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**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, 2017

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 001-38002



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

DELAWARE
(State or Other Jurisdiction of
Incorporation or Organization)

52-1492296
(I.R.S. Employer
Identification No.)

**650 S. Exeter Street
Baltimore, Maryland 21202
(410) 843-6100**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class registered</u>	<u>Name of each exchange on which registered</u>
Class A common stock, par value \$0.004 per share	The NASDAQ Stock Market LLC (Nasdaq Global Select Market)

Securities registered pursuant to Section 12(g) of the Act: **None**

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 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definition 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
(Do not check if a
smaller reporting company)

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 is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of June 30, 2017 (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of the Class A common stock held by non-affiliates of the registrant

was \$547 million (based on the closing price of the registrant's Class A common stock on that date as reported on the Nasdaq Global Select Market).

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

<u>Class</u>	<u>Outstanding at March 15, 2018</u>
Class A common stock, par value \$0.004 per share	55,111,486 shares
Class B common stock, par value \$0.004 per share	132,384,106 shares

DOCUMENTS INCORPORATED BY REFERENCE

The registrant incorporates by reference its definitive proxy statement with respect to its 2018 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission within 120 days following the end of its fiscal year, into Part III of this Annual Report on Form 10-K.

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As used in this Annual Report on Form 10-K (this "Form 10-K"), unless otherwise stated or the context otherwise requires, references to "we," "us," "our," the "Company," "Laureate" and similar references refer collectively to Laureate Education, Inc. and its subsidiaries. Unless otherwise stated or the context requires, references to the *Laureate International Universities* network include Santa Fe University of Art and Design ("SFUAD"), which is owned by Wengen Alberta, Limited Partnership, an Alberta limited partnership ("Wengen"), our controlling stockholder. Laureate is affiliated with SFUAD, but does not own or control it and, accordingly, SFUAD is not included in the financial results of Laureate presented in this Form 10-K.

Trademarks and Tradenames

LAUREATE, LAUREATE INTERNATIONAL UNIVERSITIES and the leaf symbol are trademarks of Laureate Education, Inc. in the United States and other countries. This Form 10-K also includes other trademarks of Laureate and trademarks of other persons, which are properties of their respective owners.

Industry and Market Data

We obtained the industry, market and competitive position data used throughout this Form 10-K from our own internal estimates and research as well as from industry publications and research, surveys and studies conducted by third-party sources. This Form 10-K also contains the results from a study by Kantar Vermeer, a leading third-party market research organization. We commissioned the Kantar Vermeer study as part of our periodic evaluation of employment rates and starting salary information for our graduates.

Industry publications, studies and surveys generally state that they have been obtained from sources believed to be reliable, although they do not guarantee the accuracy or completeness of such information. We have not independently verified industry, market and competitive position data from third-party sources. While we believe our internal business estimates and research are reliable and the market definitions are appropriate, neither such estimates, research nor these definitions have been verified by any independent source.

Forward-Looking Statements

This Form 10-K contains "forward-looking statements" within the meaning of the federal securities laws, which involve risks and uncertainties. You can identify forward-looking statements because they contain words such as "believes," "expects," "may," "will," "should," "seeks," "approximately," "intends," "plans," "estimates" or "anticipates" or similar expressions that concern our strategy, plans or intentions. All statements we make relating to estimated and projected earnings, costs, expenditures, cash flows, growth rates and financial results are forward-looking statements. In addition, we, through our senior management, from time to time make forward-looking public statements concerning our expected future operations and performance and other developments. All of these forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, our actual results may differ materially from those we expected. We derive most of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and, of course, it is impossible for us to anticipate all factors that could affect our actual results. Important factors that could cause actual results to differ materially from our expectations, including, without limitation, in conjunction with the forward-looking statements included in this Form 10-K, are disclosed under various sections throughout this Form 10-K, including, but not limited to, Item 1—Business, Item 1A—Risk Factors, and Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations. All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the factors discussed in this Form 10-K. Some of the factors that we believe could affect our results include:

- the risks associated with our operation of an increasingly global business, including complex management, foreign currency, political, legal, tax and economic risks;
- our ability to effectively manage the growth of our business, implement a common operating model and platform, and increase our operating leverage;
- the development and expansion of our global education network and programs and the effect of new technology applications in the educational services industry;
- our ability to complete planned divestitures and make strategic acquisitions, and to successfully integrate and operate acquired businesses;
- the effect of existing international and U.S. laws and regulations governing our business or changes in those laws and regulations;
- changes in the political, economic and business climate in the international or the U.S. markets where we operate;
- risks of downturns in general economic conditions and in the educational services and education technology industries, that could, among other things, impair our goodwill and intangible assets;
- possible increased competition from other educational service providers;
- market acceptance of new service offerings by us or our competitors and our ability to predict and respond to changes in the markets for our educational services;
- the effect on our business and results of operations from fluctuations in the value of foreign currencies;
- our ability to attract and retain key personnel;
- the fluctuations in revenues due to seasonality;

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- our ability to generate anticipated savings from our *Excellence in Process* ("EiP") program or our shared services organizations ("SSOs");
- our ability to maintain proper and effective internal controls or remediate any of our current material weaknesses necessary to produce accurate financial statements on a timely basis;
- our focus on a specific public benefit purpose and producing a positive effect for society may negatively influence our financial performance; and
- the future trading prices of our Class A common stock and the impact of any securities analysts' reports on these prices.

We caution you that the foregoing list of important factors may not contain all of the material factors that are important to you. In addition, in light of these risks and uncertainties, the matters referred to in the forward-looking statements contained in this Form 10-K may not in fact occur. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

PART I

ITEM 1. BUSINESS

General

We are the largest global network of degree-granting higher education institutions, with more than one million students enrolled at over 60 institutions in more than 20 countries, and on more than 200 campuses, which we collectively refer to as the *Laureate International Universities* network. The institutions in the *Laureate International Universities* network offer a broad range of undergraduate and graduate degrees through campus-based, online and hybrid programs. Approximately 94% of our students attend traditional, campus-based institutions offering multi-year degrees, similar to leading private and public higher education institutions in the United States and Europe. Nearly two thirds of our students are enrolled in programs of four or more years in duration. Our programs are designed with a distinct emphasis on applied, professional-oriented content for growing career fields and are focused on academic disciplines that we believe offer strong employment opportunities and high earnings potential for our students. In 1999, we made our first investment in higher education and, since that time, we have developed into the global leader in higher education, based on the number of students, institutions and countries making up our network. Our track record for delivering high-quality outcomes to our students, while stressing affordability and accessibility, has been a key reason for our long record of success, including 18 consecutive years of enrollment growth.

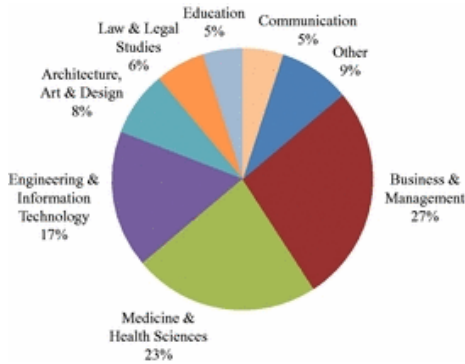
We believe the global higher education market presents an attractive long-term opportunity, primarily because of the large and growing imbalance between the supply and demand for quality higher education in many parts of the world. We believe the combination of the projected growth in the middle class, limited government resources dedicated to higher education, and a clear value proposition demonstrated by the higher earnings potential afforded by higher education, creates substantial opportunities for high-quality private institutions to meet this growing and unmet demand. By offering high-quality, outcome-focused education, we believe that we enable students to prosper and thrive in the dynamic and evolving knowledge economy.

Across the world, we operate institutions that address regional, national and local supply and demand imbalances in higher education. As the global leader in higher education, we believe we are uniquely positioned to deliver high-quality education across different brands and tuition levels in the markets in which we operate. In many developing markets, traditional higher education students (defined as 18-24 year olds) have historically been served by public universities, which have limited capacity and are often underfunded, resulting in an inability to meet growing student demands and employer requirements. Our institutions in these markets offer traditional higher education students a private education alternative, often with multiple brands and price points in each market, with innovative programs and strong career-driven outcomes. In many of these same markets, non-traditional students such as working adults and distance learners have limited options for pursuing higher education. Through targeted programs and multiple teaching modalities, we are able to serve the differentiated needs of this unique demographic. Our flexible approach across geographies allows Laureate to access a broader addressable market of students by efficiently tailoring institutions to meet the needs of a particular geography and student population.

We continually and proactively adapt our curriculum to the needs of the market. In particular, we emphasize science, technology, engineering and math (STEM) and business disciplines, areas in which we believe that there is large and growing demand, especially in developing countries. Since 2009, we have more than doubled our enrollment of students pursuing degrees in Business & Management, Medicine & Health Sciences and Engineering & Information Technology, our three largest disciplines. We believe the work of our graduates in these disciplines creates a positive impact on the communities we serve and strengthens our institutions' reputations within their respective markets.

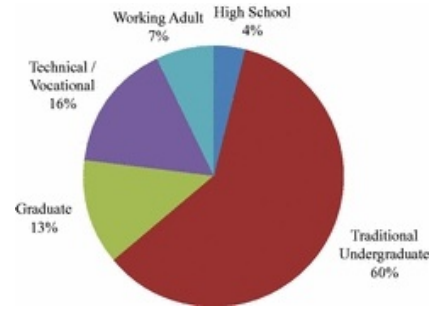
Our program and level of study mix for 2017 was as follows:

Program Mix



Based on 12/31/2017 total enrollments.

Level of Study Mix

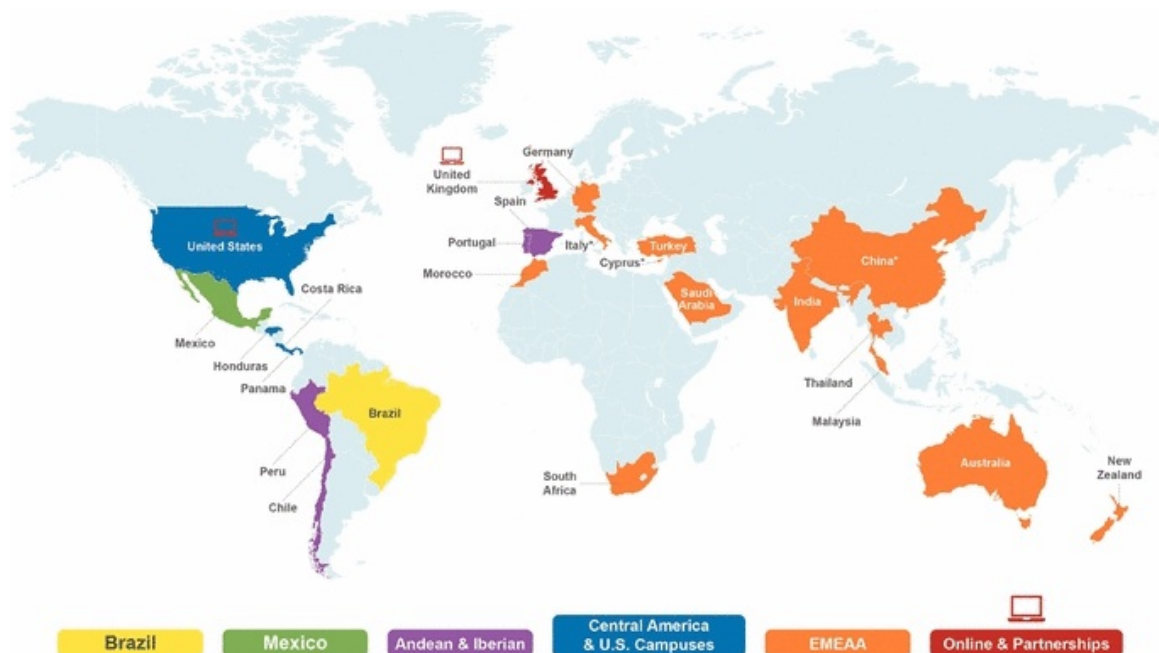


Based on 12/31/2017 total enrollments.
High school students are primarily in Mexico.

The *Laureate International Universities* network enables us to educate our students locally while connecting them to a global community and offering them the advantages of our shared infrastructure, technology, curricula and operational best practices. For example, our students can take advantage of shared curricula, optional international programs and services, including English language instruction, dual-degree and study abroad programs and other benefits offered by other institutions in our network. We believe that the benefits of the network translate into better career opportunities and higher earnings potential for our graduates.

We have six reporting segments, which are summarized in the map and the table below. We group our institutions by geography in Brazil, Mexico, Andean & Iberian, Central America & U.S. Campuses, and Europe, Middle East, Africa and Asia Pacific ("EMEA") for reporting purposes. Our Online & Partnerships segment includes our fully online universities.

The following information for our operating segments is presented as of December 31, 2017, except where otherwise indicated. For further information related to our segment revenues, see



* The map is presented as of December 31, 2017 and does not reflect completed or pending dispositions of institutions within the EMEAA and Central America & U.S. Campuses segments. See "—Recent Developments."

	Brazil	Mexico	Andean & Iberian	Central America & U.S. Campuses*	EMEA*	Online & Partnerships#	Total
Countries†	1	1	4	4	13	2	24
Institutions	13	2	15	8	25	3	66
Enrollments (rounded to nearest hundred)	271,200	214,200	321,800	69,200	128,100	63,500	1,068,000
Year ended December 31, 2017							
Revenues (\$ in millions)‡	\$765.7	\$646.2	\$1,313.9	\$291.9	\$697.2	\$690.4	\$4,378.0
% Contribution to year ended							
December 31, 2017 Revenues‡	17%	15%	30%	6%	16%	16%	100%

* The table is presented as of December 31, 2017 and does not reflect completed or pending dispositions of institutions within the EMEAA and Central America & U.S. Campuses segments. See "—Recent Developments."

In December 2017, we stopped accepting new enrollments at the University of Roehampton, an institution in our Online & Partnerships segment.

† Our Central America & U.S. Campuses and Online & Partnerships segments both have institutions in the United States. The total reflects the elimination of this duplication.

