as Controller of the Company from 2016 to 2018, prior to which he served as Assistant Controller beginning in April 2014 and Director of Accounting Policy beginning in July 2008.

Sandra M. Stonesifer, age 36, became Vice President–Chief Human Resources Officer of the Company in January 2021. Prior to joining the Company, Ms. Stonesifer was a consultant with S-Squared Consulting, an organization development consulting company.

Jacob M. Maas, age 44, became Senior Vice President–Planning and Development of the Company in October 2015. Prior to joining the Company, he served as executive vice president of operations and head of corporate development at LivingSocial, an e-commerce and marketing company that he joined as chief financial officer in 2008.

Nicole M. Maddrey, age 56, became Senior Vice President, General Counsel and Secretary of the Company in April 2015. Ms. Maddrey joined the Company in 2007 as Associate General Counsel.

Human Capital

The Company employs approximately 16,661 people worldwide, of which approximately 11,261 were employed in the United States and approximately 5,400 were employed outside the United States. Employment across each of the Company's businesses is further discussed below.

Worldwide, Kaplan employs approximately 5,500 people on a full-time basis in 24 countries. Kaplan also employs substantial numbers of part-time employees who serve in instructional and administrative capacities. Kaplan's part-time workforce comprises approximately 4,700 individuals in 13 countries. Collectively, in the U.S. and Canada, 24 Kaplan employees are represented by a union. Kaplan employees are also represented by a union in Singapore, where union membership is not disclosed to the employer. Kaplan believes there are also represented employees in the U.K. and Australia, where similar to Singapore, union membership is not disclosed to the employer.

Graham Media Group has approximately 1,043 employees, including 986 full-time employees, and 57 part-time employees, of whom approximately 107 are represented by a union.

In the Healthcare segment, Graham Healthcare Group has approximately 1,011 full-time employees and 192 part-time employees. None of these employees is represented by a union.

In the Manufacturing segment, Hoover has approximately 337 full-time employees, of whom 35 are represented by a union, and one part-time employee. Dekko has approximately 1,215 full-time employees, none of whom is represented by a union. Joyce/Dayton has approximately 154 full-time employees, none of whom is represented by a union. Forney has approximately 123 full-time employees, of whom 45 are represented by a union.

In the Other Businesses segment, Clyde's has approximately 165 full-time employees and 790 part-time employees, none of whom is represented by a union. Graham Automotive employs approximately 250 full-time employees and four part-time employees, none of whom is represented by a union. Framebridge has approximately 546 full-time and 42 part-time employees, none of whom is represented by a union. Code3 has approximately 218 full-time employees and 12 part-time employees, none of whom is represented by a union. Decile has 33 full-time employees, none of whom is represented by a union. Slate employs 136 full-time employees and seven part-time employees, of whom approximately 50 are represented by a union. Pinna employs 12 full-time employees, none of whom is represented by a union. The FP Group has 48 full-time employees and three part-time employees. CyberVista employs 23 full-time staff and 18 part-time staff, none of whom is represented by a union.

The parent Company has approximately 76 full-time employees and two part-time employees, none of whom is represented by a union.

The Company recognizes the importance of attracting, developing and retaining highly qualified employees throughout each of its businesses. The following is a description of the Company's efforts to manage and promote human capital within its organization.

Oversight and Management. The Company's human resources organization and the human resource organizations of its various businesses manage employment-related matters, including recruiting and hiring, training, compensation, workplace safety, performance management, support for specific needs including

supporting employees who are caregivers or working remotely, and creating diversity, equity and inclusion strategies. The Compensation Committee of the Board of Directors provides oversight of certain human capital matters, including compensation and benefits, development, workforce diversity and inclusion initiatives and succession planning.

Compensation and Benefits. The Company offers strong compensation and benefits programs to its employees. In addition to salaries, depending on the business unit, these programs may include healthcare and insurance benefits, health savings and flexible spending accounts, paid time off, family leave, employee assistance programs, tuition assistance programs, bonuses, long-term incentive compensation plans, pension and a 401(k) Plan. The Company also offers eligible employees certain equity-based grants under the Company’s Incentive Compensation Plan with vesting and performance conditions to facilitate the attraction, retention, motivation and reward of key employees and to align their interests with those of the Company’s stockholders.

Health and Safety. The health and safety of the Company’s employees is paramount. The Company’s health and safety programs are designed to address multiple jurisdictions and regulations as well as the specific risks and unique working environments of each of the Company’s businesses. In response to the COVID-19 pandemic, the Company’s businesses implemented significant changes that were determined to be in the best interest of their employees while complying with government regulations. The Company successfully transitioned a significant portion of its employees to work from home, while some of the Company’s businesses were considered essential businesses requiring employees to work on-site. Additional safety measures were implemented for employees continuing to work on-site, including purchasing personal protective equipment, adopting strong cleaning protocols, implementing quarantine, distancing and testing protocols to align with regulatory guidelines, providing contactless services, purchases and deliveries where possible and moving classes to online platforms. For example, Kaplan shifted classes that were usually held in person to online platforms and Graham Automotive increased the use of remote sales, with at-home test drives and deliveries and provided service department pickup and deliveries.

Training and Talent Development. The Company is committed to the continued growth and development of its employees across all businesses. Employees complete harassment and discrimination training, leadership management training and are offered specific skills training at various businesses designed to support the growth and advancement of their professional skills. For example, in 2020, Kaplan developed and initiated training programs on diversity and inclusion for all employees and managers to provide instruction, self-assessment and reflection exercises in areas such as unconscious bias and the importance of a diverse workforce. Additionally, employee engagement and feedback surveys are completed throughout the year.

Diversity and Inclusion. The Company has implemented initiatives to make progress to achieving a diverse talent pipeline and to support the retention and training of a diverse workforce at the corporate and business unit levels. For example, at Graham Media Group, employees are sourced through various media organizations, schools and associations, niche job boards and participation in media and diversity-focused career fairs such as National Association of Black Journalists, National Association of Hispanic Journalists and Asian American Journalists Association.

Forward-Looking Statements

All public statements made by the Company and its representatives that are not statements of historical fact, including certain statements in this Annual Report on Form 10-K and elsewhere in the Company’s 2020 Annual Report to Stockholders, are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include comments about expectations related to the duration and severity of the COVID-19 pandemic and its effects on the Company’s operations, financial results, liquidity and cash flows. Other forward-looking statements include comments about expectations related to acquisitions or dispositions or related business activities, including the TOSA, the Company’s business strategies and objectives, anticipated results of license renewal applications, the prospects for growth in the Company’s various business operations and the Company’s future financial performance. As with any projection or forecast, forward-looking statements are subject to various risks and uncertainties, including the risks and uncertainties described in Item 1A of this Annual Report on Form 10-K, that could cause actual results or events to differ materially from those anticipated in such statements. Accordingly, undue reliance should not be placed on any forward-looking statement made by or on behalf of the Company. The Company assumes no obligation to update any forward-looking statement after the date on which such statement is made, even if new information subsequently becomes available.

Available Information

The Company’s internet address is www.ghco.com. The Company makes available free of charge through its website its Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, definitive proxy statements on Schedule 14A and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (Exchange Act) as soon as reasonably practicable after such documents are electronically filed with the Securities and Exchange Commission (SEC). In addition, the Company’s

Certificate of Incorporation, its Corporate Governance Guidelines, the Charters of the Audit and Compensation Committees of the Company's Board of Directors and the codes of conduct adopted by the Company and referred to in Item 10 of this Annual Report on Form 10-K are all available on the Company's website; printed copies of such documents may be obtained by any stockholder upon written request to the Secretary, Graham Holdings Company at 1300 North 17th Street, Arlington, VA 22209. The contents of the Company's website are not incorporated by reference into this Form 10-K and shall not be deemed "filed" under the Exchange Act.

The SEC website, www.sec.gov, contains the reports, proxy statements and information statements and other information regarding issuers that file electronically with the SEC.

Item 1A. Risk Factors.

The Company faces a number of risks and uncertainties in connection with its operations. Described below are the most material risks faced by the Company. These risks and uncertainties may not be the only ones faced by the Company. Additional risks and uncertainties not presently known, or currently deemed immaterial, may adversely affect the Company in the future. In addition to the other information included in this Annual Report on Form 10-K, investors should carefully consider the following risk factors. If any of the events or developments described below occurs, it could have a material adverse effect on the Company's business, financial condition or results of operations.

Risks Related to the COVID-19 Pandemic

- **The Company's Business, Results of Operations and Cash Flows Have Been and Will Continue to Be Adversely Impacted by the Effects of the COVID-19 Pandemic, the Significance of Which Will Depend on the Longevity and Severity of the Virus.**

The COVID-19 pandemic and measures taken to prevent its spread, such as travel restrictions, shelter in place orders and mandatory closures, have materially affected the Company's businesses, including the demand for its products and services. Travel restrictions and school closures have impeded and will continue to impede the ability of students to travel to undertake overseas study or to accept a place or remain in their student halls of residence as long as they remain in place, and have reduced student applications for programs offered by Kaplan International's (KI) operations and halls of residence, including KI Languages, KI Pathways, Kaplan Australia, Kaplan Singapore, Mander Portman Woodward and certain KNA preparation programs that recruit foreign students. Instruction moving online has further reduced demand for halls of residence for international students and where such demand continues to exist, students are seeking discounts for periods they have not been able to stay in their accommodations due to COVID travel restrictions. Travel restrictions, decreased enrollments and delays and cancellations of standardized tests have, and are expected to continue to, materially adversely affect the Company's revenues, operating results and cash flows. Manufacturing restrictions, including plant closures and disruptions in the Company's supply chains, declines in demand for products and advertising, restaurant closures and other developments related to the COVID-19 pandemic have also adversely impacted the Company's other businesses. The Company temporarily closed all of its restaurants and entertainment venues in March 2020, pursuant to government orders, maintaining limited operations for pickup and delivery. In May 2020, the Company began limited outdoor dining services at most of its restaurants, and in June 2020, began limited indoor dining services at most of its restaurants as permitted by government orders. The long-term impact of the pandemic on public demand for crowded dining facilities cannot be predicted. Moreover, the Company cannot predict the duration or scope of the COVID-19 pandemic, what actions will be taken by governmental authorities and other third parties in response to the pandemic and if or when operations will return to full service. The Company expects the COVID-19 pandemic and related developments to negatively impact its financial results and such impact is expected to be material to the Company's financial results, operations and cash flows. Additionally, to the extent the COVID-19 pandemic adversely affects our business operations, financial condition or operating results, it may also have the effect of heightening many of the other risks described in this "Risk Factors" section.

Risks Related to the Company's Education Business

- **Changes in International Regulations and Travel Restrictions Have Materially Adversely Affected and Could Continue to Materially Adversely Affect International Student Enrollments and Kaplan's Business.**

In response to the COVID-19 pandemic, many governments have imposed student travel restrictions (applicable to exit and entry), made recommendations for their students to return home and closed physical campus locations, and many state and professional bodies have postponed or cancelled examination dates related to state examinations and professional education programs, all of which have materially adversely affected Kaplan International's operations and resulted in significant losses at KI Languages. Further changes to the regulatory environment, including changes to government policy or practice in oversight and enforcement, or other factors, including geopolitical instability, imposition or extension of international sanctions or a natural disaster or pandemic

in either the students' countries of origin or countries in which they desire to study, could continue to negatively affect Kaplan's ability to attract and retain students and negatively affect Kaplan's operating results. Additionally, increasingly, governments have begun imposing sales taxes on digital services, such as education, offered in their jurisdictions by foreign providers. Any significant changes to availability of government funding for education, visa policies or other administrative immigration requirements, or the tax environment, including changes to tax laws, policies and practices, in any one or more countries in which KI operates or makes its services available could negatively affect its operating results.

Kaplan is subject to a wide range of regulations relating to its international operations. These include domestic laws with extraterritorial reach, such as the U.S. Foreign Corrupt Practices Act, international laws, such as the U.K. Bribery Act, as well as the local regulatory regimes of the countries in which Kaplan operates. These regulations change frequently. Failure to comply with these laws and regulations can result in the imposition of significant penalties or revocation of Kaplan's authority to operate in the applicable jurisdiction, each of which could have a material adverse effect on Kaplan's operating results.

KI's operations, institutions and programs in the U.S. may be subject to state-level regulation and oversight by state regulatory agencies, whose approval or exemption from approval is necessary to allow an institution to operate in the state. These agencies may establish standards for instruction, qualifications of faculty, location and nature of facilities, financial policies and responsibility and other operational matters. Institutions that seek to admit international students are required to be federally certified and legally authorized to operate in the state in which the institution is physically located in order to be allowed to issue the relevant documentation to permit international students to obtain a visa.

A substantial portion of KI's revenue comes from programs that prepare international students to study and travel in English-speaking countries. In 2020, university preparation programs were principally delivered in Australia, Singapore and the U.K. KI's ability to enroll students in these programs is directly dependent on its ability to comply with complex regulatory environments. For example, the impact of Brexit on KI over time will depend on the agreed terms of the U.K.'s withdrawal from the EU. Uncertainty over the impact and terms of Brexit trade deals may materially diminish interest in traveling to the U.K. for study. If the U.K. is no longer viewed as a favorable study destination, KI's ability to recruit international students will be adversely impacted, which would materially adversely affect KI's results of operations and cash flows. As part of the new trade deal, the EU did not grant the U.K. an adequacy decision under the GDPR. Instead, there is an initial period under which the EU and the U.K. agreed to delay restrictions on transfers of personal data for an initial period of at least four months from January 1, 2021, which can be extended up to six months. If the EU does not determine that the U.K. is an adequate destination for the transfer of personal data by the end of the relevant period, all transfers of personal data from the EEA must be made with alternative safeguards. If the U.K. does not receive a determination of adequacy under EU law, then KI will need to work with its corporate and institutional clients, suppliers, business partners and affiliates in order to implement suitable alternative safeguards to transfer personal data from the EEA to the U.K. KI will also need to review the position under U.K. law. The U.K. has, on a transitional basis, deemed the EEA to be adequate, meaning that currently alternative safeguards are not required in order to transfer personal data from the U.K. to the EEA. However, this adequacy can be removed at any time by the U.K. which may require KI to implement suitable alternative safeguards.

Revised U.K. immigration rules became effective on January 1, 2021, as the Brexit transition was completed. Effective January 1, 2021, all international students, including EEA and Swiss students studying in the U.K. for more than six months, are included in the Student Route, unless they are undertaking an English language course under a Short Term Study visa of up to 11 months. Free movement ceased between the EEA (together with Switzerland) and the U.K.; students from these countries entering the U.K. are now subject to the same U.K. immigration rules as students from outside the EEA and Switzerland. EEA and Swiss nationals commencing a higher education course in England from August 2021 will no longer qualify for home fee status or have access to financial support from Student Finance England. It is unclear how international student recruitment agents and prospective international students may view the U.K. as a study destination after the introduction of any new immigration requirements, the EU exit negotiations and the U.K.'s exit from the EU. The introduction of revised immigration rules has historically increased, and may continue to increase, KI's operating costs in the U.K. The introduction of new visa and other administrative requirements for entry into the U.K., Brexit and the perception of the U.K. as a less favorable study destination may have a materially adverse impact on KI's ability to recruit international students and KI's results of operations and cash flows.
Changes to levels of direct and indirect government funding for international education programs would also materially affect the success of KI's operations. For example, if access to student loans or other funding were to be lost for KI operations that admit students who are entitled to receive the benefit of this funding, Kaplan's operating results could be materially adversely affected.

In January 2021, President Biden reversed a previously enacted ban on travel from certain counties to the U.S. and directed the State Department to restart visa processing for individuals from the affected countries. The topic

remains a subject of significant international press interest, and travel restrictions remain ongoing and in flux. On September 25, 2020, the previous U.S. presidential administration proposed significant changes to the visa rules governing entry of non-immigrant academic students and exchange visitors. It is not known whether the Biden administration will take action with respect to those proposed changes to the rules. Negative perceptions regarding travel to the U.S. could have a significant negative impact on KI’s ability to recruit international students, and Kaplan’s business could be adversely and materially affected.

In 2018, the Australian government introduced legislation that requires higher-level education standards, a compulsory national exam and other increased requirements in relation to continuing professional development for all financial advisers in Australia. It had been expected that the new requirements could result in financial advisers leaving the industry, which would have resulted in a loss of those existing students for Kaplan Professional Australia. Although advisers did leave the industry, the market leading position of Kaplan Professional meant that its student numbers actually increased.

- **Difficulties of Managing Foreign Operations Could Negatively Affect Kaplan’s Business.**

Kaplan has operations and investments in a growing number of foreign countries and regions, including Australia, Canada, the People’s Republic of China, Colombia, France, Germany, Hong Kong, India, Ireland, Japan, Myanmar, New Zealand, Nigeria, Saudi Arabia, Singapore, the U.K. and the United Arab Emirates. Operating in foreign countries and regions presents a number of inherent risks, including the difficulties of complying with unfamiliar laws and regulations, effectively managing and staffing foreign operations, successfully navigating local customs and practices, preparing for potential political and economic instability and adapting to currency exchange rate fluctuations. Failure to effectively manage these risks could have a material adverse effect on Kaplan’s operating results.

- **Changes in U.K. Tax Laws Could Have a Material Adverse Effect on Kaplan International.**

Her Majesty’s Revenue and Customs (HMRC), a department of the U.K. government responsible for the collection of taxes, has raised assessments against the Kaplan UK Pathways business for Value Added Tax (VAT) relating to 2017 and earlier years, which Kaplan has paid. In September 2017, in a case captioned *Kaplan International Colleges UK Limited* v*. The Commissioners for Her Majesty’s Revenue and Customs*, Kaplan challenged these assessments. The Company believed it had met all requirements under U.K. VAT law for a cost sharing group VAT exemption to apply and was entitled to recover the £18.6 million related to the assessments and subsequent payments that had been paid through December 31, 2019. Following a hearing held in January 2019 before the First Tier Tax Tribunal, European Union legal questions on the scope of the cost sharing VAT exemption were referred to the Court of Justice of the European Union. The Court of Justice ruled against Kaplan on November 18, 2020. In the third quarter of 2019, due to developments in the case, the Company recorded a full provision against a receivable to expense, of which £14.1 million ($17.1 million) related to years 2014 to 2018. The Company has recorded an additional annual VAT expense at the UK Pathways business of approximately $6.0 million related to this matter for 2019 and $8.4 million for 2020.

The UK Pathways Colleges located in England were required to register with the Office for Students (OfS) to ensure they could continue operating as English higher education providers. The UK Pathways Colleges (excluding Glasgow and York) were entered on the OfS register of approved providers with Approved Fee Cap Status in August 2020. These colleges now operate under the regulatory oversight of the OfS. Colleges registered with the OfS under Approved Fee Cap status do not charge students VAT on tuition fees based on a statutory exemption available to Approved Fee Cap providers. The York College forms part of the University of York’s Approved Fee Cap registration. If KI Pathways were to lose its Approved Fee Cap status with the OfS, KI Pathways Colleges’ financial results may be materially adversely impacted.

The Glasgow College is not currently included in the OfS registration as it is located in Scotland. Under a different statutory VAT exemption, bodies which qualify for VAT purposes as “colleges of a university“ are able to exempt their tuition fees from VAT, and UK Pathways Glasgow College applies this status. In 2019, a tax case was determined by the U.K. Supreme Court on the meaning of “college of a university”. The U.K. Supreme Court decided the case in the college’s favor. The result was more favorable to private providers working in collaboration with a university. The U.K. Supreme Court emphasized five principal tests for a private provider to meet, for it to be sufficiently integrated with a university, to qualify as a “college of a university” even if it does not have a constitutional link to the university. Although the focus on these five tests has now been incorporated into official HMRC guidance, it is not yet clear how HMRC will apply the Supreme Court judgment and the five key tests in practice. If the HMRC’s application of the Supreme Court judgment and the five key tests deems Glasgow International College not to constitute a “college of a university” and not entitled to a VAT exemption, KI Pathways Colleges’ financial results may be materially adversely impacted if they are not able to meet any new requirements.

Following the departure of the U.K. from the European Union on December 31, 2020, the U.K. may further develop its VAT rules in this complex area separate from the European Union rules. Kaplan is closely monitoring this area.

- **Failure to Comply with Statutory and Regulatory Requirements as a Third-Party Servicer to Title IV Participating Institutions Could Result in Monetary Liabilities or Subject Kaplan to Other Material Adverse Consequences.**

KNA provides services to Purdue Global, Purdue University and other Title IV participating institutions. KNA also provides financial aid services to Purdue Global, and as such, KNA meets the definition of a “third-party servicer” for Purdue Global contained in Title IV regulations. As a result, KNA is subject to applicable statutory provisions of Title IV and ED regulations that, among other things, require Kaplan to be jointly and severally liable with its Title IV participating client institution(s) to the ED for any violation by such client institution(s) of any Title IV statute or ED regulation or requirement. Separately, if KNA provides financial aid services to more than one Title IV participating institution, it will be required to arrange for an independent auditor to conduct an annual Title IV audit of KNA’s compliance with applicable ED requirements. KNA is also subject to other federal and state laws, including federal and state consumer protection laws and rules prohibiting unfair or deceptive marketing practices; data privacy, data protection, and information security requirements established by federal, state and foreign governments, including, for example, the Federal Trade Commission; and applicable provisions of the Family Educational Rights and Privacy Act regarding the privacy of student records.

Failure to comply with these and other federal and state laws and regulations could result in adverse consequences, including, for example:

- The imposition on Kaplan of fines, other sanctions, or liabilities, including repayment obligations for Title IV funds to the ED or the termination or limitation of Kaplan’s eligibility to provide services as a third-party servicer to any Title IV participating institution if KNA fails to comply with statutory or regulatory requirements applicable to such service providers;
- Adverse effects on Kaplan’s business and operations from a reduction or loss in KNA’s revenues under the TOSA or any other agreement with any Title IV participating institution if a client institution loses or has limits placed on its Title IV eligibility, accreditation, operations or state licensure or is subject to fines, repayment obligations or other adverse actions owing to noncompliance by KNA (or the institution) with Title IV, accreditor, federal or state agency requirements;
- Liability under the TOSA or any other agreement with any Title IV participating institution for noncompliance with federal, state or accreditation requirements arising from KNA’s conduct; and
- Liability for noncompliance with Title IV or other federal or state requirements occurring prior to the transfer of KU to Purdue.

Although KNA endeavors to comply with all U.S. Federal and state laws and regulations, KNA cannot guarantee that its implementation of the relevant rules will be upheld by the ED or other agencies or upon judicial review. The laws, regulations and other requirements applicable to KNA and its client institutions are subject to change and to interpretation. In addition, there are other factors related to KNA’s client institutions’ compliance with federal, state and accrediting agency requirements, some of which are outside of KNA’s control, that could have a material adverse effect on KNA’s client institutions’ revenues and, in turn, on KNA’s operating results.

- **Failure to Comply with the ED’s Title IV Incentive Compensation Rule Could Subject Kaplan to Liabilities, Sanctions and Fines.**

Under the ED’s incentive compensation rule, an institution participating in Title IV programs may not provide any commission, bonus or other incentive payment to any person or entity engaged in any student recruiting or admission activities or in making decisions regarding the awarding of Title IV funds if such payment is based directly or indirectly on success in securing enrollments or financial aid. KNA is a third party providing bundled services to Title IV participating institutions, including recruiting and, in the case of Purdue Global, financial aid services. As such, KNA is also subject to the incentive compensation rule and cannot provide any commission, bonus or other incentive payment to any covered employees, subcontractors or other parties engaged in certain student recruiting, admission or financial aid activities based on success in securing enrollments or financial aid. In addition, Purdue Global’s payments to KNA under the TOSA (as well as any other agreement with any Title IV participating institution) must comply with revenue sharing guidance provided by the ED related to bundled services agreements. In 2011 guidance, the ED provided that in certain arrangements with Title IV participating institutions where student recruiting services are “bundled” with other non-recruiting services, revenue sharing may be allowable despite the incentive compensation rule’s general prohibition on such revenue sharing with entities or individuals that provide recruiting services. Because this guidance is not codified in any rule or law, but is instead an ED opinion on the applicability of the incentive compensation rule, such guidance can be revoked at any time and without notice. Some lawmakers and states, such as California, have publicly called for the revocation of this guidance or sought to introduce federal and state legislation seeking to prevent any such revenue sharing. The change of control of the executive branch and Congress as a result of the recent federal election could increase the likelihood of changes to

this guidance and to the incentive compensation rule. As previously described, the TOSA revenue sharing fee provisions are defined as deferred purchase price payments rather than payments for services. KNA's services are paid for as a percentage of KNA's costs of delivering those services to Purdue Global. KNA cannot predict how the ED or a federal court will interpret, revise or enforce all aspects of the incentive compensation rule or the bundled service revenue sharing guidance in the future or how they would be applied to the TOSA or any of KNA's agreements by the ED or in any litigation. Any revisions or changes in interpretation or enforcement could require KNA and its client institutions to change their practices or renegotiate the tuition revenue sharing payment terms of KNA's agreements with such client institutions and could have a material adverse effect on Kaplan's business and results of operations. Additionally, failure to comply with the incentive compensation rule could result in litigation or enforcement actions against KNA or its clients and could result in liabilities, fines or other sanctions against KNA or its clients, which could have a material adverse effect on Kaplan's business and results of operations.

- **Failure to Comply with the ED's Title IV Misrepresentation Regulations Could Subject Kaplan to Liabilities, Sanctions and Fines.**

A Title IV participating institution is required to comply with the ED regulations related to misrepresentations and with related federal and state laws. These laws and regulations are broad in scope and may extend to statements by servicers, such as KNA, that provide marketing or certain other services to such institutions. These laws and regulations may also apply to KNA's employees and agents, with respect to statements addressing the nature of an institution's programs, financial charges or the employability of its graduates. KNA provides certain marketing and other services to Title IV participating institutions. The failure to comply with these or other federal and state laws and regulations regarding misrepresentation and marketing practices could result in the imposition on KNA or its client institutions of fines, other sanctions, or liabilities, including federal student aid repayment obligations to the ED, the termination or limitation of Kaplan's eligibility to provide services as a third-party servicer to Title IV participating institutions, the termination or limitation of a client institution's eligibility to participate in the Title IV programs, or legal action by students or other third parties. A violation of misrepresentation regulations or other federal or state laws and regulations applicable to the services KNA provides to its client institutions arising out of statements by KNA, its employees or agents could require KNA to pay the costs associated with indemnifying its client institutions from applicable losses resulting from the violation or could result in termination by such client institutions of their services agreements with KNA.

- **Compliance Reviews, Program Reviews, Audits and Investigations Could Result in Findings of Noncompliance with Statutory and Regulatory Requirements and Result in Liabilities, Sanctions and Fines.**

KNA and its client institutions are subject to reviews, audits, investigations and other compliance reviews conducted by various regulatory agencies and auditors, including, among others, the ED, the ED's Office of the Inspector General, accrediting bodies and state and various other federal agencies. These compliance reviews can result in findings of noncompliance with statutory and regulatory requirements that can, in turn, result in the imposition of fines, liabilities, civil or criminal penalties or other sanctions against KNA and its client institutions, which could have an adverse effect on Kaplan's financial results and operations. Separately, if KNA provides financial aid services to more than one Title IV participating institution, it will be required to arrange for an independent auditor to conduct an annual Title IV compliance audit of KNA's compliance with applicable ED requirements. KNA's client institutions are also required to arrange for an independent auditor to conduct an annual Title IV audit of their compliance with applicable ED requirements, including requirements related to services provided by KNA.

On September 3, 2015, Kaplan sold substantially all of the assets of the former KNA Campuses. As part of the transaction, similar to the transfer of KU, Kaplan retained liability for the pre-sale conduct of the KHE schools. Although Kaplan no longer owns KU or the former KHE Campuses, Kaplan may be liable to the current owners of KU and the former KHE Campuses, for the pre-sale conduct of the schools.

- **Noncompliance with Regulations by KNA's Client Institutions May Adversely Impact Kaplan's Results of Operations.**

KNA currently provides services to higher education institutions that are heavily regulated by federal and state laws and regulations and by accrediting bodies. Currently, a substantial portion of KNA's revenue is attributable to service fees it receives under its agreement with Purdue Global, which are dependent upon revenue generated by Purdue Global and upon Purdue Global's eligibility to participate in the Title IV federal student aid program. To maintain Title IV eligibility, Purdue Global and KNA's other client institutions must be certified by the ED as eligible institutions, maintain authorizations by applicable state education agencies and be accredited by an accrediting commission recognized by the ED. Purdue Global and KNA's other client institutions must also comply with the extensive statutory and regulatory requirements of the Higher Education Act and other state and federal laws and accrediting standards relating to their financial aid management, educational programs, financial strength, disbursement and return of Title IV funds, facilities, recruiting practices, representations made by the school and other parties, and various other matters. Additionally, Purdue Global and other client institutions are subject to laws and regulations

that, among other things, limit student default rates on the repayment of Title IV loans; permit borrower defenses to repayment of Title IV loans based on certain conduct of the institution; establish specific measures of financial responsibility and administrative capability; regulate the addition of new campuses and programs and other institutional changes; require compliance with state professional licensure board requirements to the extent applicable to institutional programs; and require state authorization and institutional and programmatic accreditation. In addition, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Consolidated Appropriations Act of 2021, and subsequent guidance from the ED have created changes in the administration of federal financial assistance programs, the interpretation of which may not yet be fully understood. If the ED finds that Purdue Global or any other KNA client institution has failed to comply with Title IV requirements or improperly disbursed or retained Title IV program funds, it may take one or more of a number of actions, including fining the school, requiring the school to repay Title IV program funds, limiting or terminating the school's eligibility to participate in Title IV programs, initiating an emergency action to suspend the school's participation in the Title IV programs without prior notice or opportunity for a hearing, transferring the school to a method of Title IV payment that would adversely affect the timing of the institution's receipt of Title IV funds, requiring the submission of a letter of credit, denying or refusing to consider the school's application for renewal of its certification to participate in the Title IV programs or for approval to add a new campus or educational program and referring the matter for possible civil or criminal investigation. There can be no assurance that the ED will not take any of these or other actions in the future, whether as a result of lawsuits, program reviews or otherwise. If Purdue Global or another KNA client institution loses or has limits placed on its Title IV eligibility, accreditation or state licensure, or if Purdue Global or another KNA client institution is subject to fines, repayment obligations, or other adverse actions owing to its or Kaplan's noncompliance with Title IV regulations, accreditor, or state agency requirements, or other state or federal laws, Kaplan's financial results of operations could be adversely affected.

In turn, any of the aforementioned consequences could have a material adverse effect on Kaplan's operating results even though such institution's compliance is affected by circumstances beyond Kaplan's control, including, for example:

- a reduction or loss in KNA's revenues under the TOSA or other client agreements if Purdue Global or any other KNA client institution loses or has limits placed on its Title IV eligibility, accreditation or state licensure;
- a reduction or loss in KNA's revenues under the TOSA or other client agreements if Purdue Global or any other client institution is subject to fines, repayment obligations or other adverse actions owing to noncompliance by Purdue Global (or Kaplan) with Title IV, accreditor or state agency requirements;
- the imposition on KNA of fines or repayment obligations to the ED or the termination or limitation on Kaplan's eligibility to provide services to Purdue Global or other Title IV participating institutions if findings of noncompliance by Purdue Global or such other institution result in a determination that Kaplan failed to comply with statutory or regulatory requirements applicable to service providers; and
- liability under the TOSA or other client agreements for noncompliance with federal, state or accreditation requirements arising from KNA's conduct.

- **Kaplan May Fail to Realize the Anticipated Benefits of the Purdue Global Transaction.**

Kaplan's ability to realize the anticipated benefits of the Purdue Global transaction will depend, in part, on its ability to successfully and efficiently provide services to Purdue Global. Achieving the anticipated benefits is subject to a number of uncertainties, including whether the services can be provided in the manner and at the cost Kaplan anticipated and whether Purdue Global is able to realize anticipated student enrollment levels. If Kaplan is unable to effectively execute its post-transaction strategy, it may take longer than anticipated to achieve the benefits of the transaction or it may not realize those benefits at all.

- **Regulatory Changes and Developments Could Negatively Impact Kaplan's Results of Operations.**

Any legislative, regulatory or other development that has the effect of materially reducing the amount of Title IV financial assistance or other federal, state or private financial assistance available to the students of Purdue Global or any other client institution could have a material adverse effect on Kaplan's business and results of operations. In addition, any development that has the effect of making the terms on which Title IV financial assistance or other financial assistance funds are available to Purdue Global's or other client institutions' students materially less attractive could have a material adverse effect on Kaplan's business and results of operations.

The laws, regulations and other requirements applicable to KNA or any KNA client institutions are subject to change and to interpretation. In addition, there are other factors related to Purdue Global's and other client institutions' compliance with federal, state and accrediting agency requirements—many of which are largely outside of Kaplan's

control—that could have a material adverse effect on Purdue Global's and other client institutions' revenues and, in turn, on Kaplan's operating results, including, for example:

Reduction in Title IV or other federal, state or private financial assistance: KNA receives revenue based on its agreements with client institutions and particularly revenue from Purdue Global under the TOSA. Purdue Global is expected to derive a significant percentage of its tuition revenues from its participation in Title IV programs. Any legislative, regulatory or other development that materially reduces the amount of Title IV, federal, state or private financial assistance available to the students of Purdue Global and other client institutions could have a material adverse effect on Kaplan's business and results of operations. In addition, any development that makes the terms of such financial assistance less attractive could have a material adverse effect on Kaplan's business and results of operations.

Compliance reviews and litigation: Institutions participating in the Title IV programs, including Purdue Global and other client institutions, are subject to program reviews, audits, investigations and other compliance reviews conducted by various regulatory agencies and auditors, including, among others, the ED, the ED's Office of the Inspector General, accrediting bodies and state and various other federal agencies, as well as annual audits by an independent certified public accountant of compliance with Title IV statutory and regulatory requirements. Purdue Global and other client institutions also may be subject to various lawsuits and claims related to a variety of matters, including but not limited to alleged violations of federal and state laws and accrediting agency requirements. These compliance reviews and litigation matters could extend to activities conducted by KNA on behalf of Purdue Global or other client institutions and to KNA itself as a third-party servicer subject to Title IV regulations.

Legislative and regulatory change: Congress periodically revises the Higher Education Act and other laws and enacts new laws governing the Title IV programs and annually determines the funding level for each Title IV program and may make changes in the laws at any time. The ED and other federal and state agencies also may issue new regulations and guidance or change its interpretation of new regulations at any time. For example, on September 23, 2019, the ED released new final regulations affecting the ability of student borrowers to obtain discharges of their obligations to repay certain Title IV loans that were first disbursed on or after July 1, 2020, and loans disbursed between July 2017 and July 1, 2020. The new regulations, among other things, expand the ability of borrowers to obtain loan discharges based on substantial misrepresentations. Application of these regulations to Purdue Global or other client institutions could materially affect revenue and result in liabilities to the ED. In addition, application of these regulations to KNA for loans disbursed between July 1, 2017, and March 22, 2018, the close of the Purdue Global transaction, could materially affect Kaplan's revenues. Additionally, changes to the ability of students to discharge loans owing to prior school closures could impose liability on Kaplan for loans made to students at institutions previously owned by Kaplan and closed during Kaplan's ownership. ED also published final regulations on September 2, 2020, regarding distance education and various other matters. Any action by Congress or the ED that significantly reduces funding for Title IV programs or the ability of Purdue Global or other client institutions to receive funding through these programs could reduce Purdue Global's or other client institutions' enrollments and tuition revenues and, in turn, the revenues KNA receives under the TOSA or other agreements. Any action by Congress or the ED that impacts the ability of Purdue Global to contract with KNA to receive a share of revenue as deferred payment for the sale of KU or the ability of KNA to contract with any client institution to provide bundled services in exchange for a share of tuition revenue could require KNA to modify the TOSA, other agreements or its practices and could impact the revenues KNA may receive under such agreements. Congress, the ED and other federal and state regulators may create new laws or take actions that may require Purdue Global, other client institutions or KNA to modify practices in ways that could have a material adverse effect on Kaplan's business and results of operations.

Increased regulatory scrutiny of postsecondary education and service providers: The increased scrutiny of online schools that offer programs similar to those offered by Purdue Global or other client institutions and of service providers that provide services similar to Kaplan's has resulted, and may continue to result, in additional enforcement actions, investigations and lawsuits by the ED, other federal agencies, Congress, state Attorneys General and state licensing agencies. Recent enforcement actions have resulted in substantial liabilities, restrictions and sanctions and in some cases have led to the loss of Title IV eligibility and closure of institutions. The change of control of the executive branch and Congress as a result of the recent federal election could increase the amount of regulation and scrutiny of service companies like Kaplan and online schools like Kaplan's client institutions. This increased activity and other current and future activity may result in further legislation, rulemaking and other governmental actions affecting the amount of student financial assistance for which Purdue Global's or other client institutions' students are eligible, or Kaplan's participation in Title IV programs as a third-party servicer to Purdue Global or such other client institutions. In addition, increased scrutiny and legislative proposals restricting the ability of entities like KNA that provide certain admissions related services to Title IV participating institutions under revenue sharing arrangements could impact KNA agreements. Such scrutiny could result in requests to Kaplan for information or negative publicity that could adversely affect KNA and its client institutions.

- **Changes in the Extent to Which Standardized Tests Are Used in the Admissions Process by Colleges or Graduate Schools and Increased Competition Could Reduce Demand for KNA Supplemental Education Test Preparation Offerings.**

KNA Supplemental Education Test Preparation provides courses that prepare students for a broad range of admissions examinations that are considered by colleges and graduate schools. Historically, colleges and graduate schools have required standardized tests as part of the admissions process. As a result of the COVID-19 pandemic, a number of colleges and graduate schools have waived standardized tests as part of the admissions process for the upcoming academic year or longer, admissions examinations have been postponed and KNA has provided students with an extension of time to access their programs so that students could continue their preparation. These changes have had a negative impact on KNA's results of operations for the test preparation products. In addition, there had already been some movement away from the historical reliance on standardized admissions tests among certain colleges, which have phased out admissions tests, are in the process of phasing out admissions tests or have adopted "test-optional" admissions policies. Additionally, there is litigation pending against a public university regarding that university's use of standardized test scores for admissions, alleging that the SAT and ACT admissions requirements discriminate against disabled applicants and those who cannot afford test preparation. In September 2020 the public university was enjoined from considering test scores (including scores received as optional submissions) in its admissions decisions during the pendency of the case. Any significant reduction in the use of standardized tests in the college or graduate school admissions processes, whether caused by the outcome of litigation or otherwise, could have an adverse effect on Kaplan's operating results.

Additionally, KNA faces increased competition from competitors offering lower-cost or free test prep products that may be used by students to piece together alternatives to traditional comprehensive test prep programs. Kaplan's operating results may be adversely affected if student demand for KNA's traditional comprehensive programs shifts to KNA's lower-cost, standalone offerings, or if competitors offer lower-cost, stand-alone offerings or free test prep products that are more attractive to students than KNA's products.

- **Postponement and Cancellation of Examinations and Changes in the Extent to Which Licensing and Proficiency Examinations Are Used to Qualify Individuals to Pursue Certain Careers Could Reduce Demand for Kaplan's Offerings.**

A material portion of KNA's and KI's revenue comes from preparing individuals for licensing or technical proficiency examinations in various fields. Any significant relaxation or elimination of licensing or technical proficiency requirements in those fields served by KNA's and KI's businesses could negatively affect Kaplan's operating results. As a result of the COVID-19 pandemic, a number of professional certification examinations have been cancelled or postponed and Kaplan has provided students with an extension of time to access their programs so that students could continue their preparation. These changes together with student decisions to defer preparation for exams entirely have had a negative impact on Kaplan's results of operations.

- **Liability under Real Estate Lease Guarantees for Certain Real Estate Leases that were Assigned to Education Corporation of America Could Have a Material Adverse Effect on the Company's Results.**

On September 3, 2015, Kaplan sold to ECA substantially all of the assets of the KHE Campuses. The transaction included the transfer of certain real estate leases that were guaranteed or purportedly guaranteed by Kaplan. ECA is currently in receivership, has terminated all of its higher-education operations and has sold most, if not all, of its remaining assets (including New England College of Business). Additionally, the receiver has repudiated all of ECA's real estate leases. Although ECA is required to indemnify Kaplan for any amounts Kaplan must pay due to ECA's failure to fulfill its obligations under the real estate leases guaranteed by Kaplan, ECA's current financial condition and the amount of secured and unsecured creditor claims outstanding against ECA make it unlikely that Kaplan will recover from ECA. If Kaplan is not successful in mitigating these liabilities, the Company's results could be materially adversely impacted. In the second half of 2018, the Company recorded an estimated $17.5 million in losses on guarantor lease obligations in connection with this transaction in other non-operating expense. The Company recorded an additional estimated $1.1 million in non-operating expense in 2019 and $1 million in non-operating expense in 2020, in each case consisting of legal fees and lease costs. The Company continues to monitor the status of these obligations.

Risks Related to the Company's Television Broadcasting and Media Businesses

- **Changing Perceptions about the Effectiveness of Television Broadcasting in Delivering Advertising Could Adversely Affect the Profitability of Television Broadcasting.**

Historically, television broadcasting has been viewed as a cost-effective method of delivering various forms of advertising. There can be no guarantee that this historical perception will guide future decisions by advertisers. To the extent that advertisers shift advertising expenditures away from television to other media outlets, the profitability of the Company's television broadcasting business could be adversely affected.

- **Increased Competition Resulting from Technological Innovations in News, Information and Video Programming Distribution Systems and Changing Consumer Behavior Could Adversely Affect the Company's Operating Results.**

The continuing growth and technological expansion of internet-based services has increased competitive pressure on the Company's media businesses. Examples of such developments include online delivery of programming, technologies that enable users to fast-forward or skip advertisements and devices that allow users to consume content on demand and in remote locations while avoiding traditional commercial advertisements or cable and satellite subscriptions. Changing consumer behavior may also put pressure on the Company's media businesses to change traditional distribution methods. The Company obtains significant revenue from its retransmission consent agreements with traditional cable and satellite distributors. These payments are on a per-subscriber basis and payments to the Company may decrease as customers "cut the cord" and cancel their cable and satellite subscriptions. The Company also receives payments for distribution of its stations' signals on certain online "over-the-top" services, however these revenues may be less than those from traditional cable and satellite distribution. Anticipating and adapting to changes in technology and consumer behavior on a timely basis will affect the Company's media businesses' ability to continue to increase their revenue. The development and deployment of new technologies and changing consumer behavior have the potential to negatively and significantly affect the Company's media businesses in ways that cannot now be reliably predicted and that may have a material adverse effect on the Company's operating results.

- **Changes in the Nature and Extent of Government Regulations Could Adversely Affect the Company's Television Broadcasting Business and Other Businesses.**

The Company's television broadcasting business operates in a highly regulated environment. Complying with applicable regulations has significantly increased, and may continue to increase, the costs, and has reduced the revenues, of the business. Changes in regulations have the potential to negatively impact the television broadcasting business, not only by increasing compliance costs and reducing revenues through restrictions on certain types of advertising, limitations on pricing flexibility or other means, but also by possibly creating more favorable regulatory environments for the providers of competing services. In addition, changes to the FCC's rules governing broadcast ownership may affect the Company's ability to expand its television broadcasting business and/or may enable the Company's competitors to improve their market positions through consolidation. More generally, all of the Company's businesses could have their profitability or their competitive positions adversely affected by significant changes in applicable regulations.

- **Transition to the New Technical Standard for Broadcast Television Stations May Alter the Competitive Environment in the Company's Stations' Markets or Cause the Company to Incur Increased Costs.**

The Company cannot predict how the market will react to the new broadcast television station technical standard, ATSC 3.0, as the period for voluntary transition to the new standard has only recently begun, and some of the market rollouts originally planned for 2020 have been delayed by the COVID-19 pandemic. Equipment manufacturers began releasing certain TV set models with built-in ATSC 3.0-capable receivers in 2020, but ATSC 3.0-capable consumer devices are not yet widely available in the U.S. As part of the voluntary transition, many station groups are beginning to test ATSC 3.0 streams. Notably, there is a large consortium led by Pearl TV (of which GMG is a member) that has been leading test trials in the Phoenix, Detroit, Portland and other markets. Competing stations that transition to ATSC 3.0 may increase competition for the Company's stations and/or create competitive pressure for the Company's stations to launch ATSC 3.0 streams. As noted above, GMG's WDIV station began broadcasting an ATSC 3.0 stream in December 2020. The transition to ATSC 3.0 may cause the Company to incur substantial costs over time. More generally, the deployment of ATSC 3.0 may have other material effects on the Company's media businesses that cannot now be reliably predicted and that may have a material adverse effect on the Company's operating results.