‡ The elimination of intersegment revenues and amounts related to Corporate, which total \$27.3 million, is not separately presented.

Our Industry

We are the leader in the global market for higher education, which is characterized by a significant imbalance between supply and demand, especially in developing economies. In many countries, demand for higher education is large and growing. GSV Advisors ("GSV") estimates that higher education institutions accounted for total revenues of approximately \$1.5 trillion globally in 2015, with the higher education market expected to grow by approximately 5% per annum through 2020. Global growth in higher education is being fueled by several demographic and economic factors, including a growing middle class, global growth in services and technology-related industries and recognition of the significant personal and economic benefits gained by graduates of higher education institutions. At the same time, many governments have limited resources to devote to higher education, resulting in a diminished ability by the public sector to meet growing demand, and creating opportunities for private education providers to enter these markets and deliver high-quality education. As a result, the private sector plays a large and growing role in higher education globally. While the *Laureate International Universities* network is the largest global network of degree-granting higher education institutions in the world, our total enrollment at December 31, 2017 of more than one million students represents only 0.5% of worldwide higher education students.

Large, Growing and Underpenetrated Population of Qualified Higher Education Students. According to United Nations Educational, Scientific and Cultural Organization ("UNESCO"), 214.1 million students worldwide were enrolled in higher education institutions in 2015, more than double the 99.7 million students enrolled in 2000, and approximately 90% of those students were enrolled at institutions outside of the United States as of 2015. In many countries, including throughout Latin America, Asia and other developing regions, there is growing demand for higher education based on favorable demographics, increasing secondary completion rates and increasing higher education participation rates, resulting in continued growth in higher education enrollments. While global participation rates have increased for traditional higher education students (defined as 18-24 year olds), the market for higher education is still significantly underpenetrated, particularly in developing countries. For example, participation rates in Brazil and Mexico in 2015 were approximately 36% and approximately 23%, respectively, as compared to approximately 63% in the United States for the same period.

Strong Economic Incentives for Higher Education. According to the Brookings Institution, approximately 3.2 billion people in the world composed the middle class in 2016, a number that is expected to be over five billion people by 2028. We believe that members of this large and growing group seek advanced education opportunities for themselves and their children in recognition of the vast differential in earnings potential with and without higher education. According to 2015 data from the Organization for Economic Co-operation and Development ("OECD"), in the United States and European Union countries that are members of the OECD, the earnings from employment for an adult completing higher education were approximately 74% and 53% higher, respectively, than those of an adult with only an upper secondary education. This income gap is even more pronounced in many developing countries around the world, including a differential of approximately 149% in Brazil, and approximately 102% in Mexico. We believe the cumulative impact of favorable demographic and socio-economic trends, coupled with the superior earnings potential of higher education graduates, will continue to expand the market for private higher education.

Increasing Role of the Private Sector in Higher Education. In many of our markets, the private sector plays a meaningful role in higher education, bridging supply and demand imbalances created by a lack of capacity at public universities. In addition to capacity limitations, we believe that limited public resources, and the corresponding policy reforms to make higher education systems less dependent on the financial and operational support of local governments, have resulted in increased enrollments in private institutions relative to public institutions. For example, Brazil relies heavily upon

private institutions to deliver quality higher education to students, with 74% (in 2015) of higher education students in Brazil enrolled in private institutions.

Increasing Demand for Online Offerings. The acceptance of online learning in higher education is well-established, as evidenced by a survey conducted by the Babson Survey Research Group that reported that approximately 71% of academic leaders rated online learning outcomes as the same or superior to classroom learning in 2014. Furthermore, students taking at least one distance education course made up approximately 30% of all higher education enrollments in the United States as of the second half of 2015 according to the Distance Education Enrollment Report 2017. We believe that increasing student demand, new instruction methodologies designed for the online medium, and growing employer and regulatory acceptance of degrees obtained through online and hybrid modalities will continue to drive online learning growth globally. Moreover, increasing the percentage of courses taught online in a hybrid educational model has significant cost and capital efficiency benefits as a greater number of students can be accommodated in existing physical campus space.

Growth in Outsourced Academic and Administrative Services. To adapt to changing student preferences and greater demand for online and distance learning solutions, university leaders are refocusing their strategies around core academic functions, while seeking to outsource specialized technology functions and other administrative services. Private sector partners offering operational expertise and economies of scale are increasingly assisting universities through long-term relationships in areas such as online program management, technology support, facilities management, student services and procurement. According to a survey conducted by Inside Higher Ed in 2017, approximately 27% of college business officers in the United States believe that outsourcing more administrative services is a strategy they will implement in 2017-2018. We believe that these trends will increase opportunities for private sector partners to deploy their capabilities to traditional educational providers.

Our Strengths and Competitive Advantages

We believe our key competitive strengths that will enable us to execute our strategy include the following:

Largest Global Higher Education Network. The size and breadth of our global network facilitates distinct advantages for our students and allows us to leverage our operating model more efficiently. It would take a competitor considerable time and expense to establish an integrated network of international universities of similar scale with the high-quality brands, intellectual property and accreditations that we possess. Our network facilitates competitive advantages related to:

- **Curricula and Programs.** We are able to leverage our curricula and resources across our global network, allowing for the rapid deployment of new programs in our markets. Increasing amounts of our curricula are being standardized across our global network, allowing us to lower the cost of program development by reusing and sharing content, while improving the quality of our programs globally. For example, the resources and support of our global network enabled the rapid expansion of our medicine and health sciences offerings, contributing to the opening of six new medical schools since 2010 and increasing enrollment in the number of students pursuing degrees in the fields of medicine and health sciences from approximately 75,000 students in 2009 to more than 250,000 students as of December 31, 2017.
- **Intellectual Property.** We have developed an extensive collection of intellectual property that has in part been enabled by investments in unified technology systems. We believe this collection of intellectual property, including online capabilities, campus management, recruitment of transnational students, faculty training, curriculum design and quality assurance, among other proprietary solutions, provides our students a truly differentiated learning experience and creates a significant competitive advantage for our institutions over competitors.

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- **Technology.** We have made significant investments to create unified technology systems across our network. These systems will provide data and insights on a global scale that we believe will allow us to improve student experience, retention rates and outcomes, while also enabling a more efficient and lower cost educational delivery model.
- **Best Practices.** Through collaboration across our global network, best practices for key operational processes, such as campus design, faculty training, student services and recruitment are identified and then rolled out to the institutions in our network.

Long-Standing and Respected University Brands. We believe we have established a reputation for providing high-quality higher education around the world, and many of our institutions are among the most respected higher education brands in their local markets. Many of our institutions have over 50-year histories and are ranked among the best in their respective countries. For example, Universidade Anhembi Morumbi in Brazil is ranked by Guia do Estudante as one of São Paulo's top universities, UVM Mexico, the largest private university in Mexico, was ranked seventh among all public and private higher education institutions in that country by *Guía Universitaria*, an annual publication of *Reader's Digest*, and Universidad Europea de Madrid is the second largest private university in Spain and received four stars in the prestigious 2015 QS Stars™.

Many of our institutions and programs have earned the highest accreditation available, which provides us with a strong competitive advantage in local markets. For example, medical school licenses are often the most difficult to obtain and are only granted to institutions that meet rigorous standards. We serve more than 250,000 students in the fields of medicine and health sciences across more than 100 campuses throughout the *Laureate International Universities* network, including 22 medical schools and 20 dental schools. We believe the existence of medical schools at many of our institutions further validates the quality of our institutions and programs and increases brand awareness.

Commitment to Academic Quality. We offer high-quality undergraduate, graduate and specialized programs in a wide range of disciplines that generate strong interest from students and provide attractive employment prospects. Our commitment to quality is demonstrated by, for example, the fact that our Brazilian institutions' IGC scores (an indicator used by the Brazilian Ministry of Education ("MEC") to evaluate the quality of higher education institutions) have increased by more than 26% on average from 2010 to 2016, placing three of our institutions in the top quarter, and 98% of our students in Brazil enrolled in institutions ranked in the top third, of all private higher education institutions in the country. We focus on programs that prepare our students to become employed in high demand professions. Our curriculum development process includes employer surveys and ongoing research into business trends to determine the skills and knowledge base that will be required by those employers in the future. This information results in timely curriculum upgrades, which helps ensure that our graduates acquire the skills that will make them marketable to employers. We are also committed to continually evaluating our institutions to ensure we are providing the highest quality education to our students. Our proprietary management tool, the Laureate Education Assessment Framework ("LEAF"), is used to evaluate institutional performance based on 44 unique criteria across five different categories: Employability, Learning Experience, Personal Experience, Access & Outreach and Academic Excellence. LEAF, in conjunction with additional external assessment methodologies, such as QS Stars™, allows us to identify key areas for improvement in order to drive a culture of quality and continual innovation at our institutions.

Strong Student Outcomes. We track and measure our student outcomes to ensure we are delivering on our commitments to students and their families. In 2017, we commissioned a study by Kantar Vermeer, a leading third-party market research organization, of graduates at Laureate institutions representing over 65% of total Laureate enrollments. Graduates at 12 of our 14 surveyed international institutions achieved, on average, equal or higher employment rates within 12 months of graduation as compared to graduates of other institutions in the same markets. In addition, in 12 of the 14

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institutions surveyed, graduates achieved equal or higher starting salaries as compared to graduates of other institutions in those same markets (salary premium to market benchmarks ranged from approximately 15% to approximately 58%). Furthermore, a joint study by Laureate and the IFC/World Bank Group in 2014 showed that graduates of Laureate institutions in Mexico experienced higher rates of social mobility, finding jobs, and moving up in socioeconomic status than their peers in non-Laureate institutions. In 2016, we conducted a similar study with the IFC in Peru for two of our network institutions, Universidad Peruana de Ciencias Aplicadas and Cibertec, which showed that graduates from the larger programs of both institutions had higher salaries than their control group counterparts. Additionally, graduates from UPC were found to experience a larger positive change in their socioeconomic status than their peers who completed studies at non-Laureate institutions.

Attractive Financial Model.

- *Consistent Growth.* We have a proven track record of delivering consistent operational results through various cycles, as evidenced by the fact that we have experienced growth in enrollments every year since our founding in 1999.
- *Private Pay Model.* Approximately 75% of our total revenues for the year ended December 31, 2017 were generated from private pay sources. We believe students' and families' willingness to allocate personal resources to fund higher education at our institutions validates our strong value proposition.
- *Revenue Visibility Enhanced by Program Length and Strong Retention.* The length of our programs provides us with a high degree of revenue visibility. The majority of the academic programs offered by our institutions last between three and five years, and nearly two thirds of our students were enrolled in programs of at least four years or more in duration as of December 31, 2017. Additionally, we actively monitor and manage student retention because of the impact it has on student outcomes and our financial results. The historical annual student retention rate, which we define as the proportion of prior year students returning in the current year (excluding graduating students), of over 80% has not varied by more than two percentage points in any one year over the last five years. Given our high degree of revenue visibility, we are able to make attractive capital investments and execute other strategic initiatives to help drive sustainable growth in our business.
- *Attractive Margin Profile with Significant Operating Leverage.* Our international network of universities provides significant advantages of scale, enabling us to operate efficiently with attractive margin levels. Through our *Excellence in Process* ("EiP") initiatives (see "—Our Strategy—Increase Operating Efficiencies") and investment in unified technology systems, we continue to focus on standardization of processes, centralization of common services and intellectual property, and implementing a common operating model and platform for content development, digital campus experiences, student services, recruitment and administrative services. We believe this operating leverage positions us well for enhanced growth in profitability and cash flow relative to our enrollments and revenue.

Our Strategy

In 2017, we initiated a review of our portfolio of institutions, with the joint goals of simplifying operations, reducing complexity, and mitigating risks (such as political, regulatory, economic and currency), while maximizing our exposure to what we consider are the most attractive and scalable markets for our network. During the year, we announced the divestitures of certain operations, and have deployed proceeds received to date from these divestitures to reduce our debt obligations and better manage our currency exposure. We believe the actions taken in 2017 have positioned the Company to execute on its strategy going forward.

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We employ a focused approach to operational excellence. We plan to invest future resources in markets and assets that we believe can achieve scale that is meaningful for our company, and which align to our mission and enhance our network. Further, we intend to continue to leverage the scale of our network to generate additional operating efficiencies and continue to grow in a capital efficient manner while ensuring that academic quality and student experience remain a core priority.

The execution of our strategy will be enabled by the following initiatives:

Leverage and Expand Existing Portfolio. We will continue to focus on opportunities to expand our programs and the type of students that we serve, as well as our capacity in our markets to meet local demand, leveraging our existing platform to execute on attractive organic growth opportunities. In particular, we intend to add new programs and course offerings, expand target student demographics and increase capacity at existing campuses, open new campuses and enter new cities in existing markets. We believe these initiatives will drive growth and provide an attractive return on capital.

- **Add New Programs and Course Offerings.** We will continue to develop new programs and course offerings to address the changing needs in the markets. New programs and course offerings enable us to consistently provide a high-quality education that we believe is desired by students and prospective employers.
- **Expand Target Student Demographics.** In many of our markets, we use sophisticated analytical techniques to identify opportunities to provide quality education to new or underserved student populations where market demand is not being met, such as non-traditional students (e.g., working adults) who may value flexible scheduling options, as well as traditional students. Our ability to provide quality education to these underserved markets has provided additional growth to our network and we intend to leverage our management capabilities and local knowledge to further capitalize on these higher education opportunities in new and existing markets.
- **Increase Capacity at Existing and New Campus Locations.** We will continue to make demand-driven investments in additional capacity throughout our network by expanding existing campuses and opening new campuses, including in new cities. We employ a highly analytical process based on economic and demographic trends, and demand data for the local market to determine when and where to expand capacity. When opening a new campus or expanding existing facilities, we use best practices that we have developed over more than the past decade to cost-effectively expedite the opening and development of that location.
- **Targeted Strategic Acquisitions.** While we will continue to make organic investments to scale existing markets and enhance the value of our network, we may also make strategic acquisitions to further expand our portfolio, leveraging our track record and expertise.

Expand Online and Hybrid Education Programs Globally. We intend to increase the number of our students that receive their education through fully online or hybrid programs to meet the growing demands of students. Our online initiative is designed to not only provide students with access to innovative programs and modern digital experiences, but also to diversify our offerings, increase our enrollments and expand our digital solutions in a capital efficient manner, leveraging current infrastructure and improving classroom utilization.

We continue to accelerate the advancement of online education programs and technology-enabled solutions that deliver high-quality differentiated student experiences for our institutions at scale, including leveraging our network-wide launch of *OneCampus*® by Laureate, our global online campus. *OneCampus*® brings global connections, opportunities, courses, and workplace experiences to our students, who become "members" in the broader Laureate network of institutions and gain access to unique global opportunities online. Furthermore, it creates a channel for Laureate to manage online

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initiatives globally and continually expand our portfolio of online global offerings—reaching students, faculty, and alumni in the Laureate network and offering them a distinct market advantage.

For 2017, the percentage of student credit hours taken online in our campus-based institutions was 20%, an increase from 11% in 2015, and our goal is to increase that percentage of student credit hours to 25% by the end of 2019. With a common learning management system ("LMS") implemented throughout our network currently covering 95% of our students, we believe we have the scale to execute on this market opportunity, allowing us to differentiate ourselves further from our competitors. Our strategy for the online opportunity includes the following components:

- *Fully Online Programs.* Many students require flexible learning modules to accommodate work and personal responsibilities. Often, these students are working adults who are looking to either complete an undergraduate or post-graduate degree, or who want to gain a credential to accelerate or change careers. Our fully online programs provide students with a high-quality curriculum experience to achieve their goals.
- *Hybrid Online Programs.* Traditional 18-24 year old students attending campus-based institutions are increasingly seeking digital learning experiences that are blended with in-person learning. We provide those students with a hybrid learning experience, mixing face-to-face classroom experience with technology through our online platform, which we believe improves the student experience by providing them with a wide range of online courses, interactive discussions, virtual experiences, digital resources, and simulations that enhance their learning experiences both within and outside the classroom.
- *Distance Learning Opportunity in Brazil.* The Brazil market offers a unique opportunity to provide a quality and at-scale distance learning offering. The distance learning format reduces the need for on-site support, providing students with flexibility to plan their studies. With an established presence of over 400 learning centers as of December 31, 2017, we plan to continue to leverage our local brands in Brazil to capitalize on our investment in distance learning centers to support demand. We anticipate that this initiative will allow us to expand our reach into areas that are currently outside of the geographic areas that we currently serve.

Increase Operating Efficiencies. Our scale allows us to generate operational leverage in many aspects of our business model.

- *Common Operating Model.* We are creating a common operating model for our network institutions that integrates multiple software components, including student information system ("SIS"), enterprise resource planning ("ERP"), LMS, and customer relationship management ("CRM"), into a single unified platform. We believe that this unification will enable us to be more nimble in our day-to-day operations and will allow us to collect more data efficiently across our network, potentially offering insights into further operational and academic improvements. Further, we believe that this common operating system will enable us to lower the cost of delivery of education, thereby increasing operating efficiency.
- *Enhanced Curriculum.* We plan to continue to centralize the development of certain curriculum, allowing us to build common teaching modules and courses at a lower cost as compared to building modules and courses in each local market. We anticipate that this will also allow us to dedicate more resources to each course or module, contributing to a higher quality product for our students.
- *EiP Wave 1—Back-Office/Procurement Integration.* In 2014, we launched EiP as an enterprise-wide initiative to optimize and standardize our processes to enable sustained growth and margin expansion. The program, which we refer to as EiP Wave 1, was developed to enable vertical integration of procurement, information technology, finance, accounting, and human resources, thus enabling us to fully leverage the growing size and scope of our local operations

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while also enhancing our internal controls. This initiative is largely completed and has generated significant cost savings, with approximately \$85 million in run-rate savings realized as of December 31, 2017, with an additional \$15 million anticipated to be realized by December 31, 2018.

- *EiP Wave 2—Mid-Office & Student-Facing Activities Integration.* Given the success of EiP Wave 1 in leveraging our global scale and the learnings from that initiative, we further evaluated additional opportunities for efficiencies and savings related to the mid-office functions (including, for example, student information systems and the enrollment-to-graduation cycle) as well as general and administrative structure and certain student-facing activities. We anticipate realizing \$75 to \$100 million of annual savings (generated primarily from general and administrative expense and technology-enabled efficiency solutions) by year end 2019. To achieve these savings, we expect to have approximately \$125 million of one-time costs associated with severance and restructuring expenses, as well as costs related to technology investments. Approximately 50% of these one-time costs were incurred in 2017; we anticipate that the remainder will be incurred in 2018 and 2019.

Expand Partnership and Services Portfolio. We intend to leverage our suite of intellectual property, proprietary technology, common operating model, curriculum, and best practices to capitalize on additional opportunities in the form of partnership and service models that are designed to address the growing needs of traditional institutions and governments around the world. We have partnered with traditional public and private education institutions and believe there will be opportunities to expand and innovate those platforms with other independent institutions in the future. Additionally, we are continually adding to our suite of solutions, and we believe many of these products and services will provide additional contractual and licensing opportunities for us in the future.

Our History

We were founded in 1989 as Sylvan Learning Systems, Inc., a provider of a broad array of supplemental and remedial educational services. In 1999, we made our first investment in global higher education with our acquisition of Universidad Europea de Madrid, and in 2001 we entered the market for online delivery of higher education services in the United States with our acquisition of Walden University. In 2003, we sold the principal operations that made up our then K-12 educational services business and certain venture investments deemed not strategic to our higher education business, and in 2004 we changed our name to Laureate Education, Inc. In August 2007, we were acquired in a leveraged buyout by a consortium of investment funds and other investors. We consummated our initial public offering ("IPO") on February 6, 2017 and began trading on the Nasdaq under the symbol "LAUR".

Public Benefit Corporation Status

In October 2015, we redomiciled in Delaware as a public benefit corporation as a demonstration of our long-term commitment to our mission to benefit our students and society. Public benefit corporations are a relatively new class of corporations that are intended to produce a public benefit and to operate in a responsible and sustainable manner. Under Delaware law, public benefit corporations are required to identify in their certificate of incorporation the public benefit or benefits they will promote and their directors have a duty to manage the affairs of the corporation in a manner that balances the pecuniary interests of the stockholders, the best interests of those materially affected by the corporation's conduct, and the specific public benefit or public benefits identified in the public benefit corporation's certificate of incorporation. Public benefit corporations organized in Delaware are also required to assess their benefit performance internally and to disclose publicly at least biennially a report detailing their success in meeting their benefit objectives.

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Our public benefit, as provided in our certificate of incorporation, is: to produce a positive effect (or a reduction of negative effects) for society and persons by offering diverse education programs delivered online and on premises operated in the communities that we serve. By doing so, we believe that we provide greater access to cost-effective, high-quality higher education that enables more students to achieve their academic and career aspirations. Most of our operations are outside the United States, where there is a large and growing imbalance between the supply and demand for quality higher education. Our stated public benefit is firmly rooted in our company mission and our belief that when our students succeed, countries prosper and societies benefit. Becoming a public benefit corporation underscores our commitment to our purpose and our stakeholders, including students, regulators, employers, local communities and stockholders.

Certified B Corporation

While not required by Delaware law or the terms of our certificate of incorporation, we have elected to have our social and environmental performance, accountability and transparency assessed against the proprietary criteria established by an independent non-profit organization. As a result of this assessment, we have been designated as a "Certified B CorporationTM" under the standards set by an independent organization, which refers to companies that are certified as meeting certain levels of social and environmental performance, accountability and transparency.

The following description of the certification processes and standards was provided to us by the independent organization that designated us as a Certified B Corporation. The first step in becoming a Certified B Corporation is taking and passing a comprehensive and objective assessment of a business's positive impact on society and the environment. The assessment varies depending on the company's size (number of employees), sector and location. The standards in the assessment are created and revised by an independent governing body that determines eligibility to be a Certified B Corporation.

By completing a set of over 200 questions, which are customized for the company being assessed, that reflect impact indicators, best practices and outcomes, a company receives a composite score on a 200-point scale representative of its overall impact on its employees, customers, communities and the environment. Representative indicators in the assessment range from payment above a living wage, employee benefits, charitable giving/community service, use of renewable energy and, in the case of educational institutions like Laureate, student outcomes such as retention, graduation and employment rates.

Certification as a Certified B Corporation requires that a company achieve a reviewed assessment score of at least an 80. The review process includes a phone review, a random selection of indicators for verifying documentation and a random selection of company locations for onsite reviews, including employee interviews and facility tours. In the case of Laureate's assessment, each subsidiary, as well as the corporate office in Baltimore, was required to complete an individual assessment for review that would be aggregated based on size to calculate an overall score. The assessment also includes a disclosure questionnaire, including any sensitive practices, fines and sanctions related to the company or its partners.

For Laureate, certification also required us to adopt the public benefit corporation structure, a step we have already completed. Once certified, every Certified B Corporation must make its assessment score transparent on the independent non-profit organization's website. Acceptance as a Certified B Corporation and continued certification is at the sole discretion of the independent organization.

On January 22, 2018, Laureate was recertified as a Certified B Corporation by the independent third party.

Our Operating Segments and Institutions

Effective August 1, 2017, Laureate offers its educational services through six operating segments:

- Brazil;
- Mexico;
- Andean & Iberian (Chile, Peru, Spain and Portugal);
- Central America & U.S. Campuses (Costa Rica, Honduras, Panama, St. Augustine, Kendall and New School);
- EMEAA (Europe, Middle East, Africa and Asia Pacific); and
- Online & Partnerships.

We determine our operating segments based on information utilized by our chief operating decision maker to allocate resources and assess performance. See Note 7, Business and Geographic Segment Information, in our consolidated financial statements for financial information regarding our operating segments and financial information about geographic areas; see also "Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Segment Results and—Overview—Factors Affecting Comparability—Seasonality."

The following table presents information about the institutions as of December 31, 2017, except where otherwise indicated:

Operating Segment (Enrollment)	Country	Higher Education Institution	Year Joined Laureate Network	Year Founded
Brazil (271,200)	Brazil	Universidade Anhembi Morumbi (UAM Brazil)	2005	1970
		Universidade Potiguar (UnP)	2007	1981
		Centro Universitário dos Guararapes (CUG)	2007	2002
		Faculdade Internacional da Paraíba (FPB)	2007	2005
		Business School São Paulo (BSP)	2008	1994
		Centro Universitário do Norte (UniNorte)	2008	1994
		FADERGS Centro Universitário (FADERGS)	2008	2004
		Instituton Brasileiro de Medicina de Reabilitação (Uni IBMR)	2009	1974
		Universidade Salvador (UNIFACS)	2010	1972
		Centro Universitário Ritter dos Reis (UniRitter)	2010	1971
		Faculdade dos Guararapes de Recife (FGR)	2012	1990
		FMU Education Group (FMU)	2014	1968
		Faculdade Porto-Alegrense (FAPA)	2014	2008
		Mexico (214,200)	Mexico	Universidad del Valle de México (UVM Mexico)
Universidad Tecnológica de México (UNITEC Mexico)	2008			1966
Andean & Iberian (321,800)	Chile	Universidad de Las Américas (UDLA Chile)	*2000	1988
		Instituto Profesional AIEP (AIEP)	2003	1960

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Operating Segment (Enrollment)	Country	Higher Education Institution	Year Joined Laureate Network	Year Founded
		Universidad Andrés Bello (UNAB)	*2003	1989
		Instituto Profesional Escuela Moderna de Música (EMM)	2008	1940
	Peru	Universidad Viña del Mar (UVM Chile)	*2009	1988
		Universidad Peruana de Ciencias Aplicadas (UPC)	2004	1994
		CIBERTEC	2004	1983
		Universidad Privada del Norte (UPN)	2007	1994
	Portugal	Instituto Tecnológico del Norte (ITN)	2007	1984
		Universidade Europeia (UE)	2011	1962
		Instituto Português de Administração de Marketing de Porto (IPAM Porto)	2015	1984
		Instituto Português de Administração de Marketing de Lisboa (IPAM Lisboa)	2015	1987
	Spain	Universidad Europea de Madrid (UEM)	1999	1995
		Universidad Europea de Canarias (UEC)	2010	2010
		Universidad Europea de Valencia (UEV)	2012	2012
Central America & U.S. Campuses (69,200)	Costa Rica	Universidad Latina de Costa Rica (ULatina)		
			2003	1989
		Universidad Americana (UAM Costa Rica)	2008	1998
	Honduras	Universidad Tecnológica Centroamericana (UNITEC Honduras)		
			*2005	1987
	Panama	Universidad Interamericana de Panamá (UIP)	2003	1994
	United States	NewSchool of Architecture and Design (New School)	2008	1980
		Kendall College	**2008	1934
		Santa Fe University of Art and Design (SFUAD)	†2009	1859
		University of St. Augustine for Health Sciences (St. Augustine)	2013	1979
EMEA (128,100)	Australia	THINK Education Group (THINK)	2013	2006
		Torrens University Australia (TUA)	2014	2014
	China	Blue Mountains International Hotel Management School—Suzhou (Blue Mountains Suzhou)	‡2008	2004
		Hunan International Economics University (HIEU)	+2009	1997
	Cyprus	European University Cyprus (EUC)	**2005	1961
	Germany	University of Applied Sciences Europe (UAS)	2007	2000
		HTK Academy of Design (HTK)	2011	1987
	India	Pearl Academy (Pearl)	*2011	1993
		University of Petroleum and Energy Studies (UPES)	*2013	2003
	Italy	Nuova Accademia di Belle Arti Milano (NABA)	**2009	1980
	Malaysia	INTI Education Group (INTI Malaysia)	**2008	1986
	Morocco	Université Internationale de Casablanca (UIC)	**2010	2010

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Operating Segment (Enrollment)	Country	Higher Education Institution	Year Joined Laureate Network	Year Founded
	New Zealand	Media Design School (MDS)	2011	1998
	Saudi Arabia	Riyadh Polytechnic Institute (RPI)	‡2010	2010
		International Tourism and Hospitality College at Riyadh (ITHCR)	#2013	2013
		International Technical College at Jeddah (ITCJ)	#2013	2013
		International Technical Female College at Makkah (ITCM)	#2013	2013
		International Technical Female College at Al-Kharj (ITCAK)	#2013	2013
		International Tourism and Hospitality College at Al- Madinah (ITHCAM)	#2014	2014
		International Technical Female College at Al-Nammas (ITCAN)	#2015	2015
		International Technical Female College at Buraydah (ITCB)	#2015	2015
		International Technical Female College at Wadi Al- Dawaser (ITCWAD)	#2014	2014
	South Africa	Monash South Africa (MSA)	2013	2001
	Thailand	Stamford International University (SIU)	*2011	1995
	Turkey	Istanbul Bilgi University	*2006	1996
Online & Partnerships (63,500)	United Kingdom	Laureate Online Education B.V. (University of Liverpool)	2004	1881
		Laureate Online Education B.V. (University of Roehampton)	#2012	2004
	United States	Walden University	2001	1970

* Not-for-profit institution consolidated by Laureate as a variable interest entity.