- **Potential Liability for Intellectual Property Infringement Could Adversely Affect the Company's Businesses.**

The Company periodically receives claims from third parties alleging that the Company's businesses infringe on the intellectual property rights of others. It is likely that the Company will continue to be subject to similar claims, particularly as they relate to its media businesses. Other parts of the Company's business could also be subject to such claims. Addressing intellectual product claims is a time-consuming and expensive endeavor, regardless of the merits of the claims. In order to resolve such claims, the Company may have to change its method of doing business, enter into licensing agreements or incur substantial monetary liability. It is also possible that one of the Company's businesses could be enjoined from using the intellectual property at issue, causing it to significantly alter its operations. Although the Company cannot predict the impact at this time, if any such claim is successful, the outcome would likely affect the business utilizing the intellectual property at issue and could have a material adverse effect on that business's operating results or prospects.

Risks Related to the Company’s Healthcare Business

- **Extensive Regulation of the Healthcare Industry Could Adversely Affect the Company’s Healthcare Businesses and Results of Operations.**

The home health and hospice industries are subject to extensive federal, state and local laws, with regulations affecting a wide range of matters, including licensure and certification, quality of services, qualifications of personnel, confidentiality and security of medical records, relationships with physicians and other referral sources, operating policies and procedures, and billing and coding practices. These laws and regulations change frequently, and the manner in which they will be interpreted is subject to change in ways that cannot be predicted.

Reimbursement for services by third-party payers, including Medicare, Medicaid and private health insurance providers, may decline, while authorization, audit and compliance requirements continue to add to the cost of providing those services.

Managed-care organizations, hospitals, physician practices and other third-party payers continue to consolidate in response to the evolving regulatory environment, thereby enhancing their ability to influence the delivery of healthcare services and decreasing the number of organizations serving patients. This consolidation could adversely impact Graham Healthcare Group’s businesses if they are unable to maintain their ability to participate in established networks. In addition, CSI Pharmacy faces risks from manufacturer supply shortages, competitive vertical integration and pricing power, and government intervention on drug pricing.

GHG is also subject to periodic and routine reviews, audits and investigations by federal and state government agencies and private payers, which could result in negative findings that adversely impact the business. CMS increasingly uses third-party, for-profit contractors to conduct these reviews, many of which share in the amounts that CMS denies. These reviews, audits and investigations consume significant staff and financial resources and may take years to resolve.

Risks Related to the Company’s Manufacturing Businesses

- **Failure to Comply with Environmental, Health, Safety and Other Laws Applicable to the Company’s Manufacturing Operations Could Negatively Impact the Company’s Business.**

The Company’s operations are subject to extensive federal, state and local laws and regulations relating to the environment, as well as health and workplace safety, including those set forth by the Occupational Safety and Health Administration (OSHA), the Environmental Protection Agency (EPA) and state and local regulatory authorities in the U.S. Such laws and regulations affect operations and require compliance with various environmental registrations, licenses, permits, inspections and other approvals. The Company incurs substantial costs to comply with these regulations, and any failure to comply may expose the Company to civil, criminal and administrative fees, fines, penalties and interruptions in operations that could have a material adverse impact on the Company’s results of operations, financial position or cash flows.

- **The Company May Be Subject to Liability Claims That Could Have a Material Adverse Effect on Its Business.**

The Company’s manufacturing operations are subject to hazards inherent in manufacturing and production-related facilities. An accident involving these operations or equipment may result in losses due to personal injury; loss of life; damage or destruction of property, equipment or the environment; or a suspension of operations. Insurance may not protect the Company against liability for certain kinds of events, including those involving pollution or losses resulting from business interruption. Any damages caused by the Company’s operations that are not covered by insurance, or are in excess of policy limits, could materially adversely affect the Company’s results of operations, financial position or cash flows.

Risks Related to the Company’s Restaurant and Automotive Businesses

- **Failure to Recruit and Retain Employees in the Company’s Restaurants Could Adversely Impact the Company’s Restaurant Business.**

Historically, competition among restaurant companies for qualified management and staff has been very high. The Company’s ability to recruit and retain managers and staff to operate the Company’s restaurants is critical to a customer’s dining experience. Failure to recruit and retain employees, low levels of unemployment or high turnover levels could negatively affect the Company’s restaurant business.

- **Food-Borne Illness Concerns and Damage to the Company’s Reputation Could Harm the Company’s Restaurant Business.**

Historically, reports of food-borne illness or food safety issues, even if caused by food suppliers or distributors, have had negative effects on restaurant sales. Because food safety issues could be experienced at the source by food suppliers or distributors, food safety could, in part, be out of the Company’s control. Even instances of food-borne illness at a location served by one of the Company’s competitors could result in negative publicity regarding the food service industry generally and could negatively impact restaurant revenue. Regardless of the source or cause, negative publicity about food-borne illness or other food safety issues could adversely impact the Company’s reputation. Similarly, publicity about litigation, violence, complaints or government investigations could have a negative effect on restaurant sales.

- **Concentration of the Company’s Restaurants in the Washington, D.C. Region Subjects the Company's Restaurant Business to Regional Economic Conditions.**

The concentration of the Company’s restaurants in the Washington, D.C. region subjects it to adverse economic conditions and trends in the region that are out of the Company's control. For example, increases in the level of unemployment, a temporary government shutdown or a decrease in tourism would decrease customers’ disposable income available for discretionary spending. These and other national, regional and local economic pressures could result in decreases in customer traffic and lower sales and profits.

- **Termination or Non-renewal of a Dealership Agreement by an Automobile Manufacturer and Limitations on the Company’s Ability to Acquire Additional Dealerships Could Adversely Affect the Company’s Automotive Business and Results of Operations.**

The Company’s automobile dealerships are dependent on maintaining strong relationships with manufacturers, and the Company’s ownership and operation of automobile dealerships is subject to its ability to comply with various requirements established by automobile manufacturers. The Company’s dealerships operate under separate agreements with each applicable automobile manufacturer. Manufacturers may terminate their agreements for a variety of reasons, including a dealership’s failure to meet a manufacturer’s standards for financial and sales performance, customer satisfaction, facilities and the quality of dealership management; and any unapproved change in ownership or management. These agreements also limit the Company’s ability to acquire multiple dealerships of the same brand within a particular market and preclude the Company from establishing new dealerships within an area already served by another dealer of the same vehicle brand. In addition, dealerships controlled by related parties of the management team operating the Company’s dealerships may restrict the Company’s ability to acquire new dealerships within an area in which such dealerships operate. Manufacturers also have the right of first refusal if the Company seeks to sell dealerships and may limit the Company’s ability to transfer ownership of a dealership without the prior approval of the manufacturer. Failure to maintain ownership of the dealerships in compliance with manufacturer agreements could constitute a breach of the agreements and could result in termination or non-renewal of existing dealer agreements. If one of the Company’s manufacturers does not renew its dealer agreement or terminates the agreement, the Company’s dealership would be unable to sell or distribute new vehicles or perform manufacturer authorized warranty service, which would adversely affect the Company’s automotive business.

- **Negative Changes Affecting an Automobile Manufacturer Could Adversely Affect the Company’s Automotive Business.**

The Company’s dealerships are dependent on the products and services offered by the brand of automobiles that its dealerships sell. The ability of the Company’s dealerships to sell and service these brands may be adversely affected by negative conditions faced by manufacturers such as negative changes to a manufacturer’s financial condition, negative publicity concerning a manufacturer or vehicle model, declines in consumer demand or brand preferences, disruptions in production and delivery, including those caused by natural disasters or labor strikes, new laws or regulations, including more stringent fuel economy and greenhouse gas emission standards, and technological innovations in ride-sharing, electric vehicles and autonomous driving.

- **Changes to State Dealer Franchise Laws to Permit Manufacturers to Enter the Retail Market Directly and Technological Innovations Could Adversely Impact the Company’s Traditional Dealership Model.**

Changes to state dealer franchise laws to permit the sale of new vehicles without the involvement of franchised dealers could adversely affect the Company’s dealerships. Certain manufacturers have been challenging state dealer franchise laws in many states and some have expressed interest in selling directly to customers. The Company’s dealership model could be adversely affected if new vehicle sales are allowed to be conducted on the internet without the involvement of franchised dealers.

- **Changes in a Manufacturer's Incentive Programs Could Adversely Affect the Dealerships' Sales Volume and Profit Margins.**

Automobile manufacturers offer various marketing and sales incentive programs to promote and support new vehicle sales. These programs include customer rebates, dealer incentives on new vehicles, employee pricing, manufacturer floor plan interest assistance, advertising assistance and product warranties. A reduction or discontinuation of a manufacturer's incentive programs could adversely affect vehicle demand and results of operations.

Risks Related to Cybersecurity, Information Technology and Data Management

- **System Disruptions and Security Threats to the Company's Information Technology Infrastructure Could Have a Material Adverse Effect on Its Businesses and Results of Operations.**

The Company relies extensively on information technology systems, networks and services, including internet sites, data hosting and processing facilities and tools and other hardware, software and technical platforms, some of which are managed, hosted, provided and/or used by third parties or their vendors, to assist in conducting the Company's business.

The Company's systems and the third-party systems on which it relies are subject to damage or interruption from a number of causes, including power outages; computer and telecommunications failures; computer viruses; security breaches; cyberattacks, including the use of ransomware; catastrophic events such as fires, floods, earthquakes, tornadoes and hurricanes; infectious disease outbreaks (such as COVID-19); acts of war or terrorism; and design or usage errors by our employees, contractors or third-party service providers. Although the Company and the third-party service providers seek to maintain their respective systems effectively and to successfully address the risk of compromise of the integrity, security and consistent operations of these systems, such efforts may not be successful. As a result, the Company or its service providers could experience errors, interruptions, delays or cessations of service in key portions of the Company's information technology infrastructure, which could significantly disrupt its operations and be costly, time-consuming and resource-intensive to remedy. To the extent that such vulnerabilities require remediation, such remedial measures could require significant resources and may not be implemented before such vulnerabilities are exploited. As the cybersecurity landscape evolves, the Company may also find it necessary to make significant further investments to protect data and infrastructure. Any of these events could have a material adverse effect on the Company's businesses and results of operations.

Sustained or repeated system failures or security breaches that interrupt the Company's ability to process information in a timely manner or that result in a breach of proprietary or personal information could have a material adverse effect on the Company's operations and reputation.

- **Failure to Comply with Privacy Laws or Regulations Could Have an Adverse Effect on the Company's Businesses.**

Various federal, state and international laws and regulations govern the collection, use, retention, sharing and security of consumer data. This area of the law is evolving, and interpretations of applicable laws and regulations differ. Legislative activity in the privacy area may result in new laws that are relevant to the Company's operations, including the use of consumer data for marketing or advertising, that could result in exposure to material liability. For example, general data privacy regulations adopted by the European Union known as the General Data Protection Regulation (GDPR), became effective in May 2018. These regulations require companies to meet requirements regarding the handling of personal data, including its use, protection and transfer and the ability of persons whose data is stored to correct or delete such data about themselves. Failure to meet the GDPR could result in fines of up to 4% of the Company's annual global revenues. Further, Brexit has created uncertainty with regard to the status of the U.K. as an "adequate country" for the purposes of data transfers outside the European Economic Area. It remains unclear how the U.K. data protection laws or regulations will develop in the medium to long term and how data transfers to and from the U.K. will be regulated. In addition to the GDPR in Europe, new privacy laws and regulations are rapidly developing elsewhere around the globe, including amendments to the scope, penalties and other provisions of existing data protection laws. Failure to comply with these international data protection laws and regulations could have a negative impact on the Company's reputation and subject the Company to significant fines, penalties or other liabilities, all of which may increase the cost of operations, reduce customer growth, or otherwise harm the Company's business.

The California Consumer Privacy Act of 2018 (CCPA), which became effective on January 1, 2020, provides a new private right of action for data breaches and requires companies that process information on California residents to make new disclosures to consumers about their data collection, use and sharing practices and allows consumers to opt out of certain data sharing with third parties. The enforcement of the CCPA by the California Attorney General commenced on July 1, 2020. The CCPA has been amended on multiple occasions and it is not clear what, if any, additional modifications will be made to this legislation or how it will be interpreted and enforced. In November 2020, a new privacy law, the California Privacy Rights Act (CPRA) was approved by California voters, and modifies the

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CCPA. This and similar laws proposed at the state and federal level could result in further uncertainty and cause the Company to incur additional costs and expenses in order to comply. Compliance with the GDPR, the CCPA, the CPRA and other applicable international and U.S. privacy laws can be costly and time-consuming. If the Company fails to properly respond to security breaches of its or its third-party's information technology systems or fails to properly respond to consumer requests under these laws, the Company could experience damage to its reputation, adverse publicity, loss of consumer confidence, reduced sales and profits, complications in executing the Company's growth initiatives and regulatory and legal risk, including criminal penalties or civil liabilities.

Claims of failure to comply with the Company's privacy policies or applicable laws or regulations could form the basis of governmental or private party actions against the Company and could result in significant penalties. Additionally, evolving concerns regarding data privacy may cause the Company's customers and potential customers to resist providing the data necessary to allow the Company to deliver its solutions effectively. Even the perception that personal information is not satisfactorily protected or does not meet regulatory requirements could inhibit sales and any failure to comply with such laws and regulations could lead to significant fines, penalties, or other liabilities. Such claims and actions could cause damage to the Company's reputation and could have an adverse effect on the Company's businesses.

Financial Risks

- **Failure to Successfully Integrate Acquired Businesses Could Negatively Affect the Company's Business.**

Acquisitions involve various inherent risks and uncertainties, including difficulties in efficiently integrating the service offerings, accounting and other administrative systems of an acquired business; the challenges of assimilating and retaining key personnel; the consequences of diverting the attention of senior management from existing operations; the possibility that an acquired business does not meet or exceed the financial projections that supported the purchase price; and the possible failure of the due diligence process to identify significant business risks or liabilities associated with the acquired business. In May 2020, the Company acquired control of Framebridge, a custom framing service company, for cash and contingent consideration following a previous investment interest in Framebridge. Following the acquisition, the Company owns 93.4% of Framebridge. A failure to effectively manage growth and integrate acquired businesses such as Framebridge could have a material adverse effect on the Company's operating results.

- **Changes in Business Conditions Have Caused and May in the Future Cause Goodwill and Other Intangible Assets to Become Impaired.**

Goodwill generally represents the purchase price paid in excess of the fair value of net tangible and intangible assets acquired in a business combination. Goodwill is not amortized and remains on the Company's balance sheet indefinitely unless there is an impairment or a sale of a portion of the business. Goodwill is subject to an impairment test on an annual basis and when circumstances indicate that an impairment is more likely than not. Such circumstances include an adverse change in the business climate for one of the Company's businesses or a decision to dispose of a business or a significant portion of a business. Each of the Company's businesses faces uncertainty in its business environment due to a variety of factors. In the first quarter of 2020, as a result of the uncertainty and challenging operating environment created by the COVID-19 pandemic, the Company performed an interim review of the goodwill, indefinite-lived intangibles and other long-lived assets of its restaurants and automotive dealership reporting units and asset groups. As a result of the impairment reviews, the Company recorded a $9.7 million goodwill and indefinite-lived intangible asset impairment charge at Clyde's Restaurant Group and a $6.7 million indefinite-lived intangible asset impairment charge at the auto dealerships. Additional COVID-19 disruptions could result in future adverse changes in projections for future operating results or other key assumptions, such as projected revenue, profit margin, capital expenditures or cash flows associated with fair value estimates and could lead to additional future impairments, which could be material. The Company may experience other unforeseen circumstances that adversely affect the value of the Company's goodwill or intangible assets and trigger an evaluation of the amount of the recorded goodwill and intangible assets. There also exists a reasonable possibility that changes to the discounted cash-flow model used to perform the quantitative goodwill impairment review, including a decrease in the assumed projected cash flows or long-term growth rate, or an increase in the discount rate assumption, could result in an impairment charge. Future write-offs of goodwill or other intangible assets as a result of an impairment in the business could materially adversely affect the Company's results of operations and financial condition.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

The Company leases space for its corporate offices in Arlington, VA. The space consists of 33,815 square feet of office space, and the lease expires in 2024, subject to an option of the Company to extend.

Directly or through its subsidiaries, Kaplan owns a total of four commercial properties: an approximately 26,000-square-foot six-story building located at 131 West 56th Street in New York City, used by KNA as an education center primarily for medical students; a redeveloped approximately 47,400-square-foot two-story building in Lincoln, NE, used by Purdue Global; an approximately 4,000-square-foot office condominium in Chapel Hill, NC, used by KNA; and an approximately 15,000-square-foot three-story building in Berkeley, CA, used by KNA and KI North America. KI has also entered into a 135-year lease of land in Liverpool, U.K., and has completed the construction of college and dormitory space there totaling approximately 138,000 square feet that opened in January 2020.

In the U.S., KNA leases two buildings, each approximately 96,900 square feet, located on adjacent lots in Fort Lauderdale, FL, used for corporate offices, data and call centers and employee-training facilities, which leases expire in 2024. In addition, KNA leases approximately 76,500 square feet in Chicago, IL, all of which has been subleased through the remainder of the lease term, which expires in 2022; a two-story, approximately 124,500-square-foot building in Orlando, FL, pursuant to a lease that expires in 2021, of which approximately 70,000 square feet have been subleased to third parties; 85,800 square feet of corporate office space in Plantation, FL, pursuant to a lease that expires in 2021; and two corporate offices, totaling approximately 64,100 square feet, in La Crosse, WI, under leases that expire in 2021. KNA has an additional 34 leases in the U.S., comprising approximately 188,500 square feet. KNA also delivers classes at schools, colleges, hotels and other premises for which KNA is not a leaseholder.

Kaplan, Inc. leases approximately 159,500 square feet in New York, NY, all which has been subleased to a third party through the remainder of the lease term, which expires in 2024; approximately 85,600 square feet in a separate building in New York, NY, pursuant to a lease that expires in 2021, of which 5,430 square feet is subleased to a third party; and approximately 23,400 square feet of office space in a building in Alpharetta, GA, pursuant to a lease that expires in 2021.

In addition, the KI Languages business maintains 15 lease and real estate license agreements in the U.S., making up an aggregate of approximately 167,000 square feet of office and instructional space.

Overseas, Dublin Business School’s facilities in Dublin, Ireland, are located in five buildings, aggregating approximately 74,000 square feet of space, which are rented under leases expiring between 2024 and 2029. Kaplan Publishing has an office and distribution warehouse in Wokingham, Berkshire, U.K., of 27,000 square feet, under a lease expiring in 2027. Kaplan Financial’s largest leaseholds are office and instructional spaces in London, U.K., of 35,000 square feet expiring in 2033, and 50,600 square feet, comprising two leases, obtained in January 2015 and expiring in 2030; office and instructional space in Birmingham, U.K., of 19,450 square feet, expiring in 2027; two locations in Manchester, U.K. comprising an office for central support services of 12,606 square feet, expiring in 2027, and office and instructional space of 15,900 square feet, comprising four separate leases, expiring in 2022; office and instructional space in Singapore, of approximately140,000 square feet, comprising three separate leases and expiring between 2022 and 2023; and office and instructional space in Hong Kong of 35,781 square feet, comprising two leases expiring in 2022.

Palace House in London, U.K., is primarily occupied by the KI Pathways business and KI corporate offices with approximately 44,078 square feet, comprising several separate leases and expiring in 2032. The KI corporate offices were formerly housed in Kensington Village, in a 16,128-square foot space, pursuant to a lease that terminates at the end of February 2021.

Kaplan has leases expiring in 2027 for education space in Nottingham, U.K., totaling approximately 21,888 square feet. At the same time, the termination date for all leases in this building will be extended to 2027. In addition, Kaplan has entered into two separate leases in Glasgow, Scotland, for 58,000 square feet and 22,400 square feet, of dormitory space that was constructed and opened to students in 2012. These leases expire in 2032. In addition, Kaplan leases approximately 143,000 square feet of dormitory space as the main tenant of a student residential building in Nottingham, U.K. Kaplan has further entered into a lease for a residential college in Bournemouth, England, which comprises approximately 175,000 square feet. Kaplan has entered into a lease in Brighton, U.K., for dormitory space totaling 128,779 square feet, which expires in 2040. In Australia, Kaplan leases one location in Melbourne, with an aggregate of approximately 77,000 square feet; three locations in Sydney, of approximately 48,000 square feet; one location in Brisbane, of approximately 22,000 square feet; and three locations in Adelaide, of approximately 44,750 square feet. These leases expire at various times, from 2021 through 2031. Kaplan has exercised its option to extend the lease of the Melbourne site for a further 10 years, until April 2031. The University of Adelaide College (formerly Bradford College), in Adelaide, Australia, leases one location and has added an additional floor of approximately 11,000 square feet so that it now occupies an aggregate floor space of approximately 33,000 square feet, with leases expiring in November 2021. In New Zealand, Kaplan leases one location within the same campus of approximately 10,300 square feet which expires in 2021. All other Kaplan facilities in the U.S. and overseas (including administrative offices and instructional locations) occupy leased premises that are for less space than those described above.

The offices of the Company’s broadcasting operations are located in leased space in Chicago, IL. The operations of each of the Company’s television stations are owned by subsidiaries of the Company, as are the related tower sites, except in Houston, Orlando and Jacksonville, where the tower sites are 50% owned.

The corporate office of GHG is located in leased office space in Troy, MI. GHG also leases a small office in Nashville, TN. GHG leases small office spaces in Mechanicsburg, PA; Williamsport, PA; Harrisburg, PA; Kingston, PA; Milford, PA; Stroudsburg, PA; New Castle, PA; Warrendale, PA; Shiloh, IL; Marion, IL; Glen Carbon, IL; Troy, MI; Grand Rapids, MI; Lansing, MI; Lapeer, MI; Downers Grove, IL; and Nashville, TN. In addition, GHG leases space for a hospice inpatient unit in Wilkes-Barre, PA, and nursing offices at Edward and Elmhurst hospitals in northern Illinois. GHG also has leased office space in Mars, PA, which expires in 2022. GHG also owns property in Benton, IL.

Forney has 20,000 square feet of corporate office space in Addison, TX, under a lease that expires in 2024. Forney’s manufacturing facility in Monterrey, Mexico, is in a building that contains 85,169 square feet of office and manufacturing space under a lease that expires in 2022. Forney leases an 8,000-square foot distribution center in Laredo, TX, under a lease that expires in August 2022. Forney also leases offices in Shanghai, China, under a lease that expires in August 2021.

Joyce/Dayton owns three properties: its corporate headquarters in Kettering, OH, and manufacturing facilities in Portland, IN, and Clayton, OH. It also leases a manufacturing facility in Newington, CT.

Dekko owns four U.S. properties: a 200,600-square foot manufacturing building in Garrett, IN; a 77,200-square foot manufacturing building in Avilla, IN; a 64,500-square foot manufacturing and warehouse space in Ardmore, AL; and a 61,750-square foot warehouse space in El Paso, TX. In addition, Dekko owns two buildings in Juarez, Mexico, one of which consists of 132,150 square feet of manufacturing and office space and the other consists of 65,111 square feet of manufacturing and office space. In the U.S., Dekko leases 72,000 square feet of headquarters and innovation center space in Fort Wayne, IN, under a lease that expires in 2029; 46,370 square feet of manufacturing and warehouse space in North Webster, IN, under a lease that expires in 2021; 30,000 square feet of warehouse space in Kendallville, IN, under a lease that expires in 2022; 33,208 square feet of manufacturing, warehouse and office space in Shelton, CT, under a lease that expires in 2021; 22,552 square feet of manufacturing warehouse and office space in Shelton, CT, under a lease that expires in 2024; 80,400 square feet of manufacturing, warehouse and office space in Fallston, NC, under a lease that expires in 2023; and 3,101 square feet of office space in Grand Rapids, MI, that expires in 2024.

Hoover owns nine U.S. properties: a 29-acre site in Thomson, GA; a 35-acre site in Pine Bluff, AR; a 60-acre site in Milford, VA; a 15-acre site in Detroit, MI; a 14-acre site in Bakersfield, CA; a 17-acre site in Oxford, PA; a 15-acre site in Halifax, NC; an 11-acre site in Belington, WV; and a 65-acre site in Havana, FL. In addition, Hoover leases a 10-acre site in Winston, OR, on a long-term lease with renewal terms available through December 31, 2044. Hoover’s corporate, sales and accounting office, and research, engineering and development offices are also located on the Thomson, GA, campus.

Clyde’s leases restaurant facilities in Maryland, Virginia and Washington, D.C., under non-cancellable lease agreements. The restaurant facilities average just over 15,000 square feet, ranging from 10,000 to 30,000 square feet. Renewal options are available on many of the leases for one or more periods of five to 10 years each. Final lease expiration dates range from 2020 to 2051. Many of the leases also require the payment of taxes and maintenance costs as well as additional rentals based on sales in excess of specified minimums.

Graham Automotive leases 77,794 square feet of space in Rockville, MD, for its Lexus dealership under a lease that expires in September 2036, including renewal options. The Honda dealership leases 68,839 square feet of space in Tysons Corner, VA, under a lease that terminates November 30, 2023. That lease also has a partial lease termination option that could remove 14% of total space from the lease and a full lease termination option, both effective December 2020. The Jeep sales facility is currently under construction in Bethesda, MD, under a lease that terminates in July 2060, including renewal options. The Jeep service facility, which is currently under construction, is also located in Bethesda, MD. The Jeep service facility is under a lease that terminates in July 2060, including renewal options.

The Slate Group leases office space in Brooklyn, NY, and Washington, D.C.

Code3 leases office space in Washington, D.C.; New York, NY; Los Angeles, CA; San Francisco, CA (currently being subleased) and Cleveland, OH.

Framebridge leases retail locations in Washington, D.C., Bethesda, MD, Brooklyn, NY, two locations in Atlanta, GA and two manufacturing facilities in Lexington, KY.

Item 3. Legal Proceedings.

Information with respect to legal proceedings may be found in Note 18, "Contingencies and other commitments - Litigation, Legal and Other Matters" to the consolidated financial statements in Part II of this Annual Report, which is incorporated herein by reference.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for the Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information and Holders

The Company’s Class B Common Stock is traded on the New York Stock Exchange under the symbol “GHC.” The Company’s Class A Common Stock is not publicly traded.

At January 31, 2021, there were 27 holders of record of the Company’s Class A Common Stock and 372 holders of record of the Company’s Class B Common Stock.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

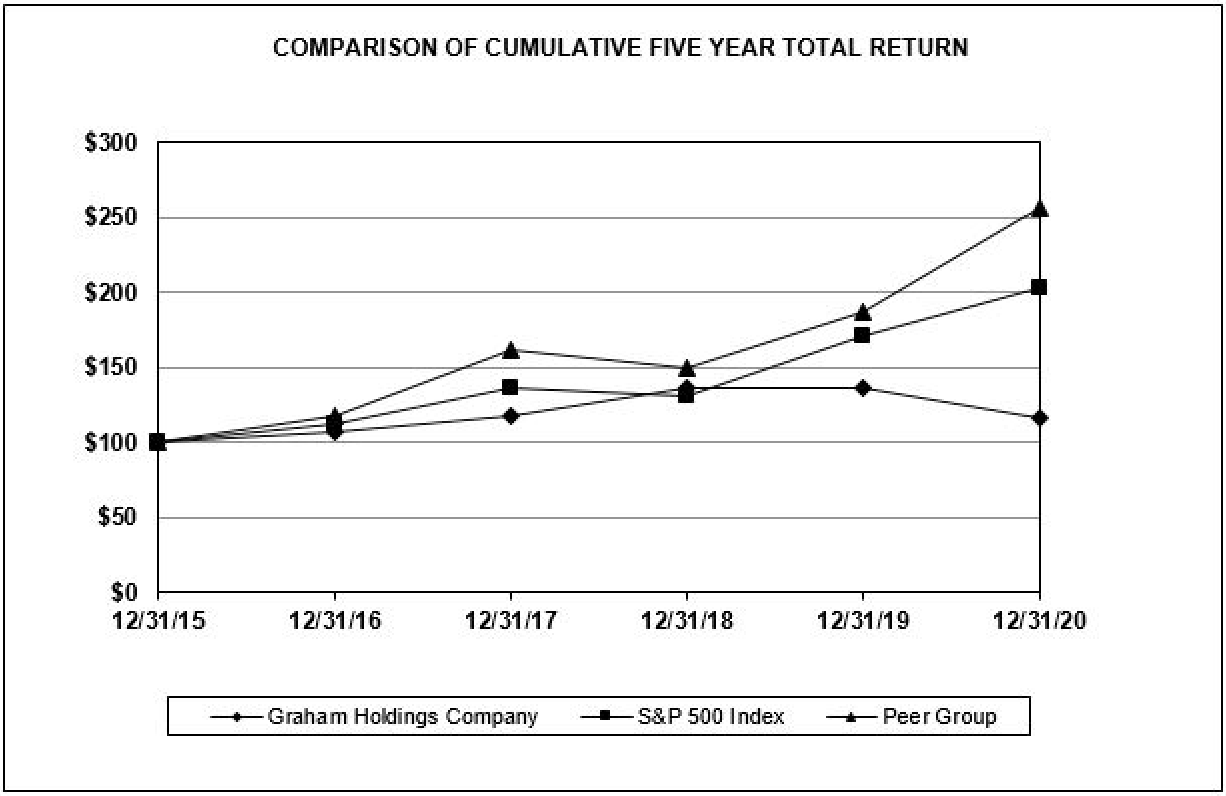
During the quarter ended December 31, 2020, the Company purchased shares of its Class B Common Stock as set forth in the following table:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan*	Maximum Number of Shares That May Yet Be Purchased Under the Plan*
2020				
October	—	$ —	—	448,399
November	37,410	455.66	37,410	410,989
December	46,838	461.75	46,838	364,151
Total	84,248	$ 459.04	84,248	

*On September 10. 2020, the Company’s Board of Directors authorized the Company to purchase, on the open market or otherwise, up to 500,000 shares of its Class B Common Stock. No shares remained under the previous authorization. There is no expiration date for this authorization. All purchases made during the quarter ended December 31, 2020, were open market transactions.

Performance Graph

The following graph is a comparison of the yearly percentage change in the Company’s cumulative total shareholder return with the cumulative total return of the Standard & Poor’s 500 Stock Index and a custom peer group index comprised of a composite group of education and television broadcasting companies. The Standard & Poor’s 500 Stock Index is comprised of 500 U.S. companies in the industrial, transportation, utilities and financial industries and is weighted by market capitalization. The custom peer group of composite companies includes Adtalem Global Education Inc., Chegg, Inc., The E.W. Scripps Company, Grand Canyon Education Inc., Meredith Corporation, New Oriental Education & Technology Group Inc., Pearson plc and Tegna Inc. The graph reflects the investment of $100 on December 31, 2015, in the Company’s Class B Common Stock, the Standard & Poor’s 500 Stock Index and the custom peer group index of composite companies. For purposes of this graph, it has been assumed that dividends were reinvested on the date paid in the case of the Company, and on a quarterly basis in the case of the Standard & Poor’s 500 Index and the custom peer group index of composite companies.



December 31	2015	2016	2017	2018	2019	**2020**
Graham Holdings Company	100.00	106.64	117.36	135.88	136.65	**115.72**
S&P 500 Index	100.00	111.96	136.40	130.42	171.49	**203.04**
Composite Peer Group	100.00	117.24	162.28	149.88	187.06	**256.12**

Item 6. Selected Financial Data.

The Company has early adopted the recent amendment to Regulation S-K, Item 301, which eliminates Selected Financial Data.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

See the information contained under the heading “Management’s Discussion and Analysis of Results of Operations and Financial Condition,” which is included in this Annual Report on Form 10-K and listed in the index to financial information on page 42 hereof.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

The Company is exposed to market risk in the normal course of its business due primarily to its ownership of marketable equity securities, which are subject to equity price risk; to its borrowing and cash-management activities, which are subject to interest rate risk; and to its non-U.S. business operations, which are subject to foreign exchange rate risk.

Equity Price Risk. The Company has common stock investments in several publicly traded companies (as discussed in Note 4 to the Company’s Consolidated Financial Statements) that are subject to market price volatility. The fair value of these common stock investments totaled $573.1 million at December 31, 2020.

Interest Rate Risk. The Company manages the risk associated with interest rate movements through the use of a combination of variable and fixed-rate debt.

At December 31, 2020, the Company had $400 million principal amount of 5.75% unsecured fixed-rate notes due June 1, 2026 (the Notes). At December 31, 2020, the aggregate fair value of the Notes, based upon quoted market prices, was $421.7 million. There were no earnings or liquidity risks associated with the Company’s Notes. The fair value of the Notes varies with fluctuations in market interest rates. A 100 basis point decrease in market interest rates would increase the fair value of the Notes by $13.3 million at December 31, 2020 using a yield to par call. A 100 basis point increase in market interest rates would decrease the fair value of the Notes by $12.8 million at December 31, 2020, using a yield to par call. The Company also had approximately $14 million of other fixed-rate debt, primarily relating to the healthcare business (see Note 11).

At December 31, 2020, the Company had approximately $129 million of variable-rate debt, including floor plan facility obligations. Approximately $25 million of this debt is hedged by an interest rate swap. The Company is subject to earnings and liquidity risks for changes in the interest rate on the unhedged portion of this debt. A 100 basis point increase in the applicable LIBOR rates for the unhedged portions of our variable-rate debt would increase annual interest expense by approximately $1.0 million.

Because the United Kingdom Financial Conduct Authority, which regulates LIBOR, announced the desire to phase out the use of LIBOR by the end of 2021, current and future borrowings by the Company could be subject to reference rates other than LIBOR.

Foreign Exchange Rate Risk. The Company is exposed to foreign exchange rate risk primarily at its Kaplan international operations, and the primary exposure relates to the exchange rate between the U.S. dollar and the British pound, the Australian dollar, and the Singapore dollar. In 2020, 2019 and 2018 the Company reported foreign currency losses of $2.2 million, $1.1 million and $3.8 million, respectively.

If the values of the British pound, the Australian dollar, and Singapore dollar relative to the U.S. dollar had been 10% lower than the values that prevailed during 2020, the Company’s pre-tax income for 2020 would have been approximately $13 million lower. Conversely, if such values had been 10% higher, the Company’s reported pre-tax income for 2020 would have been approximately $13 million higher.

Item 8. Financial Statements and Supplementary Data.

See the Company’s Consolidated Financial Statements at December 31, 2020, and for the periods then ended, together with the report of PricewaterhouseCoopers LLP thereon and the information contained in Note 20 to said Consolidated Financial Statements titled “Summary of Quarterly Operating Results and Comprehensive Income (Unaudited),” which are included in this Annual Report on Form 10-K and listed in the index to financial information on page 42 hereof.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

Not applicable.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

An evaluation was performed by the Company’s management, with the participation of the Company’s Chief Executive Officer (principal executive officer) and the Company’s Chief Financial Officer (principal financial officer), of the effectiveness of the Company’s disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), as of December 31, 2020. Based on that evaluation, the Company’s Chief Executive Officer and Chief Financial Officer have concluded that the Company’s disclosure controls and procedures, as designed and implemented, are effective in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms and is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, in a manner that allows timely decisions regarding required disclosure.

Management’s Report on Internal Control Over Financial Reporting

Management of Graham Holdings Company is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)). The Company’s internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

The Company’s management assessed the effectiveness of internal control over financial reporting as of December 31, 2020. In making this assessment, management used the criteria set forth in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013. Management has concluded that as of December 31, 2020, the Company’s internal control over financial reporting was effective based on these criteria.

The effectiveness of the Company’s internal control over financial reporting as of December 31, 2020, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report included herein.

Changes in Internal Control Over Financial Reporting

There has been no change in the Company’s internal control over financial reporting during the quarter ended December 31, 2020, that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

Item 9B. Other Information.

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information contained under the heading “Executive Officers” in Item 1 hereof and the information contained under the headings “Nominees for Election by Class A Shareholders,” “Nominees for Election by Class B Shareholders,” “Audit Committee” and “Section 16(a) Beneficial Ownership Reporting Compliance” in the definitive Proxy Statement for the Company’s 2021 Annual Meeting of Stockholders is incorporated herein by reference thereto.

The Company has adopted codes of conduct that constitute “codes of ethics” as that term is defined in paragraph (b) of Item 406 of Regulation S-K and that apply to the Company’s principal executive officer, principal financial officer, principal accounting officer or controller and to any persons performing similar functions. Such codes of conduct are posted on the Company’s website, the address of which is ghco.com, and the Company intends to satisfy the disclosure requirements under Item 5.05 of Form 8-K with respect to certain amendments to, and waivers of the requirements of, the provisions of such codes of conduct applicable to the officers and persons referred to above by posting the required information on its website.

In addition to the certifications of the Company’s Chief Executive Officer and Chief Financial Officer filed as exhibits to this Annual Report on Form 10-K, on June 6, 2020, the Company’s Chief Executive Officer submitted to the New York Stock Exchange the annual certification regarding compliance with the NYSE’s corporate governance listing standards required by Section 303A.12(a) of the NYSE Listed Company Manual.

Item 11. Executive Compensation.

The information contained under the headings “Director Compensation,” “Compensation Committee Interlocks and Insider Participation,” “Executive Compensation” and “Compensation Committee Report” in the definitive Proxy Statement for the Company’s 2021 Annual Meeting of Stockholders is incorporated herein by reference thereto.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information contained under the heading “Stock Holdings of Certain Beneficial Owners and Management” in the definitive Proxy Statement for the Company’s 2021 Annual Meeting of Stockholders is incorporated herein by reference thereto.

Item 13. Certain Relationships and Related Transactions and Director Independence.

The information contained under the headings “Transactions With Related Persons, Promoters and Certain Control Persons” and “Controlled Company” in the definitive Proxy Statement for the Company’s 2021 Annual Meeting of Stockholders is incorporated herein by reference thereto.

Item 14. Principal Accounting Fees and Services.

The information contained under the heading “Audit Committee Report” in the definitive Proxy Statement for the Company’s 2021 Annual Meeting of Stockholders is incorporated herein by reference thereto.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

The following documents are filed as part of this report:

1. ***Financial Statements.*** As listed in the index to financial information on page 42 hereof.
2. ***Exhibits.*** As listed in the index to exhibits on page 39 hereof.

Item 16. Form 10-K Summary.

Not applicable.

INDEX TO EXHIBITS

Exhibit Number	Description
2.1	Contribution and Transfer Agreement, dated April 27, 2017, by and among Kaplan Higher Education, LLC, Iowa College Acquisition, LLC, Purdue University and Purdue New U, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed April 27, 2017).**
3.1	Restated Certificate of Incorporation of the Company dated November 13, 2003 (incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K for the fiscal year ended December 28, 2003).
3.2	Certificate of Amendment, effective November 29, 2013, to the Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed November 29, 2013).
3.3	By-Laws of the Company as amended and restated through November 29, 2013 (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed November 29, 2013).
4.1	Senior Notes Indenture dated as of May 30, 2018, between the Company and The Bank of New York Mellon Trust Company, N.A., as Trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated May 30, 2018).
4.2	First Supplemental Indenture, dated as of March 24, 2020, among Graham Healthcare Group, Inc., a Delaware corporation, a subsidiary of the Company, and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020).
4.3	Description of the Company's Securities (incorporated by reference to Exhibit 4.2 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019).
10.1	Amended and Restated Five Year Credit Agreement, dated as of May 30, 2018, among the Company, and the foreign borrowers from time to time party thereto, and certain of its domestic subsidiaries as guarantors, the several lenders from time to time party thereto, Wells Fargo Bank, National Association, as Administrative Agent and JPMorgan Chase Bank, N.A., as Syndication Agent (incorporated by reference to Exhibit 4.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018).
10.2	Transition and Operations Support Agreement, dated March 22, 2018, by and among Kaplan Higher Education, LLC, Iowa College Acquisition, LLC and Purdue University Global, Inc., with Purdue University as a party to the Transition and Operations Support Agreement solely for the purposes of being bound by the Purdue Provisions (as defined therein) (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated March 22, 2018).**+
10.3	First Amendment, dated as of July 29, 2019, to the Transition and Operations Support Agreement, dated March 22, 2018, by and among Kaplan Higher Education, LLC, Iowa College Acquisition, LLC and Purdue University Global, Inc. (the "First Amendment"), with The Trustees of Purdue University as a party to the First Amendment solely for the purposes of continuing to be bound by the Purdue Provisions (as defined therein) (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019).+
10.4	Graham Holdings Company 2012 Incentive Compensation Plan, as amended and restated effective November 29, 2013, as adjusted to reflect the spin-off of Cable ONE (incorporated by reference to Exhibit 10.1 to Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015)*
10.5	Washington Post Company Stock Option Plan as amended and restated effective May 31, 2003 (incorporated by reference to Exhibit 10.1 to The Washington Post Company's Quarterly Report on Form 10-Q for the quarter ended September 28, 2003).*
10.6	Graham Holdings Company Supplemental Executive Retirement Plan as amended and restated effective December 10, 2013 (incorporated by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013).*
10.7	Amendment No. 1 to Graham Holdings Company Supplemental Executive Retirement Plan, effective March 31, 2014 (incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014).*

10.8	Graham Holdings Company Deferred Compensation Plan as amended and restated effective January 1, 2014 (incorporated by reference to Exhibit 10.4 to Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013).*
10.9	Letter Agreement between the Company and Timothy J. O'Shaughnessy, dated October 20, 2014 (incorporated by reference to Exhibit 10.6 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014).*

Exhibit Number	Description
10.10	Letter Agreement between the Company and Andrew S. Rosen, dated April 7, 2014 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015).*
10.11	Letter Agreement between the Company and Jacob M. Maas, dated August 24, 2015 (incorporated by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018).*
10.12	Consulting Agreement between the Company and Denise Demeter, dated December 15, 2020 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 16, 2020).*
21	List of subsidiaries of the Company.
23	Consent of independent registered public accounting firm.
24	Power of Attorney dated January 23, 2020.
31.1	Rule 13a-14(a)/15d-14(a) Certification of the Chief Executive Officer.
31.2	Rule 13a-14(a)/15d-14(a) Certification of the Chief Financial Officer.
32	Section 1350 Certification of the Chief Executive Officer and the Chief Financial Officer.
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File, formatted in Inline XBRL and included as Exhibit 101

*A management contract or compensatory plan or arrangement required to be included as an exhibit hereto pursuant to Item 15(b) of Form 10-K.

**Graham Holdings Company hereby undertakes to furnish supplementally a copy of any omitted exhibit or schedule to such agreement to the SEC upon request.

+ Select portions of this exhibit have been omitted pursuant to a request for confidential treatment and have been filed separately with the SEC.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 24, 2021.

GRAHAM HOLDINGS COMPANY
(Registrant)

By /s/ Wallace R. Cooney
Wallace R. Cooney
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on February 24, 2021:

Timothy J. O’Shaughnessy	President, Chief Executive Officer (Principal Executive Officer) and Director
Wallace R. Cooney	Chief Financial Officer (Principal Financial Officer)
Marcel A. Snyman	Principal Accounting Officer
Donald E. Graham	Chairman of the Board
Lee C. Bollinger	Director
Christopher C. Davis	Director
Thomas S. Gayner	Director
Jack A. Markell	Director
Anne M. Mulcahy	Director
Larry D. Thompson	Director
G. Richard Wagoner, Jr.	Director
Katharine Weymouth	Director

By /s/ Wallace R. Cooney
Wallace R. Cooney
Attorney-in-Fact

An original power of attorney authorizing Timothy J. O’Shaughnessy, Wallace R. Cooney and Nicole M. Maddrey, and each of them, to sign all reports required to be filed by the Registrant pursuant to the Securities Exchange Act of 1934 on behalf of the above-named directors and officers has been filed with the Securities and Exchange Commission.

INDEX TO FINANCIAL INFORMATION

GRAHAM HOLDINGS COMPANY

All schedules have been omitted either because they are not applicable or because the required information is included in the Consolidated Financial Statements or the notes thereto referred to above.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

This analysis should be read in conjunction with the Consolidated Financial Statements and the notes thereto.

OVERVIEW

Graham Holdings Company (the Company) is a diversified education and media company whose operations include educational services; television broadcasting; online, podcast, print and local TV news and other content; social-media advertising services; manufacturing; automotive dealerships; restaurants and entertainment venues; custom framing; and home health and hospice care. Education is the largest business, and through its subsidiary Kaplan, Inc., the Company provides extensive worldwide education services for individuals, schools and businesses. The Company’s second largest business is television broadcasting. In 2020, the Company completed an acquisition of a custom framing service company. The Company’s business units are diverse and subject to different trends and risks.

The Company’s education division is the largest operating division of the Company, accounting for 45% of the Company’s consolidated revenues in 2020. The Company has devoted significant resources and attention to this division for many years, given its geographic and product diversity; the investment opportunities and growth prospects during this time; and challenges related to government regulation. Kaplan is organized into the following three operating segments: Kaplan International, Kaplan Higher Education (KHE) and Supplemental Education.

Kaplan International reported revenue decreases for 2020 due to COVID-19 disruptions at Languages, and to a lesser extent at U.S. and Australia Pathways and UK Professional, partially offset by growth at UK Pathways and Australia. Kaplan International operating results declined in 2020 due to significant losses at Languages, along with declines at U.S. and Australia Pathways, and UK Professional, partially offset by the $17.1 million VAT provision recorded at UK Pathways in the third quarter of 2019, and improved results at UK Pathways and Australia.

KHE’s revenue grew in 2020, due to an increase in the Purdue University Global fee recorded and revenue from new university agreements. KHE recorded $31.6 million and $12.3 million in fees from Purdue University Global (Purdue Global) in its Higher Education operating results in 2020 and 2019, respectively, based on an assessment of its collectability under the Transition and Operations Support Agreement (TOSA).

Supplemental Education revenues and operating results declined in 2020 due to the postponement of various standardized test and certification exam dates due to COVID-19, and a decline in retail comprehensive test preparation demand, offset in part by growth in real estate, architecture and engineering programs.

Kaplan made two acquisitions in 2020; one acquisition in 2019; and five acquisitions in 2018.

The Company’s television broadcasting division reported higher revenues and operating income in 2020, due to increases in political advertising and retransmission revenues, partially offset by reduced local and national advertising demand related to the COVID-19 pandemic. In recent years, the television broadcasting division has consistently generated significantly higher operating income amounts and operating income margins than the education division and other businesses.

With the recent acquisitions of Framebridge, two automotive dealerships and Clyde’s Restaurant Group, and recent acquisitions at healthcare, manufacturing and Code3, the Company has invested in new lines of business in the last few years. The Company also has two investment stage businesses - Pinna and CyberVista. Megaphone was sold by the Company in December 2020.

The Company generates a significant amount of cash from its businesses that is used to support its operations, pay down debt and fund capital expenditures, share repurchases, dividends, acquisitions and other investments.

RESULTS OF OPERATIONS — 2020 COMPARED TO 2019

Net income attributable to common shares was $300.4 million ($58.13 per share) for the year ended December 31, 2020, compared to $327.9 million ($61.21 per share) for the year ended December 31, 2019.

The COVID-19 pandemic and measures taken to prevent its spread, such as travel restrictions, shelter in place orders and mandatory closures, significantly impacted the Company’s results for 2020, largely from reduced demand for the Company’s products and services. This significant adverse impact is expected to continue into 2021. The Company’s management has taken a variety of measures to reduce costs and to implement changes to business operations. The Company cannot predict the severity or duration of the pandemic, the extent to which demand for the Company’s products and services will be adversely affected or the degree to which financial and operating results will be negatively impacted.

Items included in the Company's net income for 2020 are listed below:

- $27.9 million in goodwill and other long-lived asset impairment charges (after-tax impact of $20.2 million, or $3.92 per share);
- $16.1 million in restructuring charges at the education division (after-tax impact of $11.9 million, or $2.31 per share);
- $5.7 million in accelerated depreciation at other businesses (after-tax impact of $4.1 million, or $0.80 per share);
- a $2.9 million reduction to operating expenses from property, plant and equipment gains in connection with the spectrum repacking mandate of the Federal Communications Commission (FCC) (after-tax impact of $2.3 million, or $0.44 per share);
- $8.5 million in interest expense in the fourth quarter to adjust the fair value of the mandatorily redeemable noncontrolling interest ($1.64 per share);
- $11.5 million in expenses related to non-operating Separation Incentive Programs (SIP) at the education division and other businesses (after-tax impact of $8.5 million, or $1.64 per share);
- $60.8 million in net gains on marketable equity securities (after-tax impact of $44.7 million, or $8.64 per share);
- a fourth quarter gain of $209.8 million on the sale of Megaphone (after-tax impact of $154.2 million, or $29.84 per share);
- Non-operating losses, net, of $1.5 million from impairments, sales and write-ups of cost and equity method investments (after-tax impact of $1.1 million, or $0.21 per share);
- $2.2 million in non-operating foreign currency losses (after-tax impact of $1.6 million, or $0.31 per share); and
- $2.9 million in income tax expense related to stock compensation ($0.56 per share).

Items included in the Company's net income for 2019 are listed below:

- a $17.1 million provision recorded at Kaplan International related to a Value Added Tax (VAT) receivable at UK Pathways (after-tax impact of $13.9 million, or $2.59 per share);
- an $11.8 million reduction to operating expenses from property, plant and equipment gains in connection with the spectrum repacking mandate of the FCC (after-tax impact of $9.1 million, or $1.70 per share);
- a $7.8 million fourth quarter intangible asset impairment charge at the television broadcasting division (after-tax impact of $6.0 million, or $1.12 per share);
- a $91.7 million fourth quarter settlement gain related to a retiree annuity pension purchase (after-tax impact of $66.9 million, or $12.50 per share);
- $6.6 million in expenses related to a non-operating SIP at the education division (after-tax impact of $5.1 million, or $0.95 per share);
- $98.7 million in net gains on marketable equity securities (after-tax impact of $74.0 million, or $13.82 per share);
- non-operating gain of $5.1 million from write-ups of cost method investments (after-tax impact of $3.9 million, or $0.73 per share);
- $29.0 million gain from the sale of Gimlet Media (after-tax impact of $21.7 million, or $4.06 per share);
- $1.1 million in non-operating foreign currency losses (after-tax impact of $0.8 million, or $0.15 per share); and
- $1.7 million in income tax expense related to stock compensation ($0.32 per share).

Revenue for 2020 was $2,889.1 million, down 1% from $2,932.1 million in 2019, largely due to the impact of COVID-19. Revenues declined at education and manufacturing, partially offset by increases at television broadcasting, healthcare and other businesses. Operating costs and expenses for the year increased to $2,788.7 million in 2020, from $2,787.6 million in 2019. Expenses in 2020 increased at television broadcasting, healthcare and other businesses, offset by decreases at education and manufacturing. The Company reported operating income for 2020 of $100.4 million, compared to $144.5 million in 2019. Operating results declined at education, manufacturing and other businesses, partially offset by improvements at television broadcasting and healthcare.

<u>Division Results</u>

Education

Education division revenue in 2020 totaled $1,305.7 million, down 10% from $1,451.8 million in 2019.

Kaplan reported operating income of $11.6 million for 2020, a 76% decrease from $48.1 million in 2019.

The COVID-19 pandemic adversely impacted Kaplan’s operating results for 2020. The impact began in February and continued through the remainder of 2020.

Kaplan serves a large number of students who travel to other countries to study a second language, prepare for licensure, or pursue a higher education degree. Government-imposed travel restrictions and school closures arising from COVID-19 had a significant negative impact on the ability of international students to travel and attend Kaplan’s programs, particularly Kaplan International’s Language programs. In addition, most licensing bodies and administrators of standardized exams postponed or canceled scheduled examinations due to COVID-19, resulting in a significant number of students deciding to defer their studies, negatively impacting Kaplan’s exam preparation education businesses. Overall, this is expected to continue to adversely impact Kaplan’s revenues and operating results in 2021, particularly at Kaplan International Languages.

To help mitigate the adverse impact of COVID-19, Kaplan implemented a number of cost reduction and restructuring activities across its businesses.

Related to these restructuring activities, for 2020, Kaplan recorded $13.5 million in lease restructuring costs (including $3.6 million of accelerated depreciation expense) and $6.2 million in severance restructuring costs. Kaplan also recorded $12.3 million in lease impairment charges in connection with these plans in 2020 (including $2.2 million in property, plant and equipment write-downs). Further, Kaplan recorded $12.8 million in non-operating pension expense in 2020 related to workforce reductions completed in the second and third quarters.

Kaplan management is continuing to monitor the ongoing COVID-19 disruptions and changes in its operating environment and may develop and implement further restructuring activities in 2021.

Kaplan also accelerated the development and promotion of various online programs and solutions, rapidly transitioned most of its classroom-based programs online and addressed the individual needs of its students and partners, substantially reducing the disruption from COVID-19 while simultaneously adding important new product offerings and operating capabilities. Further, in the fourth quarter of 2020, Kaplan combined its three primary divisions based in the United States (Kaplan Test Prep, Kaplan Professional, and Kaplan Higher Education) into one business known as Kaplan North America (KNA). This combination is designed to enhance Kaplan’s competitiveness by better leveraging its diversified academic and professional portfolio, as well as its relationships with students, universities and businesses. For financial reporting purposes, KNA will be reported in two segments: Higher Education and Supplemental Education (combining Kaplan Test Prep and Kaplan Professional (U.S.) into one reporting segment).

A summary of Kaplan’s operating results is as follows:

(in thousands)	Year Ended December 31 2020	2019	% Change
Revenue			
Kaplan international	**$ 653,892**	$ 750,245	(13)
Higher education	**316,095**	305,672	3
Supplemental education	**327,087**	388,814	(16)
Kaplan corporate and other	**12,643**	9,480	33
Intersegment elimination	**(4,004)**	(2,461)	—
	$ 1,305,713	$ 1,451,750	(10)
Operating Income (Loss)			
Kaplan international	**$ 15,248**	$ 42,129	(64)
Higher education	**24,364**	13,960	75
Supplemental education	**19,705**	34,487	(43)
Kaplan corporate and other	**(18,266)**	(26,891)	32
Amortization of intangible assets	**(17,174)**	(14,915)	(15)
Impairment of long-lived assets	**(12,278)**	(693)	—
Intersegment elimination	**5**	(5)	—
	$ 11,604	$ 48,072	(76)

Kaplan International includes postsecondary education, professional training and language training businesses largely outside the United States. Kaplan International revenue decreased 13% in 2020 (12% on a constant currency basis) due to COVID-19 disruptions at Languages, and to a lesser extent at U.S. and Australia Pathways and UK Professional. These revenue disruptions were offset in part by growth at UK Pathways and Australia. The decline in Kaplan International operating income is mostly attributable to $55 million in losses incurred at Languages due to significant COVID-19 disruptions, and to a much lesser extent, to COVID-19 disruptions at U.S. and Australia Pathways and UK Professional, partially offset by the $17.1 million VAT provision recorded at UK Pathways in the third quarter of 2019, and improved results at UK Pathways and Australia. Kaplan International’s 2020 results include $4.5 million of lease restructuring costs (including $1.6 million in accelerated depreciation expense) and $4.4 million of severance restructuring costs.

Due to the continuation of travel restrictions imposed as a result of COVID-19, Kaplan expects the disruption of its Languages business operating environment to continue into 2021.

In 2017, HMRC raised assessments against Kaplan UK Pathways for VAT relating to 2014 to 2017, which were paid by Kaplan. Kaplan challenged these assessments as it believed it had met all requirements under U.K. VAT law and was entitled to recover the amounts from assessments and subsequent payments. Due to developments in the case, in the third quarter of 2019, the Company recorded a full provision against a receivable to expense, of which $17.1 million related to years 2014 to 2018. The Company recorded additional annual VAT expense at the UK Pathways business of approximately $6.0 million related to this matter for 2019 and approximately $8.4 million for 2020. In November 2020, the court ruled against Kaplan in this case.

Higher Education primarily includes the results of Kaplan as a service provider to higher education institutions. In 2020, Higher Education revenue grew 3% due to an increase in the Purdue Global fee recorded and revenue from new university agreements. During 2020, Kaplan recorded $31.6 million in fees from Purdue Global in its Higher Education operating results based on an assessment of its collectability under the TOSA. During 2019, Kaplan recorded $12.3 million in fees from Purdue Global. Purdue Global experienced increased enrollments and higher retention rates for 2020, which resulted in improved Higher Education results. Kaplan Higher Education recorded $3.6 million in lease restructuring costs in 2020, of which $0.2 million was accelerated depreciation expense. In 2020, Higher Education also incurred compensation and other costs that are not reimbursable under the TOSA.

Supplemental Education includes Kaplan’s standardized test preparation programs and domestic professional and other continuing education businesses. Supplemental Education revenue declined 16% in 2020 due mostly to the postponement of various standardized test and certification exam dates due to COVID-19, and a decline in retail comprehensive test preparation demand, offset in part by growth in real estate, architecture and engineering programs. Operating results declined 43% in 2020 due to revenue declines, $5.4 million of lease restructuring costs ($1.8 million of which was accelerated depreciation) and $1.8 million in severance restructuring costs.

Kaplan corporate and other represents unallocated expenses of Kaplan, Inc.’s corporate office, other minor businesses and certain shared activities. Overall, Kaplan corporate and other expenses declined in 2020 due to lower compensation costs.

Television Broadcasting

A summary of television broadcasting’s operating results is as follows:

	Year Ended December 31		
(in thousands)	**2020**	2019	% Change
Revenue	**$ 525,212**	$ 463,464	13
Operating Income	**194,498**	152,668	27

Revenue at the television broadcasting division increased 13% to $525.2 million in 2020, from $463.5 million in 2019. The revenue increase is due to an $88.5 million increase in political advertising revenue and a $12.4 million increase in retransmission revenues, partially offset by reduced local and national advertising demand related to the COVID-19 pandemic. In 2020 and 2019, the television broadcasting division recorded $2.9 million and $11.8 million, respectively, in reductions to operating expenses related to property, plant and equipment gains due to new equipment received at no cost in connection with the spectrum repacking mandate of the FCC. In the fourth quarter of 2019, the television broadcasting division recorded a $7.8 million intangible asset impairment charge on FCC licenses at the WSLS (Roanoke-NBC) and WCWJ (Jacksonville-CW) stations acquired in 2017, due to a decline in local market conditions. Operating income for 2020 was up 27% to $194.5 million, from $152.7 million in 2019, due to higher revenues and the 2019 intangible asset impairment charge, partially offset by higher network fees and lower property, plant and equipment gains. While per subscriber rates from cable and satellite providers have grown, overall cable and satellite subscribers are down due to cord cutting, resulting in low growth in retransmission revenue net of network fees in 2020, which is expected to continue in the future.

Operating margin at the television broadcasting division was 37% in 2020 and 33% in 2019.

In 2020, significant political advertising revenues have largely driven strong operating results, while the postponement of the 2020 summer Olympics, the reduction and uncertainty surrounding broadcast sporting events, and overall reduced advertising demand related to the COVID-19 pandemic have adversely impacted advertising revenue and the operating results at the television broadcasting division. However, local and national advertising revenues have improved steadily through 2020 since the onset of the pandemic.

Graham Media Group stations provided critical news coverage to local communities in 2020 with elevated viewing levels during the height of the pandemic. Overall for the year, the Company's television stations remained strong, well-positioned competitors in their local markets. On average for the year, KSAT in San Antonio and WJXT in Jacksonville ranked number one in the key 6am, 6pm and late newscasts among the all-important 25 to 54 demographic. WDIV in Detroit ended the year as number one at 6pm and in late news, while number two in the mornings. KPRC in Houston wrapped up 2020 as the number two local news station across the same key newscasts. Both WKMG and WSLS finished third in their respective markets, while WCWJ's syndicated viewership in daytime and early fringe remained well viewed in the Jacksonville market. All of our local stations' websites finished the year as the number one media sites in their respective markets with large increases in traffic over the prior year.

Manufacturing

A summary of manufacturing's operating results is as follows:

	Year Ended December 31		
(in thousands)	**2020**	2019	% Change
Revenue	**$ 416,137**	$ 449,053	(7)
Operating Income	**12,328**	20,467	(40)

Manufacturing includes four businesses: Hoover Treated Wood Products, Inc., a supplier of pressure impregnated kiln-dried lumber and plywood products for fire retardant and preservative applications; Dekko, a manufacturer of electrical workspace solutions, architectural lighting and electrical components and assemblies; Joyce/Dayton Corp., a manufacturer of screw jacks and other linear motion systems; and Forney, a global supplier of products and systems that control and monitor combustion processes in electric utility and industrial applications.

Manufacturing revenues declined 7% in 2020 due primarily to a significant reduction in product demand at Dekko, particularly in the commercial office electrical products, hospitality, transportation and industrial sectors. Operating income decreased 40% in 2020 due to a significant decline in Dekko results from lower revenues, partially offset by improved results at Hoover from significant gains on inventory sales and reduced operating costs.

Starting in the second half of March 2020, certain of Dekko, Joyce/Dayton and Hoover's manufacturing plants began operating at reduced levels due to lower product demand and other jurisdictional factors related to the COVID-19 pandemic. The manufacturing businesses are tightly managing expenses and continuing with cost reduction plans to mitigate the impact of lower product demand. Overall, this is expected to continue to adversely impact manufacturing revenues and operating results into 2021, particularly at Dekko.

Healthcare

A summary of healthcare's operating results is as follows:

	Year Ended December 31		
(in thousands)	**2020**	2019	% Change
Revenue	**$ 198,196**	$ 161,768	23
Operating Income	**26,107**	7,908	—

The Graham Healthcare Group (GHG) provides home health and hospice services in three states. In December 2019, GHG acquired a 75% interest in CSI Pharmacy Holding Company, LLC (CSI), a Wake Village, TX-based company, which coordinates the prescriptions and nursing care for patients receiving in-home infusion treatments. Healthcare revenues increased 23% in 2020, due to the CSI acquisition, offset by revenue declines from home health services due to lower patient volumes.

In the second quarter of 2020, GHG received $7.4 million from the Federal Coronavirus Aid, Relief, and Economic Security Act (CARES Act) Provider Relief Fund. GHG did not apply for these funds; they were disbursed to GHG as a Medicare provider under the CARES Act. Under the Department of Health and Human Services guidelines, these funds may be used to offset revenue reductions and expenses incurred in connection with the COVID-19 pandemic. Of this amount, GHG recorded $5.7 million in revenue in the second and third quarters of 2020, to partially offset the impact of revenue reductions due to the COVID-19 pandemic from the curtailment of elective procedures by health systems and other factors. The remaining amount of $1.7 million was recorded as a credit to operating costs in the second quarter of 2020 to partially offset the impact of costs incurred to procure personal protective equipment for GHG employees and other COVID-19 related costs. The improvement in GHG operating results in 2020 is due to improved results from home health and hospice services and operating income from the CSI acquisition.

Other Businesses

Automotive

On January 31, 2019, the Company acquired two automotive dealerships, Lexus of Rockville and Honda of Tysons Corner, from Sonic Automotive. As part of the transaction, the Company entered into an agreement with Christopher J. Ourisman, a member of the Ourisman Automotive Group family of dealerships, to operate and manage the dealerships. In the fourth quarter of 2019, the Company and Mr. Ourisman commenced operations at a new Jeep automotive dealership, which began generating sales in January 2020 as Ourisman Jeep of Bethesda. Mr. Ourisman and his team of industry professionals operate and manage the dealerships; Graham Holdings Company holds a 90% stake in all three dealerships. As a result of the COVID-19 pandemic and the related recessionary conditions, the Company's automotive dealerships experienced reduced demand for sales and service beginning in March 2020. Given the uncertain and challenging operating environment for automotive dealerships, the Company completed a goodwill and other long-lived assets impairment review of its automotive dealerships in the first quarter of 2020, resulting in a $6.7 million intangible assets impairment charge.

Revenues for 2020 increased due to the new Jeep dealership and one less month of ownership in 2019, partially offset by reduced demand for sales and service in the first half of 2020 as a result of the pandemic. Operating results for 2020 declined from the prior year due to losses in the first half of 2020 related to the pandemic, in addition to the $6.7 million impairment charge recorded in the first quarter of 2020.

Clyde's Restaurant Group

On July 31, 2019, the Company acquired Clyde's Restaurant Group (CRG). CRG owns and operates eleven restaurants and entertainment venues in the Washington, D.C. metropolitan area, including Old Ebbitt Grill and The Hamilton. As a result of the COVID-19 pandemic, CRG temporarily closed all of its restaurants and venues in March 2020, pursuant to government orders, maintaining limited operations for delivery and pickup. At the time, CRG had temporarily laid off many of its employees due to the uncertainty as to the timing, safety and other details regarding reopening. Given the uncertain and challenging operating environment for the restaurant industry, the Company completed a goodwill and other long-lived assets impairment review of CRG in the first quarter of 2020, resulting in a $9.7 million goodwill and intangible assets impairment charge.

In the second quarter of 2020, CRG began limited outdoor and indoor dining services at most of its restaurants and made the decision to close its restaurant and entertainment venue in Columbia, Maryland effective July 19, 2020, resulting in accelerated depreciation of property, plant and equipment totaling $5.6 million recorded in the second and third quarters of 2020. The operations were negatively impacted for most of the year by pandemic related restrictions as well as disturbances from sporadic civil and political unrest in the city and region. In December 2020, CRG temporarily closed its restaurants in Maryland and the District of Columbia for the second time, pursuant to government orders, maintaining limited operations for delivery and pickup; these restaurants reopened again for limited indoor dining service in January and February of 2021. While many of CRG's laid-off employees have been rehired, CRG is uncertain as to the timing and other details regarding a full reopening. While CRG revenues have experienced a significant adverse impact as a result of the pandemic, such revenues improved steadily in each of the three quarters since the onset of the pandemic, despite the December 2020 restaurant closings. Overall, CRG incurred significant operating losses in 2020 due to limited revenues and costs incurred to maintain its facilities, support its employees and to reopen the restaurants for limited outdoor and indoor services, in addition to the impairment and accelerated depreciation charges recorded in 2020. CRG continues to develop and implement initiatives to increase sales and reduce costs to mitigate the impact of COVID-19. The pandemic and public disturbances are expected to continue to adversely impact CRG revenues and operating results in 2021.

Code3 and Decile

In July 2020, SocialCode announced it would be splitting into two separate companies. SocialCode's agency business continues as a leading digital marketing agency, operating under the new name, Code3. Code3 is a performance marketing agency focused on driving performance for brands through three core elements of digital success: media, creative and commerce. The legacy business surrounding the Audience Intelligence Platform (AIP) continues as a separate software company, operating under the new name, Decile. Decile uses first-party customer data to deliver business intelligence and customer insights to its customers. As a result of these changes, Code3 and Decile are now reported in other businesses.

On a combined basis, Code3 and Decile revenues declined in 2020 due to reduced marketing spending by advertising clients as a result of the recessionary environment from the COVID-19 pandemic. In the second quarter of 2020, a $1.5 million lease impairment charge was recorded in connection with a restructuring plan that included other cost reduction initiatives to mitigate the adverse impact of COVID-19 on advertising demand, which is expected to continue in 2021. These initiatives included the approval of a SIP that reduced the number of employees, resulting in $1.0 million in non-operating pension expense in the second quarter of 2020. On a combined basis, Code3 and Decile reported an operating loss for 2020.

Megaphone

Megaphone provides podcast technology for publishers and advertisers through the Megaphone platform and Megaphone Targeted Marketplace (MTM). Megaphone experienced rapid revenue growth from both advertising and platform sales until it was sold by the Company in December 2020 to Spotify. The Company recorded a pre-tax gain of $209.8 million on the sale of Megaphone that is included in other non-operating income in the fourth quarter of 2020.

Framebridge

On May 15, 2020, the Company acquired Framebridge, Inc., a custom framing service company, headquartered in Washington, D.C., with two retail locations in the D.C. metropolitan area and a manufacturing facility in Lexington, KY. In the third quarter of 2020, Framebridge opened a new retail location in Brooklyn, N.Y. and two new retail locations in the Atlanta, GA area. In the fourth quarter of 2020, Framebridge opened a second manufacturing facility in Lexington, KY. Framebridge revenues have grown each month since the May 2020 acquisition, particularly in the fourth quarter of 2020. The Company previously disclosed a minority investment interest in Framebridge. As an investment stage business, Framebridge reported operating losses in 2020.

Other

Other businesses also include Slate and Foreign Policy, which publish online and print magazines and websites; and two investment stage businesses, Pinna and CyberVista. Foreign Policy, CyberVista and Pinna reported revenue increases in 2020. Losses from each of these four businesses in 2020 adversely affected operating results.

Overall, for 2020, operating revenues for other businesses increased due largely to the Framebridge and automotive dealership acquisitions and growth at Megaphone, partially offset by declines at Code3/Decile. CRG incurred significant operating losses in 2020 due to challenging operating conditions that began in March 2020 and the goodwill and other long-lived asset impairment charges recorded in the first quarter of 2020.

Corporate Office

Corporate office includes the expenses of the Company’s corporate office and certain continuing obligations related to prior business dispositions.

Equity in Earnings of Affiliates

At December 31, 2020, the Company held an approximate 12% interest in Intersection Holdings, LLC, a company that provides digital marketing and advertising services and products for cities, transit systems, airports, and other public and private spaces. The Company also holds interests in a number of home health and hospice joint ventures, and several other affiliates. The Company recorded equity in earnings of affiliates of $6.7 million and $11.7 million for 2020 and 2019, respectively. The Company recorded $3.6 million in write-downs in equity in earnings of affiliates related to two of its investments in the first quarter of 2020.

The recessionary environment resulting from the COVID-19 pandemic adversely impacted the underlying businesses of Intersection Holdings, LLC due to lower marketing spending by advertising clients. The decline in revenues adversely impacted the operating results and liquidity of the business since the onset of the COVID-19 pandemic. The Company concluded that these events are not indicative of an other than temporary decline in the value of its investment to an amount less than its carrying value. Given the uncertain economic impact of the COVID-19 pandemic, it is possible that an other than temporary impairment charge could occur in the future should Intersection Holdings, LLC fail to execute on its operating and financing strategy to address the decline in revenues and operating results. Further, the Company expects to record losses in equity earnings related to Intersection in 2021.

Net Interest Expense and Related Balances

On June 30, 2020, the Company repaid the £60 million borrowings due under the Kaplan Credit Agreement, financed by a £60 million drawdown on the Company’s $300 million revolving credit facility.

In connection with the auto dealership acquisition that closed on January 31, 2019, a subsidiary of the Company borrowed $30 million to finance a portion of the acquisition and entered into an interest rate swap to fix the interest rate on the debt at 4.7% per annum. The subsidiary is required to repay the loan over a 10-year period by making monthly installment payments. In connection with the CSI acquisition that closed in December 2019, a subsidiary of GHG borrowed $11.25 million to finance a portion of the acquisition. The debt bears interest at 4.35% per annum. The GHG subsidiary is required to repay the loan over a five-year period by making monthly installment payments.

The Company incurred net interest expense of $34.4 million in 2020, compared to $23.6 million in 2019. The Company recorded interest expense of $8.5 million to adjust the fair value of the mandatorily redeemable noncontrolling interest at GHG in the fourth quarter of 2020.

At December 31, 2020, the Company had $512.6 million in borrowings outstanding at an average interest rate of 5.1%, and cash, marketable securities and other investments of $1,010.6 million. At December 31, 2020, the Company had £55 million ($74.7 million) outstanding on its $300 million revolving credit facility, in connection with the refinancing of the debt repaid under the Kaplan Credit Agreement. In Management's opinion, the Company will have sufficient financial resources to meet its business requirements in the next twelve months, including working capital requirements, capital expenditures, interest payments and dividends. At December 31, 2019, the Company had $512.8 million in borrowings outstanding at an average interest rate of 5.1%, and cash, marketable securities and other investments of $814.0 million.

Non-Operating Pension and Postretirement Benefit Income, Net

The Company recorded net non-operating pension and postretirement benefit income of $59.3 million in 2020, compared to $162.8 million in 2019.

In the third quarter of 2020, the Company recorded $7.8 million in expenses related to a SIP at the education division. In the second quarter of 2020, the Company recorded $6.0 million in expenses related to a SIP at the education division and other businesses.

In the fourth quarter of 2019, the Company's pension plan purchased a group annuity contract from an insurance company for a group of retirees. As a result, the Company recorded a $91.7 million settlement gain in the fourth quarter of 2019. In the second quarter of 2019, the Company recorded $6.6 million in non-operating pension expense related to a SIP at the education division.

Gain on Marketable Equity Securities, Net

The Company recognized $60.8 million and $98.7 million in net gains on marketable equity securities in 2020 and 2019, respectively.

Other Non-Operating Income (Expense)

The Company recorded total other non-operating income, net, of $214.5 million in 2020, compared to $32.4 million in 2019. The 2020 amounts included $213.3 million in net gains related to sales of businesses and contingent consideration; $4.2 million in fair value increases on cost method investments; $3.7 million gain on acquiring a controlling interest in an equity affiliate; $1.4 million net gain on sales of equity affiliates and other items; partially offset by $7.3 million in impairments on cost method investments; and $2.2 million in foreign currency losses. The 2019 non-operating income, net, included a $29.0 million gain on the sale of the Company's interest in Gimlet Media; $5.1 million in fair value increases on cost method investments; and other items; partially offset by $1.1 million in foreign currency losses.

Provision for Income Taxes

The Company's effective tax rate for 2020 was 26.3%. In 2020, the Company recorded income tax expense related to stock compensation of $2.9 million. Excluding this $2.9 million expense, the overall income tax rate for 2020 was 25.6%.

The Company's effective tax rate for 2019 was 23.1%. In the first quarter of 2019, the Company recorded income tax benefits related to stock compensation of $1.7 million. Excluding this $1.7 million benefit, the overall income tax rate for 2019 was 23.5%.

RESULTS OF OPERATIONS — 2019 COMPARED TO 2018

Net income attributable to common shares was $327.9 million ($61.21 per share) for the year ended December 31, 2019, compared to $271.2 million ($50.20 per share) for the year ended December 31, 2018.

Items included in the Company’s net income for 2019 are listed below:

- a $17.1 million provision recorded at Kaplan International related to a VAT receivable at UK Pathways (after-tax impact of $13.9 million, or $2.59 per share);
- an $11.8 million reduction to operating expenses from property, plant and equipment gains in connection with the spectrum repacking mandate of the FCC (after-tax impact of $9.1 million, or $1.70 per share);
- a $7.8 million fourth quarter intangible asset impairment charge at the television broadcasting division (after-tax impact of $6.0 million, or $1.12 per share);
- a $91.7 million fourth quarter settlement gain related to a retiree annuity pension purchase (after-tax impact of $66.9 million, or $12.50 per share);
- $6.6 million in expenses related to a non-operating SIP at the education division (after-tax impact of $5.1 million, or $0.95 per share);
- $98.7 million in net gains on marketable equity securities (after-tax impact of $74.0 million, or $13.82 per share);
- non-operating gain of $5.1 million from write-ups of cost method investments (after-tax impact of $3.9 million, or $0.73 per share);
- $29.0 million gain from the sale of Gimlet Media (after-tax impact of $21.7 million, or $4.06 per share);
- $1.1 million in non-operating foreign currency losses (after-tax impact of $0.8 million, or $0.15 per share); and
- $1.7 million in income tax benefits related to stock compensation ($0.32 per share).

Items included in the Company’s net income for 2018 are listed below:

- a $3.9 million reduction to operating expenses from property, plant and equipment gains in connection with the spectrum repacking mandate of the FCC (after-tax impact of $3.0 million, or $0.55 per share);
- a $7.9 million intangible asset impairment charge at the healthcare business (after-tax impact of $5.8 million, or $1.08 per share);
- $6.2 million in interest expense related to the settlement of a mandatorily redeemable noncontrolling interest ($1.14 per share);
- $11.4 million in debt extinguishment costs (after-tax impact of $8.6 million, or $1.60 per share);
- a $30.3 million fourth quarter settlement gain related to a bulk lump sum pension offering and curtailment gain related to changes in the Company’s postretirement healthcare benefit plan (after-tax impact of $22.2 million, or $4.11 per share);
- $15.8 million in net losses on marketable equity securities (after-tax impact of $12.6 million, or $2.33 per share);
- non-operating gain, net, of $6.7 million from sales, write-ups and impairments of cost method and equity method investments, and related to sales of land and businesses, including guarantor lease obligations (after-tax impact of $5.7 million, or $1.03 per share);
- a $4.3 million gain on the Kaplan University Transaction (after-tax impact of $1.8 million or $0.33 per share);
- $3.8 million in non-operating foreign currency losses (after-tax impact of $2.9 million, or $0.54 per share);
- a nonrecurring discrete $17.8 million deferred state tax benefit related to the release of valuation allowances ($3.31 per share); and
- $1.8 million in income tax benefits related to stock compensation ($0.33 per share).

Revenue for 2019 was $2,932.1 million, up 9% from $2,696.0 million in 2018 largely due to the acquisition of two automotive dealerships in January 2019 and the acquisition of CRG in July 2019. Revenues increased at the healthcare division and other businesses, partially offset by a decline at the television broadcasting and manufacturing divisions. Operating costs and expenses for the year increased to $2,787.6 million in 2019, from $2,449.8 million in 2018. Expenses in 2019 increased at other businesses, education and television broadcasting divisions, offset by decreases at manufacturing and healthcare. The Company reported operating income for 2019 of $144.5 million, compared to $246.2 million in 2018. Operating results declined at most of the Company’s divisions in 2019, with a large portion of the decline at television broadcasting due to significant political and Olympics-related revenue in 2018; this was partially offset by improvement at healthcare.

Division Results

Education

Education division revenue in 2019 totaled $1,451.8 million, flat from $1,451.0 million in 2018.

Kaplan reported operating income of $48.1 million for 2019, a 51% decrease from $97.1 million in 2018. In 2019, operating results decreased across all of Kaplan reporting units.

A summary of Kaplan's operating results is as follows:

(in thousands)	Year Ended December 31 2019	2018	% Change
Revenue			
Kaplan international	$ 750,245	$ 719,982	4
Higher education	305,672	342,085	(11)
Supplemental education	388,814	390,289	0
Kaplan corporate and other	9,480	1,142	—
Intersegment elimination	(2,461)	(2,483)	—
	$ 1,451,750	$ 1,451,015	0
Operating Income (Loss)			
Kaplan international	$ 42,129	$ 70,315	(40)
Higher education	13,960	15,217	(8)
Supplemental education	34,487	47,704	(28)
Kaplan corporate and other	(26,891)	(26,702)	(1)
Amortization of intangible assets	(14,915)	(9,362)	(59)
Impairment of long-lived assets	(693)	—	—
Intersegment elimination	(5)	(36)	—
	$ 48,072	$ 97,136	(51)

Kaplan International includes English-language programs and postsecondary education and professional training businesses largely outside the U.S. In July 2019, Kaplan acquired Heverald, the owner of ESL Education, Europe's largest language-travel agency and Alpadia, a chain of German and French language schools and junior summer camps. Kaplan International revenue increased 4% in 2019, and on a constant currency basis, revenue increased 8%, primarily due to growth at UK Pathways, UK Professional and Australia, and from the Heverald acquisition, offset by a decline in Singapore. Kaplan International operating income declined 40% in 2019, due to the VAT provision recorded at UK Pathways, and declines in Singapore and English Language, offset by increases at UK Professional and Australia. In the fourth quarter of 2019, Kaplan International operating results were adversely affected by $4.6 million in losses at Heverald, due to the timing of program starts.

In 2017, HMRC raised assessments against Kaplan UK Pathways for VAT relating to 2014 to 2017, which were paid by Kaplan. Kaplan challenged these assessments and the Company believes it has met all requirements under U.K. VAT law and is entitled to recover the amounts from assessments and subsequent payments through December 31, 2019. Due to developments in the case, in the third quarter of 2019, the Company recorded a full provision against a receivable to expense, of which £14.1 million ($17.1 million) relates to years 2014 to 2018. The Company recorded additional annual VAT expense at the UK Pathways business of approximately $6.0 million related to this matter for 2019.

In November 2018, Kaplan Learning Institute in Singapore (KLI) was notified by SkillsFuture Singapore (SSG), a statutory board under the Singapore Ministry of Education, that its right to deliver workforce skills qualifications (WSQ) courses under the Leadership & People Management framework would be suspended for six months from December 1, 2018. In June 2019, SSG notified KLI that from July 1, 2019, SSG was suspending KLI's WSQ Approved Training Organization status. The notice further revoked accreditation and funding for all WSQ courses with effect from July 1, 2019. KLI confirmed its intention to cease offering WSQ courses and subsequently began voluntarily de-registering as a private education institution. These actions adversely impacted Kaplan Singapore's revenues and operating results for 2019, as compared to 2018.

Prior to the KU Transaction closing on March 22, 2018, Higher Education included Kaplan's domestic postsecondary education business, made up of fixed-facility colleges and online postsecondary and career programs. Following the KU Transaction closing, the Higher Education division includes the results as a service provider to higher education institutions. In 2019, Higher Education revenue declined 11% due largely to the sale of KU on March 22, 2018. During 2019, the Company recorded $12.3 million in fees from Purdue Global in its Higher Education operating results based on an assessment of its collectability under the TOSA. In 2018, the Company recorded $16.8 million in fees from Purdue Global in its Higher Education operating results, based on an assessment of its collectability under the TOSA. Following the transition from KU, Purdue Global launched a planned marketing campaign to fully establish its new brand. This significant marketing spend, along with investments in program quality and student experience, all of which the Company supports, impacts the cash generated by Purdue Global and its current ability to fully pay the KHE fee under the TOSA. The Company will continue to assess the collectability of the fee from Purdue Global on a quarterly basis to make a determination as to whether to record all or part of the fee in the future and whether to make adjustments to fee amounts recognized in earlier periods.

Supplemental Education includes Kaplan’s standardized test preparation, domestic professional and other continuing education businesses. In May 2018, Supplemental Education acquired Professional Publications, Inc. (PPI), an independent publisher of professional licensing exam review materials that provides engineering, surveying, architecture, and interior design licensure exam review products. In July 2018, Supplemental Education acquired College for Financial Planning (CFFP), a provider of financial education and training to individuals through programs of study for professionals pursuing a career in Financial Planning. In September 2018, Supplemental Education acquired the test preparation and study guide assets of Barron’s Educational Series, a New York-based education publishing company.

Supplemental Education’s revenue was flat in 2019 compared to 2018 due to declines in retail comprehensive test preparation programs, mostly offset by revenues from the 2018 acquisitions of Barron’s, PPI and CFFP. Operating losses for the new economy skills training programs were $4.0 million and $3.6 million for 2019 and 2018, respectively. Excluding losses from the new economy skills training programs, operating results were down in 2019 due primarily to revenue declines in retail comprehensive test preparation programs and increased spending on sales, marketing and technology, offset by income from PPI and CFFP.

In the second quarter of 2019, the Company approved a SIP to reduce the number of employees at Supplemental Education and Higher Education. In connection with the SIP, the Company recorded $6.6 million in non-operating pension expense in the second quarter of 2019.

Kaplan corporate and other represents unallocated expenses of Kaplan, Inc.’s corporate office, other minor businesses and certain shared activities.

Television Broadcasting

A summary of television broadcasting’s operating results is as follows:

	Year Ended December 31		
(in thousands)	2019	2018	% Change
Revenue	$ 463,464	$ 505,549	(8)
Operating Income	152,668	210,533	(27)

Revenue at the television broadcasting division declined 8% to $463.5 million in 2019, from $505.5 million in 2018. The revenue decrease is due to a $60.2 million decrease in political advertising revenue and $8.6 million in 2018 incremental winter Olympics-related advertising revenue at the Company’s NBC stations, partially offset by $18.3 million in higher retransmission revenues. The growth rate for retransmission revenues declined in 2019 due to subscriber declines at traditional cable and satellite distributors. In 2019 and 2018, the television broadcasting division recorded $11.8 million and $3.9 million, respectively, in reductions to operating expenses related to property, plant and equipment gains due to new equipment received at no cost in connection with the spectrum repacking mandate of the FCC. In the fourth quarter of 2019, the television broadcasting division recorded a $7.8 million intangible asset impairment charge on FCC licenses at the WSLS (Roanoke-NBC) and WCWJ (Jacksonville-CW) stations acquired in 2017, due to a decline in local market conditions. Operating income for 2019 was down 27% to $152.7 million, from $210.5 million in 2018, due to lower revenues and higher network fees, and the intangible asset impairment charge, partially offset by higher property, plant and equipment gains.

In March 2019, the Company’s television station in Orlando (WKMG) entered into a new network affiliation agreement with CBS that covers the period April 7, 2019 through June 30, 2022.

In October 2019, the Company’s television stations in Houston (KPRC), Detroit (WDIV) and Roanoke (WSLS) entered into a new three-year NBC Affiliation Agreement effective January 1, 2020 through December 31, 2022.

Operating margin at the television broadcasting division was 33% in 2019 and 42% in 2018.

The Company’s television stations continue to garner healthy viewership and are well-positioned in their respective markets. On average for the year, KSAT in San Antonio and WJXT in Jacksonville ranked number one in the key 6am, 6pm and late newscasts among the vital 25 to 54 demographic. KPRC in Houston ended the year as number one at 6am and number two at 6pm and 10pm. WDIV in Detroit ended the year as number one at 6pm and in late news, while number two in the mornings. WKMG finished 2019 ranked number two at 6am and 6pm, while ranking

third in late news. WSLS in Roanoke ranked third in key newscasts, while WCWJ's syndicated viewership niche continues in daytime and early fringe in the Jacksonville market.

Manufacturing

A summary of manufacturing's operating results is as follows:

	Year Ended December 31		
(in thousands)	2019	2018	% Change
Revenue	$ 449,053	$ 487,619	(8)
Operating Income	20,467	28,851	(29)

Manufacturing includes four businesses: Hoover Treated Wood Products, Inc., a supplier of pressure impregnated kiln-dried lumber and plywood products for fire retardant and preservative applications; Dekko, a manufacturer of electrical workspace solutions, architectural lighting and electrical components and assemblies; Joyce/Dayton Corp., a manufacturer of screw jacks and other linear motion systems; and Forney, a global supplier of products and systems that control and monitor combustion processes in electric utility and industrial applications. In July 2018, Dekko acquired Furnlite, Inc., a Fallston, NC-based manufacturer of power and data solutions for the hospitality and residential furniture industries.

Manufacturing revenues declined in 2019 due primarily to a decline at Hoover from lower wood prices, partially offset by increases due to the Furnlite acquisition. Operating income declined in 2019 due largely to increased labor and other operating costs at Hoover and a decline at Forney.

Healthcare

A summary of healthcare's operating results is as follows:

	Year Ended December 31		
(in thousands)	2019	2018	% Change
Revenue	$ 161,768	$ 149,275	8
Operating Income (Loss)	7,908	(8,401)	—

GHG provides home health and hospice services in three states. Healthcare revenues increased 8% in 2019, largely due to patient growth in both home health and hospice. The improvement in GHG operating results in 2019 is due to increased revenues and the absence of integration costs and other overall cost reduction. In the third quarter of 2018, GHG recorded a $7.9 million intangible asset impairment charge related to the Celtic trademark, which was phased out in the second half of 2018.

In December 2019, GHG acquired a 75% interest in CSI Pharmacy Holding Company, LLC, a Wake Village, TX-based company, which coordinates the prescriptions and nursing care for patients receiving in-home infusion treatments.

Other Businesses

On July 31, 2019, the Company acquired Clyde's Restaurant Group. At the date of acquisition, CRG owned and operated thirteen restaurants and entertainment venues in the Washington, D.C. metropolitan area, including Old Ebbitt Grill and The Hamilton. CRG is managed by its existing management team as a wholly-owned subsidiary of the Company.