** Indicates that the institution was part of a completed or pending disposition as of December 31, 2017. See "—Recent Developments."

† SFUAD is separately owned by Wengen. Laureate provides support services to SFUAD pursuant to contractual arrangements. See Note 18, Related Party Transactions, in our consolidated financial statements for more information. On April 12, 2017, SFUAD announced that it plans to close after the end of the 2017-2018 academic year and will work with its students on a phased teach-out and transfer process leading up to the graduation of students who are eligible to complete their degrees by May 2018 and appropriate transfer opportunities for other students.

‡ Managed by Laureate as part of a joint venture arrangement.

Managed by Laureate under contract with the Kingdom of Saudi Arabia.

+ Not-for-profit institution consolidated by Laureate as a variable interest entity. This institution was pending disposition as of December 31, 2017. See "—Recent Developments."

In December 2017, we stopped accepting new enrollments at this institution.

Competition

We face competition in each of our operating segments. We believe competition focuses on price, educational quality, reputation, location and facilities.

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Brazil, Mexico, Andean & Iberian, Central America and EMEAA

The market for higher education outside the United States is highly fragmented and marked by large numbers of local competitors. The target demographics are primarily 18- to 24-year-olds in the individual countries in which we compete. We generally compete with both public and private higher education institutions on the basis of price, educational quality, reputation and location. Public institutions tend to be less expensive, if not free, but more selective and less focused on practical programs aligned around career opportunities. We believe we compare favorably with competitors because of our focus on quality, professional-oriented curriculum and the competitive advantages provided by our global network. At present, we believe no other company has a similar network of international institutions. There are a number of other private and public institutions in each of the countries in which we operate. Because the concept of private higher education institutions is fairly new in many countries, it is difficult to predict how the markets will evolve and how many competitors there will be in the future. We expect competition to increase as the markets mature.

United States

The postsecondary education market is highly competitive, with no private or public institution holding a significant market share. We compete primarily with public and private degree-granting regionally accredited colleges and universities. Our competitors include both traditional and proprietary colleges and universities offering online programs. Traditional colleges and universities increasingly offer a variety of distance education alternatives to professional adults. Competition from traditional colleges and universities is expected to increase as they expand their online offerings.

We believe that the competitive factors in the postsecondary education market primarily include the following:

- Relevant, high-quality and accredited program offerings;
- Reputation of the college or university and marketability of the degree;
- Flexible, convenient, and dependable access to programs and courses;
- Regulatory approvals;
- Qualified and experienced faculty;
- Level of learner support;
- Affordability of the program;
- Availability of Title IV funds;
- Marketing and recruiting effectiveness; and
- The time necessary to earn a degree.

Online & Partnerships

The market for fully online higher education is highly fragmented and competitive, with no single institution having any significant market share. The target demographics for our Global Online institutions are adult working professionals who are over 25 years old. Our Global Online institutions compete with traditional public and private nonprofit institutions and for-profit schools. Typically, public institutions charge lower tuitions than our Global Online institutions because they receive state subsidies, government and foundation grants, and tax-deductible contributions and have access to other financial sources not available to our Global Online institutions. However, tuition at private nonprofit institutions is typically higher than the average tuition rates charged by our Global Online institutions. Our Global Online institutions compete with other educational institutions principally based upon price, educational quality, reputation, location, educational programs and student services.

See "Item 1A—Risk Factors—Risks Relating to Our Business—The higher education market is very competitive, and we may not be able to compete effectively."

Recent Developments

Sale of Cyprus and Italy Institutions

On November 22, 2017, LEI European Investments B.V., a Netherlands private limited company (the "Seller"), and Laureate International B.V., a Netherlands private limited company (the "Guarantor"), both of which are indirect wholly owned subsidiaries of Laureate Education, Inc. (the "Company"), entered into a Sale and Purchase Agreement (the "Agreement") with Galileo Global Education Midco S.à R.L., a Luxembourg limited liability company (the "Purchaser"). Pursuant to the Agreement, the Purchaser purchased from the Seller all of the issued and outstanding shares in the capital of European University—Cyprus Ltd ("EUC") and Laureate Italy S.r.L. ("Laureate Italy"). EUC is the corporate entity that operates European University Cyprus, a leading fully comprehensive university in Cyprus, and Laureate Italy is the parent company of Nuova Accademia, S.r.L., which operates Nuova Accademia di Belle Arti Milano (NABA) and Domus Academy, which collectively make up one of the largest private fine arts academies in Milan, Italy. The transaction closed on January 11, 2018, and the Seller received closing proceeds of approximately \$275 million. For the year ended December 31, 2017, EUC and Laureate Italy collectively had \$87.8 million in revenue, \$18.2 million in operating income and \$2.6 million in depreciation and amortization and as of December 31, 2017 collectively had approximately 9,500 students.

Sale of Malaysia Institution

On December 11, 2017, Exeter Street Holdings Sdn. Bhd., a Malaysia corporation (the "Seller"), and Laureate Education Asia Limited, a Hong Kong corporation (the "Guarantor"), both of which are indirect wholly owned subsidiaries of Laureate Education, Inc. (the "Company"), entered into a Share Sale & Purchase Agreement (the "Agreement") with Comprehensive Education Pte. Ltd., a Singapore corporation (the "Purchaser") that is an affiliate of Affinity Equity Partners, a private equity firm based in Hong Kong. Pursuant to the Agreement, the Purchaser will purchase from the Seller all of the issued and outstanding shares in the capital of Inti Education Holdings Sdn. Bhd., a Malaysia corporation ("Inti Holdings"), and the Guarantor will guarantee certain obligations of the Seller. Inti Holdings is the indirect owner of INTI University and Colleges, a higher education institution with five campuses in Malaysia ("INTI"). In connection with the Agreement, the Seller entered into a separate agreement with the current minority owner of the equity of Inti Holdings relating to the purchase by the Seller of the minority owner's 10.10% interest in Inti Holdings, the closing of which is a precondition to the closing of the transactions under the Agreement.

The total purchase price, including the payment to the current minority owner, will be \$180.0 million. The net transaction value to the Company under the Agreement will be \$161.8 million, subject to customary closing adjustments, and the parties expect that the transaction will close by the end of the second quarter of 2018, subject to customary closing conditions. For the year ended December 31, 2017, INTI had \$69.9 million in revenue, \$9.2 million in operating income and \$4.8 million in depreciation and amortization and as of December 31, 2017 had approximately 16,700 students.

Sale of China Institution

On December 27, 2017, LEI China Limited, a Hong Kong private limited company (the "Seller"), a wholly owned subsidiary of Laureate Education, Inc. (the "Company"), entered into a Share Purchase Agreement (the "Agreement") with China YuHua Education Investment Limited, a British Virgin Islands corporation (the "Purchaser"), a wholly owned subsidiary of China YuHua Education Corporation Limited. Pursuant to the Agreement, the Purchaser purchased from the Seller all of the issued and outstanding shares in the capital of LEI Lie Ying Limited, a Hong Kong private limited company ("LEILY"). LEILY is the legal and beneficial owner of a 70% equity interest in Hunan Lie

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Ying Industry Co., Ltd., a Sino-foreign equity joint venture organized under the laws of the People's Republic of China, which in turn owns 100% of the sponsorship or equity interests in the following entities: Hunan International Economics University; Hunan Lie Ying Mechanic School; Hunan Lie Ying Property Management Co., Ltd.; and Hunan International Economics University Vocational Skills Training Center (collectively, the "Entities").

The transaction value under the Agreement is the Hong Kong Dollar (HK\$) equivalent of RMB 1,430 million, which comprises cash payment of HK\$ equivalent of RMB 1,215.2 million, subject to customary adjustments post-closing, and payment of RMB 214.8 million by an affiliate of the Purchaser to Laureate Investment Consulting (Shanghai) Co., Ltd., a wholly owned subsidiary of the Seller ("Laureate Shanghai"), for assignment of Laureate Shanghai's creditor's right over a debt owed by Hunan International Economics University. The transaction closed in January 2018 and Seller received a portion of the transaction value, totaling approximately \$130 million, net of fees and taxes, at closing. In addition, the Purchaser shall pay to the Seller, six months after the closing date, the HK\$ equivalent of RMB 120 million, and, 12 months after the closing date, the HK\$ equivalent of RMB 60 million, subject to deduction of any indemnifiable losses payable by the Seller to the Purchaser pursuant to the Agreement. The remaining portion of the transaction value was paid into an escrow account and will be distributed to Seller pursuant to the terms and conditions of the escrow agreement.

For the year ended December 31, 2017, the Entities, in which the Company had a 70% equity interest, collectively had \$64.5 million in revenue, \$21.2 million in operating income and \$6.1 million in depreciation and amortization and as of December 31, 2017 collectively had approximately 29,100 students.

Sale of Morocco Institution

On November 29, 2017, Laureate Middle East Holdings B.V. ("LMEH"), a Netherlands company and indirect wholly owned subsidiary of Laureate Education, Inc. ("Laureate"), and La Société Maroc Emirats Arabes Unis de Développement ("SOMED"), a Morocco company (LMEH and SOMED, together, the "Sellers"), Laureate I B.V. (the "Guarantor"), a Netherlands company and indirect wholly owned subsidiary of Laureate, and UPM Pédagogique, a Morocco company (the "Purchaser"), entered into a Share Purchase Agreement (the "Agreement") pursuant to which the Purchaser will purchase from the Sellers all of the issued and outstanding capital shares of Laureate Somed Holding, a Morocco company ("Laureate Somed"), for a total transaction value of 500 million Moroccan Dirhams (approximately US\$53.0 million at the December 31, 2017 exchange rate), subject to customary adjustments at closing, and the Guarantor will guarantee certain obligations of LMEH under the Agreement. Laureate Somed is the operator of Université Internationale de Casablanca, a comprehensive campus-based university in Casablanca, Morocco. LMEH owns approximately 60% of the capital shares of Laureate Somed, while SOMED owns the remaining approximately 40% of the capital shares of Laureate Somed.

The parties expect that the transaction will close by the end of the first quarter of 2018, subject to customary closing conditions. For the year ended December 31, 2017, Laureate Somed had \$11.5 million in revenue, an operating loss of \$0.8 million and \$1.1 million in depreciation and amortization and as of December 31, 2017 had approximately 2,200 students.

Sale of U.S. Institution

On January 15, 2018, Kendall College, LLC, an Illinois limited liability company (the "Seller"), The Dining Room at Kendall NFP, an Illinois not for profit corporation, National Louis University, an Illinois not for profit corporation (the "Buyer"), and Laureate Education, Inc., a Delaware public benefit corporation (the "Company"), solely as guarantor of certain of Seller's obligations thereunder, entered into an Asset Purchase Agreement (the "Agreement"). Seller is an indirect wholly owned

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subsidiary of the Company. Pursuant to the Agreement, at the closing of the transaction Seller will transfer to Buyer certain assets, including all of Seller's educational programs, subject to certain conditions, in exchange for consideration of one dollar. As part of the Agreement, at the closing Seller will pay to Buyer up to \$14 million to support Buyer's construction of facilities for the acquired culinary arts, baking and pastry, and hospitality programs on Buyer's campus, subject to possible partial recoupment under specified conditions during the 10-year period post-closing. In addition, Seller has paid Buyer \$0.5 million to reimburse Buyer for its expenses in connection with the transactions contemplated by the Agreement.

The closing of the transaction is subject to prior receipt of regulatory consents, including those of the U.S. Department of Education and the Higher Learning Commission, which consents do not contain certain conditions that would not be acceptable to the Buyer or to the Seller, and the Company anticipates that the closing will occur during the second half of 2018. For the year ended December 31, 2017, the Seller had \$23.3 million in revenue, an operating loss of \$23.0 million and \$1.7 million in depreciation and amortization and as of December 31, 2017 had approximately 1,100 students.

Intellectual Property

We currently own, or have filed applications for, trademark registrations for the word "Laureate," for "Laureate International Universities" and for the Laureate leaf logo in the trademark offices of all jurisdictions around the world where we operate institutions of higher learning. We have also registered or filed applications in the applicable jurisdictions where we operate for the marks "Laureate Online International" and "Laureate Online Education." In addition, we have the rights to trade names, logos, and other intellectual property specific to most of our higher education institutions, in the countries in which those institutions operate.

Employees

As of December 31, 2017, we had approximately 65,000 employees, of which approximately 9,000 were full-time academic teaching staff and 21,000 were part-time academic teaching staff. In addition, we have approximately 700 part-time academic teaching staff who are classified as contractors, principally in Chile and Brazil. Our employees at many of our institutions outside the United States are represented by labor unions under collective bargaining agreements, as is customary or required under local law in those jurisdictions. At various points throughout the year, we negotiate to renew collective bargaining agreements that have expired or that will expire in the near term. We consider ourselves to be in good standing with all of the labor unions of which our employees are members and believe we have good relations with all of our employees.