On January 31, 2019, the Company acquired two automotive dealerships, Lexus of Rockville and Honda of Tysons Corner, from Sonic Automotive. The Company also announced it had entered into an agreement with Christopher J. Ourisman, a member of the Ourisman Automotive Group family of dealerships. Mr. Ourisman and his team of industry professionals operate and manage the dealerships. In the fourth quarter of 2019, the Company and Mr. Ourisman commenced operations at a new Jeep automotive dealership, which began generating sales in January 2020 as Ourisman Jeep of Bethesda. Mr. Ourisman and his team are also operating and managing this new dealership. The Company holds a 90% stake in all three dealerships.

Revenues from other businesses increased due mostly to the automotive dealership and CRG acquisitions. Operating results for the automotive dealerships and CRG were both positive for 2019, although results were adversely impacted by transaction and transition expenses. Automotive results were also adversely impacted by start-up costs for the new Jeep dealership.

In the third quarter of 2018, SocialCode acquired Marketplace Strategy, a Cleveland-based Amazon sales acceleration agency. SocialCode's revenue increased 7% in 2019. SocialCode reported an operating loss of $3.3 million in 2019, compared to an operating loss of $1.1 million in 2018. SocialCode's operating results included a credit of $0.3 million related to phantom equity plans in 2019; whereas 2018 results included a credit of $7.1 million

related to phantom equity plans in 2018. Excluding the amounts related to phantom equity plans for the relevant periods, SocialCode's results improved in 2019, largely due to cost reductions.

Other businesses also include Slate and Foreign Policy, which publish online and print magazines and websites; and three investment stage businesses, Megaphone, Pinna and CyberVista. All five of these businesses reported revenue increases in 2019. Losses from each of these five businesses in 2019 adversely affected operating results.

Corporate Office

Corporate office includes the expenses of the Company's corporate office and certain continuing obligations related to prior business dispositions.

Equity in Earnings (Losses) of Affiliates

At December 31, 2019, the Company held an approximate 12% interest in Intersection Holdings, LLC, a company that provides digital marketing and advertising services and products for cities, transit systems, airports, and other public and private spaces. The Company also holds interests in a number of home health and hospice joint ventures, and several other affiliates. The Company recorded equity in earnings of affiliates of $11.7 million and $14.5 million for 2019 and 2018, respectively. In the third quarter of 2018, the Company recorded $7.9 million in gains in equity in earnings of affiliates related to two of its investments.

Net Interest Expense, Debt Extinguishment Costs and Related Balances

In connection with the auto dealership acquisition that closed on January 31, 2019, a subsidiary of the Company borrowed $30 million to finance a portion of the acquisition and entered into an interest rate swap to fix the interest rate on the debt at 4.7% per annum. The subsidiary is required to repay the loan over a 10-year period by making monthly installment payments. In connection with the CSI acquisition that closed in December 2019, a subsidiary of GHG borrowed $11.25 million to finance a portion of the acquisition. The debt bears interest at 4.35% per annum. The GHG subsidiary is required to repay the loan over a five-year period by making monthly installment payments.

On May 30, 2018, the Company issued $400 million of 5.75% unsecured eight-year fixed-rate notes due June 1, 2026. Interest is payable semi-annually on June 1 and December 1. On June 29, 2018, the Company used the net proceeds from the sale of the notes and other cash to repay $400 million of 7.25% notes that were due February 1, 2019. The Company incurred $11.4 million in debt extinguishment costs related to the early termination of the 7.25% notes.

The Company incurred net interest expense of $23.6 million in 2019, compared to $32.5 million in 2018. The Company incurred $6.2 million in interest expense related to the mandatorily redeemable noncontrolling interest at GHG settled in the second quarter of 2018.

At December 31, 2019, the Company had $512.8 million in borrowings outstanding at an average interest rate of 5.1%, and cash, marketable securities and other investments of $814.0 million. At December 31, 2018, the Company had $477.1 million in borrowings outstanding at an average interest rate of 5.1%, and cash, marketable securities and other investments of $778.7 million.

Non-Operating Pension and Postretirement Benefit Income, Net

The Company recorded net non-operating pension and postretirement benefit income of $162.8 million in 2019, compared to $120.5 million in 2018.

In the fourth quarter of 2019, the Company's pension plan purchased a group annuity contract from an insurance company for a group of retirees. As a result, the Company recorded a $91.7 million settlement gain in the fourth quarter of 2019. In the second quarter of 2019, the Company recorded $6.6 million in non-operating pension expense related to a SIP at the education division.

In the fourth quarter of 2018, the Company recorded a $26.9 million gain related to a bulk lump sum pension program offering. Also in the fourth quarter of 2018, the Company made changes to its postretirement healthcare benefit plan, resulting in a $3.4 million curtailment gain.

Gain (Loss) on Marketable Equity Securities, Net

The Company recognized $98.7 million in net gains and $15.8 million in net losses on marketable equity securities in 2019 and 2018, respectively.

Other Non-Operating Income (Expense)

The Company recorded total other non-operating income, net, of $32.4 million in 2019, compared to $2.1 million in 2018. The 2019 amounts included a $29.0 million gain on the sale of the Company's interest in Gimlet Media; $5.1 million in fair value increases on cost method investments; and other items; partially offset by $1.1 million in losses on guarantor lease obligations in connection with the 2015 sale of the KHE Campuses businesses; $1.1 million in foreign currency losses; and $0.6 million in net losses related to sales of businesses and contingent consideration. The 2018 non-operating income, net, included $11.7 million in fair value increases on cost method investments; $8.2 million in net gains related to sales of businesses and contingent consideration; a $2.8 million gain on sale of a cost method investment; a $2.5 million gain on sale of land and other items, partially offset by $17.5 million in losses on guarantor lease obligations in connection with the 2015 sale of the KHE Campuses businesses; $3.8 million in foreign currency losses; and $2.7 million in impairments on cost method investments.

Provision for Income Taxes

The Company's effective tax rate for 2019 was 23.1%. In the first quarter of 2019, the Company recorded income tax benefits related to stock compensation of $1.7 million. Excluding this $1.7 million benefit, the overall income tax rate for 2019 was 23.5%.

The Company's effective tax rate for 2018 was 16.1%. In the third quarter of 2018, the Company recorded a $17.8 million deferred state tax benefit related to the release of valuation allowances. Excluding this $17.8 million benefit and income tax benefit related to stock compensation of $1.8 million recorded in the first quarter of 2018, the overall income tax rate for 2018 was 22.2%.

Adoption of Revenue Recognition Standard

On January 1, 2018, the Company adopted the new revenue recognition guidance using the modified retrospective approach. In connection with the KU Transaction, Kaplan recognized $4.5 million in fee revenue and operating income in the third quarter of 2018. Under the previous guidance, this would not have been recognized, as a determination would not have been made until the end of Purdue Global's fiscal year (June 30, 2019). If the company applied the accounting policies under the previous guidance for all other revenue streams, revenue and operating expenses would have been $1.7 million and $0.6 million lower, respectively, for 2018.

FINANCIAL CONDITION: LIQUIDITY AND CAPITAL RESOURCES

The Company considers the following when assessing its liquidity and capital resources:

(In thousands)	As of December 31 2020	2019
Cash and cash equivalents	**$ 413,991**	$ 200,165
Restricted cash	**9,063**	13,879
Investments in marketable equity securities and other investments	**587,582**	599,967
Total debt	**512,555**	512,829

Cash generated by operations is the Company's primary source of liquidity. The Company maintains investments in a portfolio of marketable equity securities, which is considered when assessing the Company's sources of liquidity. An additional source of liquidity includes the undrawn portion of the Company's $300 million five-year revolving credit facility, amounting to $225.3 million at December 31, 2020.

In March 2020, the U.S. government enacted legislation, including the CARES Act to provide stimulus in the form of financial aid to businesses affected by the COVID-19 pandemic. Under the CARES Act, employers may defer the payment of the employer share of FICA taxes due for the period beginning on March 27, 2020, and ending December 31, 2020. As of December 31, 2020, the Company has deferred $21.5 million of FICA payments under this program, of which 50% is due by December 31, 2021 and the remaining balance due by December 31, 2022.

The CARES Act also included provisions to support healthcare providers in the form of grants and changes to Medicare and Medicaid payments. In the second quarter of 2020, GHG received $7.4 million under the CARES Act as a general distribution from the Provider Relief Fund to provide relief for lost revenues and expenses incurred in connection with COVID-19. In addition to the above distribution, in April 2020, GHG applied for and received $31.5 million under the expanded Medicare Accelerated and Advanced Payment Program, modified by the CARES Act. The Department of Health and Human Services will recoup this advance beginning 365 days after the payment was issued, and the advance will be reduced by a portion of the amount of revenue recognized for claims submitted for services provided after the recoupment period begins.

Governments in other jurisdictions where the Company operates also provided relief to businesses affected by the COVID-19 pandemic in the form of job retention schemes, payroll assistance, deferral of income and other tax

payments, and loans. As of December 31, 2020, Kaplan has recorded benefits totaling $12.2 million related to job retention and payroll schemes, mostly at Kaplan International. Additionally, Kaplan deferred VAT and other tax payments in the U.K. and Ireland amounting to $4.5 million as of December 31, 2020.

During 2020, the Company's cash and cash equivalents increased by $213.8 million, due largely to cash generated from operations and the proceeds from the sale of Megaphone and marketable equity securities. The increase was offset by the repurchase of common shares, payment of dividends, capital expenditures and the acquisition of three businesses and other investments. In 2020, the Company's borrowings decreased by $0.3 million primarily due to net repayments of borrowings, partially offset by foreign currency translation adjustments.

As of December 31, 2020 and 2019, the Company had money market investments of $268.8 million and $45.2 million, respectively, that are included in cash and cash equivalents. At December 31, 2020, the Company held approximately $134 million in cash and cash equivalents in businesses domiciled outside the U.S., of which approximately $8 million is not available for immediate use in operations or for distribution. Additionally, Kaplan's business operations outside the U.S. retain cash balances to support ongoing working capital requirements, capital expenditures, and regulatory requirements. As a result, the Company considers a significant portion of the cash and cash equivalents balance held outside the U.S. as not readily available for use in U.S. operations.

At December 31, 2020, the fair value of the Company's investments in marketable equity securities was $573.1 million, which includes investments in the common stock of six publicly traded companies. During 2020, the Company sold marketable equity securities that generated proceeds of $93.8 million. At December 31, 2020, the unrealized gain related to the Company's investments totaled $340.3 million.

The Company had working capital of $824.5 million and $621.6 million at December 31, 2020 and 2019, respectively. The Company maintains working capital levels consistent with its underlying business requirements and consistently generates cash from operations in excess of required interest or principal payments.

At December 31, 2020 and 2019, the Company had borrowings outstanding of $512.6 million and $512.8 million, respectively. The Company's borrowings at December 31, 2020 were mostly from $400.0 million of 5.75% unsecured notes due June 1, 2026, £55 million in outstanding borrowings under the Company's revolving credit facility and a commercial note of $25.3 million at the Automotive subsidiary. The Company's borrowings at December 31, 2019 were mostly from $400.0 million of 5.75% unsecured notes due June 1, 2026, £60 million in outstanding borrowings under the Kaplan Credit Agreement and a commercial note of $27.5 million at the Automotive subsidiary. The interest on $400.0 million of 5.75% unsecured notes is payable semiannually on June 1 and December 1.

During 2020 and 2019, the Company had average borrowings outstanding of approximately $512.4 million and $500.6 million, respectively, at average annual interest rates of approximately 5.1%. The Company incurred net interest expense of $34.4 million and $23.6 million, respectively, during 2020 and 2019. Included in the 2020 interest expense is an amount of $8.5 million to adjust the fair value of the mandatorily redeemable noncontrolling interest (see Note 11).

On April 10, 2020, Moody's affirmed the Company's credit ratings, but revised the outlook from Stable to Negative. On April 27, 2020, Standard & Poor's downgraded the Company's credit rating to BB and revised the outlook from Stable to Negative.

The Company's current credit ratings are as follows:

	Moody's	Standard & Poor's
Long-term	Ba1	BB

The Company expects to fund its estimated capital needs primarily through existing cash balances and internally generated funds and, to a lesser extent, borrowings under its revolving credit facility. As of December, 31, 2020, the Company had $74.7 million outstanding under the $300 million revolving credit facility, which borrowing was used to repay the £60 million Kaplan U.K. credit facility that matured at the end of June 2020. In management's opinion, the Company will have sufficient financial resources to meet its business requirements in the next 12 months, including working capital requirements, capital expenditures, interest payments, potential acquisitions and strategic investments, dividends and stock repurchases.

In summary, the Company's cash flows for each period were as follows:

(In thousands)	Year Ended December 31 2020	2019	2018
Net cash provided by operating activities	**$ 210,663**	$ 165,164	$ 287,019
Net cash provided by (used in) investing activities	**199,371**	(236,735)	(230,964)
Net cash (used in) provided by financing activities	**(204,002)**	18,734	(192,359)
Effect of currency exchange rate change	**2,978**	2,766	(7,147)
Net increase (decrease) in cash and cash equivalents and restricted cash	**$ 209,010**	$ (50,071)	$ (143,451)

Operating Activities. Cash provided by operating activities is net income adjusted for certain non-cash items and changes in assets and liabilities. The Company's net cash flow provided by operating activities were as follows:

(In thousands)	Year Ended December 31 2020	2019	2018
Net Income	**$ 299,968**	$ 327,879	$ 271,408
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and goodwill and other long-lived asset impairment	**161,207**	121,648	112,245
Amortization of lease right-of-use asset	**89,956**	84,185	—
Net pension benefit, settlement, early retirement and special separation benefit expense	**(41,573)**	(137,909)	(100,948)
Debt extinguishment costs	**—**	—	10,563
Other non-cash activities	**(229,134)**	(34,714)	(877)
Change in operating assets and liabilities	**(69,761)**	(195,925)	(5,372)
Net Cash Provided by Operating Activities	**$ 210,663**	$ 165,164	$ 287,019

Net cash provided by operating activities consists primarily of cash receipts from customers, less disbursements for costs, benefits, income taxes, interest and other expenses.

For 2020 compared to 2019, the increase in net cash provided by operating activities is primarily due to changes in operating assets and liabilities. Changes in operating assets and liabilities were driven by the collection of accounts receivable, the advance received by GHG under the expanded Medicare Accelerated and Advanced Payment Program as modified by the CARES Act, and the deferral of FICA payments under the CARES Act.

For 2019 compared to 2018, decrease in net cash provided by operating activities is primarily due to lower operating income and changes in operating assets and liabilities. Changes in operating assets and liabilities were driven by accounts receivable, partially offset by deferred revenue.

Investing Activities. The Company's net cash flow provided by (used in) investing activities were as follows:

(In thousands)	Year Ended December 31 2020	2019	2018
Investments in certain businesses, net of cash acquired	**$ (20,080)**	$ (179,421)	$ (111,546)
Purchases of property, plant and equipment	**(69,591)**	(93,504)	(98,192)
Net proceeds from sales of marketable equity securities	**73,771**	11,804	24,082
Investments in equity affiliates, cost method and other investments	**(12,367)**	(27,529)	(11,702)
Net proceeds (payments) from sales of businesses, property, plant and equipment and other assets	**225,570**	54,495	(10,344)
Other	**2,068**	(2,580)	(23,262)
Net Cash Provided by (Used in) Investing Activities	**$ 199,371**	$ (236,735)	$ (230,964)

Acquisitions. During 2020, the Company acquired three businesses: two small businesses in its education division and an additional interest in Framebridge, Inc., which is included in other businesses. The Framebridge purchase price included $53.4 million in deferred payments and contingent consideration based on the acquiree achieving certain revenue milestones in the future. During 2019, the Company acquired eight businesses: one in education, three in healthcare, one in manufacturing, and three in other businesses for $211.8 million in cash and contingent consideration and the assumption of $25.8 million in floor plan payables. During 2018, the Company acquired eight businesses: five in education, one in manufacturing, one in healthcare, and one in other businesses for $121.1 million in cash and contingent consideration.

Capital Expenditures. The 2020 capital expenditures are significantly lower than 2019 and 2018 primarily due to the completion of the construction of an academic and student residential facility in connection with Kaplan’s Pathways program in Liverpool, U.K. All periods include capital expenditures in connection with spectrum repacking at the Company’s television stations in Detroit, MI, Jacksonville, FL, and Roanoke, VA, as mandated by the FCC; these spectrum repacking expenditures are expected to be largely reimbursed to the Company by the FCC. The amounts reflected in the Company's Statements of Cash Flows are based on cash payments made during the relevant periods, whereas the Company's capital expenditures for 2020, 2019 and 2018 disclosed in Note 19 to the Consolidated Financial Statements include assets acquired during the year. The Company is also postponing noncritical capital expenditures originally planned for 2020 to preserve cash resources in response to the COVID-19 pandemic. The Company estimates that its capital expenditures will be in the range of $55 million to $65 million in 2021.

Net Proceeds from Sales of Investments and Businesses. In December 2020, the Company completed the sale of Megaphone; the total net proceeds from the sale were $223.0 million. In November 2019, Kaplan UK completed the sale of a small business which was included in Kaplan International. The Company sold its interest in Gimlet Media during February 2019; the total proceeds from the sale were $33.5 million. In February 2018, Kaplan completed the sale of a small business which was included in Supplemental Education. In September 2018, Kaplan Australia completed the sale of a small business which was included in Kaplan International.

Kaplan University Transaction. On April 27, 2017, certain subsidiaries of Kaplan entered into a Contribution and Transfer Agreement to contribute the institutional assets and operations of Kaplan University to an Indiana nonprofit, public-benefit corporation that is a subsidiary affiliated with Purdue University. The closing of the transactions contemplated by the Transfer Agreement occurred on March 22, 2018. At the same time, the parties entered into the TOSA pursuant to which Kaplan provides key non-academic operations support to the new university. At closing, Kaplan paid Purdue Global an advance in the amount of $20 million, representing, and in lieu of, priority payments for Purdue Global's fiscal years ending June 30, 2019 and 2020.

Financing Activities. The Company's net cash flow used in financing activities were as follows:

	Year Ended December 31		
(In thousands)	**2020**	2019	2018
(Repayments) Issuance of borrowings and early redemption premium	**$ (81,276)**	$ 32,548	$ (17,159)
Net borrowing under revolving credit facilities	**76,241**	—	—
Net proceeds from vehicle floor plan payable	**(14,160)**	14,384	—
Common shares repurchased	**(161,829)**	(2,103)	(118,030)
Dividends paid	**(29,970)**	(29,553)	(28,617)
Other	**6,992**	3,458	(28,553)
Net Cash (Used in) Provided by Financing Activities	**$ (204,002)**	$ 18,734	$ (192,359)

Borrowings and Vehicle Floor Plan Payable. In 2020, the Company borrowed £60 million against the $300 million revolving credit facility and used the proceeds to repay the £60 million outstanding balance under the Kaplan Credit Agreement that matured at the end of June 2020. The Company repaid £5 million of these borrowings in the fourth quarter of 2020. In 2019, the Company had cash inflows from borrowings to fund the acquisition of two businesses at Automotive and Healthcare and used floor vehicle plan financing to fund the purchase of new vehicles at its Automotive subsidiary. The Company's net outflow in 2018 was the result of the redemption of its $400 million of 7.25% notes, which included $11.4 million in debt extinguishment costs due to the early termination, in addition to repayments of other borrowings.

Common Stock Repurchases. During 2020, 2019, and 2018, the Company purchased a total of 406,112, 3,392, and 199,023 shares, respectively, of its Class B common stock at a cost of approximately $161.8 million, $2.1 million, and $118.0 million, respectively. On September 10, 2020, the Board of Directors authorized the Company to acquire up to 500,000 shares of its Class B common stock. The Company did not announce a ceiling price or time limit for the purchases. At December 31, 2020, the Company had remaining authorization from the Board of Directors to purchase up to 364,151 shares of Class B common stock.

Dividends. The annual dividend rate per share was $5.80, $5.56 and $5.32 in 2020, 2019 and 2018, respectively.

Other. In 2020, the Company received $25.1 million in proceeds from the exercise of stock options. In March 2019, a Hoover minority shareholder put some shares to the Company, which had a redemption value of $0.6 million. In June 2018, the Company incurred $6.2 million of interest expense related to the mandatorily redeemable noncontrolling interest redemption settlement at GHG; the mandatorily redeemable noncontrolling interest was redeemed and paid in July 2018 for $16.5 million.

Contractual Obligations. The following reflects a summary of the Company's contractual obligations as of December 31, 2020:

(in thousands)	2021	2022	2023	2024	2025	Thereafter	Total
Debt and interest	$ 30,157	$ 32,256	$ 104,876	$ 34,327	$ 27,722	$ 423,627	$ 652,965
Operating leases	106,994	88,721	71,003	57,310	45,968	280,837	650,833
Programming purchase commitments (1)	8,592	8,355	4,667	177	26	18	21,835
Other purchase obligations (2)	108,503	50,168	15,253	9,632	6,831	18,589	208,976
Long-term liabilities (3)	2,993	2,915	2,803	2,634	2,505	11,799	25,649
Total	$ 257,239	$ 182,415	$ 198,602	$ 104,080	$ 83,052	$ 734,870	$ 1,560,258

(1) Includes commitments for the Company's television broadcasting business that are reflected in the Company's Consolidated Financial Statements and commitments to purchase programming to be produced in future years.

(2) Includes purchase obligations related to employment agreements, capital projects and other legally binding commitments. Other purchase orders made in the ordinary course of business are excluded from the table above. Any amounts for which the Company is liable under purchase orders are reflected in the Company's Consolidated Balance Sheets as accounts payable and accrued liabilities.

(3) Primarily made up of multiemployer pension plan withdrawal obligations and postretirement benefit obligations other than pensions. The Company has other long-term liabilities excluded from the table above, including obligations for deferred compensation, long-term incentive plans and long-term deferred revenue.

Other. The Company does not have any off-balance-sheet arrangements or financing activities with special-purpose entities (SPEs).

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and judgments that affect the amounts reported in the financial statements. On an ongoing basis, the Company evaluates its estimates and assumptions. The Company bases its estimates on historical experience and other assumptions believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates.

An accounting policy is considered to be critical if it is important to the Company's financial condition and results and if it requires management's most difficult, subjective and complex judgments in its application. For a summary of all of the Company's significant accounting policies, see Note 2 to the Company's Consolidated Financial Statements.

Revenue Recognition, Trade Accounts Receivable and Allowance for Credit Losses. Education revenue is primarily derived from postsecondary education services, professional education and test preparation services. Revenue, net of any refunds, corporate discounts, scholarships and employee tuition discounts is recognized ratably over the instruction period or access period for higher education and supplemental education services.

At Kaplan International and Kaplan Supplemental Education, estimates of average student course length are developed for each course, along with estimates for the anticipated level of student drops and refunds from test performance guarantees, and these estimates are evaluated on an ongoing basis and adjusted as necessary. As Kaplan's businesses and related course offerings have changed, including more online programs, the complexity and significance of management's estimates have increased.

KHE provides non-academic operations support services to Purdue Global pursuant to a TOSA, which includes technology support, help-desk functions, human resources support for faculty and employees, admissions support, financial aid administration, marketing and advertising, back-office business functions, and certain student recruitment services. KHE is not entitled to receive any reimbursement of costs incurred in providing support services, or any fee, unless and until Purdue Global has first covered all of its operating costs (subject to a cap), received payment for cost efficiencies, if any, and during the first five years of the TOSA receive a priority payment of $10 million per year in addition to the operating cost reimbursements and cost efficiency payments. KHE will receive reimbursement for its operating costs of providing the support services after payment of Purdue Global's operating costs, cost efficiency payments, and priority payment. If there are sufficient revenues, KHE may be entitled to a cost efficiency payment, if any, and additional fee equal to 12.5% of Purdue Global's revenue. Subject to certain limitations, a portion of the fee that is earned by KHE in one year may be carried over to subsequent years for payment to Kaplan.

The support fee and reimbursement for KHE support costs are entirely dependent on the availability of cash at the end of Purdue Global's fiscal year (June 30), and therefore, all consideration in the contract is variable. The Company uses significant judgment to forecast the operating results of Purdue Global, the availability of cash at the end of each fiscal year, and the consideration it expects to receive from Purdue Global annually. Key assumptions used in the forecast model include student census and degree enrollment data, Purdue Global and KHE expenses, changes to working capital, contractually stipulated minimum payments, and lead conversion rates. The forecast is updated as uncertainties are resolved. The Company reviews and updates the assumptions regularly, as a

significant change in one or more of these estimates could affect revenue recognized. Changes to the estimated variable consideration were not material for the year ended December 31, 2020.

The determination of whether revenue should be reported on a gross or net basis is based on an assessment of whether the Company acts as a principal or an agent in the transaction. In certain cases, the Company is considered the agent, and the Company records revenue equal to the net amount retained when the fee is earned. In these cases, costs incurred with third-party suppliers is excluded from the Company's revenue. The Company assesses whether it obtained control of the specified goods or services before they are transferred to the customer as part of this assessment. In addition, the Company considers other indicators such as the party primarily responsible for fulfillment, inventory risk and discretion in establishing price.

Accounts receivable have been reduced by an allowance that reflects the current expected credit losses associated with the receivables. This estimated allowance is based on historical write-offs, current macroeconomic conditions, reasonable and supportable forecasts of future economic conditions and management's evaluation of the financial condition of the customer. The Company generally considers an account past due or delinquent when a student or customer misses a scheduled payment. The Company writes off accounts receivable balances deemed uncollectible against the allowance for credit losses following the passage of a certain period of time, or generally when the account is turned over for collection to an outside collection agency.

Goodwill and Other Intangible Assets. The Company has a significant amount of goodwill and indefinite-lived intangible assets that are reviewed at least annually for possible impairment.

	As of December 31	
(in millions)	**2020**	2019
Goodwill and indefinite-lived intangible assets	**$ 1,605.2**	$ 1,528.5
Total assets	**6,444.1**	5,931.2
Percentage of goodwill and indefinite-lived intangible assets to total assets	**25 %**	26 %

The Company performs its annual goodwill and intangible assets impairment test as of November 30. Goodwill and other intangible assets are reviewed for possible impairment between annual tests if an event occurred or circumstances changed that would more likely than not reduce the fair value of the reporting unit or other intangible assets below its carrying value.

Goodwill

The Company tests its goodwill at the reporting unit level, which is an operating segment or one level below an operating segment. The Company initially performs an assessment of qualitative factors to determine if it is necessary to perform a quantitative goodwill impairment test. The Company quantitatively tests goodwill for impairment if, based on its assessment of the qualitative factors, it determines that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, or if it decides to bypass the qualitative assessment. The quantitative goodwill impairment test compares the estimated fair value of a reporting unit with its carrying amount, including goodwill. An impairment charge is recognized for the amount by which the carrying amount exceeds the reporting unit's fair value.

In the first quarter of 2020, as a result of the uncertainty and challenging operating environment created by the COVID-19 pandemic, the Company performed an interim review of the carrying value of goodwill at the CRG reporting unit and recorded a $6.9 million goodwill impairment charge. The Company estimated the fair value of the reporting unit by utilizing a discounted cash flow model. The Company made estimates and assumptions regarding future cash flows, discount rates and long-term growth rates to determine the reporting unit's estimated fair value. The carrying value of the CRG reporting unit exceeded the estimated fair value, resulting in a goodwill impairment charge for the amount by which the carrying value exceeded the estimated fair value. Following the impairment, CRG has no remaining goodwill balance. CRG is included in other businesses.

The Company had 18 reporting units as of December 31, 2020. The reporting units with significant goodwill balances as of December 31, 2020, were as follows, representing 88% of the total goodwill of the Company:

(in millions)	Goodwill
Education	
Kaplan international	$ 634.7
Higher education	63.2
Supplemental education	154.2
Television broadcasting	190.8
Healthcare	98.4
Hoover	91.3
Dekko	74.4
Total	$ 1,307.0

As of November 30, 2020, in connection with the Company's annual impairment testing, the Company decided to perform the quantitative goodwill impairment process at all of the reporting units with the exception of Framebridge, for which it performed a qualitative assessment. The Company's policy requires the performance of a quantitative impairment review of the goodwill at least once every three years. The Company used a discounted cash flow model, and, where appropriate, a market value approach was also utilized to supplement the discounted cash flow model to determine the estimated fair value of its reporting units. The Company made estimates and assumptions regarding future cash flows, discount rates, long-term growth rates and market values to determine each reporting unit's estimated fair value. The methodology used to estimate the fair value of the Company's reporting units on November 30, 2020, was consistent with the one used during the 2019 annual goodwill impairment test.

The Company made changes to certain of its assumptions utilized in the discounted cash flow models for 2020 compared with the prior year to take into account changes in the economic environment, regulations and their impact on the Company's businesses. The key assumptions used by the Company were as follows:

- Expected cash flows underlying the Company's business plans for the periods 2021 through 2025 were used. The Company used expected cash flows for the periods 2021 through 2030 for the Hoover reporting unit. The expected cash flows took into account historical growth rates, the effect of the changed economic outlook at the Company's businesses, industry challenges and an estimate for the possible impact of any applicable regulations.

- Cash flows beyond 2025 were projected to grow at a long-term growth rate, which the Company estimated between 1.5% and 3% for each reporting unit.

- The Company used a discount rate of 9% to 16.5% to risk adjust the cash flow projections in determining the estimated fair value.

The fair value of each of the reporting units exceeded its respective carrying value as of November 30, 2020.

The estimated fair values of the Hoover and Dekko reporting units at the manufacturing businesses exceeded their carrying values by a margin less than 25% following a decrease in their estimated fair values compared with the prior year. The total goodwill at these reporting units was $165.7 million as of December 31, 2020, or 11% of the total goodwill of the Company. There exists a reasonable possibility that a decrease in the assumed projected cash flows or long-term growth rate, or an increase in the discount rate assumption used in the discounted cash flow model of these reporting units, could result in an impairment charge.

The estimated fair value of the Company's other reporting units with significant goodwill balances exceeded their respective carrying values by a margin in excess of 25%. It is possible that impairment charges could occur in the future, given changes in market conditions and the inherent variability in projecting future operating performance. Additional COVID-19 disruptions could result in future adverse changes in projections for future operating results or other key assumptions, such as projected revenue, profit margin, capital expenditures or cash flows associated with fair value estimates and could lead to additional future impairments, which could be material.

Indefinite-Lived Intangible Assets

The Company initially assesses qualitative factors to determine if it is more likely than not that the fair value of its indefinite-lived intangible assets is less than its carrying value. The Company compares the fair value of the indefinite-lived intangible asset with its carrying value if the qualitative factors indicate it is more likely than not that the fair value of the asset is less than its carrying value or if it decides to bypass the qualitative assessment. The Company records an impairment loss if the carrying value of the indefinite-lived intangible assets exceeds the fair value of the assets for the difference in the values. The Company uses a discounted cash flow model, and, in certain cases, a market value approach is also utilized to supplement the discounted cash flow model to determine the estimated fair value of the indefinite-lived intangible assets. The Company makes estimates and assumptions regarding future cash flows, discount rates, long-term growth rates and other market values to determine the estimated fair value of the indefinite-lived intangible assets. The Company's policy requires the performance of a quantitative impairment review of the indefinite-lived intangible assets at least once every three years.

The Company's intangible assets with an indefinite life are principally from trade names, franchise rights and FCC licenses. In the first quarter of 2020, the Company recorded indefinite-lived intangible asset impairment charges of $9.5 million related to the franchise rights at the automotive dealership and the trade names at CRG. The fair value of the indefinite-lived intangible assets exceeded their respective carrying values as of November 30, 2020. There is always a possibility that impairment charges could occur in the future, given the inherent variability in projecting future operating performance. Additional COVID-19 disruptions could result in future adverse changes in projections for future operating results or other key assumptions, such as projected revenue, profit margin, capital expenditures or cash flows associated with fair value estimates and could lead to additional future impairments, which could be material.

Pension Costs. The Company sponsors a defined benefit pension plan for eligible employees in the U.S. Excluding curtailment gains, settlement gains and special termination benefits, the Company's net pension credit was $55.4 million, $52.7 million and $74.0 million for 2020, 2019 and 2018, respectively. The Company's pension benefit obligation and related credits are actuarially determined and are impacted significantly by the Company's assumptions related to future events, including the discount rate, expected return on plan assets and rate of compensation increases. The Company evaluates these critical assumptions at least annually and, periodically, evaluates other assumptions involving demographic factors, such as retirement age, mortality and turnover, and updates them to reflect its experience and expectations for the future. Actual results in any given year will often differ from actuarial assumptions because of economic and other factors.

The Company assumed a 6.25% expected return on plan assets for 2020, 2019 and 2018. The Company's actual return (loss) on plan assets was 25.4% in 2020, 23.9% in 2019 and (2.5)% in 2018. The 10-year and 20-year actual returns on plan assets on an annual basis were 12.8% and 9.4%, respectively.

Accumulated and projected benefit obligations are measured as the present value of future cash payments. The Company discounts those cash payments using the weighted average of market-observed yields for high-quality fixed-income securities with maturities that correspond to the payment of benefits. Lower discount rates increase present values and generally increase subsequent-year pension costs; higher discount rates decrease present values and decrease subsequent-year pension costs. The Company's discount rate at December 31, 2020, 2019 and 2018, was 2.5%, 3.3% and 4.3%, respectively, reflecting market interest rates.

Changes in key assumptions for the Company's pension plan would have had the following effects on the 2020 pension credit, excluding curtailment gains, settlement gains and special termination benefits:

- Expected return on assets – A 1% increase or decrease to the Company's assumed expected return on plan assets would have increased or decreased the pension credit by approximately $18.2 million.
- Discount rate – A 1% decrease to the Company's assumed discount rate would have increased the pension credit by approximately $5.8 million. A 1% increase to the Company's assumed discount rate would have decreased the pension credit by approximately $4.7 million.

The Company's net pension credit includes an expected return on plan assets component, calculated using the expected return on plan assets assumption applied to a market-related value of plan assets. The market-related value of plan assets is determined using a five-year average market value method, which recognizes realized and unrealized appreciation and depreciation in market values over a five-year period. The value resulting from applying this method is adjusted, if necessary, such that it cannot be less than 80% or more than 120% of the market value of plan assets as of the relevant measurement date. As a result, year-to-year increases or decreases in the market-related value of plan assets impact the return on plan assets component of pension credit for the year.

At the end of each year, differences between the actual return on plan assets and the expected return on plan assets are combined with other differences in actual versus expected experience to form a net unamortized actuarial gain or loss in accumulated other comprehensive income. Only those net actuarial gains or losses in excess of the deferred realized and unrealized appreciation and depreciation are potentially subject to amortization.

The types of items that generate actuarial gains and losses that may be subject to amortization in net periodic pension (credit) cost include the following:

- Asset returns that are more or less than the expected return on plan assets for the year;
- Actual participant demographic experience different from assumed (retirements, terminations and deaths during the year);
- Actual salary increases different from assumed; and
- Any changes in assumptions that are made to better reflect anticipated experience of the plan or to reflect current market conditions on the measurement date (discount rate, longevity increases, changes in expected participant behavior and expected return on plan assets).

Amortization of the unrecognized actuarial gain or loss is included as a component of pension credit for a year if the magnitude of the net unamortized gain or loss in accumulated other comprehensive income exceeds 10% of the greater of the benefit obligation or the market-related value of assets (10% corridor). The amortization component is equal to that excess divided by the average remaining service period of active employees expected to receive benefits under the plan. At the end of 2017, the Company had net unamortized actuarial gains in accumulated other comprehensive income subject to amortization outside the 10% corridor, and therefore, an amortized gain of $1.0 million was included in the pension credit for the first three months of 2018.

As a result of the Kaplan University transaction, the Company remeasured the accumulated and projected benefit obligations as of March 22, 2018, and recorded a curtailment gain. During the first three months there was an increase in the discount rate offset by pension asset losses that resulted in net unamortized actuarial gains in accumulated other comprehensive income subject to amortization outside the 10% corridor, and therefore, an amortized gain of $9.0 million was included in the pension credit for the last nine months of 2018. During the last nine months of 2018, there were significant pension asset losses offset by a further increase in the discount rate that resulted in no net unamortized actuarial gains in accumulated other comprehensive income subject to amortization outside the 10% corridor, and therefore, no amortized gain amount was included in the pension credit for 2019.

During 2019, there were significant pension asset gains offset by a decrease in the discount rate and the purchase of a group annuity contract that resulted in no net unamortized gains in accumulated other comprehensive income subject to amortization outside the 10% corridor, and therefore, no amortized gain amount was included in the pension credit for 2020.

During 2020, there were significant pension asset gains offset by a further decrease in the discount rate; however, the Company currently estimates that there will be net unamortized gains in accumulated other comprehensive income subject to amortization outside the 10% corridor, and therefore, an amortized gain amount of $11.6 million is included in the estimated pension credit for 2021.

Overall, the Company estimates that it will record a net pension credit of approximately $98 million in 2021.

Note 15 to the Company’s Consolidated Financial Statements provides additional details surrounding pension costs and related assumptions.

Accounting for Income Taxes.

Valuation Allowances

Deferred income taxes arise from temporary differences between the tax and financial statement recognition of assets and liabilities. In evaluating its ability to recover deferred tax assets within the jurisdiction from which they arise, the Company considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. These assumptions require significant judgment about forecasts of future taxable income.

As of December 31, 2020, the Company had state income tax net operating loss carryforwards of $875.0 million, which will expire at various future dates. Also at December 31, 2020, the Company had $71.4 million of non-U.S. income tax loss carryforwards, of which $39.5 million may be carried forward indefinitely; $10.9 million of losses that, if unutilized, will expire in varying amounts through 2025; and $21.0 million of losses that, if unutilized, will start to expire after 2025. At December 31, 2020, the Company has established approximately $47.2 million in total valuation allowances, primarily against deferred state tax assets, net of U.S. Federal income taxes, and non-U.S. deferred tax assets, as the Company believes that it is more likely than not that the benefit from certain state and non-U.S. net operating loss carryforwards and other deferred tax assets will not be realized. The Company has established valuation allowances against state income tax benefits recognized, without considering potentially

offsetting deferred tax liabilities established with respect to prepaid pension cost and goodwill. Prepaid pension cost and goodwill have not been considered a source of future taxable income for realizing deferred tax benefits recognized since these temporary differences are not likely to reverse in the foreseeable future. However, certain deferred state tax assets have an indefinite life. As a result, the Company has considered deferred tax liabilities for prepaid pension cost and goodwill as a source of future taxable income for realizing those deferred state tax assets. The valuation allowances established against state and non-U.S. income tax benefits recorded may increase or decrease within the next 12 months, based on operating results, the market value of investment holdings or business and tax planning strategies; as a result, the Company is unable to estimate the potential tax impact, given the uncertain operating and market environment. The Company will be monitoring future operating results and projected future operating results on a quarterly basis to determine whether the valuation allowances provided against state and non-U.S. deferred tax assets should be increased or decreased, as future circumstances warrant. The Company’s education division released valuation allowances against state deferred tax assets of $20.0 million during 2018, as the education division generated positive operating results that support the realization of these deferred tax assets.

Uncertain Tax Positions

The Company recognizes a tax benefit from an uncertain tax position when it is more likely than not that the position will be sustained upon examination, including resolutions of any related to appeals or litigation processes based on the technical merits. The Company records a liability for the difference between the benefit recognized and measured for financial statement purposes and the tax position taken or expected to be taken on the Company’s tax return. Changes in the estimate are recorded in the period in which such termination is made. The Company expects that a $1.2 million federal tax benefit and a $0.7 million state tax benefit, net of $0.2 million federal tax expense, will reduce the effective tax rate in the future if recognized.

Recent Accounting Pronouncements. See Note 2 to the Company’s Consolidated Financial Statements for a discussion of recent accounting pronouncements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Graham Holdings Company

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Graham Holdings Company and its subsidiaries (the "Company") as of December 31, 2020 and 2019, and the related consolidated statements of operations, comprehensive income, changes in common stockholders' equity and cash flows for each of the three years in the period ended December 31, 2020, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Changes in Accounting Principles

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019 and the manner in which it accounts for revenue from contracts with customers in 2018.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Goodwill Impairment Assessment – Hoover, Dekko, and Kaplan Test Preparation Reporting Units

As described in Notes 2, 9, and 19 to the consolidated financial statements, the Company's consolidated goodwill balance was $1,484.8 million as of December 31, 2020. As disclosed by management, the goodwill associated with the Hoover and Dekko reporting units was $91.3 million and $74.4 million, respectively as of December 31, 2020. The Company changed the presentation of its segments in the fourth quarter of 2020. Prior to the combination, the Company performed an impairment review of the $64.7 million goodwill balance at the Kaplan Test Preparation ("KTP") reporting unit. Management reviews goodwill for possible impairment at least annually, as of November 30, or between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying value. As disclosed by management, an impairment charge is recognized for the amount by which the carrying value exceeds the reporting unit's fair value. Management reviews the carrying value of goodwill utilizing a discounted cash flow model. To determine the estimated fair value of the reporting unit, management makes assumptions related to the expected cash flows, discount rate, and long-term growth rate.

The principal considerations for our determination that performing procedures relating to the goodwill impairment assessments of the Hoover, Dekko, and KTP reporting units is a critical audit matter are (i) the significant judgment by management when developing the estimated fair value of the reporting unit; (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management's estimates of expected cash flows and significant assumptions related to revenues, operating income margins, and the discount rate; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's goodwill impairment assessment, including controls over the valuation of the Company's reporting units. These procedures also included, among others, testing management's process for determining the fair value of the reporting units; evaluating the appropriateness of the discounted cash flow model; testing the completeness and accuracy of underlying data used in the model; and evaluating the reasonableness of significant assumptions related to revenues, operating income margins, and the discount rate. Evaluating management's assumptions related to revenues and operating income margins involved evaluating whether the assumptions used were reasonable considering current and past performance of the reporting unit, relevant industry forecasts and macroeconomic conditions, consistency with external market and industry data, management's historical forecasting accuracy, consistency with evidence obtained in other areas of the audit, and the Company's objectives and strategies. Professionals with specialized skill and knowledge were used to assist in evaluating the reasonableness of the discount rate assumption.

/s/ PricewaterhouseCoopers LLP

McLean, Virginia
February 24, 2021

We have served as the Company's auditor since 1946.

GRAHAM HOLDINGS COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)	Year Ended December 31 2020	2019	2018
Operating Revenues			
Sales of services	**$ 2,056,228**	$ 2,111,035	$ 2,114,777
Sales of goods	**832,893**	821,064	581,189
	2,889,121	2,932,099	2,695,966
Operating Costs and Expenses			
Cost of services sold	**1,239,241**	1,315,928	1,172,855
Cost of goods sold	**672,865**	632,318	413,779
Selling, general and administrative	**715,401**	717,659	750,926
Depreciation of property, plant and equipment	**74,257**	59,253	56,722
Amortization of intangible assets	**56,780**	53,243	47,414
Impairment of goodwill and other long-lived assets	**30,170**	9,152	8,109
	2,788,714	2,787,553	2,449,805
Income from Operations	**100,407**	144,546	246,161
Equity in earnings of affiliates, net	**6,664**	11,664	14,473
Interest income	**3,871**	6,151	5,353
Interest expense	**(38,310)**	(29,779)	(37,902)
Debt extinguishment costs	**—**	—	(11,378)
Non-operating pension and postretirement benefit income, net	**59,315**	162,798	120,541
Gain (loss) on marketable equity securities, net	**60,787**	98,668	(15,843)
Other income, net	**214,534**	32,431	2,103
Income Before Income Taxes	**407,268**	426,479	323,508
Provision for Income Taxes	**107,300**	98,600	52,100
Net Income	**299,968**	327,879	271,408
Net Loss (Income) Attributable to Noncontrolling Interests	**397**	(24)	(202)
Net Income Attributable to Graham Holdings Company Common Stockholders	**$ 300,365**	$ 327,855	$ 271,206
Per Share Information Attributable to Graham Holdings Company Common Stockholders			
Basic net income per common share	**$ 58.30**	$ 61.70	$ 50.55
Basic average number of common shares outstanding	**5,124**	5,285	5,333
Diluted net income per common share	**$ 58.13**	$ 61.21	$ 50.20
Diluted average number of common shares outstanding	**5,139**	5,327	5,370

See accompanying Notes to Consolidated Financial Statements.