Effect of Environmental Laws

We believe we are in compliance with all applicable environmental laws, in all material respects. We do not expect future compliance with environmental laws to have a material adverse effect on our business.

Available Information

Our principal executive offices are located at 650 S. Exeter Street, Baltimore, Maryland 21202, telephone (410) 843-6100. Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports are available free of charge to shareholders and other interested parties through the "Investor Relations" portion of our website at <http://investors.laureate.net> as soon as reasonably practical after they are filed with the Securities and Exchange Commission ("SEC"). The SEC maintains a website, www.sec.gov, which contains reports and other information filed electronically with the SEC by us. Various corporate governance

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documents, including our Audit Committee Charter, Compensation Committee Charter, Nominations and Corporate Governance Committee Charter, and Code of Conduct and Ethics are available without charge through the "Investor Relations," "Corporate Governance" portion of our investor relations website, listed above.

Industry Regulation

Brazilian Regulation

The Brazilian educational system is organized according to a system of cooperation among federal, state and local governments. Higher education (i.e., undergraduate and graduate level education provided by public and private higher education institutions ("HEI")) is regulated primarily at the federal level, particularly in terms of public policy goals, accreditation and academic oversight; however, the state and municipal governments are also involved, principally in relation to taxation, real estate and operational permitting issues.

With respect to the federal role, The National Educational Basis and Guidelines Law ("LDB"), provides the general framework for the provision of educational services in Brazil and establishes the duty of the federal government to:

- coordinate the national educational policy;
- define the National Education Plan, in coordination with the states, the Federal District of Brasilia and municipalities;
- provide technical and financial assistance to the states, the Federal District of Brasilia and municipalities;
- establish, in collaboration with the states, the Federal District of Brasilia and municipalities, skills and guidelines for early childhood education, elementary and secondary education that will guide the curriculum and their minimum syllabus, ensuring the regular basic education;
- ensure national process of evaluation of higher education institutions, with the cooperation of evaluation agencies that have responsibility for this level of education;
- create an evaluation process for the academic performance of elementary, secondary and higher education in collaboration with educational institutions in order to improve the quality of education; and
- issue rules and regulations regarding higher education.

The responsibility of the Federal Government in regulating, monitoring and evaluating higher education institutions and undergraduate programs is exercised by MEC, along with a number of other federal agencies and offices that are related to MEC.

MEC

MEC is the highest authority of the higher education system in Brazil and has the power to:

- confirm the decisions of the National Board of Education ("CNE") regarding the accreditation and reaccreditation of institutions of higher education;
- confirm the systems and evaluation criteria adopted by the National Institute of Educational Studies Anísio Teixeira ("INEP");
- confirm opinions and regulatory proposals issued by the CNE;
- issue implementing rules, (regulations, notices, and technical advisories governing the conduct of higher education); and

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- regulate and monitor the system of higher education.

CNE—National Board of Education

CNE is a consultative advisory and deliberative body of MEC. It consists of the Board of Basic Education and the Board of Higher Education, each composed of 12 members appointed by the President of Brazil. The Board of Higher Education has the power to:

- support the development and monitor the implementation of the National Education Plan;
- analyze and issue opinions on the results of the evaluation procedures of higher education;
- offer suggestions for drafting the National Education Plan and to monitor their implementation;
- decide on the curriculum guidelines proposed by the MEC, for undergraduate courses;
- deliberate on the reports submitted by MEC on the recognition of courses and qualifications offered by higher education institutions, as well as on prior authorization from those offered by non-university institutions;
- approve the authorization, accreditation and periodic reaccreditation of higher education institutions, based on reports and assessments provided by MEC;
- approve the statutes of universities and the regiment of the other higher education institutions that are part of the Federal educational system;
- deliberate on the reports for periodic recognition of master's and doctoral programs, prepared by the MEC, based on the evaluation of the programs;
- analyze matters relating to the implementation of legislation regarding higher education; and
- advise MEC in higher education related matters.

INEP—National Institute of Educational Studies Anísio Teixeira

INEP is a federal agency linked to MEC that is the primary statistical and information-gathering body for the entire Brazilian education system. The performance data it collects and publishes is used by MEC, the legislature and the rest of the executive branch, as well as the public, to debate and make policy and programmatic decisions about education. INEP has the power to:

- carry out visits to institutions of higher education for on-site evaluations in the process of accreditation and reaccreditation of institutions and in the authorization, recognition, accreditation and renewal of recognition processes of undergraduate and sequential programs;
- conduct research and analysis of data related to education in Brazil; and
- implement the National Higher Education Evaluation System ("SINAES").

CONAES—National Commission on Higher Education Evaluation

CONAES is a committee under MEC supervision composed of 13 members. CONAES has the power to:

- coordinate and monitor SINAES;
- establish guidelines to be followed by INEP in the development of programmatic evaluation tools;
- approve the evaluation tools and submit them for approval by the Minister of Education; and

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- submit the list of programs to be evaluated by the National Examination of Student Performance ("ENADE") examination, to the Minister of Education.

SERES—Higher Education Regulation and Supervision Secretariat

In 2011, SERES, which operates as an arm of MEC, became the specific agency directly responsible for regulation and supervision of public and private HEIs, as well as undergraduate courses and *lato sensu* post-graduate programs, both in-person and distance learning modalities. Its mission is to elevate the quality level of all higher education through the establishment of guidelines for the expansion of HEIs and their courses, in accordance with national curriculum guidelines and proprietary quality parameters, and include:

- to plan and coordinate the policy-making process for the regulation and supervision of higher education;
- to accredit undergraduate (and sequential) courses, both through in-person and distance learning;
- to oversee HEIs and courses, in order to fulfill the educational legislation and to induce improvements in the quality of higher education standards, applying the penalties provided for in legislation;
- to establish guidelines for the preparation of assessment instruments for and higher education courses;
- to manage the public system of registration and database of HEIs and higher education courses; and
- to propose the design of actions and updating of reference and curriculum guidelines for undergraduate courses, as well as benchmarks for quality distance education, considering curricular guidelines and various forms of technology.

According to the LDB, higher education can be offered by public or private higher education institutions. A private institution of higher education shall be controlled, managed and maintained by an individual person(s) or legal entity, in either case referred to as the "*mantenedora*." The *mantenedora* is responsible for obtaining resources to meet the needs of the duly authorized HEI, which in regulatory terms is referred to as the "*mantida*." A *mantenedora* may be authorized to operate more than one *mantida*. In any case, the *mantenedora* is legally and financially responsible for all of its *mantidas*. Each of our HEIs in Brazil is maintained by a Laureate-controlled *mantenedora*.

Private institutions of higher education may be:

- private institutions of higher education with profit purposes created and maintained by one or more individuals or private legal entities;
- community institutions, founded by groups of individuals or one or more legal entities, including cooperatives, teachers and students that include community representatives in its supporting entity;
- religious institutions, instituted by individuals or groups for one or more legal entities that meet specific religious and ideological orientation and that include community representatives in its supporting entity; or
- nonprofit private institutions, charitable or not charitable, which are also sometimes referred to as philanthropic or nonphilanthropic.

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According to organizational and academic prerogatives, institutions of undergraduate learning can be:

- Colleges (*faculdades*): Colleges are institutions of public or private education offering degree programs in more than one area of knowledge and that are supported by a single supporting entity and have specific administration and management. Colleges may offer programs at the following levels: traditional undergraduate programs, technological undergraduate programs, specialization and graduate programs (master's and Ph.D. degrees). Colleges do not have minimum requirements for the qualifications of professors and their labor practices, and cannot establish new campuses or create programs and new locations without the prior permission of MEC.
- University Centers (*centro universitários*): University centers are public or private educational institutions that offer a variety of programs in higher education, including undergraduate programs, extension courses and *lato sensu* graduate programs—master's and Ph.D. degrees; they must also provide learning opportunities and career development for their professors. At least one third of the faculty of a university center must be composed of persons with masters or doctorate degrees. In addition, at least one fifth of its professors must be composed of professors who work full time. University centers have the autonomy to create, organize and extinguish individual courses and degree programs, as well as relocate or expand locations in their existing programs in the municipality where the university center's headquarters is located, without prior permission of MEC. A university center cannot open campuses outside the municipality where its seat is located.
- Universities (*universidades*): Universities are public or private institutions of higher education that offer several degree programs, extension activities and development of institutional research. Like the university centers, at least one third of the faculty of a university must be composed of persons with masters or doctorate degrees. In addition, at least one third of a university's faculty must be composed of professors who work full time. Similar to university centers, universities have autonomy to create, organize and extinguish individual courses and degree programs, as well as to relocate or expand locations in their existing programs in the municipality where the university's headquarters is located, without prior permission of MEC. Additionally, universities have the ability, upon prior authorization by MEC, to apply for accreditation of new campuses and courses outside the municipality where the university's seat is located, provided that they are within the same state as the seat.

Among the HEI in the *Laureate International Universities* network, there are three *faculdades* (Faculdade Internacional da Paraíba, located in João Pessoa, PB; Faculdades Porto-Alegrense, located in Porto Alegre, RS; and Faculdade dos Guararapes de Recife, located in Recife, PE), six university centers (FADERGS Centro Universitário, located in Porto Alegre, RS; Centro Universitário dos Guararapes, located in Jaboatão dos Guararapes, PE; FMU Education Group, located in São Paulo, SP; Centro Universitário Ritter dos Reis, located in Porto Alegre, RS; Centro Universitário do Norte, located in Manaus, AM; and Instituto Brasileiro de Medicina de Reabilitação—IBMR, located in Rio de Janeiro, RJ), as well as three universities (Universidade Potiguar, located in Natal, RN; UNIFACS—Universidade Salvador, located in Salvador, BA; and Universidade Anhembi Morumbi, located in São Paulo, SP). In addition, Business School São Paulo, which is a professional degree-granting institution, is owned and operated by Universidade Anhembi Morumbi, and CEDEPE Business School, which is a professional degree-granting institution, is operated as a division of Faculdade dos Guararapes de Recife. As noted below, each form of HEI is entitled to a different level of autonomy within the regulatory framework. In turn, we factor the respective levels of autonomy into the operational strategy for each HEI, as the requirement of prior or post-facto MEC approval can delay or nullify specific new campus expansion projects, new course offerings, and increases in the number of authorized seats per course.

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Legislation provides for specific levels of didactic, scientific and administrative autonomy to universities, university centers and colleges in differing degrees with the aim of limiting outside influence by other institutions or persons outside of the HEP's internal governance structure.

LDB provides that the following powers are guaranteed to universities and university centers in the exercise of their autonomy:

- creation, organization, and extinguishment of degree programs in their facilities, subject to applicable regulations;
- establishment of the curriculum of their courses and programs, subject to applicable general guidelines;
- establishment of plans, programs and projects related to scientific research, artistic production and extracurricular activities;
- establishment of the number of available seats; except in respect of programs in law, medicine, dentistry and psychology, where the total number of available seats in the entire system is controlled by MEC in conjunction with the input of the relevant professional associations;
- preparation and amendment of their bylaws in accordance with the general applicable standards; and
- the right to grant degrees, diplomas and other qualifications.

LDB provides that the following powers are guaranteed to colleges in the exercise of their autonomy:

- establishment of the curriculum of their courses and programs, subject to applicable general guidelines;
- establishment of plans, programs and projects related to scientific research, artistic production and extracurricular activities;
- preparation and amendment of their bylaws in accordance with the general applicable standards; and
- the right to grant degrees, diplomas and other qualifications.

Although colleges have administrative autonomy, they do not enjoy academic autonomy and, therefore, are subject to MEC's prior authorization to create new programs and degree programs.

Accreditation. The first accreditation of an institution of higher education is necessarily as a college. The accreditation as a university or university center is only granted after the institution has operated as a college for at least six years and has demonstrated that it has met satisfactory quality standards, including positive evaluation by the SINAES, as well as met legal requirements applicable to each type of institution of undergraduate learning, including minimum degree attainment and terms of faculty employment.

LDB establishes that higher education shall include the following programs:

- continuing education programs (*cursos sequênciais*), open to applicants who meet the requirements established by the higher educational institutions, provided they have completed high school or equivalent;
- undergraduate programs, including traditional and technological undergraduate programs, that are open to applicants who have completed secondary education or the equivalent and have passed the selection process or university entrance examination;

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- graduate programs, including master's degrees and Ph.D.s, specialization programs, advanced training courses and others, open to applicants who have an undergraduate degree and meet the requirements set by the educational institutions; and
- extension programs with a social character that grant certificates to students, open to applicants who meet the requirements established, in each case, by the educational institutions.

Following accreditation, colleges must obtain MEC permission to offer new undergraduate degree programs. As a consequence of their autonomy, universities and university centers do not require MEC authorization to create programs in the city where the university's or university center's seat is located. They need only inform MEC about the programs they offer for registration, evaluation and subsequent recognition. However, the creation of graduate programs in law, medicine, dentistry, nursing and psychology, whether by colleges, universities or university centers, are subject to the opinion of the proper professional associations. These associations are also consulted in the reaccreditation process.

In the last quarter of 2017, significant changes in the regulatory framework that regulates institutional and programmatic accreditation were introduced, establishing a new relationship between HEIs and the MEC.

Decree n. 9.235, published in December 2017, condensed various directives that were contained in several normative instruments, aiming setting procedural standards and decision models for accreditation. The new regulation eliminated the need for a previous mandatory decision of the MEC, which effectively granted wider autonomy to HEIs. Such autonomy, however, is tied to a performance score beyond the merely satisfactory grade in the official evaluation integrated with the accreditation process.

The expansion of autonomy primarily benefits university-like structures (i.e. *universidades* and *centros universitarios*). *Universidades* are now allowed to have the same autonomy prerogatives at their satellite campuses that they already enjoy at their headquarters, such as program creation, seat openings, etc. They must, however, sustain above average performance scores, and the same minimum proportion of faculty (one-third) working full time and/or with a Masters/PhD at each campus receiving autonomy.