GRAHAM HOLDINGS COMPANY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31		
(in thousands)	**2020**	2019	2018
Net Income	**$ 299,968**	$ 327,879	$ 271,408
Other Comprehensive Income (Loss), Before Tax			
Foreign currency translation adjustments:			
Translation adjustments arising during the year	**31,642**	5,371	(35,584)
Adjustment for sale of a business with foreign operations	**—**	2,011	—
	31,642	7,382	(35,584)
Pension and other postretirement plans:			
Actuarial gain (loss)	**365,164**	231,104	(101,013)
Prior service (cost) credit	**(69)**	(5,725)	4,262
Amortization of net actuarial loss (gain) included in net income	**1,219**	(2,046)	(11,349)
Amortization of net prior service cost (credit) included in net income	**2,680**	(4,142)	(947)
Curtailments and settlements included in net income	**—**	(91,676)	(30,267)
	368,994	127,515	(139,314)
Cash flow hedges (loss) gain	**(1,282)**	(1,344)	551
Other Comprehensive Income (Loss), Before Tax	**399,354**	133,553	(174,347)
Income tax (expense) benefit related to items of other comprehensive income (loss)	**(99,335)**	(34,087)	37,510
Other Comprehensive Income (Loss), Net of Tax	**300,019**	99,466	(136,837)
Comprehensive Income	**599,987**	427,345	134,571
Comprehensive loss (income) attributable to noncontrolling interests	**397**	(24)	(202)
Total Comprehensive Income Attributable to Graham Holdings Company	**$ 600,384**	$ 427,321	$ 134,369

See accompanying Notes to Consolidated Financial Statements.

GRAHAM HOLDINGS COMPANY
CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)	As of December 31 2020	2019
Assets		
Current Assets		
Cash and cash equivalents	**$ 413,991**	$ 200,165
Restricted cash	**9,063**	13,879
Investments in marketable equity securities and other investments	**587,582**	599,967
Accounts receivable, net	**537,156**	624,216
Inventories and contracts in progress	**120,622**	120,834
Prepaid expenses	**75,523**	92,289
Income taxes receivable	**29,313**	10,735
Other current assets	**942**	1,400
Total Current Assets	**1,774,192**	1,663,485
Property, Plant and Equipment, Net	**378,286**	384,670
Lease Right-of-Use Assets	**462,560**	526,417
Investments in Affiliates	**155,777**	162,249
Goodwill, Net	**1,484,750**	1,388,279
Indefinite-Lived Intangible Assets	**120,437**	140,197
Amortized Intangible Assets, Net	**204,646**	233,481
Prepaid Pension Cost	**1,708,305**	1,292,350
Deferred Income Taxes	**8,396**	11,629
Deferred Charges and Other Assets	**146,770**	128,479
Total Assets	**$ 6,444,119**	$ 5,931,236
Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 520,236**	$ 507,701
Deferred revenue	**331,021**	355,156
Income taxes payable	**5,140**	4,121
Current portion of lease liabilities	**86,797**	92,714
Current portion of long-term debt	**6,452**	82,179
Total Current Liabilities	**949,646**	1,041,871
Accrued Compensation and Related Benefits	**201,918**	193,836
Other Liabilities	**48,768**	27,223
Deferred Income Taxes	**521,274**	427,372
Mandatorily Redeemable Noncontrolling Interest	**9,240**	829
Lease Liabilities	**428,849**	477,004
Long-Term Debt	**506,103**	430,650
Total Liabilities	**2,665,798**	2,598,785
Commitments and Contingencies (Note 18)		
Redeemable Noncontrolling Interests	**11,928**	5,655
Preferred Stock, $1 par value; 977,000 shares authorized, none issued	**—**	—
Common Stockholders' Equity		
Common stock		
Class A Common stock, $1 par value; 7,000,000 shares authorized; 964,001 shares issued and outstanding	**964**	964
Class B Common stock, $1 par value; 40,000,000 shares authorized; 19,035,999 shares issued; 4,018,832 and 4,348,236 shares outstanding	**19,036**	19,036
Capital in excess of par value	**388,159**	381,669
Retained earnings	**6,804,822**	6,534,427
Accumulated other comprehensive income, net of taxes		
Cumulative foreign currency translation adjustment	**9,754**	(21,888)
Unrealized gain on pensions and other postretirement plans	**595,287**	325,921
Cash flow hedges	**(1,727)**	(738)
Cost of 15,017,167 and 14,687,763 shares of Class B common stock held in treasury	**(4,056,993)**	(3,920,152)
Total Common Stockholders' Equity	**3,759,302**	3,319,239
Noncontrolling Interests	**7,091**	7,557
Total Equity	**3,766,393**	3,326,796
Total Liabilities and Equity	**$ 6,444,119**	$ 5,931,236

See accompanying Notes to Consolidated Financial Statements.

GRAHAM HOLDINGS COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31		
(In thousands)	**2020**	2019	2018
Cash Flows from Operating Activities			
Net Income	**$ 299,968**	$ 327,879	$ 271,408
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and goodwill and other long-lived asset impairment	**161,207**	121,648	112,245
Amortization of lease right-of-use asset	**89,956**	84,185	—
Net pension benefit, settlement, and special separation benefit expense	**(41,573)**	(137,909)	(100,948)
(Gain) loss on marketable equity securities and cost method investments, net	**(64,996)**	(103,748)	4,180
Credit loss expense and provision for other receivables	**10,667**	22,726	10,209
Stock-based compensation expense, net	**6,348**	6,278	6,412
Contingent consideration accretion	**2,895**	—	—
Debt extinguishment costs	**—**	—	10,563
Foreign exchange loss	**2,153**	1,070	3,844
Net (gain) loss on sales and disposition of businesses	**(209,787)**	1,936	(8,157)
Net loss (gain) on sales or write-downs of an equity affiliate and cost method investments	**1,210**	(29,262)	(148)
Equity in earnings of affiliates, net of distributions	**6,592**	(2,678)	(10,606)
Provision for (benefit from) deferred income taxes	**14,377**	69,751	(7,123)
Net loss (gain) on sales or write-downs of property, plant and equipment	**978**	(1,020)	(1,642)
Change in operating assets and liabilities:			
Accounts receivable, net	**61,328**	(53,602)	49,638
Inventories	**3,786**	(5,317)	(7,351)
Accounts payable and accrued liabilities	**(32,714)**	(47,069)	(44,892)
Deferred revenue	**(25,728)**	30,487	14,801
Income taxes receivable/payable	**3,310**	1,828	9,405
Other assets and other liabilities, net	**(79,743)**	(122,252)	(26,973)
Other	**429**	233	2,154
Net Cash Provided by Operating Activities	**210,663**	165,164	287,019
Cash Flows from Investing Activities			
Net proceeds (payments) from sales of businesses, property, plant and equipment and other assets	**225,570**	54,495	(10,344)
Proceeds from sales of marketable equity securities	**93,775**	19,303	66,741
Purchases of property, plant and equipment	**(69,591)**	(93,504)	(98,192)
Investments in certain businesses, net of cash acquired	**(20,080)**	(179,421)	(111,546)
Purchases of marketable equity securities	**(20,004)**	(7,499)	(42,659)
Investments in equity affiliates, cost method and other investments	**(12,367)**	(27,529)	(11,702)
Return of investment in equity affiliates	**506**	920	4,799
Loans to related party and affiliate and advance related to Kaplan University transaction	**—**	(3,500)	(28,061)
Other	**1,562**	—	—
Net Cash Provided by (Used in) Investing Activities	**199,371**	(236,735)	(230,964)
Cash Flows from Financing Activities			
Common shares repurchased	**(161,829)**	(2,103)	(118,030)
Repayments of borrowings and early redemption premium	**(83,360)**	(8,702)	(417,159)
Issuance of borrowings	**2,084**	41,250	400,000
Net borrowing under revolving credit facilities	**76,241**	—	—
Dividends paid	**(29,970)**	(29,553)	(28,617)
Proceeds from exercise of stock options	**25,129**	481	165
Net (repayments of) proceeds from vehicle floor plan payable	**(14,160)**	14,384	—
Purchase of noncontrolling interest and deferred payment of acquisition	**(19,348)**	(2,805)	(16,500)
Proceeds from (repayments of) bank overdrafts	**1,636**	(185)	(5,717)
Issuance of noncontrolling interest	**—**	6,000	—
Payments of financing costs	**—**	(33)	(6,501)
Other	**(425)**	—	—
Net Cash (Used in) Provided by Financing Activities	**(204,002)**	18,734	(192,359)
Effect of Currency Exchange Rate Change	**2,978**	2,766	(7,147)

Effect of Currency Exchange Rate Change		**[illegible]**		[illegible]		[illegible]
Net Increase (Decrease) in Cash and Cash Equivalents and Restricted Cash		**209,010**		(50,071)		(143,451)
Cash and Cash Equivalents and Restricted Cash at Beginning of Year		**214,044**		264,115		407,566
Cash and Cash Equivalents and Restricted Cash at End of Year	**$**	**423,054**	$	214,044	$	264,115
Supplemental Cash Flow Information						
Cash paid during the year for:						
Income taxes	**$**	**91,000**	$	28,000	$	54,000
Interest	**$**	**31,000**	$	30,000	$	42,000

See accompanying Notes to Consolidated Financial Statements.

GRAHAM HOLDINGS COMPANY
CONSOLIDATED STATEMENTS OF CHANGES IN COMMON STOCKHOLDERS' EQUITY

(in thousands)	Class A Common Stock	Class B Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Noncontrolling Interest	Total Equity	Redeemable Noncontrolling Interest
As of December 31, 2017	$ 964	$ 19,036	$ 370,700	$ 5,791,724	$ 535,555	$ (3,802,834)	$ —	$ 2,915,145	$ 4,607
Net income for the year				271,408				271,408	
Net income attributable to redeemable noncontrolling interests				(202)				(202)	202
Change in redemption value of redeemable noncontrolling interests			413					413	(413)
Dividends paid on common stock				(28,617)				(28,617)	
Repurchase of Class B common stock						(118,030)		(118,030)	
Issuance of Class B common stock, net of restricted stock award forfeitures			(340)			(1,145)		(1,485)	
Amortization of unearned stock compensation and stock option expense			8,064					8,064	
Other comprehensive loss, net of income taxes					(136,837)			(136,837)	
Cumulative effect of accounting change				201,812	(194,889)			6,923	
Other								—	(50)
As of December 31, 2018	964	19,036	378,837	6,236,125	203,829	(3,922,009)	—	2,916,782	4,346
Net income for the year				327,879				327,879	
Issuance of noncontrolling interest							6,556	6,556	
Acquisition of redeemable noncontrolling interest								—	1,715
Net loss attributable to noncontrolling interest				152			(152)	—	
Acquisition of noncontrolling interest							1,153	1,153	
Net income attributable to redeemable noncontrolling interest				(176)				(176)	176
Change in redemption value of redeemable noncontrolling interests			32					32	(32)
Dividends paid on common stock				(29,553)				(29,553)	
Repurchase of Class B common stock						(2,103)		(2,103)	
Issuance of Class B common stock, net of restricted stock award forfeitures			(3,721)			3,960		239	
Amortization of unearned stock compensation and stock option expense			6,521					6,521	
Other comprehensive income, net of income taxes					99,466			99,466	
Purchase of redeemable noncontrolling interest								—	(550)
As of December 31, 2019	964	19,036	381,669	6,534,427	303,295	(3,920,152)	7,557	3,326,796	5,655
Net income for the year				**299,968**				**299,968**	
Net loss attributable to noncontrolling interest				**386**			**(386)**	**—**	
Acquisition of redeemable noncontrolling interest								**—**	**6,005**
Net loss attributable to redeemable noncontrolling interests				**11**				**11**	**(11)**
Change in redemption value of redeemable noncontrolling interests							**273**	**273**	**279**
Distribution to noncontrolling interest							**(353)**	**(353)**	
Dividends paid on common stock				**(29,970)**				**(29,970)**	
Repurchase of Class B common stock						**(161,829)**		**(161,829)**	
Issuance of Class B common stock, net of restricted stock award forfeitures			**(411)**			**24,988**		**24,577**	
Amortization of unearned stock compensation and stock option expense			**6,901**					**6,901**	
Other comprehensive income, net of income taxes					**300,019**			**300,019**	
As of December 31, 2020	**$ 964**	**$ 19,036**	**$ 388,159**	**$ 6,804,822**	**$ 603,314**	**$ (4,056,993)**	**$ 7,091**	**$ 3,766,393**	**$ 11,928**

See accompanying Notes to Consolidated Financial Statements.

GRAHAM HOLDINGS COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND NATURE OF OPERATIONS

Graham Holdings Company (the Company), is a diversified education and media company. The Company's Kaplan subsidiary provides a wide variety of educational services, both domestically and outside the United States (U.S.). The Company's media operations comprise the ownership and operation of seven television broadcasting stations.

Education—Kaplan, Inc. provides an extensive range of educational services for students and professionals. Kaplan's various businesses comprise three categories: Kaplan International, Higher Education (KHE) and Supplemental Education.

Media—The Company's diversified media operations comprise television broadcasting, several websites and print publications, podcast content and a marketing solutions provider.

Television broadcasting. As of December 31, 2020, the Company owned seven television stations located in Houston, TX; Detroit, MI; Orlando, FL; San Antonio, TX; Roanoke, VA; and two stations in Jacksonville, FL. All stations are network-affiliated except for WJXT in Jacksonville, FL.

Manufacturing—The Company's manufacturing businesses include Hoover, Dekko, Joyce/Dayton and Forney.

Other—The Company's other business operations include automotive dealerships, restaurants and entertainment venues, custom framing services and home health and hospice services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation. The accompanying Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles (GAAP) in the United States and include the assets, liabilities, results of operations and cash flows of the Company and its majority-owned and controlled subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Reclassifications. Certain amounts in previously issued financial statements have been reclassified to conform with the presentation for the year ended December 31, 2020. The Company disaggregated its operating revenues into sales of services and sales of goods, and also disaggregated the corresponding operating costs into cost of services sold and cost of goods sold. Additionally, the Company reclassified $75.0 million and $100.8 million from cost of services and goods sold (previously operating) to selling, general and administrative in the Consolidated Statement of Operations for the years ended December 31, 2019 and 2018, respectively.

Use of Estimates. The preparation of financial statements in conformity with GAAP requires management to make estimates and judgments that affect the amounts reported in the financial statements. Management bases its estimates and assumptions on historical experience and on various other factors that are believed to be reasonable under the circumstances. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may be affected by changes in those estimates. On an ongoing basis, the Company evaluates its estimates and assumptions.

The Company assessed certain accounting matters that generally require consideration of forecasted financial information, in context with the information reasonably available to the Company and the unknown future impacts of the novel coronavirus (COVID-19) pandemic as of December 31, 2020 and through the date of this filing. The accounting matters assessed included, but were not limited to, the Company's carrying value of goodwill and other long-lived assets, allowance for doubtful accounts, inventory valuation and related reserves, fair value of financial assets, valuation allowances for tax assets and revenue recognition. Other than the goodwill, indefinite-lived asset and other long-lived asset impairment charges (see Notes 9, 12 and 19), there were no other impacts to the Company's consolidated financial statements as of and for the year ended December 31, 2020 resulting from our assessments. The Company's future assessment of the magnitude and duration of COVID-19, as well as other factors, could result in material impacts to the Company's consolidated financial statements in future reporting periods.

Business Combinations. The purchase price of an acquisition is allocated to the assets acquired, including intangible assets, and liabilities assumed, based on their respective fair values at the acquisition date. Acquisition-related costs are expensed as incurred. The excess of the cost of an acquired entity over the net of the amounts assigned to the assets acquired and liabilities assumed is recognized as goodwill. The net assets and results of operations of an acquired entity are included in the Company's Consolidated Financial Statements from the acquisition date.

Cash and Cash Equivalents. Cash and cash equivalents consist of cash on hand, short-term investments with original maturities of three months or less and investments in money market funds with weighted average maturities of three months or less.

Restricted Cash. Restricted cash represents amounts required to be held by non-U.S. higher education institutions for prepaid tuition pursuant to foreign government regulations. These regulations stipulate that the Company has a fiduciary responsibility to segregate certain funds to ensure these funds are only used for the benefit of eligible students.

Concentration of Credit Risk. Cash and cash equivalents are maintained with several financial institutions domestically and internationally. Deposits held with banks may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions with investment-grade credit ratings. The Company routinely assesses the financial strength of significant customers, and this assessment, combined with the large number and geographical diversity of its customers, limits the Company’s concentration of risk with respect to receivables from contracts with customers.

Allowance for Credit Losses. Accounts receivable have been reduced by an allowance that reflects the current expected credit losses associated with the receivables. The current expected credit losses are estimated based on historical write-offs, current macroeconomic conditions and reasonable and supportable forecasts of future economic conditions. Reserves are also established against specific receivables based on aging category, historical collection experience and management’s evaluation of the financial condition of the customer. The Company generally considers an account past due or delinquent when a student or customer misses a scheduled payment. The Company writes off accounts receivable balances deemed uncollectible against the allowance for credit losses following the passage of a certain period of time, or generally when the account is turned over for collection to an outside collection agency.

Investments in Equity Securities. The Company measures its investments in equity securities at fair value with changes in fair value recognized in earnings. The Company elected the measurement alternative to measure cost method investments that do not have readily determinable fair value at cost less impairment, adjusted by observable price changes with any fair value changes recognized in earnings. If the fair value of a cost method investment declines below its cost basis and the decline is considered other than temporary, the Company will record a write-down, which is included in earnings. The Company uses the average cost method to determine the basis of the securities sold.

Fair Value Measurements. Fair value measurements are determined based on the assumptions that a market participant would use in pricing an asset or liability based on a three-tiered hierarchy that draws a distinction between market participant assumptions based on (i) observable inputs, such as quoted prices in active markets (Level 1); (ii) inputs other than quoted prices in active markets that are observable either directly or indirectly (Level 2); and (iii) unobservable inputs that require the Company to use present value and other valuation techniques in the determination of fair value (Level 3). Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measure. The Company’s assessment of the significance of a particular input to the fair value measurements requires judgment and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

For assets that are measured using quoted prices in active markets, the total fair value is the published market price per unit multiplied by the number of units held, without consideration of transaction costs. Assets and liabilities that are measured using significant other observable inputs are primarily valued by reference to quoted prices of similar assets or liabilities in active markets, adjusted for any terms specific to that asset or liability.

The Company measures certain assets—including goodwill; intangible assets; property, plant and equipment; lease right-of-use assets; cost and equity-method investments—at fair value on a nonrecurring basis when they are deemed to be impaired. The fair value of these assets is determined with valuation techniques using the best information available and may include quoted market prices, market comparables and discounted cash flow models.

Fair Value of Financial Instruments. The carrying amounts reported in the Company’s Consolidated Financial Statements for cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities, the current portion of deferred revenue and the current portion of debt approximate fair value because of the short-term nature of these financial instruments. The fair value of long-term debt is determined based on a number of observable inputs, including the current market activity of the Company’s publicly traded notes, trends in investor demands and market values of comparable publicly traded debt. The fair value of the interest rate hedges are determined based on a number of observable inputs, including time to maturity and market interest rates.

Inventories and Contracts in Progress. Inventories and contracts in progress are stated at the lower of cost or net realizable values and are based on the first-in, first-out (FIFO) method. Inventory costs include direct material, direct and indirect labor, and applicable manufacturing overhead. The Company allocates manufacturing overhead based on normal production capacity and recognizes unabsorbed manufacturing costs in earnings. The provision

for excess and obsolete inventory is based on management's evaluation of inventories on hand relative to historical usage, estimated future usage and technological developments.

Vehicle inventory is based on the specific identification method. The cost of new and used vehicle inventories includes the cost of any equipment added, reconditioning and transportation. In certain instances, vehicle manufacturers provide incentives which are reflected as a reduction in the carrying value of each vehicle purchased.

Property, Plant and Equipment. Property, plant and equipment is recorded at cost and includes interest capitalized in connection with major long-term construction projects. Replacements and major improvements are capitalized; maintenance and repairs are expensed as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the property, plant and equipment: 3 to 20 years for machinery and equipment; 20 to 50 years for buildings. The costs of leasehold improvements are amortized over the lesser of their useful lives or the terms of the respective leases.

Evaluation of Long-Lived Assets. The recoverability of long-lived assets and finite-lived intangible assets is assessed whenever adverse events or changes in circumstances indicate that recorded values may not be recoverable. A long-lived asset is considered to not be recoverable when the undiscounted estimated future cash flows are less than the asset's recorded value. An impairment charge is measured based on estimated fair market value, determined primarily using estimated future cash flows on a discounted basis. Losses on long-lived assets to be disposed of are determined in a similar manner, but the fair market value would be reduced for estimated costs to dispose.

Goodwill and Other Intangible Assets. Goodwill is the excess of purchase price over the fair value of identified net assets of businesses acquired. The Company's intangible assets with an indefinite life are principally from trade names and trademarks, franchise agreements and FCC licenses. Amortized intangible assets are primarily student and customer relationships and trade names and trademarks, with amortization periods up to 10 years. Costs associated with renewing or extending intangible assets are insignificant and expensed as incurred.

The Company reviews goodwill and indefinite-lived intangible assets at least annually, as of November 30, for possible impairment. Goodwill and indefinite-lived intangible assets are reviewed for possible impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting unit or indefinite-lived intangible asset below its carrying value. The Company tests its goodwill at the reporting unit level, which is an operating segment or one level below an operating segment. The Company initially assesses qualitative factors to determine if it is necessary to perform the goodwill or indefinite-lived intangible asset quantitative impairment review. The Company reviews the goodwill and indefinite-lived assets for impairment using the quantitative process if, based on its assessment of the qualitative factors, it determines that it is more likely than not that the fair value of a reporting unit or indefinite-lived intangible asset is less than its carrying value, or if it decides to bypass the qualitative assessment. The Company reviews the carrying value of goodwill and indefinite-lived intangible assets utilizing a discounted cash flow model, and, where appropriate, a market value approach is also utilized to supplement the discounted cash flow model. The Company makes assumptions regarding estimated future cash flows, discount rates, long-term growth rates and market values to determine the estimated fair value of each reporting unit and indefinite-lived intangible asset. If these estimates or related assumptions change in the future, the Company may be required to record impairment charges.

Investments in Affiliates. The Company uses the equity method of accounting for its investments in and earnings or losses of affiliates that it does not control, but over which it exerts significant influence. The Company considers whether the fair values of any of its equity method investments have declined below their carrying values whenever adverse events or changes in circumstances indicate that recorded values may not be recoverable. If the Company considered any such decline to be other than temporary (based on various factors, including historical financial results, product development activities and the overall health of the affiliate's industry), a write-down would be recorded to estimated fair value.

Revenue Recognition. The Company adopted the new revenue guidance on January 1, 2018, using the modified retrospective approach for contracts not completed as of the adoption date. Prior to the adoption of the new revenue guidance, the Company recognized revenue when persuasive evidence of an arrangement existed, the fees were fixed or determinable, the product or service had been delivered and collectability was assured. The Company considered the terms of each arrangement to determine the appropriate accounting treatment.

Subsequent to the adoption of the new guidance, the Company identifies a contract for revenue recognition when there is approval and commitment from both parties, the rights of the parties and payment terms are identified, the contract has commercial substance and the collectability of consideration is probable. The Company evaluates each contract to determine the number of distinct performance obligations in the contract, which requires the use of judgment.

Education Revenue. Education revenue is primarily derived from postsecondary education and supplementary education services provided both domestically and abroad. Generally, tuition and other fees are paid upfront and

recorded in deferred revenue in advance of the date when education services are provided to the student. In some instances, installment billing is available to students, which reduces the amount of cash consideration received in advance of performing the service. The contractual terms and conditions associated with installment billing indicate that the student is liable for the total contract price; therefore, mitigating the Company's exposure to losses associated with nonpayment. The Company determined the installment billing does not represent a significant financing component.

Kaplan International. Kaplan International provides higher education, professional education, and test preparation services and materials to students primarily in the United Kingdom (U.K.), Singapore, and Australia. Some Kaplan International contracts consist of one performance obligation that is a combination of indistinct promises to the student, while other Kaplan International contracts include multiple performance obligations as the promises in the contract are capable of being both distinct and distinct within the context of the contract. One Kaplan International business offers an option whereby students receive future services at a discount that is accounted for as a material right.

The transaction price is stated in the contract and known at the time of contract inception; therefore, no variable consideration exists. Revenue is allocated to each performance obligation based on its standalone selling price. Any discounts within the contract are allocated across all performance obligations unless observable evidence exists that the discount relates to a specific performance obligation or obligations in the contract. Kaplan International generally determines standalone selling prices based on prices charged to students.

Revenue is recognized ratably over the instruction period or access period for higher education, professional education and test preparation services. Kaplan International generally uses the time elapsed method, an input measure, as it best depicts the simultaneous consumption and delivery of these services. Course materials determined to be a separate performance obligation are recognized at the point in time when control transfers to the student, generally when the products are delivered to the student.

Higher Education (KHE). In the first quarter of 2018, KHE provided postsecondary education services to students through KU's online programs and fixed-facility colleges.

These contracts consisted either of one performance obligation that is a combination of distinct promises to a student, or two performance obligations if the student also enrolled in the Kaplan Tuition Cap, which established a maximum amount of tuition that KHE may charge students for higher education services. The Kaplan Tuition Cap was accounted for as a material right. The transaction price of a higher education contract was stated in the contract and known at the time of contract inception; therefore, no variable consideration existed. A portion of the transaction price was allocated to the material right, if applicable, based on the expected value method.

Higher education services revenue was recognized ratably over the instruction period. The Company used the time elapsed method, an input measure, as it best depicts the simultaneous consumption and delivery of higher education services.

On March 22, 2018, Kaplan contributed the institutional assets and operations of KU to Purdue University Global (Purdue Global) (see Note 3). Subsequent to the transaction, KHE provides non-academic operations support services to Purdue Global pursuant to a Transition and Operations Support Agreement (TOSA). This contract has a 30-year term and consists of one performance obligation, which represents a series of daily promises to provide support services to Purdue Global. The transaction price is entirely made up of variable consideration related to the reimbursement of KHE support costs and the KHE fee. The TOSA outlines a payment structure, which dictates how cash will be distributed at the end of Purdue Global's fiscal year, which is the 30th of June. The collectability of the KHE support costs and KHE fee is entirely dependent on the availability of cash at the end of the fiscal year. This variable consideration is constrained based on fiscal year forecasts prepared for Purdue Global. The forecasts are updated throughout the fiscal year until the uncertainty is ultimately resolved, which is at the end of each Purdue Global fiscal year. As KHE's performance obligation is made up of a series, the variable consideration is allocated to the distinct service period to which it relates, which is the Purdue Global fiscal year.

Support services revenue is recognized over time based on the expenses incurred to date and the percentage of expected reimbursement. KHE fee revenue is also recognized over time based on the amount of Purdue Global revenue recognized to date and the percentage of fee expected to be collected for the fiscal year. The Company used these input measures as Purdue Global simultaneously receives and consumes the benefits of the services provided by KHE.

Kaplan Supplemental Education. Supplemental Education offers test preparation services and materials to students, as well as professional training and exam preparation for professional certifications and licensures to students. Generally Supplemental Education contracts consist of multiple performance obligations as promises for these services are distinct within the context of the contract. The transaction price is stated in the contract and known at the time of contract inception, therefore no variable consideration exists. Revenue is allocated to each performance obligation based on its standalone selling price. Supplemental Education generally determines

standalone selling prices based on the prices charged to students and professionals. Any discounts within the contract are allocated across all performance obligations unless observable evidence exists that the discount relates to a specific performance obligation in the contract.

Supplemental Education services revenue is recognized ratably over the period of access to the education materials. An estimate of the average access period is developed for each course, and this estimate is evaluated on an ongoing basis and adjusted as necessary. The time elapsed method, an input measure, is used as it best depicts the simultaneous consumption and availability of access to the services. Revenue associated with distinct course materials is recognized at the point in time when control transfers to the student, generally when products are delivered to the student.

Supplemental Education offers a guarantee on certain courses that gives students the ability to repeat a course if they are not satisfied with their exam score. The Company accounts for this guarantee as a separate performance obligation.

Television Broadcasting Revenue. Television broadcasting revenue at Graham Media Group (GMG) is primarily comprised of television and internet advertising revenue, and retransmission revenue.

Television Advertising Revenue. GMG accounts for the series of advertisements included in television advertising contracts as one performance obligation and recognizes advertising revenue over time. The Company elected the right to invoice practical expedient, an output method, as GMG has the right to consideration that equals the value provided to the customer for advertisements delivered to date. As a result of the election to use the right to invoice practical expedient, GMG does not determine the transaction price or allocate any variable consideration at contract inception. Rather, GMG recognizes revenue commensurate with the amount to which GMG has the right to invoice the customer. Payment is typically received in arrears within 60 days of revenue recognition.

Retransmission Revenue. Retransmission revenue represents compensation paid by cable, satellite and other multichannel video programming distributors (MVPDs) to retransmit GMG’s stations’ broadcasts in their designated market areas. The retransmission rights granted to MVPDs are accounted for as a license of functional intellectual property as the retransmitted broadcast provides significant standalone functionality. As such, each retransmission contract with an MVPD includes one performance obligation for each station’s retransmission license. GMG recognizes revenue using the usage-based royalty method, in which revenue is recognized in the month the broadcast is retransmitted based on the number of MVPD subscribers and the applicable per user rate identified in the retransmission contract. Payment is typically received in arrears within 60 days of revenue recognition.

Manufacturing Revenue. Manufacturing revenue consists primarily of product sales generated by four businesses: Hoover, Dekko, Joyce and Forney. The Company has determined that each item ordered by the customer is a distinct performance obligation as it has standalone value and is distinct within the context of the contract. For arrangements with multiple performance obligations, the Company initially allocates the transaction price to each obligation based on its standalone selling price, which is the retail price charged to customers. Any discounts within the contract are allocated across all performance obligations unless observable evidence exists that the discount relates to a specific performance obligation or obligations in the contract.

The Company sells some products and services with a right of return. This right of return constitutes variable consideration and is constrained from revenue recognition on a portfolio basis, using the expected value method until the refund period expires.

The Company recognizes revenue when or as control transfers to the customer. Some manufacturing revenue is recognized ratably over the manufacturing period, if the product created for the customer does not have an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. The determination of the method by which the Company measures its progress toward the satisfaction of its performance obligations requires judgment. The Company measures its progress for these products using the units delivered method, an output measure. These arrangements represented 23%, 28% and 27% of the manufacturing revenue recognized for the years ended December 31, 2020, 2019 and 2018, respectively.

Other manufacturing revenue is recognized at the point in time when control transfers to the customer, generally when the products are shipped. Some customers have a bill and hold arrangement with the Company. Revenue for bill and hold arrangements is recognized when control transfers to the customer, even though the customer does not have physical possession of the goods. Control transfers when the bill-and-hold arrangement has been requested from the customer, the product is identified as belonging to the customer and is ready for physical transfer, and the product cannot be directed for use by anyone but the customer.

Payment terms and conditions vary by contract, although terms generally include a requirement of payment within 90 days of delivery.

The Company evaluated the terms of the warranties and guarantees offered by its manufacturing businesses and determined that these should not be accounted for as a separate performance obligation as a distinct service is not identified.

Healthcare Revenue. The Company contracts with patients to provide home health or hospice services. Payment is typically received from third-party payors such as Medicare, Medicaid, and private insurers. The payor is a third party to the contract that stipulates the transaction price of the contract. The Company identifies the patient as the party who benefits from its healthcare services and as such, the patient is its customer.

The Centers for Medicare and Medicaid Services released a revised reimbursement structure under the Patient Driven Groupings Model (PDGM) for Medicare claims for home healthcare services effective for new and modified revenue contracts beginning on or after January 1, 2020. Home health services contracts generally have one performance obligation to provide home health services to patients. Under the PDGM model, the Company recognizes revenue using the right to invoice practical expedient, an output method, as the contractual right to revenue corresponds directly with the transfer of services to the patient. Given the election of the practical expedient, the Company does not determine the transaction price or allocate any variable consideration at contract inception. Rather, the Company recognizes revenue commensurate with the amount to which it has the right to invoice the customer, which is a function of the average length of stay within each of the two 30 day payment periods. Payment is typically received from Medicare within 30 days after a claim is filed. Medicare is the most common third-party payor for home health services.

Home health revenue contracts may be modified to account for changes in the patient’s plan of care. The Company identifies contract modifications when the modification changes the existing enforceable rights and obligations. As modifications to the plan of care modify the original performance obligation, the Company accounts for the contract modification as an adjustment to revenue (either as an increase in or a reduction of revenue) on a cumulative catch-up basis.

Hospice services contracts generally have one performance obligation to provide healthcare services to patients. The transaction price reflects the amount of revenue the Company expects to receive in exchange for providing these services. As the transaction price for healthcare services is known at the time of contract inception, no variable consideration exists. Hospice service revenue is recognized ratably over the period of care. The Company generally uses the time-elapsed method, an input measure as it best depicts the simultaneous delivery and consumption of healthcare services. Payment is received from third-party payors for hospice services within 60 days after a claim is filed, or in some cases in two installments, one during the contract and one after the services have been provided. Medicare is the most common third-party payor.

Other Revenue. The Company recognizes revenue associated with management services it provides to its affiliates. The Company accounts for the management services provided as one performance obligation and recognizes revenue over time as the services are delivered. The Company uses the right to invoice practical expedient, an output method, as the Company’s right to revenue corresponds directly with the value delivered to the affiliate. As a result of the election to use the right to invoice practical expedient, the Company does not determine the transaction price or allocate any variable consideration at contract inception. Rather, the Company recognizes revenue commensurate with the amount to which it has the right to invoice the affiliate, which is based on contractually identified percentages. Payment is received monthly in arrears.

Other Revenue. *Automotive Revenue.* The automotive subsidiary generates revenue primarily through the sale of new and used vehicles, the arrangement of vehicle financing, insurance and other service contracts (F&I revenue) and the performance of vehicle repair and maintenance services.

New and used vehicle revenue contracts generally contain one performance obligation to deliver the vehicle to the customer in exchange for the stated contract consideration. Revenue is recognized at the point in time when control of the vehicle passes to the customer. F&I revenue is recognized at the point in time when the agreement between the customer and financing, insurance or service provider is executed. As the automotive division acts as an agent in these F&I revenue transactions, revenue is recognized net of any financing, insurance and service provider costs. Repair and maintenance services revenue is recognized over time, as the service is performed.

Restaurant Revenue. Restaurant revenues consists of sales generated by Clyde’s Restaurant Group. Food and beverage revenue, net of discounts and taxes, is recognized at the point in time when it is delivered to the customer. Proceeds from the sale of gift cards are recorded as deferred revenue and recognized as revenue upon redemption by the customer.

Custom Framing Services Revenue. Framebridge sells custom framing solutions to customers. Custom framing services revenue, net of discounts and taxes, is recognized when the products are delivered to the customer. Proceeds from the sale of gift cards are recorded as deferred revenue and recognized as revenue upon redemption by the customer.

Code3 Revenue. Code3 generates media management revenue in exchange for providing social media marketing solutions to its clients. The Company determined that Code3 contracts generally have one performance obligation made up of a series of promises to manage the client's media spend on advertising platforms for the duration of the contract period.

Code3 recognizes revenue, net of media acquisition costs, over time as media management services are delivered to the customer. Generally, Code3 recognizes revenue using the right to invoice practical expedient, an output method, as Code3's right to revenue corresponds directly with the value delivered to its customer. As a result of the election to use the right to invoice practical expedient, Code3 does not determine the transaction price or allocate any variable consideration at contract inception. Rather, Code3 recognizes revenue commensurate with the amount to which it has the right to invoice the customer which is a function of the cost of social media placement plus a management fee, less any applicable discounts. Payment is typically received within 100 days of revenue recognition.

Code3 evaluates whether it is the principal (i.e. presents revenue on a gross basis) or agent (i.e. presents revenue on a net basis) in its contracts. Code3 presents revenue for media management services, net of media acquisition costs, as an agent, as Code3 does not control the media before placement on social media platforms.

Other Revenue. Other revenue primarily includes advertising, circulation and subscription revenue from Slate, Megaphone, Decile, Pinna and Foreign Policy. The Company accounts for other advertising revenues consistently with the advertising revenue streams addressed above. Circulation revenue consists of fees that provide customers access to online and print publications. The Company recognizes circulation and subscription revenue ratably over the subscription period beginning on the date that the publication or product is made available to the customer. Circulation revenue contracts are generally annual or monthly subscription contracts that are paid in advance of delivery of performance obligations.

Revenue Policy Elections. The Company has elected to account for shipping and handling activities that occur after the customer has obtained control of the good as a fulfillment cost rather than as an additional promised service. Therefore, revenue for these performance obligations is recognized when control of the good transfers to the customer, which is when the good is ready for shipment. The Company accrues the related shipping and handling costs over the period when revenue is recognized.
The Company has elected to exclude from the measurement of the transaction price all taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction and collected by the entity from a customer.

Revenue Practical Expedients. The Company does not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less, (ii) contracts for which the amount of revenue recognized is based on the amount to which the Company has the right to invoice the customer for services performed, (iii) contracts for which the consideration received is a usage-based royalty promised in exchange for a license of intellectual property and (iv) contracts for which variable consideration is allocated entirely to a wholly unsatisfied promise to transfer a distinct good or service that forms part of a single performance obligation.

Costs to Obtain a Contract. The Company incurs costs to obtain a contract that are both incremental and expected to be recovered as the costs would not have been incurred if the contract was not obtained and the revenue from the contract exceeds the associated cost. The revenue guidance provides a practical expedient to expense sales commissions as incurred in instances where the amortization period is one year or less. The amortization period is defined in the guidance as the contract term, inclusive of any expected contract renewal periods. The Company has elected to apply this practical expedient to all contracts except for contracts in its education division. In the education division, costs to obtain a contract are amortized over the applicable amortization period except for cases in which commissions paid on initial contracts and renewals are commensurate. The Company amortizes these costs to obtain a contract on a straight-line basis over the amortization period. These expenses are included as cost of services or products in the Company's Consolidated Statements of Operations.

Leases. The Company has operating leases for substantially all of its educational facilities, corporate offices and other facilities used in conducting its business, as well as certain equipment. The Company determines if an arrangement is a lease at inception. Prior to the adoption of the new leasing guidance on January 1, 2019, the Company evaluated the lease agreement to determine whether the lease was an operating or capital lease at lease inception. Additionally, many of the Company's lease agreements contained renewal options, tenant improvement allowances, rent holidays and/or rent escalation clauses. When such items were included in a lease agreement, the Company recorded a deferred rent asset or liability in the Consolidated Financial Statements and recorded these items in rent expense evenly over the terms of the lease.

The Company was also required to make additional payments under operating lease terms for taxes, insurance and other operating expenses incurred during the operating lease period; such items were expensed as incurred. Rental

deposits were included as other assets in the Company’s Consolidated Balance Sheets for lease agreements that require payments in advance or deposits held for security that are refundable, less any damages, at the end of the respective lease.

Subsequent to the adoption of the new guidance, operating leases are included in lease right-of-use (ROU) assets, current portion of lease liabilities, and lease liabilities on the Company’s Consolidated Balance Sheets. ROU assets represent the Company’s right to use an underlying asset for the lease term and lease liabilities represent the Company’s obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. ROU assets also include any initial direct costs, prepaid lease payments and lease incentives received, when applicable. As most of the Company’s leases do not provide an implicit rate, the Company used its incremental borrowing rate based on the information available at the lease commencement date in determining the present value of lease payments. The Company used the incremental borrowing rate on December 31, 2018 for operating leases that commenced prior to that date.

The Company’s lease terms may include options to extend or terminate the lease by one to 10 years or more when it is reasonably certain that the option will be exercised. Leases with a term of twelve months or less are not recorded on the balance sheet; however, lease expense for these leases is recognized on a straight-line basis. The Company has elected the practical expedient to not separate lease components from nonlease components. As such, lease expense includes these nonlease components, when applicable. Fixed lease expense is recognized on a straight-line basis over the lease term. Variable lease expense is recognized when incurred. The Company’s lease agreements do not contain any significant residual value guarantees or restrictive covenants. In some instances, the Company subleases its leased real estate facilities to third parties.

As of December 31, 2020 and 2019, the Company had $5.9 million and $4.1 million, respectively, in net, property, plant and equipment and current finance lease liabilities related to service loaner vehicles at the automotive subsidiary. Service loaner vehicles are generally purchased from the lessor within six months of contract commencement and upon purchase the vehicles are placed into used vehicle inventory at cost. The Company does not have any other significant financing leases.

Pensions and Other Postretirement Benefits. The Company maintains various pension and incentive savings plans. Most of the Company’s employees are covered by these plans. The Company also provides healthcare and life insurance benefits to certain retired employees. These employees become eligible for benefits after meeting age and service requirements.

The Company recognizes the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its Consolidated Balance Sheets and recognizes changes in that funded status in the year in which the changes occur through comprehensive income. The Company measures changes in the funded status of its plans using the projected unit credit method and several actuarial assumptions, the most significant of which are the discount rate, the expected return on plan assets and the rate of compensation increase. The Company uses a measurement date of December 31 for its pension and other postretirement benefit plans.

Self-Insurance. The Company uses a combination of insurance and self-insurance for a number of risks, including claims related to employee healthcare and dental care, disability benefits, workers’ compensation, general liability, property damage and business interruption. Liabilities associated with these plans are estimated based on, among other things, the Company’s historical claims experience, severity factors and other actuarial assumptions. The expected loss accruals are based on estimates, and, while the Company believes that the amounts accrued are adequate, the ultimate loss may differ from the amounts provided.

Income Taxes. The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

The Company records net deferred tax assets to the extent that it believes these assets will more likely than not be realized. In making such determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent financial operations; this evaluation is made on an ongoing basis. In the event the Company were to determine that it was able to realize net deferred income tax assets in the future in excess of their net recorded amount, the Company would record an adjustment to the valuation allowance, which would reduce the provision for income taxes.

The Company recognizes a tax benefit from an uncertain tax position when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on

the technical merits. The Company records a liability for the difference between the benefit recognized and measured for financial statement purposes and the tax position taken or expected to be taken on the Company's tax return. Changes in the estimate are recorded in the period in which such determination is made.

Foreign Currency Translation. Income and expense accounts of the Company's non-U.S. operations where the local currency is the functional currency are translated into U.S. dollars using the current rate method, whereby operating results are converted at the average rate of exchange for the period, and assets and liabilities are converted at the closing rates on the period end date. Gains and losses on translation of these accounts are accumulated and reported as a separate component of equity and other comprehensive income. Gains and losses on foreign currency transactions, including foreign currency denominated intercompany loans on entities with a functional currency in U.S. dollars, are recognized in the Consolidated Statements of Operations.

Equity-Based Compensation. The Company measures compensation expense for awards settled in shares based on the grant date fair value of the award. The Company measures compensation expense for awards settled in cash, or that may be settled in cash, based on the fair value at each reporting date. The Company recognizes the expense over the requisite service period, which is generally the vesting period of the award. Stock award forfeitures are accounted for as they occur.

Earnings Per Share. Basic earnings per share is calculated under the two-class method. The Company treats restricted stock as a participating security due to its nonforfeitable right to dividends. Under the two-class method, the Company allocates to the participating securities their portion of dividends declared and undistributed earnings to the extent the participating securities may share in the earnings as if all earnings for the period had been distributed. Basic earnings per share is calculated by dividing the income available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated similarly except that the weighted average number of common shares outstanding during the period includes the dilutive effect of the assumed exercise of options and restricted stock issuable under the Company's stock plans. The dilutive effect of potentially dilutive securities is reflected in diluted earnings per share by application of the treasury stock method.

Mandatorily Redeemable Noncontrolling Interest. The Company's mandatorily redeemable noncontrolling interest represents the noncontrolling interest in GHC One LLC, (GHC One), a subsidiary of Graham Healthcare Group (GHG). The minority shareholders must liquidate their 5% interest in GHC One upon its required liquidation in 2026. This interest is reported as a noncurrent liability at December 31, 2020 and 2019 in the Consolidated Balance Sheets. The Company presents this liability at fair value, which is computed quarterly at the current redemption value. Changes in the redemption value is recorded as interest expense or income in the Company's Consolidated Statement of Operations. Prior to July 2018, the Company's mandatorily redeemable noncontrolling interest represented the noncontrolling interest in Graham Healthcare Group (GHG), which was 90% owned. The minority shareholders had an option to put their shares to the Company starting in 2020 and were required to put a percentage of their shares in 2022 and 2024, with the remaining shares required to be put by the minority shareholders in 2026. Since the noncontrolling interest was mandatorily redeemable by 2026, it was reported as a noncurrent liability. This mandatorily redeemable noncontrolling interest was redeemed and paid in July 2018 (see Note 3).