Centros universitarios, once geographically limited to the headquarters municipality, are now allowed to expand statewide, although there will be no autonomy prerogatives for such units; their new programs and seat expansion initiatives will have to be authorized by the MEC.

Once an institution has obtained the authorization to offer a particular program, it also has to seek accreditation for such course as a condition for national validation of the diploma. The accreditation application has to be filed during the period between 50% and 75% of the program's completion. Institutional and programmatic accreditation has to be renewed periodically in accordance with the regularly applicable MEC evaluation process.

Evaluation. SINAES was established to evaluate HEI as institutions of higher education, traditional degree and technology degree programs and student academic performance. The main objective of this evaluation system is to improve the quality of higher education in Brazil. In practice, the CONAES conducts the monitoring and coordination efforts of SINAES. The results of the institutional and course evaluations are represented on a scale of five levels and are considered in the process of accreditation, recognition and renewal of accreditation of programs and accreditation and reaccreditation of institutions.

In the case of unsatisfactory results, the HEI will be required to enter into an agreement with MEC that establishes a remediation program that includes among other requirements: (i) diagnosis of the unsatisfactory conditions; (ii) development and implementation of measures to be taken to remedy the unsatisfactory conditions; and (iii) establishment of deadlines and goals for remediation.

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Failure to comply, in whole or in part, with the conditions provided in the term of commitment may result in one or more penalties imposed by MEC, including temporary suspension of the opening of the selective process for undergraduate programs and cancellation of accreditation or reaccreditation of the institution and the authorization for operation of its programs.

External evaluations of institutions of higher education are carried out by the INEP in two instances, first, when an institution applies for its first accreditation and second, by the end of each evaluation cycle of SINAES. Institutions of higher education are evaluated based on the following criteria, among others: (i) institutional development plan; (ii) social and institutional responsibility; (iii) infrastructure and financial condition; and (iv) pedagogical monitoring of student academic performance.

The evaluation of undergraduate programs is made at the time of the first accreditation by MEC, and consists of the analysis of academic methodology, faculty, student and technical-administrative bodies and the infrastructure of the institution and is periodically updated at the end of each evaluation cycle of SINAES.

The evaluation of graduate programs is made by the Coordinating Agency for the Improvement of Highly Educated Persons ("CAPES"), which is responsible for establishing the quality standard required of masters and doctoral programs along with the identification and evaluation of the courses that meet this standard. Its recommendations are subject to the approval of the CNE. Programs are evaluated according to the requirements established for each specific program. CAPES updates its evaluation of graduate programs every three years, which is the validity period of an authorization.

The evaluation of student academic performance is conducted by INEP, which requires each student to sit for the ENADE in order to verify the knowledge and technical skill of the student body. Each ENADE test is developed in accordance with the content and specific curriculum of each educational program. Students enrolled in undergraduate programs take the ENADE every three years. In this system, students are evaluated at the end of the last year of each program.

The overall grade for each class of students is calculated based on the weighted arithmetic average of all students in a specific program selected for the exam. INEP evaluates the standard deviation of the student's evolution in each program in order to compare it with national standards.

Transfer of control of mantenedoras. The change of control of mantenedoras does not require prior approval from MEC. A change of control need only be reported to MEC after the fact. However, the transfer of an HEI (mantida) to another mantenedora must be previously approved by MEC. The new mantenedora must meet the necessary requirements for accreditation of an institution of higher education and provide all appropriate documentation proving economic, financial and academic capacity to do so. Laureate's usual method for the acquisition of control is to acquire an interest in a pre-existing mantenedora. There may be circumstances in the future that warrant a departure from this course of conduct, in which case Laureate will follow the prescribed MEC requirements.

Although changes of control exercised by Laureate do not ordinarily need MEC prior approval or review, due to the level of Laureate's consolidated gross revenues throughout Brazil, current Brazilian law requires that every control transaction, with limited exceptions, that Laureate enters into must be submitted to the Brazilian anti-trust authority, the Conselho Administrativo de Defesa Economico (the "CADE"), for approval. Such request for approval must be granted prior to the definitive closing of such transaction. CADE has the power to reject and/or alter any transaction or any part of a transaction that it deems to unduly restrict competition.

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Incentive program. Programa Universidade Para Todos ("PROUNI") is a federal program of tax benefits designed to increase higher education participation rates by making college more affordable. PROUNI provides private HEI with an exemption from certain federal taxes in exchange for granting partial and full scholarships to low-income students enrolled in traditional and technology undergraduate programs. All of our HEI adhere to PROUNI.

HEI may join PROUNI by signing a term of membership valid for ten years and renewable for the same period. This term of membership shall include the number of scholarships to be offered in each program, unit and class, and a percentage of scholarships for degree programs to be given to indigenous and Afro-Brazilians. To join PROUNI, an educational institution must maintain a certain relationship between the number of scholarships granted to regular paying students. The relationship between the number of scholarships and regular paying students is tested annually. If this relationship is not observed during a given academic year due to the departure of students, the institution must adjust the number of scholarships in a proportional manner the following academic year.

An HEI that has joined PROUNI and remains in good standing is exempted, in whole or in part, from the following taxes during the period in which the term of membership is in effect:

- IRPJ (income tax) and CSLL (social contribution), with respect to the portion of net income in proportion to revenues from traditional and technology undergraduate programs; and
- Cofins (Contribution for the Financing of Social Security) and PIS (Program of Social Integration), concerning revenues from traditional and technology undergraduate programs.

A number of municipal and state governments have sought to replicate PROUNI by creating their own programs that, for example, offer tax incentives through a reduction in, or credits against, the ISS (Municipal Services Tax) in exchange for scholarships to targeted social groups or professions. Laureate owns and operates HEI in several jurisdictions where such local incentive programs are in force.

Student financing program. Fundo de Financiamento Estudantil ("FIES") is a federal program established to provide financing to students enrolled in courses in private institutions of higher education that have maintained a minimum satisfactory evaluation according to SINAES and receive a grade of 3 or higher out of 5 on the ENADE. The primary factor in determining whether a student is eligible to receive full or partial financing is how he or she scores on the program's means testing of household income relative to the cost of tuition.

Under this basic structure, FIES targets both of the government's education policy goals: increased access and improved academic quality outcomes. The HEI receives the benefit of the FIES program through its participation in the intermediation of CFT-E (Certificado Financeiro do Tesouro) bonds, which are public bonds issued to the HEI by the federal government that the HEI may use to pay the national social security tax imposed by the INSS (National Social Security Institute) and certain other federal tax obligations. If the HEI is current with its taxes (i.e., it possesses a tax clearance certificate and is not otherwise involved in any tax-related disputes with the federal government that are not being defended in compliance with applicable security/bond requirements) then the HEI also has the option to sell the bonds for cash in a public auction conducted by one of the government-sponsored banks.

Following changes initiated in 2014, a new FIES reform was implemented by the Provisional Presidential Decree (*Medida Provisória*) n. 785/2017, which amended the FIES legal statute (Law n. 10.260/2001). The current FIES offer conditions were consolidated for the selection rules for the 2018.1 semester.

The traditional FIES financing program continues to be offered to about one third of vacancies announced for the program in 2018. For the traditional offering, the candidate should have family income of up to three times the minimum wage, and while the previous 18-month grace period was

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eliminated, financing will have a zero interest rate. The risk is borne by a new guarantee fund—called *FG-FIES*—which may have initial public contributions of up to R\$ 3 billion, and contributions from HEIs ranging from 13% for the first year, between 10% and 25% for the second to fifth year (according to delinquency-related variances), and at least 10% from the sixth year on.

The second financing offer—called *P-FIES*—has two variables, according to the funding sources (a. Constitutional/Regional Development Funds or b. the BNDES). The distribution of vacancies for this modality favors programs offered in corresponding regional limits. This FIES offer will be operated strictly by financial agents, who will also bear the risks of the operation.

As of December 31, 2017, approximately 16% of our students in Brazil participated in FIES, representing approximately 24% of our Brazil 2017 net revenues.

Distance education. Distance Education, or Educação a Distância ("EaD"), in Brazil is regulated by the LDB and Decree # 9.057/17. The law defines EaD as an educational modality in which the didactic and pedagogical measurement in teaching and learning processes occur with the use of media, information and communication technologies, with students and teachers developing educational activities at a different place and/or time.

EaD programs can be offered at different levels and types of higher education, covering continuing education programs, undergraduate, specialization, masters and PhD; as well as professional education (including technical, medium and technological level of higher education). EaD programs may only be offered by HEIs that are regularly accredited by the MEC.

Universities and university centers accredited to offer EaD programs may create, organize and terminate programs, upon notice to MEC. Colleges (*faculdades*) must seek prior MEC authorization.

On May 25, 2017, Decree # 9.057 was enacted as a new regulatory framework for distance education. This regulation reduced significantly the regulatory and operational hindrances to the expansion of undergraduate and postgraduate EaD offerings.

The first major change is the introduction of a specific HEI accreditation to offer EaD programs exclusively, without the need of a prior presential HEI accreditation. It is now possible to create a HEI dedicated to EaD programs, with lower operational costs and reduced regulatory complexity. Further, another characteristic of EaD programs in Brazil—the use of brick-and-mortar support facilities, or *polos*, for mandatory in-person activities such as professional practice labs and exams—has been abolished, thus making full online programs possible.

Under the new regulation, the need for classroom activities—to be developed at the *polos*—will be determined by the pedagogical projects of the respective programs, according to an HEI's own discretion. However, curriculum guidelines published by the National Board of Education may require activities to be developed in laboratory or professional settings, which may compromise some of this prerogative.

The decree also eliminated the need for prior *polo* accreditation, which becomes another prerogative of the accredited HEIs. However, a maximum number of new *polos* to be created annually by HEIs was stipulated, based on their institutional evaluation, or CI (resulting from official onsite evaluations). HEIs with a CI equal to 3 can create up to 50 new *polos* per year, whereas those with CI of 4 can create 150 new *polos*. HEIs with a maximum CI score equal to 5 can create up to 250 new *polos*.

HEIs offering EaD programs, including their *polos*, are subject to inspection by the MEC at any time. Those inspections aim to demonstrate whether those HEIs are compliant with legal and regulatory requirements. In the event of any irregularity not timely addressed within the given deadlines, HEIs may be subject to penalties (from new intake limitations to accreditation loss).

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EaD certificates or diplomas issued by accredited HEIs have national validity, with the same force and effect as those certificates or diplomas issued for the completion of in-person programs.

Chilean Regulation

The Political Constitution of the Republic of Chile guarantees every individual's right to education and sets forth the state's obligation to promote the development of education at all levels. It also provides for liberty in teaching, which includes the right to open, organize and maintain educational institutions, providing that a Constitutional Organic Law, which requires a super-majority vote in the Chilean Congress, must establish the requirements for the official recognition of educational institutions.

The General Law on Education sets forth the requirements and the procedure for the official recognition of educational institutions, providing for an educational system that is mixed in nature, including a form of education owned and managed by the state and its bodies and another one that is privately provided. The principles that inspire the Chilean educational system include those of universality, by virtue of which education should be affordable to all individuals, quality of education, and respect for and promotion of the autonomy of the educational institutions, within the framework of the laws governing them.

In the case of higher education, the law provides a licensing system for new institutions that, once completed, makes it possible for these institutions to achieve full autonomy. This autonomy consists of every higher education institution's right to govern itself, as provided in its bylaws, in all matters regarding the fulfillment of its purpose, and encompasses academic, economic and administrative autonomy. Academic autonomy includes the higher education entities' power to decide by themselves the manner in which their teaching, research and extension functions will be fulfilled and the establishment of their curricula and programs. Economic autonomy makes it possible for those establishments to manage their resources to fulfill their goals pursuant to their bylaws and the laws, while administrative autonomy empowers each higher education establishment to organize its operation in the form deemed most appropriate in accordance with its bylaws and the relevant laws.

The Ministry of Education ("MINEDUC") is the department of state in charge of promoting the development of education at all levels. Its functions include those of proposing and assessing the policies and plans for educational and cultural development, assigning the necessary resources for the conduct of educational and cultural extension activities, evaluating the development of education, discussing and proposing general norms applicable to the sector and overseeing their enforcement, granting official recognition to educational institutions, supervising the activities of its dependent units and fulfilling the other functions assigned by the law.

The MINEDUC's Higher Education Division is the unit in charge of overseeing compliance with the legal and regulatory norms that govern higher education, of providing advice on the proposal of policies at this level of education and of establishing institutional relations with the officially recognized higher education institutions.

The National Education Council (*Consejo Nacional de Educación*) is an autonomous entity composed of ten members who must be academicians, professors or professionals with an outstanding career in teaching and educational management and whose functions, regarding higher education, consist of:

- managing the license-granting system for new institutions;
- deciding on institutional projects submitted by institutions for the purpose of their official recognition;
- verifying the development of institutional projects of the institutions that have been approved;

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- establishing selective examination systems for the subjects or courses of study delivered by the higher education institutions subject to license-granting processes in order to evaluate compliance with the curricula and programs and the performance of students;
- requesting from the MINEDUC, on a supported basis, the revocation of official recognition of the universities, professional institutes and technical training centers under the license-granting process;
- managing the revocation process of higher education institutions;
- assisting the MINEDUC in the management of the shutdown processes of autonomous higher education institutions, especially as to the process of awarding diplomas and degrees to students who are in the course of their education at the time of shutdown; and
- serving as an appeals body for decisions of the National Accreditation Commission.

The National Accreditation Commission (*Comisión Nacional de Acreditación*) is an autonomous entity, the function of which is to verify and promote the quality of the autonomous universities, professional institutes and technical training centers and of the courses of study and programs offered by them. In particular, the National Accreditation Commission is required to deliver an opinion on the institutional accreditation of higher education institutions, authorize the private agencies in charge of accreditation of courses of study and undergraduate programs and bachelor programs and specialty programs in the area of health, and supervise their operation.

The Managing Commission of the Credit System for Higher Education Studies (*Comisión Administradora del Sistema de Créditos para Estudios Superiores*) is an entity whose functions include defining and assessing policies for the development and implementation of financing arrangements for higher education studies, entering into and proposing modifications to any necessary agreements with both domestic and foreign public and private financing entities and implementing those arrangements, and defining and evaluating the policies for higher education loans guaranteed by the state.

Organization and recognition of higher education institutions. The law recognizes state-owned higher education institutions, which may only be created by a law, and private institutions that must be organized in accordance with provisions contained in the law. The Chilean legislation provides that the state will officially recognize the following higher education institutions:

- *Universities:* Universities may grant professional certificates and all kinds of academic degrees, including graduate certificates, bachelor's degrees and Ph.Ds. Universities are the only institutions entitled to grant professional certificates with respect to which the law requires having previously obtained a bachelor's degree.
- *Professional Institutes:* Professional institutes may only confer professional certificates of the type that do not require a bachelor's degree, and technical certificates of a superior level to those students who have completed programs of at least 1,600 class hours without receiving a bachelor's degree.
- *Technical Training Centers:* Technical training centers may only confer a technical certificate of a superior level to those students who have completed programs of at least 1,600 class hours.
- Educational institutions of the armed forces and police.

Private universities must be created in accordance with the procedures set forth by law, and must always be not-for-profit entities in order to be officially recognized.

Private professional institutes and technical training centers may be created by any individual or legal entity, they may be organized as for-profit or not-for-profit entities, and their sole purpose must be the creation, organization and maintenance of a professional institute or technical training center.

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In order to be officially recognized, universities, professional institutes and technical training centers must have the necessary teaching, didactic, economic, financial and physical resources to offer the academic degrees, professional certificates or technical certificates, as appropriate, which must be certified by the National Education Council. Additionally, these institutions must have a certification granted by the National Education Council evidencing that the entity has had both its institutional project and its academic programs approved and that it will have the progressive verification of its institutional development performed. Higher education institutions may only start their teaching activities once the official recognition has been granted.

The official recognition of a higher education institution may be revoked and, in the case of universities, their legal existence may be revoked through a supported Statutory Decree of the MINEDUC, after a decision of the National Education Council adopted by the majority of its members in a meeting called for that sole purpose and after hearing the affected party, if that party (i) fails to comply with the objectives set forth in its bylaws, (ii) conducts activities contrary to morals, public order, good customs or national security, (iii) commits gross violations of its bylaws, or (iv) ceases to confer professional certificates to its graduates.

The law provides for a system of license grants to higher education institutions, which includes the approval of institutional project and the evaluation, progress and materialization of its educational project for a period of no less than six years, at the end of which they may become fully autonomous.

National system of quality assurance in higher education. The law provides for a system of quality assurance in higher education that includes a system of institutional accreditation that consists of a process of analysis of existing mechanisms within the autonomous higher education institutions to guarantee their quality, bearing in mind both the existence of those mechanisms and their application and results, and a process of accreditation of courses of study or programs, consisting of a process of verification of the quality of the courses of study or programs offered by the autonomous higher education institutions, on the basis of their declared purposes and the criteria set forth by the respective academic and professional communities.

Both the institutional accreditation and the accreditation of courses of study and undergraduate programs are voluntary, except that the courses of study and academic programs leading to the professional degrees of Surgeon, Elementary Education Teacher, Secondary Education Teacher, Differential Education Teacher and Nursery School Teacher are subject to mandatory accreditation.

The institutional accreditation is filed with the National Accreditation Commission, whereas the accreditation of courses of study and undergraduate programs can be performed by domestic, foreign or international accreditation entities authorized by the National Accreditation Commission.

Tax benefits. Chilean universities recognized by the state, and the associations, corporations, partnerships and foundations that are created, organized or maintained by those universities, are exempted from paying tax on the income arising exclusively from their educational activities. Likewise, educational institutions are exempted from paying value-added tax, an exemption that is limited to the revenues arising from their teaching activities. Additionally, universities are exempted from paying withholding taxes for payments made abroad. There are also specific tax benefits for donations made to universities.

Financing. The Chilean state contributes to the direct financing of universities existing as of December 31, 1980 by means of contributions from the state. In addition, all universities, professional institutes and technical training centers recognized as higher education institutions receive an indirect contribution from the state, which is distributed on the basis of the scores obtained in the university admission test by the students enrolled in each higher education institution.

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Under the Crédito con Aval del Estado (the "CAE Program"), the state guarantees up to 90% of the principal plus interest on loans granted by financial institutions to students of higher education at autonomous, accredited institutions officially recognized by the state that select their first-year students on the basis of the score obtained in the university admission test and that use the aforesaid indirect contribution by the state exclusively for institutional development purposes.

The *Nuevo Milenio* Scholarship ("NMS") program supports access to vocational and technical education for students in the lowest 70% who met or exceeded certain academic standards by providing annual scholarships (i) under NMS I in amounts up to CLP 600,000; (ii) under NMS II in amounts up to CLP 850,000 per year for students who come from the first five income deciles if the tech/voc institution in which they are enrolled is organized as a not-for-profit legal entity or, if the tech/voc institution is not so organized, the institution has stated in writing its intention to become a not-for-profit entity and to be accredited; and (iii) under NMS III in amounts up to CLP 900,000 per year, provided that such students and the institution in which they enroll meet the requirements for NMS II and the tech/voc institution was, on December 31, 2015, accredited for four years or more.

Provisional administrator. In December 2014, the Chilean Congress adopted the Provisional Administrator Law (the "Provisional Administrator Law"), which provides for the appointment of a provisional administrator or closing administrator to handle the affairs of failing universities or universities found to have breached their bylaws.

Recent developments. On January 24, 2018, a new Higher Education Law (the "New Law") was passed by the Chilean Congress and, assuming that it passes review by the Constitutional Court, it is expected to be signed into law by the President of Chile as early as the first quarter of 2018. Among other things, the New Law will prohibit for-profit organizations, such as Laureate, from controlling the boards of universities in Chile. The New Law also prohibits conflicts of interests and related party transactions with notable exceptions, including the provision of services that are educational in nature or essential for the university's purposes. The New Law provides for a transition period between one and two years. The incoming Chilean presidential administration, which took office on March 11, 2018, will have the responsibility to both interpret the legislative mandates and implement new compliance processes.

The Company is currently reviewing the impact the New Law will have on its Chilean operations, including the extent to which the New Law will affect existing contractual relationships that the Company maintains with its Chilean non-profit universities. As a result of the New Law, the Company currently expects that it will be required to deconsolidate its three Chilean non-profit universities, which are accounted for as variable interest entities, and its Chilean real estate subsidiary, although the Company expects it will retain an approximately 30% equity ownership interest in the real estate subsidiary. The deconsolidation could happen as early as the first quarter of 2018.

On February 18, 2014, the MINEDUC disclosed that on November 15, 2013 and February 11, 2014, it had initiated internal investigations into UDLA Chile and UNAB, respectively. The investigations were initiated upon referrals from the National Education Council and the National Accreditation Commission, which had conveyed to the MINEDUC their concerns regarding certain agreements entered into by UDLA Chile and UNAB with their controlling entities, including concerns about the amount and real use made by the universities of the services provided under those agreements. The investigations were intended by the MINEDUC to determine whether it should begin formal sanction proceedings against the universities. The MINEDUC also disclosed that it had delivered relevant documentation on the matter to the Public Prosecutor. In January 2016, the MINEDUC announced that it had closed the investigation into UNAB. The UDLA Chile investigation is being conducted by an investigator appointed by the MINEDUC under the Provisional Administrator Law.

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In June 2016, the MINEDUC notified UNAB that it was opening an investigation into possible violations of the not-for-profit nature of UNAB. In September 2016, the MINEDUC notified UVM Chile that it was opening a similar investigation of UVM Chile. Each of the institutions continues to be responsive to the MINEDUC's requests as part of these investigations. Each investigation is being conducted by an investigator appointed by the MINEDUC under the Provisional Administrator Law. Procedural safeguards in the investigation process include notice, the right to present written statements and evidence, and the requirement that the decision be based on the formal record. Under the Provisional Administrator Law, at the end of the investigation the MINEDUC can either close the investigation or issue a report imposing one of the following measures: (i) ordering a recovery plan for the investigated institution, should the MINEDUC verify severe breaches of the institution's financial, administrative, labor or academic commitments; (ii) with the prior consent of the National Education Council, naming a provisional administrator for the institution if the MINEDUC determines that (a) there are serious risks to the administrative or financial viability of the institution that may affect the continuity of its educational programs, (b) there are serious and recurring breaches of the academic commitments of the institution to its students due to a lack of educational or teaching resources available to grant professional or technical degrees, (c) it is impossible for the institution to maintain its academic functions due to sanctions, injunctions or foreclosures affecting the institution, its campuses or its assets, (d) the institution is declared bankrupt or (e) a recovery plan pursuant to (i) above has not been presented, has been rejected or has been breached by the institution; or (iii) initiating a process to revoke the institution's license, in which case it would name a closing administrator. If the MINEDUC were to impose any sanctions, UDLA Chile, UNAB or UVM Chile, as the case may be, would have several routes to appeal or challenge that decision, both within the MINEDUC and in the courts or other governmental bodies. UDLA Chile, UNAB and UVM Chile are cooperating with the investigation.

In December 2016, Servicio de Impuestos Internos Chile ("SII") notified separately UDLA Chile and UNAB that as part of the general audit program called "*Auditoría Integral a Universidades*," it was requesting supporting documentation from them for the tax periods between November 2013 and October 2016. On March 21, 2017, SII sent a similar notification to UVM Chile regarding the tax periods from May 2014 to October 2016. Each institution has submitted responsive documents that support taxes paid related to its revenues and expenses, including to the extent such revenues and expenses involve financial dealings with Laureate for-profit entities. On November 29, 2017, the SII notified UVM Chile that its audit detected "no differences" between the taxes paid and the taxes owed and provided UVM Chile with a written closure letter.

Mexican Regulation

Mexican law provides that private entities are entitled to render education services in accordance with applicable legal provisions. These provisions regulate the education services rendered by the federal government, the states and private entities and contain guidelines for the allocation of the higher education role among the federal government, the states and the municipalities, including their respective economic contributions in order to jointly participate in the development and coordination of higher education.

There are three levels of regulation in Mexico: federal; state; and municipal. The federal authority is the Federal Ministry of Public Education (*Secretaría de Educación Pública*). Each of the 31 states and Mexico City has the right to establish a local Ministry of Education, and each municipality of each state may establish a municipal education authority that only has authority to advertise and promote educational services and/or activities. Additionally, since February 26, 2013, the National Institute for the Evaluation of Educational Services (*Instituto Nacional para la Evaluación de la Educación*) is in charge of, among other things, evaluating the quality of the study plans and programs for Basic and Mid-Superior education services (as further described below).

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Some functions are exclusive to the Federal Ministry of Education such as the establishment of study plans and programs for Basic and Mid-Superior education services. Other functions are exclusive to the state Ministries of Education such as the coordination and administration of the local registry of students, teachers, education institutions and schools. There are also concurrent functions such as the granting and withdrawal of governmental recognition of validity of studies (*Reconocimiento de Validez Oficial de Estudios*) ("REVOEs," for its acronym in Spanish).

The General Law on Education (*Ley General de Educación*) in Mexico classifies studies in the following three categories: (i) Basic Education, which includes pre-school (kindergarten), elementary school and junior high school (*secundaria*); (ii) Mid-Superior Education, which includes high school (*preparatoria*) and equivalent studies, as well as professional education that does not consider *preparatoria* as a prerequisite; and (iii) Superior Education, which includes the studies taught after *preparatoria*, including undergraduate school (*licenciatura*), specialties (*especialidades*), masters studies, doctorate studies and studies for teachers (*educación normal*).

The General Law on Education provides that in order for private entities to be able to provide Basic Education Services and studies for teachers (*educación normal*), a prior governmental authorization is required (the "Authorization"). For other studies, including Mid-Superior and Superior Education Services, no prior governmental authorization is required. However, if the private entities desire to provide Mid-Superior and Superior Education Services, and want those studies to be integrated into the federal and/or local public educational system, they must obtain a REVOE by the federal and/or local Ministry of Education, respectively.

The REVOEs are issued by the Federal Ministry of Education under the General Law on Education, or by any of the state Ministries of Education under the applicable state law. REVOEs are granted for each program taught in each campus. If there is a change in the program or in the campus in which it is taught, the entity will need to get a new REVOE.

The Federal Ministry of Education has issued a set of general resolutions (*Acuerdos*) that regulate the general requirements for obtaining REVOEs. The main *Acuerdos* are (i) *Acuerdo* 243 issued on May 27, 1998 to set the general guidelines for obtaining an Authorization or REVOE, and (ii) *Acuerdo* 17/11/17 issued on November 10, 2017 to set the procedures related to REVOEs for Superior Education studies. The Federal Ministry of Education recommends to the local Ministries of Education the adoption and inclusion of the provisions contained in *Acuerdo* 243 and *Acuerdo* 17/11/17 in the local Law on Education and other applicable local laws and regulations.

In general terms, federal and state laws in Mexico provide for three requirements for granting REVOEs:

- personnel that have adequate qualifications to render education services and that comply with the appropriate administrative requirements;
- facilities that meet the hygiene, security and pedagogic conditions determined by the authority; and
- studies, plans and programs that the authority considers appropriate.

Depending on each state, other requirements may apply, for example, that private institutions that provide educational services with REVOEs need to be registered with the corresponding local authorities.

Acuerdo 17/11/17 regulates in detail the provisions contained under the General Law on Education to grant REVOEs for Superior Education studies, regarding faculty, plans and programs of studies, inspection visits, procedures, etc. *Acuerdo* 17/11/17 also provides that private institutions that provide Superior Education services in accordance with presidential decrees or secretarial resolutions (*acuerdos secretariales*) issued specifically to them may maintain the obligations provided to them thereunder and

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may function under the simplified provisions of *Acuerdo 17/11/17*. Currently, Universidad Tecnológica de México, S.C. and Universidad del Valle de México, S.C. have secretarial resolutions that were issued in their favor before the issuance of *Acuerdo 17/11/17*. The obligations contained in these secretarial resolutions generally conform to the obligations provided under *Acuerdo 17/11/17*.