Redeemable Noncontrolling Interest. The Company's redeemable noncontrolling interest represents the noncontrolling interest in Hoover, which is 98.01% owned, CSI Pharmacy, which is 75% owned and Framebridge, which is 93.4% owned. Hoover's minority shareholders have an option to put some of their shares to the Company in 2019 and the remaining shares starting in 2021. The Company has an option to buy the shares of minority shareholders starting in 2027. CSI's minority shareholders may put up to 50% of their shares to the Company. The first put period begins in 2022. A second put period for another tranche of shares begins in 2024. The minority shareholder of Framebridge has an option to put 20% of the shares to the Company annually starting in 2024. The Company presents the redeemable noncontrolling interests at the greater of its carrying amount or redemption value at the end of each reporting period in the Consolidated Balance Sheets. Changes in the redemption value are recorded to capital in excess of par value in the Company's Consolidated Balance Sheets.

Comprehensive Income. Comprehensive income consists of net income, foreign currency translation adjustments, net changes in cash flow hedges, and pension and other postretirement plan adjustments.

Recently Adopted and Issued Accounting Pronouncements. In June 2016, the FASB issued new guidance that requires financial assets measured at amortized cost, including accounts receivable, to be measured using the current expected credit losses model (CECL). CECL requires current expected credit losses to be measured upon the initial recognition of a financial asset by considering all available relevant information, including information about past events, current conditions and reasonable and supportable forecasts of future economic conditions. The standard was adopted by the Company in the first quarter of 2020 and did not have a significant impact on its Consolidated Financial Statements.

Other new pronouncements issued but not effective until after December 31, 2020, are not expected to have a material impact on the Company's Consolidated Financial Statements.

3. ACQUISITIONS AND DISPOSITIONS OF BUSINESSES

Acquisitions. During 2020, the Company acquired three businesses: two in education and one in other businesses for $96.8 million in cash and contingent consideration. The assets and liabilities of the companies acquired were recorded at their estimated fair values at the date of acquisition.

In the first three months of 2020, Kaplan acquired two small businesses; one in its supplemental education division and one in its international division.

In May 2020, the Company acquired an additional interest in Framebridge, Inc. for cash and contingent consideration that resulted in the Company obtaining control of the investee. Following the acquisition, the Company owns 93.4% of Framebridge. The Company previously accounted for Framebridge under the equity method, and included it in Investments in Affiliates on the Consolidated Balance Sheet (see Note 4). The contingent consideration is primarily based on Framebridge achieving revenue milestones within a specific time period. The fair value of the contingent consideration at the acquisition date was $50.6 million, determined using a Monte Carlo simulation. The fair value of the redeemable noncontrolling interest in Framebridge was $6.0 million as of the acquisition date, determined using a market approach. The minority shareholder has an option to put 20% of the minority shares annually starting in 2024. The acquisition is expected to provide benefits in the future by diversifying the Company's business operations and is included in other businesses.

During 2019, the Company acquired eight businesses: one in education, three in healthcare, one in manufacturing, and three in other businesses for $211.8 million in cash and contingent consideration and the assumption of $25.8 million in floor plan payables. The assets and liabilities of the companies acquired were recorded at their estimated fair values at the date of acquisition.

On January 31, 2019, the Company acquired an interest in two automotive dealerships for cash and the assumption of floor plan payables (see Note 6). In connection with the acquisition, the automotive subsidiary of the Company borrowed $30 million to finance the acquisition and entered into an interest rate swap to fix the interest rate on the debt at 4.7% per annum (see Note 11). The Company has a 90% interest in the automotive subsidiary. The Company also entered into a management services agreement with an entity affiliated with Christopher J. Ourisman, a member of the Ourisman Automotive Group family of dealerships. Mr. Ourisman and his team operate and manage the dealerships. The Company paid a fee of $2.3 million for the year ended December 31, 2019 in connection with the management services provided under this agreement. In addition, the Company advanced $3.5 million to the minority shareholder, an entity controlled by Mr. Ourisman, at an interest rate of 6% per annum. The minority shareholder has the option to acquire up to an additional 10% interest in the automotive subsidiary. The acquisition is expected to provide benefits in the future by diversifying the Company's business operations and is included in other businesses.

In July 2019, GHG acquired a 100% interest in a small business which is expected to provide certain strategic benefits in the future and is included in healthcare. On July 11, 2019, Kaplan acquired a 100% interest in Heverald, the owner of ESL Education, Europe's largest language-travel agency and Alpadia, a chain of German and French language schools and junior summer camps. The acquisition is expected to provide synergies within Kaplan's International English business and is included in Kaplan's international division.

On July 31, 2019, the Company closed its acquisition of Clyde's Restaurant Group (CRG). At the date of acquisition, CRG owned and operated 13 restaurants and entertainment venues in the Washington, D.C. metropolitan area, including Old Ebbitt Grill and The Hamilton. In connection with the acquisition, the Company entered into several leases with an entity affiliated with some of CRG's senior managers. The acquisition is expected to provide benefits in the future by diversifying the Company's business operations and is included in other businesses.

In September 2019, Joyce/Dayton Corp. acquired the assets of a small business. The acquisition is expected to complement current product offerings and is included in manufacturing.

On December 1, 2019, GHG acquired 75% of the preferred shares of CSI Pharmacy Holding Company, LLC (CSI). In connection with the acquisition, CSI entered into an $11.25 million Term Loan (see Note 11) to finance the acquisition. CSI is a specialty and home infusion pharmacy, which provides intravenous immunoglobulin therapies to patients. The minority shareholders may put up to 50% of their preferred shares to GHG and the first put period begins in 2022. A second put period for another tranche of preferred shares begins in 2024. The fair value of the redeemable noncontrolling interest in CSI was $1.7 million at the acquisition date, determined using an income approach. The acquisition is expected to expand the product offerings of the healthcare division.

During 2018, the Company acquired eight businesses: five in education, one in manufacturing, one in healthcare, and one in other businesses for $121.1 million in cash and contingent consideration. The assets and liabilities of the companies acquired were recorded at their estimated fair values at the date of acquisition.

In January and February 2018, Kaplan acquired the assets of i-Human Patients, Inc., a provider of cloud-based, interactive patient encounter simulations for medical and nursing professionals and educators, and another small business in the supplemental education and international divisions, respectively. These acquisitions are expected to provide strategic benefits in the future.

In May 2018, Kaplan acquired a 100% interest in Professional Publications, Inc. (PPI), an independent publisher of professional licensing exam review materials and engineering, surveying, architecture, and interior design licensure exam review, by purchasing all of its issued and outstanding shares. This acquisition is expected to provide certain strategic benefits in the future. This acquisition is included in the supplemental education division.

On July 12, 2018, Kaplan acquired 100% of the issued and outstanding shares of the College for Financial Planning (CFFP), a provider of financial education and training to individuals pursuing the Certified Financial Planner certification, a Master of Science in Personal Financial Planning, or a Master of Science in Finance. The acquisition is expected to expand Kaplan's financial education product offerings and is included in the supplemental education division.

On July 31, 2018, Dekko acquired 100% of the issued and outstanding shares of Furnlite, Inc., a Fallston, NC-based manufacturer of power and data solutions for the hospitality and residential furniture industries. Dekko's primary reasons for the acquisition are to complement existing product offerings and to provide potential synergies across the businesses. The acquisition is included in manufacturing.

In August 2018, Code3 acquired 100% of the membership interests of Marketplace Strategy (MPS), a Cleveland-based digital marketing agency that provides strategy consulting, optimization services, advertising management and creative solutions on online marketplaces including Amazon. Code3's primary reason for the acquisition is to expand its platform offerings. The acquisition is included in other businesses.

In September 2018, GHG acquired the assets of a small business and Kaplan acquired the test preparation and study guide assets of Barron's Educational Series, a New York-based education publishing company. The acquisitions are expected to complement the healthcare and test preparation services currently offered by GHG and Kaplan, respectively. GHG is included in the healthcare division. The Barron's Educational Series acquisition is included in the supplemental education division.

Acquisition-related costs for acquisitions that closed during 2020, 2019 and 2018 were $1.1 million, $3.0 million and $1.5 million, respectively, and expensed as incurred. The aggregate purchase price of these acquisitions was allocated as follows, based on acquisition date fair values to the following assets and liabilities:

	Purchase Price Allocation		
	Year Ended December 31		
(in thousands)	**2020**	2019	2018
Accounts receivable	**$ 745**	$ 6,762	$ 2,344
Inventory	**3,496**	34,134	1,268
Property, plant and equipment	**3,346**	56,391	1,518
Lease right-of-use assets	**6,580**	98,505	—
Goodwill	**73,951**	84,669	41,840
Indefinite-lived intangible assets	**—**	46,900	—
Amortized intangible assets	**14,589**	21,291	78,427
Other assets	**975**	8,308	5,198
Deferred income taxes	**15,958**	(2,703)	(4,900)
Floor plan payables	**—**	(25,755)	—
Other liabilities	**(14,917)**	(42,555)	(7,678)
Current and noncurrent lease liabilities	**(6,593)**	(99,131)	—
Redeemable noncontrolling interest	**(6,005)**	(1,715)	—
Noncontrolling interest	**—**	(1,154)	—
Aggregate purchase price, net of cash acquired	**$ 92,125**	$ 183,947	$ 118,017

The 2020 fair values recorded were based upon valuations and the estimates and assumptions used in such valuations are subject to change within the measurement period (up to one year from the acquisition date). The 2019 values above reflect a measurement period adjustment related to the lease right-of-use assets, current and noncurrent lease liabilities and the finalization of working capital. Goodwill is calculated as the excess of the consideration transferred over the net assets recognized and represents the estimated future economic benefits arising from other assets acquired that could not be individually identified and separately recognized. The goodwill recorded due to these acquisitions is attributable to the assembled workforces of the acquired companies and expected synergies. The Company expects to deduct $3.2 million, $70.7 million and $32.3 million of goodwill for income tax purposes for the acquisitions completed in 2020, 2019 and 2018, respectively.

The acquired companies were consolidated into the Company's financial statements starting on their respective acquisition dates. The Company's Consolidated Statements of Operations include aggregate revenue and operating loss of $28.8 million and $13.8 million, respectively, for the year ended December 31, 2020. The following unaudited pro forma financial information presents the Company's results as if the current year acquisitions had occurred at the beginning of 2019. The unaudited pro forma information also includes the 2019 acquisitions as if they occurred at the beginning of 2018 and the 2018 acquisitions as if they had occurred at the beginning of 2017:

	Year Ended December 31		
(in thousands)	**2020**	2019	2018
Operating revenues	**$ 2,896,476**	$ 3,089,712	$ 3,166,907
Net income	**293,514**	304,734	275,074

These pro forma results were based on estimates and assumptions, which the Company believes are reasonable, and include the historical results of operations of the acquired companies and adjustments for depreciation and amortization of identified assets and the effect of pre-acquisition transaction related expenses incurred by the Company and the acquired entities. The pro forma information does not include efficiencies, cost reductions and synergies expected to result from the acquisitions. They are not the results that would have been realized had these entities been part of the Company during the periods presented and are not necessarily indicative of the Company's consolidated results of operations in future periods.

Kaplan University Transaction. On April 27, 2017, certain subsidiaries of Kaplan entered into a Contribution and Transfer Agreement to contribute the institutional assets and operations of Kaplan University to an Indiana nonprofit, public-benefit corporation that is a subsidiary affiliated with Purdue University. The closing of the transactions contemplated by the Transfer Agreement occurred on March 22, 2018. At the same time, the parties entered into the TOSA pursuant to which Kaplan provides key non-academic operations support to the new university.

The new university operates largely online as a new Indiana public university affiliated with Purdue under the name Purdue Global. As part of the transfer to Purdue Global, KU transferred students, academic personnel, faculty and operations, property leases for KU's campuses and learning centers, Kaplan-owned academic curricula and content related to KU courses. The operations support activities that Kaplan provides to Purdue Global includes technology support, help-desk functions, human resources support for transferred faculty and employees, admissions support, financial aid administration, marketing and advertising, back-office business functions, certain test preparation and domestic and international student recruiting services.

The transfer of KU did not include any of the assets of the KU School of Professional and Continuing Education, which provides professional training and exam preparation for professional certifications and licensures, nor did it include the transfer of other Kaplan businesses such as Supplemental Education and Kaplan International. Those entities, programs and business lines remain part of Kaplan. Kaplan received nominal cash consideration upon transfer of the institutional assets.

Pursuant to the TOSA, Kaplan is not entitled to receive any reimbursement of costs incurred in providing support functions, or any compensation, unless and until Purdue Global has first covered all of its operating costs (subject to a cap). If Purdue Global achieves cost efficiencies in its operations, then Purdue Global may be entitled to an additional payment equal to 20% of such cost efficiencies (Purdue Efficiency Payment). In addition, during each of Purdue Global's first five years, prior to any payment to Kaplan, Purdue Global is entitled to a priority payment of $10 million per year beyond costs. To the extent Purdue Global's revenue is insufficient to pay the $10 million per year priority payment, Kaplan is required to advance an amount to Purdue Global to cover such insufficiency. At closing, Kaplan paid to Purdue Global an advance in the amount of $20 million, representing, and in lieu of, priority payments for Purdue Global's fiscal years ending June 30, 2019 and June 30, 2020.

To the extent that there are sufficient revenues to pay the Purdue Efficiency Payment, Purdue Global is reimbursed for its operating costs (subject to a cap) and the priority payment to Purdue Global is paid. To the extent there is remaining revenue, Kaplan will then receive reimbursement for its operating costs (subject to a cap) of providing the support activities. If Kaplan achieves cost efficiencies in its operations, then Kaplan may be entitled to an additional payment equal to 20% of such cost efficiencies (Kaplan Efficiency Payment). If there are sufficient revenues, Kaplan may also receive a fee equal to 12.5% of Purdue Global's revenue. The fee will increase to 13% beginning with Purdue Global's fiscal year ending June 30, 2023 and continuing through Purdue Global's fiscal year ending June 30, 2027, and then the fee will return to 12.5% thereafter. Subject to certain limitations, a portion of the fee that is earned by Kaplan in one year may be carried over and instead paid to Kaplan in subsequent years. After the first five years of the TOSA, Kaplan and Purdue Global will be entitled to payments in a manner consistent with the structure described above, except that (i) Purdue Global will no longer be entitled to a priority payment and (ii) to

the extent that there are sufficient revenues after payment of the Kaplan Efficiency Payment (if any), Purdue Global will be entitled to an annual payment equal to 10% of the remaining revenue after the Kaplan Efficiency Payment (if any) is paid and subject to certain other adjustments. The TOSA has a 30-year initial term, which will automatically renew for five-year periods unless terminated. After the sixth year, Purdue Global has the right to terminate the agreement upon payment of a termination fee equal to 1.25 times Purdue Global’s revenue for the preceding 12-month period, which payment would be made pursuant to a 10-year note, and at the election of Purdue Global, it may receive for no additional consideration certain assets used by Kaplan to provide the support activities pursuant to the TOSA. At the end of the 30-year term, if Purdue Global does not renew the TOSA, Purdue Global will be obligated to make a final payment of 75% of its total revenue earned during the preceding 12-month period, which payment will be made pursuant to a 10-year note, and at the election of Purdue Global, it may receive for no additional consideration certain assets used by Kaplan to provide the support activities pursuant to the TOSA.
Either party may terminate the TOSA at any time if Purdue Global generates (i) $25 million in cash operating losses for three consecutive years or (ii) aggregate cash operating losses greater than $75 million at any point during the initial term. Operating loss is defined as the amount of revenue Purdue Global generates minus the sum of (1) Purdue Global’s and Kaplan’s respective costs in performing academic and support functions and (2) the $10 million priority payment to Purdue Global in each of the first five years. Upon termination for any reason, Purdue Global will retain the assets that Kaplan contributed pursuant to the Transfer Agreement. Each party also has certain termination rights in connection with a material default or material breach of the TOSA by the other party.

Pursuant to the U.S. Department of Education (ED) requirements, Purdue assumes responsibility for any liability arising from the operation of the institution. This assumption will not limit Kaplan’s obligation to indemnify Purdue for pre-closing liabilities under the Transfer Agreement. As a result of the transfer of KU, Kaplan will no longer own or operate KU or any other institution participating in student financial aid programs that have been created under Title IV of the U.S. Federal Higher Education Act of 1965, as amended. Consequently, Kaplan is no longer responsible for operating KU. However, pursuant to the TOSA, Kaplan will be performing functions that fall within the ED’s definition of a third-party servicer and will, therefore, assume certain regulatory responsibilities that require approval by the ED. The third-party servicer arrangement between Kaplan and Purdue Global is also subject to information security requirements established by the Federal Trade Commission as well as all aspects of the Family Educational Rights and Privacy Act. As a third-party servicer, Kaplan may be required to undergo an annual compliance audit of its administration of the Title IV functions or services that it performs.

As a result of the KU Transaction, the Company recorded a pre-tax gain of $4.3 million in the first quarter of 2018. For financial reporting purposes, Kaplan may receive payment of additional consideration for the sale of the institutional assets as part of the fee to the extent there are sufficient revenues available after paying all amounts required by the TOSA. The Company recorded a $3.5 million, $1.4 million and $1.9 million contingent consideration gain related to the disposition in 2020, 2019 and 2018, respectively.

The revenue and operating income related to the KU business disposed of is as follows:

	Year Ended December 31
(in thousands)	2018
Revenue	$ 91,526
Operating income	213

Sale of Businesses. In December 2020, the Company completed the sale of Megaphone which was included in other businesses. In November 2019, Kaplan UK completed the sale of a small business which was included in Kaplan International. In February 2018, Kaplan completed the sale of a small business which was included in Supplemental Education. In September 2018, Kaplan Australia completed the sale of a small business which was included in Kaplan International. As a result of these sales, the Company reported gains (losses) in other non-operating income (see Note 16).

Other Transactions. During 2019, the Company established GHC One as a vehicle to invest in a portfolio of healthcare businesses together with a group of senior managers of GHG. As a holder of preferred units, the Company is obligated to contribute 95% of the capital required for the acquisition of portfolio investments with the remaining 5% of the capital coming from the group of senior managers. The operating agreement of GHC One requires the dissolution of the entity on March 31, 2026, at which time the net assets will be distributed to its members. As a preferred unit holder, the Company will receive an amount up to its contributed capital plus a preferred annual return of 8% (guaranteed return) after the group of senior managers has received a redemption of their 5% interest in net assets (manager return). All distributions in excess of the manager and guaranteed return will be paid to common unit holders, which currently comprise the group of senior managers of GHG. The Company may convert its preferred units to common units at any time after which it will receive 80% of all distributions in excess of the manager return, with the remaining 20% of excess distributions going to the group of senior managers as holders of the other common units.

As of December 31, 2020, the Company holds a controlling financial interest in GHC One and therefore includes the assets, liabilities, results of operations and cash flows in its consolidated financial statements. GHC One acquired CSI and another small business during 2019. The Company accounts for the minority ownership of the group of senior managers as a mandatorily redeemable noncontrolling interest (see Note 2).

In March 2019, a Hoover minority shareholder put some shares to the Company, which had a redemption value of $0.6 million. Following the redemption, the Company owns 98.01% of Hoover. In June 2018, the Company incurred $6.2 million of interest expense related to the mandatorily redeemable noncontrolling interest redemption settlement at GHG. The mandatorily redeemable noncontrolling interest was redeemed and paid in July 2018.

4. INVESTMENTS

Money Market Investments. As of December 31, 2020 and 2019, the Company had money market investments of $268.8 million and $45.2 million, respectively, that are classified as cash and cash equivalents in the Company's Consolidated Balance Sheets.

Investments in Marketable Equity Securities. Investments in marketable equity securities consist of the following:

	As of December 31	
(in thousands)	**2020**	2019
Total cost	**$ 232,847**	$ 282,349
Gross unrealized gains	**340,255**	302,731
Total Fair Value	**$ 573,102**	$ 585,080

At December 31, 2020 and 2019, the Company owned 28,000 shares in Markel Corporation (Markel) valued at $28.9 million and $32.0 million, respectively. The Co-Chief Executive Officer of Markel, Mr. Thomas S. Gayner, is a member of the Company's Board of Directors. As of December 31, 2020, there was no marketable equity security holding that exceeded 5% of the Company's total assets.

The Company purchased $20.0 million, $7.5 million and $42.7 million of marketable equity securities during 2020, 2019 and 2018, respectively.

During 2020, 2019 and 2018, the gross cumulative realized net gains from the sales of marketable equity securities were $23.0 million, $9.5 million and $37.3 million, respectively. The total proceeds from such sales were $93.8 million, $19.3 million and $66.7 million, respectively.

The net gain (loss) on marketable equity securities comprised the following:

	Year ended December 31		
(in thousands)	**2020**	2019	2018
Gain (loss) on marketable equity securities, net	**$ 60,787**	$ 98,668	$ (15,843)
Less: Net losses (gains) in earnings from marketable equity securities sold and donated	**13,382**	(2,810)	4,271
Net unrealized gains (losses) in earnings from marketable equity securities still held at the end of the year	**$ 74,169**	$ 95,858	$ (11,572)

Investments in Affiliates. As of December 31, 2020, the Company held an approximate 12% interest in Intersection Holdings, LLC, and in several other affiliates; GHG held a 40% interest in Residential Home Health Illinois, a 42.5% interest in Residential Hospice Illinois, a 40% interest in the joint venture formed between GHG and a Michigan hospital, and a 40% interest in the joint venture formed between GHG and Allegheny Health Network (AHN). For the years ended December 31, 2020, 2019 and 2018, the Company recorded $9.6 million, $9.3 million and $12.1 million, respectively, in revenue for services provided to the affiliates of GHG.

The Company had $26.1 million and $25.6 million in its investment account that represents cumulative undistributed income in its investments in affiliates as of December 31, 2020 and 2019, respectively.

In the first quarter of 2020, the Company recorded impairment charges of $3.6 million on two of its investments in affiliates as a result of the challenging economic environment for these businesses, of which $2.7 million related to the Company's investment in Framebridge. It is reasonably possible that further COVID-19 disruptions could result in additional impairment charges related to the Company's investments in affiliates should the impact of COVID-19 not dissipate or have a worsening adverse impact on our affiliates in future periods. The Company records its share of the earnings or losses of its affiliates from their most recent available financial statements. In some instances, the reporting period of the affiliates' financial statements lags the Company's financial reporting period, but such lag is never more than three months. It is possible that the Company's results of operations for the year ended December 31, 2020 does not capture the impact of the COVID-19 pandemic on the earnings or losses of the affiliates whose financial results are recorded on a lag basis.

In the second quarter of 2019, the Company made an investment in Framebridge, a custom framing service company based in Washington, D.C. The Company accounted for this investment under the equity method, and included it in Investments in Affiliates on the Consolidated Balance Sheet. In May 2020, the Company made an additional investment in Framebridge (see Note 3) that resulted in the Company obtaining control of the investee. The results of operations, cash flows, assets and liabilities of Framebridge are included in the consolidated financial statements of the Company from the date of the acquisition. Timothy J. O'Shaughnessy, President and Chief Executive Officer of Graham Holdings Company, was a personal investor in Framebridge and served as Chairman of the Board prior to the acquisition of the additional interest. The Company acquired Mr. O'Shaughnessy's interest under the same terms as the other Framebridge investors.

In February 2019, the Company sold its interest in Gimlet Media. In connection with this sale, the Company recorded a gain of $29.0 million in the first quarter of 2019. The total proceeds from the sale were $33.5 million.

Additionally, Kaplan International Holdings Limited (KIHL) held a 45% interest in a joint venture formed with York University. KIHL agreed to loan the joint venture £25 million. In the second quarter of 2018, KIHL advanced a final amount of £6 million in additional funding to the joint venture under this agreement, bringing the total amount advanced to £22 million. The loan is repayable over 25 years at an interest rate of 7% and guaranteed by the University of York. The loan is repayable by 2041.

In the third quarter of 2018, the Company recorded a $2.1 million gain in equity in earnings of affiliates following the receipt of a final distribution upon the liquidation of HomeHero, a company that managed an online senior home care marketplace. Also in the third quarter of 2018, the Company recorded a $5.8 million gain in equity in earnings of affiliates due to a funding event that increased the estimated liquidation value of the Company's investment in one of its affiliates.

Cost Method Investments. The Company held investments without readily determinable fair values in a number of equity securities that are accounted for as cost method investments, which are recorded at cost, less impairment, and adjusted for observable price changes for identical or similar investments of the same issuer. The carrying value of these investments was $35.7 million and $38.5 million as of December 31, 2020 and 2019, respectively. During the years ended December 31, 2020, 2019 and 2018, the Company recorded gains of $4.2 million, $5.1 million and $11.7 million, respectively, to those equity securities based on observable transactions. During 2020 and 2018, the Company recorded impairment losses of $7.3 million and $2.7 million, respectively, to those securities.

5. ACCOUNTS RECEIVABLE, ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts receivable consist of the following:

	As of December 31	
(in thousands)	**2020**	2019
Receivables from contracts with customers, less estimated credit losses of $21,494 and $14,276	**$ 519,577**	$ 595,321
Other receivables	**17,579**	28,895
	$ 537,156	$ 624,216

The changes in estimated credit losses was as follows:

(in thousands)	Balance at Beginning of Period	Additions – Charged to Costs and Expenses	Deductions	Balance at End of Period
2020	**$ 14,276**	**$ 10,667**	**$ (3,449)**	**$ 21,494**
2019	14,775	1,706	(2,205)	14,276
2018	22,975	10,209	(18,409)	14,775

Accounts payable and accrued liabilities consist of the following:

	As of December 31	
(in thousands)	**2020**	2019
Accounts payable and accrued liabilities	**$ 384,743**	$ 366,963
Accrued compensation and related benefits	**135,493**	140,738
	$ 520,236	$ 507,701

Cash overdrafts of $2.1 million and $0.5 million are included in accounts payable and accrued liabilities at December 31, 2020 and 2019, respectively.

6. INVENTORIES, CONTRACTS IN PROGRESS AND VEHICLE FLOOR PLAN PAYABLE

Inventories and contracts in progress consist of the following:

	As of December 31	
(in thousands)	**2020**	2019
Raw materials	**$ 45,382**	$ 35,119
Work-in-process	**10,402**	10,775
Finished goods	**64,061**	70,602
Contracts in progress	**777**	4,338
	$ 120,622	$ 120,834

The Company finances new and used vehicle inventory through a standardized floor plan facility (floor plan facility) with Truist Bank. The vehicle floor plan facility bears interest at variable rates that are based on LIBOR plus 1.15% per annum. The weighted average interest rate for the floor plan facility was 1.7% and 3.3% for the years ended December 31, 2020 and 2019, respectively. As of December 31, 2020, the aggregate capacity under the floor plan facility was $50 million, of which $26.0 million had been utilized, and is included in accounts payable and accrued liabilities in the Consolidated Balance Sheet. Changes in the vehicle floor plan payable are reported as cash flows from financing activities in the Consolidated Statements of Cash Flows.

The floor plan facility is collateralized by vehicle inventory and other assets of the relevant dealership subsidiary, and contains a number of covenants, including, among others, covenants restricting the dealership subsidiary with respect to the creation of liens and changes in ownership, officers and key management personnel. The Company was in compliance with all of these restrictive covenants as of December 31, 2020.

The floor plan interest expense related to the vehicle floor plan arrangements is offset by amounts received from manufacturers in the form of floor plan assistance capitalized in inventory and recorded against operating expense in the Consolidated Statements of Operations when the associated inventory is sold. For the years ended December 31, 2020 and 2019, the Company recognized a reduction in operating expense of $2.1 million and $1.8 million, respectively, related to manufacturer floor plan assistance.

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	As of December 31	
(in thousands)	**2020**	2019
Land	**$ 19,394**	$ 17,489
Buildings	**176,653**	133,189
Machinery, equipment and fixtures	**398,334**	370,218
Leasehold improvements	**229,512**	233,842
Construction in progress	**25,301**	79,963
	849,194	834,701
Less accumulated depreciation	**(470,908)**	(450,031)
	$ 378,286	$ 384,670

Depreciation expense was $74.3 million, $59.3 million, and $56.7 million in 2020, 2019 and 2018, respectively.

The Company capitalized $2.1 million and $0.8 million of interest related to the construction of buildings in 2019 and 2018, respectively.

The Company recorded property, plant and equipment impairment charges of $2.3 million, $0.3 million and $0.2 million in 2020, 2019 and 2018, respectively. The Company estimated the fair value of the property, plant and equipment using income and market approaches.

8. LEASES

The components of lease expense were as follows:

(in thousands)	Year ended December 31 2020	2019
Operating lease cost	**$ 113,669**	$ 104,007
Short-term and month-to-month lease cost	**21,862**	19,267
Variable lease cost	**18,718**	20,582
Sublease income	**(18,508)**	(20,108)
Total net lease cost	**$ 135,741**	$ 123,748

The Company recorded impairment charges of $11.4 million and $1.1 million in 2020 and 2019, respectively. The Company estimated the fair value of the right-of-use assets using an income approach.

In connection with the sale of the KHE Campuses business, the Company is the guarantor of several leases for which it has established ROU assets and lease liabilities (see Note 18). Any net lease cost or sublease income related to these leases is recorded in other non-operating income. The total net lease cost related to these leases was $0.8 million in each year for 2020 and 2019.

Supplemental information related to leases was as follows:

(in thousands)	Year ended December 31 2020	2019
Cash Flow Information:		
Operating cash flows from operating leases (payments)	**$ 113,664**	$ 112,671
Right-of-use assets obtained in exchange for new operating lease liabilities (noncash)	**27,031**	236,714
	As of December 31 2020	2019
Balance Sheet Information:		
Lease right-of-use assets	**$ 462,560**	$ 526,417
Current lease liabilities	**$ 86,797**	$ 92,714
Noncurrent lease liabilities	**428,849**	477,004
Total lease liabilities	**$ 515,646**	$ 569,718
Weighted average remaining lease term (years)	**9.9**	10.5
Weighted average discount rate	**4.4 %**	4.3 %

At December 31, 2020, maturities of lease liabilities were as follows:

(in thousands)	December 31, 2020
2021	$ 106,994
2022	88,721
2023	71,003
2024	57,310
2025	45,968
Thereafter	280,837
Total payments	**650,833**
Less: Imputed interest	(135,187)
Total	**$ 515,646**

As of December 31, 2020, the Company has entered into operating leases, including educational and other facilities, that have not yet commenced that have minimum lease payments of $1.9 million. These operating leases will commence in fiscal year 2021 with lease terms of one to two years.

9. GOODWILL AND OTHER INTANGIBLE ASSETS

The Company changed the presentation of its segments in the third and fourth quarters of 2020 into the following six reportable segments: Kaplan International, Higher Education, Supplemental Education, Television Broadcasting, Manufacturing and Healthcare (see Note 19).

In the first quarter of 2020, as a result of the uncertainty and challenging operating environment created by the COVID-19 pandemic, the Company performed an interim review of the goodwill, indefinite-lived intangibles and other long-lived assets of the CRG and automotive dealership reporting units and asset groups. As a result of the impairment reviews, the Company recorded a $9.7 million goodwill and indefinite-lived intangible asset impairment charge at CRG and a $6.7 million indefinite-lived intangible asset impairment charge at the auto dealerships. The Company estimated the fair value of the reporting units and indefinite-lived intangible assets by utilizing a discounted cash flow model. The carrying value of the CRG reporting unit and the indefinite-lived intangible assets exceeded the estimated fair value, resulting in a goodwill and indefinite-lived intangible asset impairment charge for the amount by which the carrying value exceeded the estimated fair value. CRG and the automotive dealerships are included in other businesses. Additional COVID-19 disruptions could result in future adverse changes in projections for future operating results or other key assumptions, such as projected revenue, profit margin, capital expenditures or cash flows associated with fair value estimates and could lead to additional future impairments, which could be material.

In the fourth quarter of 2019, Television Broadcasting recorded an intangible asset impairment charge of $7.8 million related to FCC licenses at two of its stations, due to a decline in local market conditions. The fair value of the intangible asset was estimated using an income approach.

In the third quarter of 2018, Healthcare recorded an intangible asset impairment charge of $7.9 million following the decision to discontinue the use of the Celtic trade name. The fair value of the intangible asset was estimated using an income approach.

Amortization of intangible assets for the years ended December 31, 2020, 2019 and 2018, was $56.8 million, $53.2 million and $47.4 million, respectively. Amortization of intangible assets is estimated to be approximately $52 million in 2021, $46 million in 2022, $38 million in 2023, $28 million in 2024, $21 million in 2025 and $20 million thereafter.

The changes in the carrying amount of goodwill, by segment, were as follows:

(in thousands)	Education	Television Broadcasting	Manufacturing	Healthcare	Other Businesses	Total
As of December 31, 2018						
Goodwill	$ 1,128,699	$ 190,815	$ 231,479	$ 69,626	$ 23,545	$ 1,644,164
Accumulated impairment losses	(331,151)	—	(7,616)	—	(7,685)	(346,452)
	797,548	190,815	223,863	69,626	15,860	1,297,712
Acquisitions	6,207	—	3,514	28,795	45,999	84,515
Dispositions	(579)	—	—	—	—	(579)
Foreign currency exchange rate changes	6,631	—	—	—	—	6,631
As of December 31, 2019						
Goodwill	1,140,958	190,815	234,993	98,421	69,544	1,734,731
Accumulated impairment losses	(331,151)	—	(7,616)	—	(7,685)	(346,452)
	809,807	190,815	227,377	98,421	61,859	1,388,279
Measurement period adjustment	**154**	**—**	**—**	**—**	**—**	**154**
Acquisitions	**13,022**	**—**	**—**	**—**	**60,928**	**73,950**
Impairment	**—**	**—**	**—**	**—**	**(6,878)**	**(6,878)**
Foreign currency exchange rate changes	**29,245**	**—**	**—**	**—**	**—**	**29,245**
As of December 31, 2020						
Goodwill	**1,183,379**	**190,815**	**234,993**	**98,421**	**130,472**	**1,838,080**
Accumulated impairment losses	**(331,151)**	**—**	**(7,616)**	**—**	**(14,563)**	**(353,330)**
	$ 852,228	**$ 190,815**	**$ 227,377**	**$ 98,421**	**$ 115,909**	**$ 1,484,750**

The changes in carrying amount of goodwill at the Company's education division were as follows:

(in thousands)	Kaplan International	Higher Education	Supplemental Education	Total
As of December 31, 2018				
Goodwill	$ 583,424	$ 174,564	$ 370,711	$ 1,128,699
Accumulated impairment losses	—	(111,324)	(219,827)	(331,151)
	583,424	63,240	150,884	797,548
Acquisitions	6,207	—	—	6,207
Dispositions	(579)	—	—	(579)
Foreign currency exchange rate changes	6,552	—	79	6,631
As of December 31, 2019				
Goodwill	595,604	174,564	370,790	1,140,958
Accumulated impairment losses	—	(111,324)	(219,827)	(331,151)
	595,604	63,240	150,963	809,807
Measurement period adjustment	**154**	**—**	**—**	**154**
Acquisitions	**9,788**	**—**	**3,234**	**13,022**
Foreign currency exchange rate changes	**29,203**	**—**	**42**	**29,245**
As of December 31, 2020				
Goodwill	**634,749**	**174,564**	**374,066**	**1,183,379**
Accumulated impairment losses	**—**	**(111,324)**	**(219,827)**	**(331,151)**
	$ 634,749	**$ 63,240**	**$ 154,239**	**$ 852,228**

Other intangible assets consist of the following:

		As of December 31, 2020			As of December 31, 2019		
(in thousands)	**Useful Life Range**	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Carrying Amount**	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized Intangible Assets							
Student and customer relationships	**2–10 years**	**$ 294,077**	**$ 178,075**	**$ 116,002**	$ 291,626	$ 144,625	$ 147,001
Trade names and trademarks	**2–10 years**	**109,809**	**54,766**	**55,043**	87,190	42,770	44,420
Network affiliation agreements	**10 years**	**17,400**	**6,888**	**10,512**	17,400	5,148	12,252
Databases and technology	**3–6 years**	**34,864**	**19,924**	**14,940**	30,623	12,850	17,773
Noncompete agreements	**2–5 years**	**1,000**	**937**	**63**	1,313	929	384
Other	**1–8 years**	**24,800**	**16,714**	**8,086**	24,800	13,149	11,651
		$ 481,950	**$ 277,304**	**$ 204,646**	$ 452,952	$ 219,471	$ 233,481
Indefinite-Lived Intangible Assets							
Trade names and trademarks		**$ 87,429**			$ 100,491		
Franchise agreements		**21,858**			28,556		
FCC licenses		**11,000**			11,000		
Licensure and accreditation		**150**			150		
		$ 120,437			$ 140,197		

10. INCOME TAXES

Income before income taxes consists of the following:

	Year Ended December 31		
(in thousands)	**2020**	2019	2018
U.S.	**$ 403,295**	$ 390,144	$ 257,312
Non-U.S.	**3,973**	36,335	66,196
	$ 407,268	$ 426,479	$ 323,508

The provision for income taxes consists of the following:

(in thousands)	Current	Deferred	Total
Year Ended December 31, 2020			
U.S. Federal	**$ 77,882**	**$ 6,669**	**$ 84,551**
State and Local	**8,083**	**4,954**	**13,037**
Non-U.S.	**6,958**	**2,754**	**9,712**
	$ 92,923	**$ 14,377**	**$ 107,300**
Year Ended December 31, 2019			
U.S. Federal	$ 16,500	$ 63,838	$ 80,338
State and Local	2,949	6,630	9,579
Non-U.S.	9,400	(717)	8,683
	$ 28,849	$ 69,751	$ 98,600
Year Ended December 31, 2018			
U.S. Federal	$ 46,059	$ 16,718	$ 62,777
State and Local	2,240	(23,809)	(21,569)
Non-U.S.	10,924	(32)	10,892
	$ 59,223	$ (7,123)	$ 52,100

The provision for income taxes differs from the amount of income tax determined by applying the U.S. Federal statutory rate of 21% to the income before taxes as a result of the following:

	Year Ended December 31		
(in thousands)	**2020**	2019	2018
U.S. Federal taxes at statutory rate (see above)	**$ 85,526**	$ 89,561	$ 67,937
State and local taxes, net of U.S. Federal tax	**15,366**	(4,064)	(1,279)
Valuation allowances against state tax benefits, net of U.S. Federal tax	**(5,067)**	11,632	(15,767)
Stock-based compensation	**2,048**	(1,743)	(1,731)
Valuation allowances against other non-U.S. income tax benefits	**2,445**	1,202	1,322
Other, net	**6,982**	2,012	1,618
Provision for Income Taxes	**$ 107,300**	$ 98,600	$ 52,100

Deferred income taxes consist of the following:

(in thousands)	As of December 31 2020	2019
Employee benefit obligations	**$ 72,787**	$ 69,013
Accounts receivable	**3,795**	3,545
State income tax loss carryforwards	**53,499**	51,608
State capital loss carryforwards	**289**	307
State income tax credit carryforwards	**281**	—
U.S. Federal income tax loss carryforwards	**18,272**	1,765
U.S. Federal foreign income tax credit carryforwards	**992**	717
Non-U.S. income tax loss carryforwards	**15,802**	15,214
Non-U.S. capital loss carryforwards	**3,925**	3,583
Leases	**74,240**	84,923
Other	**6,214**	6,003
Deferred Tax Assets	**250,096**	236,678
Valuation allowances	**(47,217)**	(46,243)
Deferred Tax Assets, Net	**202,879**	190,435
Prepaid pension cost	**457,644**	345,856
Unrealized gain on available-for-sale securities	**88,371**	75,709
Goodwill and other intangible assets	**90,921**	92,233
Property, plant and equipment	**15,807**	16,303
Leases	**61,148**	74,407
Non-U.S. withholding tax	**1,866**	1,670
Deferred Tax Liabilities	**715,757**	606,178
Deferred Income Tax Liabilities, Net	**$ 512,878**	$ 415,743

The Company has $875.0 million of state income tax net operating loss carryforwards available to offset future state taxable income. State income tax loss carryforwards, if unutilized, will start to expire approximately as follows:

(in millions)	
2021	$ 16.0
2022	0.1
2023	6.1
2024	7.2
2025	16.9
2026 and after	828.7
Total	**$ 875.0**

The Company has recorded at December 31, 2020, $53.5 million in deferred state income tax assets, net of U.S. Federal income tax, with respect to these state income tax loss carryforwards. The Company has established $29.0 million in valuation allowances against these deferred state income tax assets, since the Company has determined that it is more likely than not that some of these state tax losses may not be fully utilized in the future to reduce state taxable income. During 2018, the Company's education division released valuation allowances recorded against state deferred tax assets, net of U.S. Federal tax, of approximately $20.0 million because the education division generated positive operating results that support the realization of these deferred tax assets.

The Company has $87.0 million of U.S. Federal income tax loss carryforwards obtained as a result of prior stock acquisitions. U.S. Federal income tax loss carryforwards are expected to be fully utilized as follows:

(in millions)	
2021	$ 7.3
2022	7.0
2023	6.6
2024	6.6
2025	3.6
2026 and after	55.9
Total	**$ 87.0**

The Company has established at December 31, 2020, $18.3 million in U.S. Federal deferred tax assets with respect to these U.S. Federal income tax loss carryforwards.

For U.S. Federal income tax purposes, the Company has $1.0 million of foreign tax credits available to be credited against future U.S. Federal income tax liabilities. If unutilized, these foreign tax credits will start to expire in 2023. The Company has established at December 31, 2020, $1.0 million of U.S. Federal deferred tax assets with respect to these U.S. Federal foreign tax credit carryforwards, and the Company has recorded a full valuation allowance against these deferred tax assets since the Company determined that it is more likely than not these foreign tax credit carryforwards may not be utilized in the future to reduce U.S. Federal income taxes.

The Company has $71.4 million of non-U.S. income tax loss carryforwards as a result of operating losses and carryforwards obtained through prior stock acquisitions that are available to offset future non-U.S. taxable income and has recorded, with respect to these losses, $15.8 million in non-U.S. deferred income tax assets. The Company has established $10.5 million in valuation allowances against the deferred tax assets for the portion of non-U.S. tax losses that may not be utilized to reduce future non-U.S. taxable income. The $71.4 million of non-U.S. income tax loss carryforwards consist of $39.5 million in losses that may be carried forward indefinitely; $10.9 million of losses that, if unutilized, will expire in varying amounts through 2025; and $21.0 million of losses that, if unutilized, will start to expire after 2025.

The Company has $13.1 million of non-U.S. capital loss carryforwards that may be carried forward indefinitely and are available to offset future non-U.S. capital gains. The Company recorded a $3.9 million non-U.S. deferred income tax asset for these non-U.S. capital loss carryforwards and has established a full valuation allowance against this non-U.S. deferred tax asset since the Company has determined that it is more likely than not that the capital loss carryforwards may not be utilized to reduce taxable income in the future.

Deferred tax valuation allowances and changes in deferred tax valuation allowances were as follows:

(in thousands)	Balance at Beginning of Period	Tax Expense and Revaluation	Deductions	Balance at End of Period
Year ended				
December 31, 2020	**$ 46,243**	**$ 7,303**	**$ (6,329)**	**$ 47,217**
December 31, 2019	33,120	14,512	(1,389)	46,243
December 31, 2018	48,742	4,413	(20,035)	33,120

The Company has established $31.1 million in valuation allowances against deferred state tax assets recognized, net of U.S. Federal tax. As stated above, approximately $29.0 million of the valuation allowances, net of U.S. Federal income tax, relate to state income tax loss carryforwards. In most instances, the Company has established valuation allowances against deferred state income tax assets without considering potentially offsetting deferred tax liabilities established with respect to prepaid pension cost and goodwill. Prepaid pension cost and goodwill have not been considered a source of future taxable income for realizing those deferred state tax assets recognized since these temporary differences are not likely to reverse in the foreseeable future. However, certain deferred state tax assets have an indefinite life. As a result, the Company has considered deferred tax liabilities for prepaid pension cost and goodwill as a source of future taxable income for realizing those deferred state tax assets. The valuation allowances established against deferred state income tax assets may increase or decrease within the next 12 months, based on operating results or the market value of investment holdings. Within the next 12 months, the Company expects to release valuation allowance against deferred state income tax assets at the healthcare division, and it expects to establish additional valuation allowances against deferred state income tax assets at the manufacturing division. The Company will monitor future results on a quarterly basis to determine whether the valuation allowances provided against deferred state tax assets should be increased or decreased as future circumstances warrant. The Company's education division released valuation allowances against state deferred tax assets of $20.0 million during 2018, as the education division generated positive operating results that support the realization of these deferred tax assets.

The Company has established $14.9 million in valuation allowances against non-U.S. deferred tax assets, and, as stated above, $10.5 million of the non-U.S. valuation allowances relate to non-U.S. income tax loss carryforwards and $3.9 million relate to non-U.S. capital loss carryforwards. Valuation allowances established against non-U.S. deferred tax assets are recorded at the education division and other businesses. These non-U.S. valuation allowances may increase or decrease within the next 12 months, based on operating results. As a result, the Company is unable to estimate the potential tax impact, given the uncertain operating environment. The Company will monitor future education division and other businesses' operating results and projected future operating results on a quarterly basis to determine whether the valuation allowances provided against non-U.S. deferred tax assets should be increased or decreased as future circumstances warrant.

The Tax Cuts and Jobs Act (the Tax Act) generally provides a 100% dividends received deduction for distributions from non-U.S. subsidiaries after December 31, 2017. The Tax Act established a new regime, the Global Intangible Low Taxed Income (GILTI) tax, that may currently subject to U.S. tax the operations of non-U.S. subsidiaries. The GILTI tax is imposed annually based on all current year non-U.S. operations starting January 1, 2018. The Company has elected to record the GILTI tax regime as a periodic tax expense for book purposes. Annually, the Company may elect to credit or deduct foreign taxes for U.S. Federal tax purposes. For the year ended December 31, 2020, the Company plans to elect to credit foreign taxes. The GILTI tax recorded, net of foreign taxes credited, for the years ended December 31, 2020, 2019, and 2018 is not material.

The Company estimates that unremitted non-U.S. subsidiary earnings, when distributed, will not be subject to tax except to the extent non-U.S. withholding taxes are imposed. Approximately $1.9 million of deferred tax liabilities remained recorded on the books at December 31, 2020 with respect to future non-U.S. withholding taxes the Company estimated may be imposed on future cash distributions.

U.S. Federal and state tax liabilities may be recorded if the investment in non-U.S. subsidiaries become held for sale instead of being held indefinitely, but calculation of the tax due is not practicable.

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was enacted, which included several technical corrections to the Tax Act and provisions allowing certain net operating losses generated by businesses in 2018, 2019, and 2020 to be carried back five years. Overall, the CARES Act had limited impact on the Company's tax provision for the year ended December 31, 2020.

On July 1, 2015 (the Distribution Date), the Company completed the spin-off of Cable ONE as an independent, publicly traded company. The transaction was structured as a tax-free spin-off of Cable ONE to the stockholders of the Company. Since July 1, 2015, Cable ONE has been an independent public company trading on the New York Stock Exchange under the symbol "CABO". In connection with the CARES Act, Cable ONE has the ability to

carryback its 2019 taxable losses to the tax period from January 1, 2015 to June 30, 2015, the period in which Cable ONE was included in the Company's 2015 tax return. As a result, the Company amended its 2015 tax returns in order to accommodate Cable ONE's request to carryback its 2019 taxable losses. The Company expects that this action will have no impact on the results or the financial position of the Company. To reflect the expected refund due to Cable ONE, the Company has included a $20.8 million current income tax receivable and a corresponding liability to Cable ONE on its balance sheet as of December 31, 2020.

The 2017 U.S. Federal tax return and subsequent years remain open to IRS examination. The Company files income tax returns with the U.S. Federal government and in various state, local and non-U.S. governmental jurisdictions, with the consolidated U.S. Federal tax return filing considered the only major tax jurisdiction.

The Company endeavors to comply with tax laws and regulations where it does business, but cannot guarantee that, if challenged, the Company's interpretation of all relevant tax laws and regulations will prevail and that all tax benefits recorded in the financial statements will ultimately be recognized in full.

The following summarizes the Company's unrecognized tax benefits, excluding interest and penalties, for the respective periods:

	Year Ended December 31		
(in thousands)	**2020**	2019	2018
Beginning unrecognized tax benefits	**$ 1,572**	$ 2,483	$ 17,331
Increases related to current year tax positions	**742**	—	—
Increases related to prior year tax positions	**656**	1,072	500
Decreases related to prior year tax positions	**—**	—	(12,187)
Decreases related to settlement with tax authorities	**(1,072)**	(1,291)	—
Decreases due to lapse of applicable statutes of limitations	**—**	(692)	(3,161)
Ending unrecognized tax benefits	**$ 1,898**	$ 1,572	$ 2,483

The unrecognized tax benefits relate to federal and state research and development tax credits applicable to the 2019 and 2020 tax periods, as well as state income tax filing positions applicable to the 2012-2014 tax periods. In making these determinations, the Company presumes that taxing authorities pursuing examinations of the Company's compliance with tax law filing requirements will have full knowledge of all relevant information, and, if necessary, the Company will pursue resolution of disputed tax positions by appeals or litigation. Although the Company cannot predict the timing of resolution with tax authorities, the Company estimates that some of the unrecognized tax benefits may change in the next 12 months due to settlement with the tax authorities. The Company expects that a $1.2 million federal tax benefit and a $0.7 million state tax benefit, net of $0.2 million federal tax expense, will reduce the effective tax rate in the future if the unrecognized tax benefits are recognized.

The Company classifies interest and penalties related to uncertain tax positions as a component of interest and other expenses, respectively. As of December 31, 2020, the Company has not accrued interest related to the unrecognized tax benefits. The Company has not accrued any penalties related to the unrecognized tax benefits.

11. DEBT

The Company's borrowings consist of the following:

	As of December 31	
(in thousands)	**2020**	2019
5.75% unsecured notes due June 1, 2026 [1]	**$ 396,112**	$ 395,393
Revolving credit facility	**74,686**	—
U.K. credit facility [2]	**—**	78,650
Commercial note	**25,250**	27,500
Pinnacle Bank term loan	**10,692**	11,203
Pinnacle Bank line of credit	**2,295**	—
Other indebtedness	**3,520**	83
Total Debt	**512,555**	512,829
Less: current portion	**(6,452)**	(82,179)
Total Long-Term Debt	**$ 506,103**	$ 430,650

(1) The carrying value is net of $3.9 million and $4.6 million of unamortized debt issuance costs as of December 31, 2020 and 2019, respectively.

(2) The carrying value is net of $0.1 million of unamortized debt issuance costs as of December 31, 2019.

On June 29, 2020, Kaplan borrowed £60 million under the Company's revolving credit facility and used the proceeds from the borrowing to repay the outstanding balance on the U.K. credit facility upon its maturity on June 30, 2020. The interest rate swap related to this U.K. credit facility matured on July 1, 2020. The outstanding balance on the Company's revolving credit facility was £55 million as of December 31, 2020 with interest payable at the 3 month GBP LIBOR plus 1.50%.

The Company's GHG subsidiary had $2.3 million outstanding under its line of credit as of December 31, 2020 at an interest rate of monthly LIBOR plus 2.75%. The Company's other indebtedness at December 31, 2020, is at interest rates of 0% to 16% and matures between 2023 and 2030. The Company's other indebtedness at December 31, 2019, is at an interest rate of 2% and matures in 2026.

On December 2, 2019, a subsidiary of GHG entered into a Loan & Security Agreement (Loan Agreement) with Pinnacle Bank for a Term Loan of $11.25 million and a two-year Line of Credit for $2.25 million. The Term Loan is payable over a five-year period in monthly installments, plus accrued and unpaid interest, due on the second day of each month, with the remaining balance due on December 2, 2024. The Term Loan bears interest at 4.35% per annum. The Term Loan can be redeemed at any time, in whole or in part, without any premium or penalty. Borrowings on the Line of Credit bear interest at a rate per annum of LIBOR plus an applicable interest rate of 2.75%, determined on a monthly basis. Under the credit agreement, the borrower is required to pay a commitment fee on a quarterly basis, at the rate per annum equal to 0.25% on the average daily unused portion of the credit facility. The borrower may use the proceeds of the facility for working capital and general corporate purposes. Any outstanding borrowings must be repaid on or prior to the final termination date. The agreement contains terms and conditions, including remedies in the event of a default. The Company is in compliance with all financial covenants as of December 31, 2020. On January 26, 2021, the GHG subsidiary entered into an Amended and Restated Promissory Note (Amended Loan Agreement), pursuant to the Loan Agreement, with an Amended Term Loan of $10.6 million bearing interest at 4.15% per annum and an amended two-year Line of Credit of $6.0 million expiring on December 2, 2022 bearing interest at the greater of (a) 3.25% and (b) the sum of one-month LIBOR as in effect on the first business day of each month plus an applicable interest rate of 2.75%. The remaining terms are consistent with the original Loan Agreement.

On January 31, 2019, the Company's automotive subsidiary entered into a Commercial Note with Truist Bank in an aggregate principal amount of $30 million. The Commercial Note is payable over a 10-year period in monthly installments of $0.25 million, plus accrued and unpaid interest, due on the first of each month, with a final payment on January 31, 2029. The Commercial Note bears interest at LIBOR plus an applicable interest rate of 1.75% or 2% per annum, in each case determined on a quarterly basis based upon the automotive subsidiary's Adjusted Leverage Ratio. The Commercial Note contains terms and conditions, including remedies in the event of a default by the automotive subsidiary. On the same date, the Company's automotive subsidiary entered into an interest rate swap agreement with a total notional value of $30 million and a maturity date of January 31, 2029. The interest rate swap agreement will pay the automotive subsidiary variable interest on the $30 million notional amount at the one-month LIBOR, and the automotive subsidiary will pay counterparties a fixed rate of 2.7%, effectively resulting in a total fixed interest rate of 4.7% on the outstanding borrowings at the current applicable margin of 2.0%. The interest rate swap agreement was entered into to convert the variable rate borrowing under the Commercial Note into a fixed rate borrowing. Based on the terms of the interest rate swap agreement and the underlying borrowing, the interest rate swap was determined to be effective and thus qualifies as a cash flow hedge. In the second quarter of 2020, Truist Bank provided temporary relief to the automotive subsidiary in response to COVID-19 by deferring the principal and interest payments on the Commercial Note for three months until the final payment due on maturity of the note. The interest rate swap continues to be highly effective following this change in payment terms. As such, changes in the fair value of the interest rate swap are recorded in other comprehensive income on the accompanying Consolidated Balance Sheets until earnings are affected by the variability of cash flows.

On May 30, 2018, the Company issued $400 million senior unsecured fixed-rate notes due June 1, 2026 (the Notes). The Notes are guaranteed, jointly and severally, on a senior unsecured basis, by certain of the Company's existing and future domestic subsidiaries, as described in the terms of the indenture, dated as of May 30, 2018 (the Indenture). The Notes have a coupon rate of 5.75% per annum, payable semi-annually on June 1 and December 1. The Company may redeem the Notes in whole or in part at any time at the respective redemption prices described in the Indenture.

On June 29, 2018, the Company used the net proceeds from the sale of the Notes, together with cash on hand, to redeem the $400 million of 7.25% notes due February 1, 2019. The Company incurred $11.4 million in debt extinguishment costs in relation to the early termination of the 7.25% notes.

In combination with the issuance of the Notes, the Company and certain of the Company's domestic subsidiaries named therein as guarantors entered into an amended and restated credit agreement providing for a U.S. $300 million five-year revolving credit facility (the Revolving Credit Facility) with each of the lenders party thereto, certain of the Company's foreign subsidiaries from time to time party thereto as foreign borrowers, Wells Fargo Bank, N.A., as Administrative Agent (Wells Fargo), JPMorgan Chase Bank, N.A., as Syndication Agent, and HSBC Bank USA,

N.A. and Bank of America, N.A. as Documentation Agents (the Amended and Restated Credit Agreement), which amends and restates the Company's existing Five Year Credit Agreement, dated as of June 29, 2015, among the Company, certain of its domestic subsidiaries as guarantors, the several lenders from time to time party thereto, Wells Fargo Bank, N.A., as Administrative Agent and JPMorgan Chase Bank, N.A., as Syndication Agent (the Existing Credit Agreement). The Amended and Restated Credit Agreement amends the Existing Credit Agreement to (i) extend the maturity of the Revolving Credit Facility to May 30, 2023, unless the Company and the lenders agree to further extend the term, (ii) increase the aggregate principal amount of the Revolving Credit Facility to U.S. $300 million, consisting of a U.S. Dollar tranche of U.S. $200 million for borrowings in U.S. Dollars and a multicurrency tranche equivalent to U.S. $100 million for borrowings in U.S. Dollars and certain foreign currencies, (iii) provide for borrowings under the Revolving Credit Facility in U.S. Dollars and certain other foreign currencies specified in the Amended and Restated Credit Agreement, (iv) permit certain foreign subsidiaries of the Company to be added to the Amended and Restated Credit Agreement as foreign borrowers thereunder and (v) effect certain other modifications to the Existing Credit Agreement.

Under the Amended and Restated Credit Agreement, the Company is required to pay a commitment fee on a quarterly basis, based on the Company's leverage ratio, of between 0.15% and 0.25% of the amount of the average daily unused portion of the Revolving Credit Facility. Any borrowings under the Amended and Restated Credit Agreement are made on an unsecured basis and bear interest at the Company's option, either at (a) a fluctuating interest rate equal to the highest of Wells Fargo's prime rate, 0.5 percent above the Federal funds rate or the one-month Eurodollar rate plus 1%, or (b) the Eurodollar rate for the applicable currency and interest period as defined in the Amended and Restated Credit Agreement, which is generally a periodic rate equal to LIBOR, CDOR, BBSY or SOR, as applicable, in the case of each of clauses (a) and (b) plus an applicable margin that depends on the Company's consolidated debt to consolidated adjusted EBITDA (as determined pursuant to the Amended and Restated Credit Agreement, Total Net Leverage Ratio). The Company and its foreign subsidiaries may draw on the Revolving Credit Facility for general corporate purposes. Any outstanding borrowings must be repaid on or prior to the final termination date. The Amended and Restated Credit Agreement contains terms and conditions, including remedies in the event of a default by the Company, typical of facilities of this type and requires the Company to maintain a Total Net Leverage Ratio of not greater than 3.5 to 1.0 and a consolidated interest coverage ratio of at least 3.5 to 1.0 based upon the ratio of consolidated adjusted EBITDA to consolidated interest expense as determined pursuant to the Amended and Restated Credit Agreement. As of December 31, 2020, the Company is in compliance with all financial covenants.

During 2020 and 2019, the Company had average borrowings outstanding of approximately $512.4 million and $500.6 million, respectively, at average annual interest rates of approximately 5.1%. The Company incurred net interest expense of $34.4 million, $23.6 million and $32.5 million during 2020, 2019 and 2018, respectively.

For the years ended December 31, 2020 and 2019, the Company recorded interest expense of $8.5 million and interest income of $0.1 million, respectively, to adjust the fair value of the mandatorily redeemable noncontrolling interest. The fair value of the mandatorily redeemable noncontrolling interest was based on the fair value of the underlying subsidiaries owned by GHC One (see Note 3), after taking into account any debt and other noncontrolling interests of its subsidiary investments. The fair value of the owned subsidiaries is determined by reference to either a discounted cash flow or EBITDA multiple, which approximates fair value (Level 3 fair value assessment). In June 2018, the Company incurred $6.2 million of interest expense related to the mandatorily redeemable noncontrolling interest redemption settlement at GHG (see Note 3). The fair value of the mandatorily redeemable noncontrolling interest was based on the redemption value resulting from a negotiated settlement.

At December 31, 2020 and 2019, the fair value of the Company's 5.75% unsecured notes, based on quoted market prices (Level 2 fair value assessment), totaled $421.7 million and $427.7 million, respectively, compared with the carrying amount of $396.1 million and $395.4 million. The carrying value of the Company's other unsecured debt at December 31, 2020 and 2019 approximates fair value.

12. FAIR VALUE MEASUREMENTS

The Company's financial assets and liabilities measured at fair value on a recurring basis were as follows:

(in thousands)	As of December 31, 2020 Level 1	Level 2	Level 3	Total
Assets				
Money market investments (1)	**$ —**	**$ 268,841**	**$ —**	**$ 268,841**
Marketable equity securities (2)	**573,102**	**—**	**—**	**573,102**
Other current investments (3)	**10,397**	**4,083**	**—**	**14,480**
Total Financial Assets	**$ 583,499**	**$ 272,924**	**$ —**	**$ 856,423**
Liabilities				
Deferred compensation plan liabilities (4)	**$ —**	**$ 31,178**	**$ —**	**$ 31,178**
Contingent consideration liabilities (5)	**—**	**—**	**37,174**	**37,174**
Interest rate swap (6)	**—**	**2,342**	**—**	**2,342**
Foreign exchange swap (7)	**—**	**259**	**—**	**259**
Mandatorily redeemable noncontrolling interest (8)	**—**	**—**	**9,240**	**9,240**
Total Financial Liabilities	**$ —**	**$ 33,779**	**$ 46,414**	**$ 80,193**

(in thousands)	As of December 31, 2019 Level 1	Level 2	Level 3	Total
Assets				
Money market investments (1)	$ —	$ 45,150	$ —	$ 45,150
Marketable equity securities (2)	585,080	—	—	585,080
Other current investments (3)	8,843	6,044	—	14,887
Interest rate swap (9)	—	131	—	131
Total Financial Assets	$ 593,923	$ 51,325	$ —	$ 645,248
Liabilities				
Deferred compensation plan liabilities (4)	$ —	$ 34,674	$ —	$ 34,674
Contingent consideration liabilities (5)	—	—	13,546	13,546
Interest rate swap (6)	—	1,119	—	1,119
Foreign exchange swap (7)	—	273	—	273
Mandatorily redeemable noncontrolling interest (8)	—	—	829	829
Total Financial Liabilities	$ —	$ 36,066	$ 14,375	$ 50,441

(1) The Company's money market investments are included in cash and cash equivalents and the value considers the liquidity of the counterparty.

(2) The Company's investments in marketable equity securities are held in common shares of U.S. and Canadian corporations that are actively traded on U.S. and Canadian stock exchanges. Price quotes for these shares are readily available.

(3) Includes U.S. Government Securities, corporate bonds, mutual funds and time deposits. These investments are valued using a market approach based on the quoted market prices of the security or inputs that include quoted market prices for similar instruments and are classified as either Level 1 or Level 2 in the fair value hierarchy.

(4) Includes Graham Holdings Company's Deferred Compensation Plan and supplemental savings plan benefits under the Graham Holdings Company's Supplemental Executive Retirement Plan, which are included in accrued compensation and related benefits. These plans measure the market value of a participant's balance in a notional investment account that is comprised primarily of mutual funds, which are based on observable market prices. However, since the deferred compensation obligations are not exchanged in an active market, they are classified as Level 2 in the fair value hierarchy. Realized and unrealized gains (losses) on deferred compensation are included in operating income.

(5) Included in Accounts payable and accrued liabilities and Other liabilities. The Company determined the fair value of the contingent consideration liabilities using a Monte Carlo simulation as of the acquisition dates, which included using estimated financial projections for the acquired businesses.

(6) Included in Other Liabilities. The Company utilized a market approach model using the notional amount of the interest rate swap multiplied by the observable inputs of time to maturity and market interest rates.

(7) Included in Accounts payable and accrued liabilities, and valued based on a valuation model that calculates the differential between the contract price and the market-based forward rate.

(8) The fair value of the mandatorily redeemable noncontrolling interest is based on the fair value of the underlying subsidiaries owned by GHC One (see Note 3), after taking into account any debt and other noncontrolling interests of its subsidiary investments. The fair value of the owned subsidiaries is determined by reference to either a discounted cash flow or EBITDA multiple, which approximates fair value.

(9) Included in Other current assets. The Company utilized a market approach model using the notional amount of the interest rate swap multiplied by the observable inputs of time to maturity and market interest rates.

The following table provides a reconciliation of changes in the Company’s financial liabilities measured at fair value on a recurring basis, using Level 3 inputs:

(in thousands)	Contingent consideration liabilities	Mandatorily redeemable noncontrolling interest
As of December 31, 2019	$ 13,546	$ 829
Acquisition of business	**50,609**	**—**
Changes in fair value	**(2,051)**	**8,483**
Accretion of value included in net income	**2,895**	**—**
Settlements or distributions	**(28,061)**	**(72)**
Foreign currency exchange rate changes	**236**	**—**
As of December 31, 2020	**$ 37,174**	**$ 9,240**

For the years ended December 31, 2020, 2019 and 2018, the Company recorded goodwill and other long-lived asset impairment charges of $30.2 million, $9.2 million and $8.1 million, respectively (see Note 19). The remeasurement of the goodwill and other long-lived assets is classified as a Level 3 fair value assessment due to the significance of unobservable inputs developed in the determination of the fair value. The Company used a discounted cash flow model to determine the estimated fair value of the reporting unit, indefinite-lived intangible assets, and other long-lived assets. A market value approach was also utilized to supplement the discounted cash flow model. The Company made estimates and assumptions regarding future cash flows, royalty rates, discount rates, market values, and long-term growth rates.

For the years ended December 31, 2020, 2019 and 2018, the Company recorded gains of $4.2 million, $5.1 million, and $11.7 million, respectively, to equity securities that are accounted for as cost method investments based on observable transactions for identical or similar investments of the same issuer. For the years ended December 31, 2020 and 2018, the Company recorded impairment losses of $7.3 million and $2.7 million, respectively, to equity securities that are accounted for as cost method investments.

For the year ended December 31, 2020, the Company recorded impairment charges of $3.6 million on two of its investments in affiliates (see Note 4).

13. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company generated 78%, 76% and 76% of its revenue from U.S. domestic sales in 2020, 2019 and 2018, respectively. The remaining 22%, 24%, and 24% of revenue was generated from non-U.S. sales.

In 2020, 2019 and 2018, the Company recognized 73%, 73%, and 80% respectively, of its revenue over time as control of the services and goods transferred to the customer. The remaining 27%, 27% and 20%, respectively, of revenue was recognized at a point in time, when the customer obtained control of the promised goods.

The determination of the method by which the Company measures its progress towards the satisfaction of its performance obligations requires judgment and is described in the Summary of Significant Accounting Policies (Note 2).

In the second quarter of 2020, GHG received $7.4 million under the CARES Act as a general distribution from the Provider Relief Fund to provide relief for lost revenues and expenses incurred in connection with COVID-19. The healthcare revenues for the year ended December 31, 2020 includes $5.7 million for lost revenues related to COVID-19 (see Note 19).

Contract Assets. As of December 31, 2020, the Company recognized a contract asset of $8.7 million related to a contract at a Kaplan International business, which is included in Deferred Charges and Other Assets. The Company expects to recognize an additional $8.8 million related to this performance obligation over the next twelve months.

Deferred Revenue. The Company records deferred revenue when cash payments are received or due in advance of the Company’s performance, including amounts which are refundable. The following table presents the change in the Company’s deferred revenue balance during the year ended December 31, 2020:

	As of		
(in thousands)	**December 31, 2020**	December 31, 2019	% Change
Deferred revenue	**$ 343,322**	$ 359,048	(4)

In April 2020, GHG received $31.5 million under the expanded Medicare Accelerated and Advanced Payment Program modified by the CARES Act as a result of COVID-19. The amount is included in the current and noncurrent deferred revenue balances on the Consolidated Balance Sheet as of December 31, 2020. The Department of

Health and Human Services will recoup this advance beginning 365 days after the payment was issued, and the deferred revenue will be reduced by a portion of the amount of revenue recognized for claims submitted for services provided after the recoupment period begins.

The majority of the change in the deferred revenue balance is due to a decline in student enrollments at the Kaplan International division as a result of the COVID-19 pandemic, offset by the advanced Medicare payment and the acquisition of Framebridge. During the year ended December 31, 2020, the Company recognized $309.8 million from the Company's deferred revenue balance as of December 31, 2019.

Revenue allocated to remaining performance obligations represents deferred revenue amounts that will be recognized as revenue in future periods. As of December 31, 2020, the deferred revenue balance related to certain medical and nursing qualifications with an original contract length greater than twelve months at Kaplan Supplemental Education was $8.9 million. Kaplan Supplemental Education expects to recognize 63% of this revenue over the next twelve months and the remainder thereafter.

Costs to Obtain a Contract. The following table presents changes in the Company's costs to obtain a contract asset:

(in thousands)	Balance at Beginning of Year	Costs Associated with New Contracts	Less: Costs Amortized During the Year	Other	Balance at End of Year
2020	**$ 31,020**	**$ 51,891**	**$ (58,855)**	**$ 307**	**$ 24,363**
2019	21,311	66,607	(57,741)	843	31,020
2018	16,043	55,664	(49,284)	(1,112)	21,311

The majority of other activity was related to currency translation adjustments in 2020, 2019, and 2018.

14. CAPITAL STOCK, STOCK AWARDS AND STOCK OPTIONS

Capital Stock. Each share of Class A common stock and Class B common stock participates equally in dividends. The Class B stock has limited voting rights and as a class has the right to elect 30% of the Board of Directors; the Class A stock has unlimited voting rights, including the right to elect a majority of the Board of Directors.

During 2020, 2019, and 2018 the Company purchased a total of 406,112, 3,392, and 199,023 shares, respectively, of its Class B common stock at a cost of approximately $161.8 million, $2.1 million, and $118.0 million, respectively. On September 10, 2020, the Board of Directors authorized the Company to purchase up to 500,000 shares of its Class B Common Stock. The Company did not announce a ceiling price or time limit for the purchases. No shares remained under the previous authorization. At December 31, 2020, the Company had remaining authorization from the Board of Directors to purchase up to 364,151 shares of Class B common stock.

Stock Awards. In 2012, the Company adopted an incentive compensation plan (the 2012 Plan), which, among other provisions, authorizes the awarding of Class B common stock to key employees in the form of stock awards, stock options and other awards involving the actual transfer of shares. All stock awards, stock options and other awards involving the actual transfer of shares issued subsequent to the adoption of this plan are covered under this incentive compensation plan. Stock awards made under the 2012 Plan are primarily subject to the general restriction that stock awarded to a participant will be forfeited and revert to Company ownership if the participant's employment terminates before the end of a specified period of service to the Company. The number of Class B common shares authorized for issuance under the 2012 Plan is 772,588 shares. At December 31, 2020, there were 557,871 shares reserved for issuance under the 2012 incentive compensation plan. Of this number, 218,171 shares were subject to stock awards and stock options outstanding, and 339,700 shares were available for future awards.

Activity related to stock awards under the 2012 incentive compensation plan for the year ended December 31, 2020 was as follows:

	Number of Shares	Average Grant-Date Fair Value
Beginning of year, unvested	29,140	$ 584.50
Awarded	**1,100**	**420.65**
Vested	**(1,350)**	**424.91**
Forfeited	**(1,650)**	**610.14**
End of Year, unvested	**27,240**	**584.24**

For the share awards outstanding at December 31, 2020, the aforementioned restriction will lapse in 2021 for 12,575 shares and in 2023 for 14,665 shares. Also, early in 2021, the Company issued stock awards of 19,293 shares. Stock-based compensation costs resulting from Company stock awards were $4.1 million, $4.2 million and $4.4 million in 2020, 2019 and 2018, respectively.

As of December 31, 2020, there was $4.7 million of total unrecognized compensation expense related to these awards. That cost is expected to be recognized on a straight-line basis over a weighted average period of 1.1 years.

Stock Options. Stock options granted under the 2012 Plan cannot be less than the fair value on the grant date, generally vest over six years and have a maximum term of ten years. In 2020, a grant was issued that vests over six years.

Activity related to options outstanding for the year ended December 31, 2020 was as follows:

	Number of Shares	Average Option Price
Beginning of year	183,189	$ 569.31
Granted	**85,000**	**426.86**
Exercised	**(77,258)**	**325.26**
End of Year	**190,931**	**604.65**

Of the shares covered by options outstanding at the end of 2020, 100,804 are now exercisable; 18,626 will become exercisable in 2021; 14,500 will become exercisable in 2022; 14,502 will become exercisable in 2023; 14,167 will become exercisable in 2024; 14,166 will become exercisable in 2025; and 14,166 will become exercisable in 2026. For 2020, the Company recorded expense of $2.2 million related to stock options. For 2019 and 2018, the Company recorded expense of $2.0 million related to stock options each year. Information related to stock options outstanding and exercisable at December 31, 2020, is as follows:

	Options Outstanding			Options Exercisable		
Range of Exercise Prices	**Shares Outstanding at 12/31/2020**	**Weighted Average Remaining Contractual Life (years)**	**Weighted Average Exercise Price**	**Shares Exercisable at 12/31/2020**	**Weighted Average Remaining Contractual Life (years)**	**Weighted Average Exercise Price**
$244	**1,931**	**1.9**	**$ 243.85**	**1,931**	**1.9**	**$ 243.85**
427	**85,000**	**9.7**	**426.86**	**—**	**—**	**—**
719	**77,258**	**3.8**	**719.15**	**77,258**	**3.8**	**719.15**
805–872	**26,742**	**5.0**	**865.02**	**21,615**	**4.9**	**865.62**
	190,931	**6.6**	**604.65**	**100,804**	**4.0**	**741.45**

At December 31, 2020, the intrinsic value for all options outstanding, exercisable and unvested was $9.6 million, $0.6 million and $9.0 million, respectively. The intrinsic value of a stock option is the amount by which the market value of the underlying stock exceeds the exercise price of the option. The market value of the Company's stock was $533.38 at December 31, 2020. At December 31, 2020, there were 90,127 unvested options related to this plan with an average exercise price of $451.64 and a weighted average remaining contractual term of 9.4 years. At December 31, 2019, there were 22,461 unvested options with an average exercise price of $780.81 and a weighted average remaining contractual term of 5.4 years.

As of December 31, 2020, total unrecognized stock-based compensation expense related to stock options was $8.1 million, which is expected to be recognized on a straight-line basis over a weighted average period of approximately 5.4 years. There were 77,258 options exercised during 2020. The total intrinsic value of options exercised during 2020 was $11.1 million; a tax benefit from these stock option exercises of $2.9 million was realized. There were 1,743 options exercised during 2019. The total intrinsic value of options exercised during 2019 was $0.6 million; a tax benefit from these stock option exercises of $0.2 million was realized. There were 588 options exercised during 2018. The total intrinsic value of options exercised during 2018 was $0.2 million; a tax benefit from these option exercises of $0.1 million was realized.

During 2020, the Company granted 85,000 options at an exercise price above the fair market value of its common stock at the date of grant. The weighted average grant-date fair value of options granted during 2020 was $93.79. No options were granted during 2019 or 2018.

The fair value of options at date of grant was estimated using the Black-Scholes method utilizing the following assumptions:

	2020
Expected life (years)	**8**
Interest rate	**0.53%**
Volatility	**27.70%**
Dividend yield	**1.45%**

The Company also maintains a stock option plan at Kaplan. Under the provisions of this plan, options are issued with an exercise price equal to the estimated fair value of Kaplan's common stock, and options vest ratably over the number of years specified (generally four to five years) at the time of the grant. Upon exercise, an option holder may receive Kaplan shares or cash equal to the difference between the exercise price and the then fair value.

At December 31, 2020, a Kaplan senior manager holds 7,206 Kaplan restricted shares. The fair value of Kaplan's common stock is determined by the Company's compensation committee of the Board of Directors, and in January 2021, the committee set the fair value price at $1,247 per share. No options were awarded during 2020, 2019, or 2018; no options were exercised during 2020, 2019 or 2018; and no options were outstanding at December 31, 2020.

Kaplan recorded a stock compensation credit of $1.1 million and $1.3 million in 2020 and 2019, respectively. In 2018, Kaplan recorded stock compensation expense of $0.5 million. At December 31, 2020, the Company's accrual balance related to the Kaplan restricted shares totaled $9.0 million. There were no payouts in 2020, 2019 or 2018.

Earnings Per Share. The Company's unvested restricted stock awards contain nonforfeitable rights to dividends and, therefore, are considered participating securities for purposes of computing earnings per share pursuant to the two-class method. The diluted earnings per share computed under the two-class method is lower than the diluted earnings per share computed under the treasury stock method, resulting in the presentation of the lower amount in diluted earnings per share. The computation of earnings per share under the two-class method excludes the income attributable to the unvested restricted stock awards from the numerator and excludes the dilutive impact of those underlying shares from the denominator.

The following reflects the Company's net income and share data used in the basic and diluted earnings per share computations using the two-class method:

	Year Ended December 31		
(in thousands, except per share amounts)	**2020**	2019	2018
Numerator:			
Numerator for basic earnings per share:			
Net income attributable to Graham Holdings Company common stockholders	**$ 300,365**	$ 327,855	$ 271,206
Less: Dividends paid–common stock outstanding and unvested restricted shares	**(29,970)**	(29,553)	(28,617)
Undistributed earnings	**270,395**	298,302	242,589
Percent allocated to common stockholders	**99.45 %**	99.45 %	99.39 %
	268,917	296,665	241,115
Add: Dividends paid–common stock outstanding	**29,812**	29,387	28,423
Numerator for basic earnings per share	**298,729**	326,052	269,538
Add: Additional undistributed earnings due to dilutive stock options	**4**	13	10
Numerator for diluted earnings per share	**$ 298,733**	$ 326,065	$ 269,548
Denominator:			
Denominator for basic earnings per share:			
Weighted average shares outstanding	**5,124**	5,285	5,333
Add: Effect of dilutive stock options	**15**	42	37
Denominator for diluted earnings per share	**5,139**	5,327	5,370
Graham Holdings Company Common Stockholders:			
Basic earnings per share	**$ 58.30**	$ 61.70	$ 50.55
Diluted earnings per share	**$ 58.13**	$ 61.21	$ 50.20

Diluted earnings per share excludes the following weighted average potential common shares, as the effect would be antidilutive, as computed under the treasury stock method:

	Year Ended December 31		
(in thousands)	**2020**	2019	2018
Weighted average restricted stock	**12**	12	23

The 2020 diluted earnings per share amount excludes the effects of 189,000 stock options outstanding, as their inclusion would have been antidilutive due to a market condition. The 2019 and 2018 diluted earnings per share amounts exclude the effects of 104,000 stock options outstanding, as their inclusion would have been antidilutive due to a market condition. The 2018 diluted earnings per share amounts also exclude the effects of 2,650 restricted stock awards, as their inclusion would have been antidilutive due to a performance condition.

In 2020, 2019 and 2018, the Company declared regular dividends totaling $5.80, $5.56 and $5.32 per share, respectively.

15. PENSIONS AND OTHER POSTRETIREMENT PLANS

The Company maintains various pension and incentive savings plans and contributed to multiemployer plans on behalf of certain union-represented employee groups. Most of the Company's employees are covered by these plans. The Company also provides healthcare and life insurance benefits to certain retired employees. These employees become eligible for benefits after meeting age and service requirements.

The Company uses a measurement date of December 31 for its pension and other postretirement benefit plans.

In December 2019, the Company purchased an irrevocable group annuity contract from an insurance company for $216.8 million to settle $212.1 million of the outstanding defined benefit pension obligation related to certain retirees and beneficiaries. The purchase of the group annuity contract was funded from the assets of the Company's pension plan. As a result of this transaction, the Company was relieved of all responsibility for these pension obligations and the insurance company is now required to pay and administer the retirement benefits owed to approximately 3,800 retirees and beneficiaries, with no change to the amount, timing or form of monthly retirement benefit payments. As a result, the Company recorded a one-time settlement gain of $91.7 million.

On March 22, 2018, the Company eliminated the accrual of pension benefits for certain Kaplan University employees related to their future service. As a result, the Company remeasured the accumulated and projected benefit obligation of the pension plan as of March 22, 2018, and the Company recorded a curtailment gain in the first quarter of 2018. The new measurement basis was used for the recognition of the Company's pension benefit following the remeasurement. The curtailment gain on the Kaplan University transaction is included in the gain on the Kaplan University transaction and reported in Other income, net on the Consolidated Statements of Operations.

On October 31, 2018, the Company made certain changes to the other postretirement plans, including changes in eligibility, cost sharing and surviving spouse coverage. As a result, the Company remeasured the accumulated and projected benefit obligation of the other postretirement plans as of October 31, 2018, and the Company recorded a curtailment gain in the fourth quarter of 2018. The new measurement basis was used for the recognition of the Company's other postretirement plans cost following the remeasurement.

Defined Benefit Plans. The Company's defined benefit pension plans consist of various pension plans and a Supplemental Executive Retirement Plan (SERP) offered to certain executives of the Company.

In the second quarter of 2020, the Company recorded $6.0 million in expenses related to a Separation Incentive Program (SIP) for certain Kaplan, Code3 and Decile employees, which was funded from the assets of the Company's pension plan. In the third quarter of 2020, the Company recorded $7.8 million in expenses related to a SIP for certain Kaplan employees, which was funded from the assets of the Company's pension plan.

In the second quarter of 2019, the Company offered a SIP for certain Kaplan employees, which was funded from the assets of the Company's pension plan. The Company recorded $6.4 million in expense related to the SIP for 2019.

In the fourth quarter of 2018, the Company offered certain terminated participants with a vested pension benefit an opportunity to take their benefits in the form of a lump sum or an annuity. Most of the participants that elected a lump sum benefit under the program were paid in December 2018. Additional lump sum payments were paid in early 2019. The Company recorded a $26.9 million settlement gain related to the bulk lump sum pension program offering.

The following table sets forth obligation, asset and funding information for the Company's defined benefit pension plans:

	Pension Plans	
	As of December 31	
(in thousands)	**2020**	2019
Change in Benefit Obligation		
Benefit obligation at beginning of year	**$ 1,020,356**	$ 1,116,569
Service cost	**22,656**	20,422
Interest cost	**32,587**	46,821
Amendments	**69**	5,725
Actuarial loss	**78,900**	124,285
Benefits paid	**(73,232)**	(64,354)
Special termination benefits	**13,781**	6,432
Settlement	**—**	(235,544)
Benefit Obligation at End of Year	**$ 1,095,117**	$ 1,020,356
Change in Plan Assets		
Fair value of assets at beginning of year	**$ 2,312,706**	$ 2,120,127
Actual return on plan assets	**563,948**	492,477
Benefits paid	**(73,232)**	(64,354)
Settlement	**—**	(235,544)
Fair Value of Assets at End of Year	**$ 2,803,422**	$ 2,312,706
Funded Status	**$ 1,708,305**	$ 1,292,350

	SERP	
	As of December 31	
(in thousands)	**2020**	2019
Change in Benefit Obligation		
Benefit obligation at beginning of year	**$ 116,193**	$ 102,548
Service cost	**954**	858
Interest cost	**3,678**	4,314
Actuarial loss	**7,448**	15,544
Benefits paid	**(5,974)**	(7,071)
Benefit Obligation at End of Year	**$ 122,299**	$ 116,193
Change in Plan Assets		
Fair value of assets at beginning of year	**$ —**	$ —
Employer contributions	**5,974**	7,071
Benefits paid	**(5,974)**	(7,071)
Fair Value of Assets at End of Year	**$ —**	$ —
Funded Status	**$ (122,299)**	$ (116,193)

The change in the Company's benefit obligations for the pension plan and SERP were primarily due to the recognition of an actuarial loss resulting from a decrease to the discount rate used to measure the benefit obligation.

The accumulated benefit obligation for the Company's pension plans at December 31, 2020 and 2019, was $1,064.3 million and $991.1 million, respectively. The accumulated benefit obligation for the Company's SERP at December 31, 2020 and 2019, was $121.7 million and $114.8 million, respectively. The amounts recognized in the Company's Consolidated Balance Sheets for its defined benefit pension plans are as follows:

	Pension Plans		SERP	
	As of December 31		As of December 31	
(in thousands)	**2020**	2019	**2020**	2019
Noncurrent asset	**$ 1,708,305**	$ 1,292,350	**$ —**	$ —
Current liability	**—**	—	**(6,495)**	(6,447)
Noncurrent liability	**—**	—	**(115,804)**	(109,746)
Recognized Asset (Liability)	**$ 1,708,305**	$ 1,292,350	**$ (122,299)**	$ (116,193)

Key assumptions utilized for determining the benefit obligation are as follows:

	Pension Plans		SERP	
	As of December 31		As of December 31	
	2020	2019	**2020**	2019
Discount rate	**2.5%**	3.3%	**2.5%**	3.3%
Rate of compensation increase – age graded	**5.0%–1.0%**	5.0%–1.0%	**5.0%–1.0%**	5.0%–1.0%
Cash balance interest crediting rate	**1.41% with phase in to 2.50% in 2023**	2.77% with phase in to 3.30% in 2022	**—**	—

The Company made no contributions to its pension plans in 2020 and 2019, and the Company does not expect to make any contributions in 2021. The Company made contributions to its SERP of $6.0 million and $7.1 million for the years ended December 31, 2020 and 2019, respectively. As the plan is unfunded, the Company makes contributions to the SERP based on actual benefit payments.

At December 31, 2020, future estimated benefit payments, excluding charges for early retirement programs, are as follows:

(in thousands)	Pension Plans	SERP
2021	$ 61,312	$ 6,576
2022	61,461	6,818
2023	61,888	7,014
2024	62,496	7,150
2025	63,056	7,229
2026–2030	303,420	36,132

The total (benefit) cost arising from the Company's defined benefit pension plans consists of the following components:

	Pension Plans		
	Year Ended December 31		
(in thousands)	**2020**	2019	2018
Service cost	**$ 22,656**	$ 20,422	$ 18,221
Interest cost	**32,587**	46,821	46,787
Expected return on assets	**(113,427)**	(122,790)	(129,220)
Amortization of prior service cost	**2,830**	2,882	150
Recognized actuarial gain	**—**	—	(9,969)
Net Periodic Benefit for the Year	**(55,354)**	(52,665)	(74,031)
Curtailment	**—**	—	(806)
Settlement	**—**	(91,676)	(26,917)
Special separation benefit expense	**13,781**	6,432	—
Total Benefit for the Year	**$ (41,573)**	$ (137,909)	$ (101,754)
Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income			
Current year actuarial (gain) loss	**$ (371,621)**	$ (245,402)	$ 111,084
Current year prior service cost	**69**	5,725	7,183
Amortization of prior service cost	**(2,830)**	(2,882)	(150)
Recognized net actuarial gain	**—**	—	9,969
Curtailment and settlement	**—**	91,676	26,887
Total Recognized in Other Comprehensive Income (Before Tax Effects)	**$ (374,382)**	$ (150,883)	$ 154,973
Total Recognized in Total Benefit and Other Comprehensive Income (Before Tax Effects)	**$ (415,955)**	$ (288,792)	$ 53,219

	SERP		
	Year Ended December 31		
(in thousands)	**2020**	2019	2018
Service cost	**$ 954**	$ 858	$ 819
Interest cost	**3,678**	4,314	3,865
Amortization of prior service cost	**331**	339	311
Recognized actuarial loss	**5,267**	2,314	2,403
Total Cost for the Year	**$ 10,230**	$ 7,825	$ 7,398
Other Changes in Benefit Obligations Recognized in Other Comprehensive Income			
Current year actuarial loss (gain)	**$ 7,448**	$ 15,544	$ (7,552)
Current year prior service cost	**—**	—	1,028
Amortization of prior service cost	**(331)**	(339)	(311)
Recognized net actuarial loss	**(5,267)**	(2,314)	(2,403)
Total Recognized in Other Comprehensive Income (Before Tax Effects)	**$ 1,850**	$ 12,891	$ (9,238)
Total Recognized in Total Cost and Other Comprehensive Income (Before Tax Effects)	**$ 12,080**	$ 20,716	$ (1,840)

The costs for the Company's defined benefit pension plans are actuarially determined. Below are the key assumptions utilized to determine periodic cost:

	Pension Plans			SERP		
	Year Ended December 31			Year Ended December 31		
	2020	2019	2018	**2020**	2019	2018
Discount rate [(1)]	**3.3%**	4.3%	4.0%/3.6%	**3.3%**	4.3%	3.6%
Expected return on plan assets	**6.25%**	6.25%	6.25%	**—**	—	—
Rate of compensation increase – age graded	**5.0%–1.0%**	5.0%–1.0%	5.0%–1.0%	**5.0%–1.0%**	5.0%–1.0%	5.0%–1.0%
Cash balance interest crediting rate	**2.77% with phase in to 3.30% in 2022**	3.45% with phase in to 4.30% in 2021	2.23% with phase in to 3.00% in 2020	**—**	—	—

(1) As a result of the Kaplan University transaction, the Company remeasured the accumulated and projected benefit obligation of the pension plan as of March 22, 2018. The remeasurement changed the discount rate from 3.6% for the period January 1 to March 23, 2018 to 4.0% for the period after March 23, 2018.

Accumulated other comprehensive income (AOCI) includes the following components of unrecognized net periodic cost for the defined benefit plans:

	Pension Plans		SERP	
	As of December 31		As of December 31	
(in thousands)	**2020**	2019	**2020**	2019
Unrecognized actuarial (gain) loss	**$ (839,156)**	$ (467,535)	**$ 32,681**	$ 30,500
Unrecognized prior service cost	**7,355**	10,116	**367**	698
Gross Amount	**(831,801)**	(457,419)	**33,048**	31,198
Deferred tax liability (asset)	**224,586**	123,503	**(8,923)**	(8,423)
Net Amount	**$ (607,215)**	$ (333,916)	**$ 24,125**	$ 22,775

Defined Benefit Plan Assets. The Company's defined benefit pension obligations are funded by a portfolio made up of a private investment fund, a U.S. stock index fund, and a relatively small number of stocks and high-quality fixed-income securities that are held by a third-party trustee. The assets of the Company's pension plans were allocated as follows:

	As of December 31	
	2020	2019
U.S. equities	**58 %**	62 %
Private investment fund	**18 %**	7 %
U.S. stock index fund	**9 %**	14 %
International equities	**8 %**	7 %
U.S. fixed income	**7 %**	10 %
	100 %	100 %

The Company manages approximately 40% of the pension assets internally, of which the majority is invested in a private investment fund with the remaining investments in Berkshire Hathaway stock, a U.S. stock index fund and short-term fixed-income securities. The remaining 60% of plan assets are managed by two investment companies. The goal of the investment managers is to produce moderate long-term growth in the value of these assets, while protecting them against large decreases in value. Both investment managers may invest in a combination of equity and fixed-income securities and cash. The managers are not permitted to invest in securities of the Company or in alternative investments. One investment manager cannot invest more than 15% of the assets at the time of purchase in the stock of Alphabet and Berkshire Hathaway, and no more than 30% of the assets it manages in specified international exchanges at the time the investment is made. The other investment manager cannot invest more than 20% of the assets at the time of purchase in the stock of Berkshire Hathaway, and no more than 15% of the assets it manages in specified international exchanges at the time the investment is made, and no less than 10% of the assets could be invested in fixed-income securities. Excluding the exceptions noted above, the investment managers cannot invest more than 10% of the assets in the securities of any other single issuer, except for obligations of the U.S. Government, without receiving prior approval from the Plan administrator.

In determining the expected rate of return on plan assets, the Company considers the relative weighting of plan assets, the historical performance of total plan assets and individual asset classes and economic and other indicators of future performance. In addition, the Company may consult with and consider the input of financial and other professionals in developing appropriate return benchmarks.

The Company evaluated its defined benefit pension plan asset portfolio for the existence of significant concentrations (defined as greater than 10% of plan assets) of credit risk as of December 31, 2020. Types of concentrations that were evaluated include, but are not limited to, investment concentrations in a single entity, type of industry, foreign country and individual fund. At December 31, 2020, the pension plan held investments in one common stock and one private investment fund that exceeded 10% of total plan assets, valued at $850.6 million, or approximately 30% of total plan assets. At December 31, 2019, the pension plan held investments in one common stock and one U.S. stock index fund that exceeded 10% of total plan assets, valued at $704.8 million, or approximately 30% of total plan assets.

The Company's pension plan assets measured at fair value on a recurring basis were as follows:

	As of December 31, 2020			
(in thousands)	Level 1	Level 2	Level 3	Total
Cash equivalents and other short-term investments	**$ 2,218**	**$ 197,655**	**$ —**	**$ 199,873**
Equity securities				
U.S. equities	**1,614,879**	**—**	**—**	**1,614,879**
International equities	**233,818**	**—**	**—**	**233,818**
Private investment fund	**—**	**—**	**496,458**	**496,458**
U.S. stock index fund	**—**	**—**	**256,291**	**256,291**
Total Investments	**$ 1,850,915**	**$ 197,655**	**$ 752,749**	**$ 2,801,319**
Receivables, net				**2,103**
Total				**$ 2,803,422**

	As of December 31, 2019			
(in thousands)	Level 1	Level 2	Level 3	Total
Cash equivalents and other short-term investments	$ 2,133	$ 234,999	$ —	$ 237,132
Equity securities				
U.S. equities	1,439,098	—	—	1,439,098
International equities	161,377	—	—	161,377
U.S. stock index fund	—	—	322,229	322,229
Private investment fund	—	—	151,854	151,854
Total Investments	$ 1,602,608	$ 234,999	$ 474,083	$ 2,311,690
Receivables, net				1,016
Total				$ 2,312,706

Cash equivalents and other short-term investments. These investments are primarily held in U.S. Treasury securities and registered money market funds. These investments are valued using a market approach based on the quoted market prices of the security or inputs that include quoted market prices for similar instruments and are classified as either Level 1 or Level 2 in the valuation hierarchy.

U.S. equities. These investments are held in common and preferred stock of U.S. corporations and American Depositary Receipts (ADRs) traded on U.S. exchanges. Common and preferred shares and ADRs are traded actively on exchanges, and price quotes for these shares are readily available. These investments are classified as Level 1 in the valuation hierarchy.

International equities. These investments are held in common and preferred stock issued by non-U.S. corporations. Common and preferred shares are traded actively on exchanges, and price quotes for these shares are readily available. These investments are classified as Level 1 in the valuation hierarchy.

Private investment fund. This fund consists of investments held in a diversified mix of publicly-traded securities (U.S and international stocks) and private companies. The fund is valued using the net asset value (NAV) provided by the administrator of the fund and reviewed by the Company. The NAV is based on the value of the underlying assets owned by the fund, minus liabilities and divided by the number of units outstanding. Five percent of the NAV of the investment may be redeemed annually starting at the 12-month anniversary of the investment, subject to certain limitations. Additionally, the investment in this fund may be redeemed in part, or in full, at the 60-month anniversary of the investment, or at any subsequent 36-month anniversary date following the initial 60-month anniversary. This investment is classified as Level 3 in the valuation hierarchy.

U.S. stock index fund. This fund consists of investments held in a diversified mix of securities (U.S. and international stocks, and fixed-income securities) and a combination of other collective funds that together are designed to track the performance of the S&P 500 Index. The fund is valued using the NAV provided by the administrator of the fund and reviewed by the Company. The NAV is based on the value of the underlying assets owned by the fund, minus liabilities and divided by the number of units outstanding. The investment in this fund may be redeemed daily, subject to the restrictions of the fund. This investment is classified as Level 3 in the valuation hierarchy.

The following table provides a reconciliation of changes in pension assets measured at fair value on a recurring basis, using Level 3 inputs:

(in thousands)	Private Investment Fund	U.S. Stock Index Fund
As of December 31, 2018	$ —	$ 601,395
Purchases, sales, and settlements, net	150,000	(425,000)
Actual return on plan assets:		
Gains relating to assets sold	—	68,658
Gains relating to assets still held at year-end	1,854	77,176
As of December 31, 2019	151,854	322,229
Purchases, sales, and settlements, net	**130,000**	**(100,000)**
Actual return on plan assets:		
Losses relating to assets sold	**—**	**(5,763)**
Gains relating to assets still held at year-end	**214,604**	**39,825**
As of December 31, 2020	**$ 496,458**	**$ 256,291**

Other Postretirement Plans. The following table sets forth obligation, asset and funding information for the Company's other postretirement plans:

	Postretirement Plans	
	As of December 31	
(in thousands)	**2020**	2019
Change in Benefit Obligation		
Benefit obligation at beginning of year	**$ 6,816**	$ 8,523
Interest cost	**167**	289
Actuarial gain	**(991)**	(1,246)
Benefits paid, net of Medicare subsidy	**(405)**	(750)
Benefit Obligation at End of Year	**$ 5,587**	$ 6,816
Change in Plan Assets		
Fair value of assets at beginning of year	**$ —**	$ —
Employer contributions	**405**	750
Benefits paid, net of Medicare subsidy	**(405)**	(750)
Fair Value of Assets at End of Year	**$ —**	$ —
Funded Status	**$ (5,587)**	$ (6,816)

The change in the benefit obligation for the Company's other postretirement plans was primarily due to updated claims experience based on actual premium rates offset by the recognition of an actuarial loss resulting from a decrease to the discount rate used to measure the benefit obligation.

The amounts recognized in the Company's Consolidated Balance Sheets for its other postretirement plans are as follows:

	Postretirement Plans	
	As of December 31	
(in thousands)	**2020**	2019
Current liability	**$ (797)**	$ (1,153)
Noncurrent liability	**(4,790)**	(5,663)
Recognized Liability	**$ (5,587)**	$ (6,816)

The discount rates utilized for determining the benefit obligation at December 31, 2020 and 2019, for the postretirement plans were 1.78% and 2.68%, respectively. The assumed healthcare cost trend rate used in measuring the postretirement benefit obligation at December 31, 2020, was 6.59% for pre-age 65, decreasing to 4.5% in the year 2029 and thereafter. The assumed healthcare cost trend rate used in measuring the postretirement benefit obligation at December 31, 2020, was 7.01% for post-age 65, decreasing to 4.5% in the year 2029 and thereafter. The assumed healthcare cost trend rate used in measuring the postretirement benefit obligation at December 31, 2020, was 8.25% for Medicare Advantage, decreasing to 4.5% in the year 2029 and thereafter.

The Company made contributions to its postretirement benefit plans of $0.4 million and $0.8 million for the years ended December 31, 2020 and 2019, respectively. As the plans are unfunded, the Company makes contributions to its postretirement plans based on actual benefit payments.

At December 31, 2020, future estimated benefit payments are as follows:

(in thousands)	Postretirement Plans
2021	$ 797
2022	$ 725
2023	$ 624
2024	$ 500
2025	$ 398
2026–2030	$ 1,394

The total benefit arising from the Company's other postretirement plans consists of the following components:

	Postretirement Plans		
	Year Ended December 31		
(in thousands)	**2020**	2019	2018
Service cost	**$ —**	$ —	$ 892
Interest cost	**167**	289	620
Amortization of prior service credit	**(481)**	(7,363)	(1,408)
Recognized actuarial gain	**(4,048)**	(4,360)	(3,783)
Net Periodic Benefit for the Year	**(4,362)**	(11,434)	(3,679)
Curtailment	**—**	—	(3,380)
Total Benefit for the Year	**$ (4,362)**	$ (11,434)	$ (7,059)
Other Changes in Benefit Obligations Recognized in Other Comprehensive Income			
Current year actuarial gain	**$ (991)**	$ (1,246)	$ (2,519)
Current year prior service credit	**—**	—	(12,473)
Amortization of prior service credit	**481**	7,363	1,408
Recognized actuarial gain	**4,048**	4,360	3,783
Curtailment and settlement	**—**	—	3,380
Total Recognized in Other Comprehensive Income (Before Tax Effects)	**$ 3,538**	$ 10,477	$ (6,421)
Total Recognized in Benefit and Other Comprehensive Income (Before Tax Effects)	**$ (824)**	$ (957)	$ (13,480)

The costs for the Company's postretirement plans are actuarially determined. The discount rate utilized to determine periodic cost for the years ended December 31, 2020 and 2019 were 2.68% and 3.69%. As a result of the changes to the postretirement plans, the Company remeasured the accumulated and projected benefit obligation of the postretirement plan as of October 31, 2018. The remeasurement changed the discount rate from 3.11% for the

period January 1 through October 31, 2018 to 4.04% for the period November 1 to December 31, 2018. AOCI included the following components of unrecognized net periodic benefit for the postretirement plans:

	As of December 31	
(in thousands)	**2020**	2019
Unrecognized actuarial gain	**$ (16,690)**	$ (19,747)
Unrecognized prior service credit	**(19)**	(500)
Gross Amount	**(16,709)**	(20,247)
Deferred tax liability	**4,512**	5,467
Net Amount	**$ (12,197)**	$ (14,780)

Multiemployer Pension Plans. In 2020, 2019 and 2018, the Company contributed to one multiemployer defined benefit pension plan under the terms of a collective-bargaining agreement that covered certain union-represented employees. The Company's total contributions to the multiemployer pension plan amounted to $0.1 million in each year for 2020, 2019 and 2018.

Savings Plans. The Company recorded expense associated with retirement benefits provided under incentive savings plans (primarily 401(k) plans) of approximately $8.8 million in 2020, $9.8 million in 2019 and $8.6 million in 2018.

16. OTHER NON-OPERATING INCOME

A summary of non-operating income is as follows:

	Year Ended December 31		
(in thousands)	**2020**	2019	2018
Net gain (loss) on sale of businesses	**$ 213,302**	$ (564)	$ 8,157
Impairment of cost method investments	**(7,327)**	—	(2,697)
Net gain on cost method investments	**4,209**	5,080	11,663
Gain on acquiring a controlling interest in an equity affiliate	**3,708**	—	—
Foreign currency loss, net	**(2,153)**	(1,070)	(3,844)
Gain on sale of equity affiliates	**1,370**	28,994	—
Gain on sale of cost method investments	**1,039**	267	2,845
Loss on guarantor obligations	**(1,014)**	(1,075)	(17,518)
Net (loss) gain on sale of property, plant and equipment	**—**	(82)	2,539
Other, net	**1,400**	881	958
Total Other Non-Operating Income	**$ 214,534**	$ 32,431	$ 2,103

In the first and fourth quarter of 2020, the Company recorded impairment losses of $2.6 million and $4.8 million, respectively, to equity securities that are accounted for as cost method investments.

In the second quarter of 2020, the Company made an additional investment in Framebridge (see Notes 3 and 4) that resulted in the Company obtaining control of the investee. The Company remeasured its previously held equity interest in Framebridge at the acquisition-date fair value and recorded a gain of $3.7 million. The fair value was determined using a market approach by using the share value indicated in the transaction.

In the second and third quarter of 2020, the Company recorded gains of $2.6 million and $1.6 million, respectively, resulting from observable price changes in the fair value of an equity security accounted for under the cost method.

In the fourth quarter of 2020, the Company recorded a $209.8 million gain on the sale of Megaphone.

In 2020, the Company recorded contingent consideration gains of $3.5 million related to the disposition of Kaplan University in 2018.

In the first quarter of 2019, the Company recorded a $29.0 million gain on the sale of the Company's interest in Gimlet Media.

In the first and third quarter of 2019, the Company recorded gains of $1.3 million and $3.7 million, respectively, resulting from observable price changes in the fair value of equity securities accounted for under the cost method.

In 2018, the Company recorded a $17.5 million loss in guarantor lease obligations in connection with the sale of the KHE Campuses business.

In the third quarter of 2018, the Company recorded an $8.5 million gain resulting from observable price changes in the fair value of equity securities accounted for under the cost method. In the fourth quarter of 2018, an additional $3.2 million gain was recorded.

In 2018, the Company recorded an $8.2 million gain on the sale of three businesses in the education division, including a gain of $4.3 million on the Kaplan University transaction and $1.9 million in contingent consideration gains related to the sale of a business (see Note 3).

17. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The other comprehensive income (loss) consists of the following components:

(in thousands)	Year Ended December 31, 2020 Before-Tax Amount	Income Tax	After-Tax Amount
Foreign currency translation adjustments:			
Translation adjustments arising during the year	**$ 31,642**	**$ —**	**$ 31,642**
Pension and other postretirement plans:			
Actuarial gain	**365,164**	**(98,594)**	**266,570**
Prior service cost	**(69)**	**19**	**(50)**
Amortization of net actuarial loss included in net income	**1,219**	**(329)**	**890**
Amortization of net prior service cost included in net income	**2,680**	**(724)**	**1,956**
	368,994	**(99,628)**	**269,366**
Cash flow hedges:			
Loss for the year	**(1,282)**	**293**	**(989)**
Other Comprehensive Income	**$ 399,354**	**$ (99,335)**	**$ 300,019**

(in thousands)	Year Ended December 31, 2019 Before-Tax Amount	Income Tax	After-Tax Amount
Foreign currency translation adjustments:			
Translation adjustments arising during the year	$ 5,371	$ —	$ 5,371
Adjustment for sale of a business with foreign operations	2,011	—	2,011
	7,382	—	7,382
Pension and other postretirement plans:			
Actuarial gain	231,104	(62,398)	168,706
Prior service cost	(5,725)	1,546	(4,179)
Amortization of net actuarial gain included in net income	(2,046)	552	(1,494)
Amortization of net prior service credit included in net income	(4,142)	1,118	(3,024)
Settlement included in net income	(91,676)	24,752	(66,924)
	127,515	(34,430)	93,085
Cash flow hedges:			
Loss for the year	(1,344)	343	(1,001)
Other Comprehensive Income	$ 133,553	$ (34,087)	$ 99,466

(in thousands)	Year Ended December 31, 2018 Before-Tax Amount	Income Tax	After-Tax Amount
Foreign currency translation adjustments:			
Translation adjustments arising during the year	$ (35,584)	$ —	$ (35,584)
Pension and other postretirement plans:			
Actuarial loss	(101,013)	27,273	(73,740)
Prior service credit	4,262	(1,151)	3,111
Amortization of net actuarial gain included in net income	(11,349)	3,064	(8,285)
Amortization of net prior service credit included in net income	(947)	256	(691)
Curtailments and settlements included in net income	(30,267)	8,172	(22,095)
	(139,314)	37,614	(101,700)
Cash flow hedge:			
Gain for the year	551	(104)	447
Other Comprehensive Loss	$ (174,347)	$ 37,510	$ (136,837)

The accumulated balances related to each component of other comprehensive income (loss) are as follows:

(in thousands, net of taxes)	Cumulative Foreign Currency Translation Adjustment	Unrealized Gain on Pensions and Other Postretirement Plans	Cash Flow Hedges	Accumulated Other Comprehensive Income
As of December 31, 2018	$ (29,270)	$ 232,836	$ 263	$ 203,829
Other comprehensive income (loss) before reclassifications	5,371	164,527	(906)	168,992
Net amount reclassified from accumulated other comprehensive income	2,011	(71,442)	(95)	(69,526)
Net other comprehensive income (loss)	7,382	93,085	(1,001)	99,466
As of December 31, 2019	(21,888)	325,921	(738)	303,295
Other comprehensive income (loss) before reclassifications	**31,642**	**266,520**	**(1,476)**	**296,686**
Net amount reclassified from accumulated other comprehensive income	**—**	**2,846**	**487**	**3,333**
Net other comprehensive income (loss)	**31,642**	**269,366**	**(989)**	**300,019**
As of December 31, 2020	**$ 9,754**	**$ 595,287**	**$ (1,727)**	**$ 603,314**

The amounts and line items of reclassifications out of Accumulated Other Comprehensive Income (Loss) are as follows:

	Year Ended December 31			Affected Line Item in the Consolidated Statements of Operations
(in thousands)	**2020**	2019	2018	
Foreign Currency Translation Adjustments:				
Adjustment for sales of businesses with foreign operations	**$ —**	$ 2,011	$ —	Other income, net
Pension and Other Postretirement Plans:				
Amortization of net actuarial loss (gain)	**1,219**	(2,046)	(11,349)	(1)
Amortization of net prior service cost (credit)	**2,680**	(4,142)	(947)	(1)
Curtailment and settlement gains	**—**	(91,676)	(30,267)	(1)
	3,899	(97,864)	(42,563)	Before tax
	(1,053)	26,422	11,492	Provision for income taxes
	2,846	(71,442)	(31,071)	Net of tax
Cash Flow Hedges				
	474	(146)	(163)	Interest expense
	13	51	31	Provision for income taxes
	487	(95)	(132)	Net of tax
Total reclassification for the year	**$ 3,333**	$ (69,526)	$ (31,203)	Net of tax

(1) These accumulated other comprehensive income components are included in the computation of net periodic pension and postretirement plan cost (see Note 15) and are included in non-operating pension and postretirement benefit income in the Company's Consolidated Statements of Operations.

18. CONTINGENCIES AND OTHER COMMITMENTS

Litigation, Legal and Other Matters. The Company and its subsidiaries are subject to complaints and administrative proceedings and are defendants in various civil lawsuits that have arisen in the ordinary course of their businesses, including contract disputes; actions alleging negligence, libel, defamation and invasion of privacy; trademark, copyright and patent infringement; violations of employment laws and applicable wage and hour laws; and statutory or common law claims involving current and former students and employees. Although the outcomes of the legal claims and proceedings against the Company cannot be predicted with certainty, based on currently available information, management believes that there are no existing claims or proceedings that are likely to have a material effect on the Company's business, financial condition, results of operations or cash flows. However, based on currently available information, management believes it is reasonably possible that future losses from existing and threatened legal, regulatory and other proceedings in excess of the amounts recorded could reach approximately $15 million.

On September 3, 2015, Kaplan sold to Education Corporation of America (ECA) substantially all of the assets of the KHE Campuses. The transaction included the transfer of certain real estate leases that were guaranteed or purportedly guaranteed by Kaplan. ECA is currently in receivership, has terminated all of its higher education operations and has sold most, if not all, of its remaining assets (including New England College of Business). Additionally, the receiver has repudiated all of ECA's real estate leases. Although ECA is required to indemnify Kaplan for any amounts Kaplan must pay due to ECA’s failure to fulfill its obligations under the real estate leases guaranteed by Kaplan, ECA’s current financial condition and the amount of secured and unsecured creditor claims outstanding against ECA make it unlikely that Kaplan will recover from ECA. In the second half of 2018, the

Company recorded an estimated $17.5 million in losses on guarantor lease obligations in connection with this transaction in other non-operating expense. The Company recorded an additional estimated $1.1 million and $1.0 million in non-operating expense in 2019 and 2020, respectively, consisting of legal fees and lease costs. The Company continues to monitor the status of these obligations. Kaplan also may be liable to the current owners of KU and the KHE schools, respectively, related to the pre-sale conduct of the schools. Additionally, the pre-sale conduct of the schools could be the subject of future compliance reviews or lawsuits that could result in monetary liabilities or fines or other sanctions.

Her Majesty’s Revenue and Customs (HMRC), a department of the U.K. government responsible for the collection of taxes, raised assessments against the Kaplan UK Pathways business for Value Added Tax (VAT) relating to 2017 and earlier years, which Kaplan has paid. In September 2017, in a case captioned *Kaplan International Colleges UK Limited v. The Commissioners for Her Majesty’s Revenue and Customs*, Kaplan challenged these assessments. The Company believed it had met all requirements under U.K. VAT law for a cost sharing group VAT exemption to apply and was entitled to recover the £18.6 million related to the assessments and subsequent payments that had been paid through December 31, 2019. Following a hearing held in January 2019 before the First Tier Tax Tribunal, European legal questions on the scope of the cost sharing VAT exemption were referred to the Court of Justice of the European Union. The Court of Justice ruled against Kaplan on November 18, 2020. In the third quarter of 2019, due to developments in the case, the Company recorded a full provision against a receivable to expense, of which £14.1 million related to years 2014 to 2018.

On January 10, 2020, Kaplan Bournemouth Limited received an improvement notice from Bournemouth, Christchurch and Poole Council, a local government authority, under section 11 of the U.K. Housing Act 2004 in relation to its leased student residence in Bournemouth, U.K. This notice followed the Council’s assessment that a category 1 fire hazard exists at the property and required certain remedial work to be undertaken at the property within a specified timetable. This work comprised a number of items, including the removal of aluminum composite material (ACM) cladding and high pressure laminate (HPL) cladding from the facade of the building. Kaplan Bournemouth Limited appealed the notice on January 31, 2020, to contest certain remedial requirements, although it did not contest the requirement for the removal of the ACM and HPL cladding. Kaplan and the Council have reached an agreement regarding the remedial works required. A revised improvement notice was issued by the Council on February 17, 2021. The appeal proceedings are in the process of being formally withdrawn by Kaplan. Remediation works are underway at this site.

Other Commitments. The Company’s broadcast subsidiaries are parties to certain agreements that commit them to purchase programming to be produced in future years. At December 31, 2020, such commitments amounted to approximately $21.8 million. If such programs are not produced, the Company’s commitment would expire without obligation.

19. BUSINESS SEGMENTS

Basis of Presentation. The Company’s organizational structure is based on a number of factors that management uses to evaluate, view and run its business operations, which include, but are not limited to, customers, the nature of products and services and use of resources. The business segments disclosed in the Consolidated Financial Statements are based on this organizational structure and information reviewed by the Company’s management to evaluate the business segment results.

In June 2020, Kaplan announced a plan to combine its three primary divisions based in the United States (Kaplan Test Preparation, Kaplan Professional, and Kaplan Higher Education) into one business known as Kaplan North America. The plan for this combination was implemented in the second half of 2020 and is designed to create and reinforce Kaplan’s competitiveness in each market, and new markets into which Kaplan extends. Following completion of the plan, the Kaplan Test Preparation and Kaplan Professional segments were combined into the Kaplan Supplemental Education segment. Prior to the combination, the Company performed an impairment review of the $64.7 million and $89.5 million goodwill balances at the Kaplan Test Preparation and Kaplan Professional reporting units, respectively. The quantitative goodwill impairment analysis indicated the estimated fair value of both reporting units exceeded their carrying values.

In July 2020, SocialCode announced it will split into two separate companies. SocialCode’s marketing agency business continues to operate under the new name Code3, and the legacy business surrounding the Audience Intelligence Platform (AIP) continues as a separate software company, operating under the new name, Decile. Following the split, the Company started reporting Code3 and Decile in other businesses.

As a result of these changes, the Company changed the presentation of its segments in the third and fourth quarters of 2020 into the following six reportable segments: Kaplan International, Kaplan Higher Education, Kaplan Supplemental Education, Television Broadcasting, Manufacturing and Healthcare.

The Company evaluates segment performance based on operating income before amortization of intangible assets and impairment of goodwill and other long-lived assets. The accounting policies at the segments are the same as

described in Note 2. In computing operating income before amortization by segment, the effects of amortization of intangible assets, impairment of goodwill and other long-lived assets, equity in earnings (losses) of affiliates, interest income, interest expense, non-operating pension and postretirement benefit income, other non-operating income and expense items and income taxes are not included. Intersegment sales are not material.

Identifiable assets by segment are those assets used in the Company's operations in each business segment. The investments in marketable equity securities and affiliates, and prepaid pension cost are not included in identifiable assets by segment. Investments in marketable equity securities are discussed in Note 4.

Education. Education products and services are provided by Kaplan, Inc. Kaplan International includes professional training and postsecondary education businesses largely outside the U.S., as well as English-language programs. Prior to the KU Transaction closing on March 22, 2018, KHE included Kaplan's domestic postsecondary education business, made up of fixed-facility colleges and online postsecondary and career programs. Following the KU Transaction closing, KHE includes the results as a service provider to higher education institutions. Supplemental Education includes Kaplan's standardized test preparation, domestic professional and other continuing education businesses.

As of December 31, 2020, Kaplan had a total outstanding accounts receivable balance of $87.3 million from Purdue Global related to amounts due for reimbursements for services, fees earned and a deferred fee. In addition, Kaplan has a $19.9 million long-term receivable balance due from Purdue Global at December 31, 2020, related to the advance of $20.0 million during the initial KU Transaction.

Television Broadcasting. Television broadcasting operations are conducted through seven television stations serving the Detroit, Houston, San Antonio, Orlando, Jacksonville and Roanoke television markets. All stations are network-affiliated (except for WJXT in Jacksonville), with revenues derived primarily from sales of advertising time. In addition, the stations generate revenue from retransmission consent agreements for the right to carry their signals.

Manufacturing. Manufacturing operations include Hoover, a Thomson, GA-based supplier of pressure impregnated kiln-dried lumber and plywood products for fire retardant and preservative application; Dekko, a Garrett, IN-based manufacturer of electrical workspace solutions, architectural lighting, and electrical components and assemblies; Joyce/Dayton Corp., a Dayton, OH-based manufacturer of screw jacks and other linear motion systems; and Forney, a global supplier of products and systems that control and monitor combustion processes in electric utility and industrial applications.

Healthcare. Graham Healthcare Group provides home health, hospice and palliative services.

Other Businesses. Other businesses includes the following:

- Three automotive dealerships, including Lexus of Rockville and Honda of Tysons Corner, which were acquired on January 31, 2019 and Jeep of Bethesda, which opened in December 2019.
- Clyde's Restaurant Group (acquired on July 31, 2019) owns and operates eleven restaurants and entertainment venues in the Washington, D.C. metropolitan area.
- Code3 is a marketing and insights company that manages digital advertising companies.
- Decile is a customer data and analytics software company.
- Framebridge, a custom framing service company, which was acquired in May 2020.
- The Slate Group and Foreign Policy Group, which publish online and print magazines and websites; and three investment stage businesses, Megaphone (sold in December 2020), Pinna and CyberVista.

Corporate Office. Corporate office includes the expenses of the Company's corporate office, defined benefit pension expense, and certain continuing obligations related to prior business dispositions.

Geographical Information. The Company's non-U.S. revenues in 2020, 2019 and 2018 totaled approximately $642 million, $691 million and $657 million, respectively, primarily from Kaplan's operations outside the U.S. Additionally, revenues in 2020, 2019 and 2018 totaled approximately $375 million, $384 million, and $345 million, respectively, from Kaplan's operations in the U.K. The Company's long-lived assets in non-U.S. countries (excluding goodwill and other intangible assets), totaled approximately $442 million and $431 million at December 31, 2020 and 2019, respectively.

Restructuring. Kaplan developed and implemented a number of initiatives across its businesses to help mitigate the negative revenue impact arising from COVID-19 and to re-align its program offerings to better pursue opportunities from the disruption. These initiatives include employee salary and work-hour reductions; temporary furlough and other employee reductions; reduced discretionary spending; facility restructuring to reduce its

classroom and office facilities; reduced capital expenditures; and accelerated development and promotion of various online programs and solutions.

In 2020, Kaplan recorded restructuring costs related to severance, the exit of classroom and office facilities, and approved Separation Incentive Programs that reduced the number of employees at all of Kaplan's divisions.

In 2020, Code3 and Decile recorded restructuring costs in connection with a restructuring plan that included the exit of an office facility, an approved Separation Incentive Program to reduce the number of employees, and other cost reduction initiatives to mitigate the adverse impact of COVID-19 on advertising demand.

Restructuring related costs across all businesses in 2020 were recorded as follows:

(in thousands)	Kaplan International	Higher Education	Supplemental Education	Kaplan Corporate	**Total Education**	**Other Businesses**	**Total**
Severance	$ 4,366	$ —	$ 1,797	$ —	**$ 6,163**	**$ —**	**$ 6,163**
Facility related costs:							
Operating lease cost	2,905	3,451	3,586	—	**9,942**	**—**	**9,942**
Accelerated depreciation of property, plant and equipment	1,620	152	1,801	—	**3,573**	**—**	**3,573**
Total Restructuring Costs Included in Segment Results [(1)]	**$ 8,891**	**$ 3,603**	**$ 7,184**	**$ —**	**$ 19,678**	**$ —**	**$ 19,678**
Impairment of other long-lived assets:							
Lease right-of-use assets	$ 3,976	$ 2,062	$ 4,005	$ —	**$ 10,043**	**$ 1,405**	**$ 11,448**
Property, plant and equipment	1,248	174	813	—	**2,235**	**86**	**2,321**
Non-operating pension and postretirement benefit income, net	1,100	2,233	8,566	883	**12,782**	**999**	**13,781**
Total Restructuring Related Costs	**$ 15,215**	**$ 8,072**	**$ 20,568**	**$ 883**	**$ 44,738**	**$ 2,490**	**$ 47,228**

(1) These amounts are included in the segments' Income (Loss) from Operations before Amortization of Intangible Assets and Impairment of Goodwill and Other Long-Lived Assets.

Total accrued restructuring costs at Kaplan were $4.7 million and $1.3 million as of December 31, 2020 and 2019, respectively.

In June 2020, CRG made the decision to close its restaurant and entertainment venue in Columbia, MD effective July 19, 2020 and recorded accelerated depreciation of property, plant and equipment totaling $5.7 million for the year ended December 31, 2020.

Company information broken down by operating segment and education division:

(in thousands)	Year Ended December 31 2020	2019	2018
Operating Revenues			
Education	**$ 1,305,713**	$ 1,451,750	$ 1,451,015
Television broadcasting	**525,212**	463,464	505,549
Manufacturing	**416,137**	449,053	487,619
Healthcare	**198,196**	161,768	149,275
Other businesses	**445,491**	406,731	102,608
Corporate office	**—**	—	—
Intersegment elimination	**(1,628)**	(667)	(100)
	$ 2,889,121	$ 2,932,099	$ 2,695,966
Income (Loss) before Amortization of Intangible Assets and Impairment of Goodwill and Other Long-Lived Assets			
Education	**$ 41,056**	$ 63,680	$ 106,498
Television broadcasting	**199,938**	166,076	216,165
Manufacturing	**40,427**	46,809	53,597
Healthcare	**30,327**	14,319	6,454
Other businesses	**(72,413)**	(32,786)	(28,169)
Corporate office	**(51,978)**	(51,157)	(52,861)
	$ 187,357	$ 206,941	$ 301,684
Amortization of Intangible Assets and Impairment of Goodwill and Other Long-Lived Assets			
Education	**$ 29,452**	$ 15,608	$ 9,362
Television broadcasting	**5,440**	13,408	5,632
Manufacturing	**28,099**	26,342	24,746
Healthcare	**4,220**	6,411	14,855
Other businesses	**19,739**	626	928
Corporate office	**—**	—	—
	$ 86,950	$ 62,395	$ 55,523
Income (Loss) from Operations			
Education	**$ 11,604**	$ 48,072	$ 97,136
Television broadcasting	**194,498**	152,668	210,533
Manufacturing	**12,328**	20,467	28,851
Healthcare	**26,107**	7,908	(8,401)
Other businesses	**(92,152)**	(33,412)	(29,097)
Corporate office	**(51,978)**	(51,157)	(52,861)
	$ 100,407	$ 144,546	$ 246,161
Equity in Earnings of Affiliates, Net	**6,664**	11,664	14,473
Interest Expense, Net	**(34,439)**	(23,628)	(32,549)
Debt Extinguishment Costs	**—**	—	(11,378)
Non-Operating Pension and Postretirement Benefit Income, Net	**59,315**	162,798	120,541
Gain (Loss) on Marketable Equity Securities, net	**60,787**	98,668	(15,843)
Other Income, Net	**214,534**	32,431	2,103
Income Before Income Taxes	**$ 407,268**	$ 426,479	$ 323,508
Depreciation of Property, Plant and Equipment			
Education	**$ 31,759**	$ 25,655	$ 28,099
Television broadcasting	**13,830**	12,817	13,204
Manufacturing	**10,333**	10,036	9,515
Healthcare	**1,665**	2,314	2,577
Other businesses	**15,964**	7,556	2,320
Corporate office	**706**	875	1,007

	$ 74,257	$ 59,253	$ 56,722
Pension Service Cost			
Education	**$ 10,024**	$ 10,385	$ 8,753
Television broadcasting	**3,263**	3,025	2,188
Manufacturing	**1,424**	80	72
Healthcare	**543**	492	573
Other businesses	**1,698**	1,640	1,301
Corporate office	**5,704**	4,800	5,334
	$ 22,656	$ 20,422	$ 18,221
Capital Expenditures			
Education	**$ 33,553**	$ 57,246	$ 54,159
Television broadcasting	**13,470**	19,362	27,013
Manufacturing	**8,034**	11,218	14,806
Healthcare	**2,481**	2,303	1,741
Other businesses	**8,256**	3,703	348
Corporate office	**80**	115	—
	$ 65,874	$ 93,947	$ 98,067

Asset information for the Company’s business segments is as follows:

(in thousands)	As of December 31 2020	2019
Identifiable Assets		
Education	**$ 1,975,104**	$ 2,032,425
Television broadcasting	**453,988**	463,689
Manufacturing	**551,611**	564,251
Healthcare	**160,654**	160,033
Other businesses	**517,533**	567,395
Corporate office	**348,045**	103,764
	$ 4,006,935	$ 3,891,557
Investments in Marketable Equity Securities	**573,102**	585,080
Investments in Affiliates	**155,777**	162,249
Prepaid Pension Cost	**1,708,305**	1,292,350
Total Assets	**$ 6,444,119**	$ 5,931,236

The Company’s education division comprises the following operating segments:

(in thousands)	Year Ended December 31 2020	2019	2018
Operating Revenues			
Kaplan international	**$ 653,892**	$ 750,245	$ 719,982
Higher education	**316,095**	305,672	342,085
Supplemental education	**327,087**	388,814	390,289
Kaplan corporate and other	**12,643**	9,480	1,142
Intersegment elimination	**(4,004)**	(2,461)	(2,483)
	$ 1,305,713	$ 1,451,750	$ 1,451,015
Income (Loss) From Operations before Amortization of Intangible Assets and Impairment of Long-Lived Assets			
Kaplan international	**$ 15,248**	$ 42,129	$ 70,315
Higher education	**24,364**	13,960	15,217
Supplemental education	**19,705**	34,487	47,704
Kaplan corporate and other	**(18,266)**	(26,891)	(26,702)
Intersegment elimination	**5**	(5)	(36)
	$ 41,056	$ 63,680	$ 106,498
Amortization of Intangible Assets	**$ 17,174**	$ 14,915	$ 9,362
Impairment of Long-Lived Assets	**$ 12,278**	$ 693	$ —
Income (Loss) from Operations			
Kaplan international	**$ 15,248**	$ 42,129	$ 70,315
Higher education	**24,364**	13,960	15,217
Supplemental education	**19,705**	34,487	47,704
Kaplan corporate and other	**(47,718)**	(42,499)	(36,064)
Intersegment elimination	**5**	(5)	(36)
	$ 11,604	$ 48,072	$ 97,136
Depreciation of Property, Plant and Equipment			
Kaplan international	**$ 19,562**	$ 15,394	$ 15,755
Higher education	**3,082**	2,883	4,826
Supplemental education	**8,724**	7,132	7,037
Kaplan corporate and other	**391**	246	481
	$ 31,759	$ 25,655	$ 28,099
Pension Service Cost			
Kaplan international	**$ 433**	$ 454	$ 298
Higher education	**4,150**	4,535	4,310
Supplemental education	**4,207**	4,734	3,773
Kaplan corporate and other	**1,234**	662	372
	$ 10,024	$ 10,385	$ 8,753
Capital Expenditures			
Kaplan international	**$ 24,085**	$ 48,362	$ 44,469
Higher education	**3,234**	3,463	4,045
Supplemental education	**6,030**	5,362	5,526
Kaplan corporate and other	**204**	59	119
	$ 33,553	$ 57,246	$ 54,159

Asset information for the Company's education division is as follows:

(in thousands)	As of December 31 2020	2019
Identifiable Assets		
Kaplan international	**$ 1,455,722**	$ 1,455,122
Higher education	**187,123**	196,761
Supplemental education	**274,687**	312,454
Kaplan corporate and other	**57,572**	68,088
	$ 1,975,104	$ 2,032,425

20. SUMMARY OF QUARTERLY OPERATING RESULTS AND COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

Quarterly results of operations and comprehensive income (loss) for the year ended December 31, 2020, is as follows:

(in thousands, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating Revenues				
Sales of services	$ 516,637	$ 483,595	$ 492,399	$ 563,597
Sales of goods	215,620	169,276	224,583	223,414
	732,257	652,871	716,982	787,011
Operating Costs and Expenses				
Cost of services sold	333,049	298,578	298,250	309,364
Cost of goods sold	166,701	136,825	177,734	191,605
Selling, general and administrative	177,152	162,840	166,207	209,202
Depreciation of property, plant and equipment	16,704	22,913	18,481	16,159
Amortization of intangible assets	14,165	14,327	14,150	14,138
Impairment of goodwill and other long-lived assets	16,401	11,511	1,916	342
	724,172	646,994	676,738	740,810
Income from Operations	8,085	5,877	40,244	46,201
Equity in (losses) earnings of affiliates, net	(1,547)	1,182	4,092	2,937
Interest income	1,151	954	890	876
Interest expense	(7,678)	(7,377)	(7,247)	(16,008)
Non-operating pension and postretirement benefit income, net	18,403	12,136	10,489	18,287
(Loss) gain on marketable equity securities, net	(100,393)	39,890	59,364	61,926
Other income, net	2,688	8,100	222	203,524
(Loss) Income Before Income Taxes	(79,291)	60,762	108,054	317,743
(Benefit from) Provision for Income Taxes	(45,400)	41,900	30,000	80,800
Net (Loss) Income	(33,891)	18,862	78,054	236,943
Net Loss (Income) Attributable to Noncontrolling Interests	646	(8)	(439)	198
Net (Loss) Income Attributable to Graham Holdings Company Common Stockholders	$ (33,245)	$ 18,854	$ 77,615	$ 237,141
Quarterly Comprehensive (Loss) Income	$ (71,188)	$ 35,922	$ 98,878	$ 536,772
Per Share Information Attributable to Graham Holdings Company Common Stockholders				
Basic net (loss) income per common share	$ (6.32)	$ 3.61	$ 15.25	$ 47.45
Basic average number of common shares outstanding	5,274	5,196	5,060	4,970
Diluted net (loss) income per common share	$ (6.32)	$ 3.60	$ 15.22	$ 47.34
Diluted average number of common shares outstanding	5,274	5,201	5,072	4,982

The sum of the four quarters may not necessarily be equal to the annual amounts reported in the Consolidated Statements of Operations due to rounding.

Quarterly results of operations and comprehensive income for the year ended December 31, 2019, is as follows:

(in thousands, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating Revenues				
Sales of services	$ 516,744	$ 539,644	$ 522,195	$ 532,452
Sales of goods	175,455	197,958	216,625	231,026
	692,199	737,602	738,820	763,478
Operating Costs and Expenses				
Cost of services sold	318,474	326,756	345,476	325,222
Cost of goods sold	132,453	153,129	169,599	177,137
Selling, general and administrative	174,686	172,297	178,182	192,494
Depreciation of property, plant and equipment	13,523	13,884	15,351	16,495
Amortization of intangible assets	13,060	12,880	13,572	13,731
Impairment of long-lived assets	—	693	372	8,087
	652,196	679,639	722,552	733,166
Income from Operations	40,003	57,963	16,268	30,312
Equity in earnings of affiliates, net	1,679	1,467	4,683	3,835
Interest income	1,700	1,579	1,474	1,398
Interest expense	(7,425)	(8,386)	(6,776)	(7,192)
Non-operating pension and postretirement benefit income, net	19,928	12,253	19,556	111,061
Gain on marketable equity securities, net	24,066	7,791	17,404	49,407
Other income (expense), net	29,351	1,228	5,556	(3,704)
Income Before Income Taxes	109,302	73,895	58,165	185,117
Provision for Income Taxes	27,600	16,700	15,200	39,100
Net Income	81,702	57,195	42,965	146,017
Net Loss (Income) Attributable to Noncontrolling Interests	46	(114)	180	(136)
Net Income Attributable to Graham Holdings Company Common Stockholders	$ 81,748	$ 57,081	$ 43,145	$ 145,881
Quarterly Comprehensive Income	$ 90,038	$ 44,986	$ 25,059	$ 267,238
Per Share Information Attributable to Graham Holdings Company Common Stockholders				
Basic net income per common share	$ 15.38	$ 10.74	$ 8.12	$ 27.45
Basic average number of common shares outstanding	5,284	5,285	5,285	5,284
Diluted net income per common share	$ 15.26	$ 10.65	$ 8.05	$ 27.25
Diluted average number of common shares outstanding	5,326	5,329	5,329	5,324

The sum of the four quarters may not necessarily be equal to the annual amounts reported in the Consolidated Statements of Operations due to rounding.