The regulatory authorities are entitled to conduct inspection visits to the facilities of educational institutions to verify compliance with applicable legal provisions. Failure to comply with applicable legal provisions may result in the imposition of fines, in the cancellation of the applicable REVOE and in the closure of the education facilities.

Private institutions with REVOEs are required to grant a minimum percentage of scholarships to students. *Acuerdo 17/11/17* provides that private institutions grant scholarships to at least five percent of the total students registered during each academic term. Scholarships consist, in whole or in part, of payment of the registration and tuition fees established by the educational institution. The granting of scholarships has to be provided for in the internal regulations of the educational institution, which regulations must provide:

- authority of the institution that will coordinate the application and supervision of the compliance with the applicable provisions;
- terms and procedures for the expedition and dissemination of the scholarships grant;
- requirements with which the applicants of scholarships will have to comply;
- types of scholarships offered;
- procedures for the delivery of results; and
- conditions to maintain and to cancel scholarships.

Private entities may also obtain the recognition of validity of their programs from the National Autonomous University of Mexico (*Universidad Nacional Autónoma de México* or "UNAM"). The General Regulations of Incorporation and Validation of Studies issued by UNAM provide that programs followed in private entities may be "incorporated" to UNAM in order for UNAM to recognize their validity. For the programs to be incorporated the following general requirements must be met:

- they have to be complete cycles and not isolated subjects;
- the private entity must have appropriate infrastructure (workshops, laboratories, libraries, etc.);
- the private entity must have professors, study plans, programs and other academic elements approved by UNAM; and
- the private entity must be subject to the inspection and surveillance of UNAM and pay the corresponding fees.

The UNAM regulations also provide that private entities incorporated to UNAM must grant scholarships to at least five percent of the total students registered in such entity. These scholarships shall consist of the exemption in whole of payment of the registration and tuition fees established by the educational entity. The students entitled to have this benefit will be selected by UNAM. Some of our high school programs and one of our medical programs are incorporated to UVM Mexico.

Peruvian Regulation

We operate four post-secondary education institutions in Peru, two of which are universities and two of which are technical-vocational institutes. Peruvian law provides that universities and technical-vocational institutes can be operated as public or private entities, and that the private entities may be

organized for profit. The Ministry of Education has overall responsibility for the national education system.

In 2014, the Peruvian Congress enacted a new University Law to regulate the establishment, operation, monitoring and closure of universities. The law also promotes continuous improvement of quality at Peruvian universities. The law created a new agency, the Superintendencia de Educación Superior Universitaria ("SUNEDU"), which is responsible for carrying out the governmental role in university regulation, including ensuring quality. While institutional autonomy is still recognized, and universities are permitted to create their own internal governance rules and determine their own academic, management and economic systems, including curriculum design and entrance and graduation requirements, all of these matters are now subject to review and evaluation by SUNEDU through its periodic review of universities as part of a license renewal process.

Under the new law, university licenses are temporary but renewable, and are granted by SUNEDU for a maximum of six years. On November 24, 2015 the Board of SUNEDU promulgated regulations for the university licensing process. For licenses to be renewed, universities have to demonstrate to SUNEDU that they comply with, at a minimum, certain Basic Quality Conditions ("BQCs") (i.e., that they have specified academic goals and that the degrees granted and plans of study are aligned with those goals, that their academic offerings are compatible with their planning goals, (e.g., there is sufficient labor demand for careers offered) that there are only two regular semesters of studies per year, that they have appropriate infrastructure and equipment, that they engage in research, that they have a sufficient supply of qualified teachers, at least 25% of whom will need to be full-time, that they supply adequate basic complementary educational services (e.g., medical and psychological services and sports activities), that they provide appropriate placement office services, and that they have transparency of institutional information). Both UPC and UPN had their licenses renewed in 2017, in each case for a period of six years.

Technical-vocational institutes are regulated by the Ministry of Education, which grants operating licenses for not less than three nor more than six years, after which the Ministry conducts a revalidation process. The approval of new institute licenses is based on the evaluation by the Ministry of the institute's institutional goals, the curricula of its education programs and their link with careers needed in the Peruvian economy, the availability of adequate qualified teachers, the institute's infrastructure, the institute's financial resources, and the favorable opinion of the National System of Assessment, Accreditation and Certification of Education Quality ("SINEACES") regarding the appropriateness of the programs the institute is offering. SINEACES is also responsible for the accreditation of programs and careers at all higher education institutions. On November 2, 2016 a new law regarding technical-vocational institutes (the "Institutes Law") was enacted. Under the Institutes Law, technical-vocational institutes are regulated by the Ministry of Education, which grants operating licenses. The Institutes Law has created two types of institutes, Higher Education Institutes ("Institutes") and Higher Education Colleges ("Colleges"). Institutes are dedicated to technical careers and Colleges are devoted to technical careers related to education as well as science and information Technology. Colleges grant Technical Bachelor Degrees and Professional Technical Degrees. Institutes and Colleges are subject to a mandatory license granted by the Ministry of Education, based on an evaluation to determine compliance with BQCs. BQCs include: an appropriate institutional management guaranteeing a proper relation with the educational model of the institution; appropriate academic management and proper program studies aligned with the Ministry of Education norms; appropriate infrastructure and equipment to develop educational activities; adequate teachers and staff which, at a minimum, should consist of 20% full-time staff; and appropriate financial and economic provisions. The Law provides that the process will last no more than 90 days and will grant a license for a five-year period to be renewed once expired. Unlike licenses, quality accreditation is voluntary except for certain careers for which it might be mandatory as determined by law. Such accreditation will be taken into consideration for access to public grants for scholarships and research among other

things. Private Institutes and Colleges may be organized as for-profit or not-for-profit entities under Peruvian law. Not-for-profit Colleges' and Institutes' income is exempt from taxes on their educational activities. For-profit Colleges and Institutes are subject to income taxes, but may qualify for a tax credit on 30% of their reinvested income, subject to a reinvestment program to be filed with the Ministry of Education for a maximum term of five years. The specific requirements of such programs were determined by regulations in August 2017. According to the schedule determined by the regulations, Cibertec filed its license petition during November and December 2017, and a resolution from the Ministry of Education is expected during the first half of 2018.

Turkish Regulation and Internal Investigation

Through our EMEAA segment, we operate Istanbul Bilgi University ("Bilgi"), a network institution located in Turkey that consolidates under the variable interest entity model. Bilgi is established as a "Foundation High Education Institution" (a "Foundation University") under the Turkish higher education law, sponsored by an educational foundation (the "the Bilgi Foundation"). As such, it is subject to regulation, supervision and inspection by the Turkish Higher Education Council (the "YÖK"). In 2014, the Turkish parliament amended the higher education law to provide expanded authority to the YÖK with respect to Foundation Universities, including authorizing additional remedies for violations of the higher education law and of regulations adopted by the YÖK. On November 19, 2015, the YÖK promulgated an "Ordinance Concerned with Amendment to Foundation High Education Institutions" (the "Ordinance") the principal effects of which relate to the supervision and inspection of Foundation Universities by the YÖK. Under the Ordinance, the YÖK has expanded authority to inspect accounts, transactions, activities and assets of Foundation Universities, as well as their academic units, programs, projects and subjects. The Ordinance establishes a progressive series of five remedies that the YÖK can take in the event it finds a violation of the Ordinance, ranging from (1) a warning and request for correction to (2) the suspension of the Foundation University's ability to establish new academic units or programs to (3) limiting the number of students the Foundation University can admit, including ceasing new admissions, to (4) provisional suspension of the Foundation University's license to (5) cancellation of the Foundation University's license. Since the promulgation of the Ordinance, the YÖK has cancelled the licenses of 15 Foundation Universities.

The Ordinance specifies that Foundation Universities cannot be established by foundations in order to gain profit for themselves, and prohibits specified types of fund transfers from Foundation Universities to their sponsoring foundation, with certain exceptions for payments made under contractual arrangements for various goods and services that are provided at or below current market rates. Bilgi has entered into contractual arrangements with a subsidiary of Laureate that is a member of the board of trustees of the Bilgi Foundation, and has affiliates that are also members of that board, to provide Bilgi with management, operational and student services and certain intellectual property at fair market rates. The YÖK conducts annual audits of the operations of Bilgi. On April 18, 2017, Bilgi received from the YÖK the results of its 2015-2016 annual audit (the "2015-2016 Annual Audit"). The 2015-2016 Annual Audit report required, among other things, that (i) with respect to the 2017-2018 academic year, there be a reduction in the quota for the number of new students permitted to be admitted into Bilgi's degree programs and (ii) Bilgi be reimbursed, not later than October 18, 2017, approximately \$29 million for payments previously made by Bilgi to a subsidiary of the Company for certain management, operational and student services, and intellectual property. The Company and Bilgi believe the charges to Bilgi for these services were at fair value and Bilgi has contested the findings of the 2015-2016 Annual Audit that they constituted an improper wealth transfer. Demands also were made in the 2015-2016 Annual Audit for the return or payment to Bilgi, by October 18, 2017, of other amounts involving approximately \$8 million. These deadlines have been extended to April 16, 2018. In the meantime, the YÖK has been conducting a supplemental audit, the results of which have not been released.

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Bilgi has appealed the YÖK's decision in the Turkish court system and has not been reimbursed for any of the payments made to the Company's subsidiary for the services described above. As the Company currently consolidates Bilgi under the variable interest entity model, if the Company is unable to provide services under its contracts with Bilgi and receive the economic benefits from those contracts as a result of the determinations in the 2015-2016 Annual Audit, deconsolidation of Bilgi could be required. Deconsolidation, if required, could have a material adverse effect on the Company's business, financial condition and results of operations, including possible write-off of all or a portion of the Company's investment in Bilgi and a reduction in operating income. At December 31, 2017 and December 31, 2016, Bilgi had total assets of approximately \$112 million and \$83 million, respectively, and total liabilities of \$84 million and \$63 million, respectively. Total liabilities include approximately \$37 million and \$19 million of net intercompany liabilities as of December 31, 2017 and December 31, 2016, respectively. During fiscal year 2017, Bilgi generated approximately \$101 million of the Company's consolidated revenue and approximately \$28 million of the Company's consolidated operating income and incurred approximately \$6 million of depreciation and amortization expense.

As previously disclosed, during the fourth quarter of 2014, we recorded an operating expense of \$18.0 million (the value of 40.0 million Turkish Liras at the date of donation) for a donation by our network institution in Turkey to a charitable foundation. We believed the donation was encouraged by the Turkish government to further a public project supported by the government and expected that it would enhance the position and ongoing operations of our institution in Turkey. The Company has learned that the charitable foundation which received the donation disbursed the funds at the direction of a former senior executive at our network institution in Turkey and other external individuals to a third party without our knowledge or approval.

In June 2016, the Audit Committee of the Board of Directors initiated an internal investigation into this matter with the assistance of external counsel. The investigation concerns the facts surrounding the donation, violations of the Company's policies, and possible violations of U.S. Foreign Corrupt Practices Act (the "FCPA") and other applicable laws in what appears to be a fraud perpetrated by the former senior executive at our network institution in Turkey and other external individuals. This includes an investigation to determine if the diversion was part of a scheme to misappropriate the funds and whether any portion of the funds was paid to government officials. We have not identified that any other officers or employees outside of Turkey were involved in the diversion of the intended donation. Although we are pursuing efforts to recover the diverted funds, including through legal proceedings, there is no assurance that we will be successful. As a result of the investigation, we took steps to remove the former senior executive at our network institution in Turkey and he is no longer affiliated with that institution.

We have been advised by Turkish counsel that, under Turkish law, a Foundation University may not make payments that cause a decrease in the university's wealth or do not otherwise benefit the university. Given the uncertainty of recovery of the diverted donation and to mitigate any potential regulatory issues in Turkey relating to the donation, certain Laureate-owned entities that are members of the foundation that controls our network institution in Turkey have contributed an amount of approximately \$13.0 million (the value of 40.0 million Turkish Liras on November 4, 2016, the date of contribution) to our network institution in Turkey to reimburse it for the donation.

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In September 2016, we voluntarily disclosed the investigation to the U.S. Department of Justice (the "DOJ") and the Securities and Exchange Commission ("SEC"). The Company is fully cooperating with these agencies in their investigations and inquiries relating to this matter. The Company has internal controls and compliance policies and procedures that are designed to prevent misconduct of this nature and support compliance with laws and best practices throughout its global operations. The Company is taking steps to enhance these internal controls and compliance policies and procedures. The governmental and Company investigations relating to these matters are ongoing, and we cannot predict the outcome at this time, or the impact, if any, to the Company's consolidated financial statements or predict how the resulting consequences, if any, may impact our internal controls and compliance policies and procedures, business, ability or right to operate in Turkey, results of operations or financial position. If we are found to have violated the FCPA or other laws applicable to us, we may be subject to criminal and civil penalties and other remedial measures, which could materially adversely affect our business, financial condition, results of operations and liquidity.

See "Item 1A—Risk Factors—Risks Relating to Our Business—We currently have four material weaknesses in our internal control over financial reporting that, if not corrected, could result in material misstatements of our financial statements" and "Item 1A—Risk Factors—Risks Relating to Our Business—Our institutions are subject to uncertain and varying laws and regulations, and any changes to these laws or regulations or their application to us may materially adversely affect our business, financial condition and result of operations."

U.S. Regulation

Our institutions in the United States are subject to extensive regulation by the U.S. Department of Education (the "DOE"), accrediting agencies and state educational agencies. The regulations, standards and policies of these agencies cover substantially all of the operations of our higher education institutions in the United States ("U.S. Institutions"), including their educational programs, facilities, instructional and administrative staff, administrative procedures, marketing, recruiting, finances, results of operations and financial condition.

As institutions of higher education that grant degrees and diplomas, our U.S. Institutions are required to be authorized by appropriate state educational agencies. In addition, the DOE regulates our U.S. Institutions due to their participation in federal student financial aid programs under Title IV of the U.S. Higher Education Act (the "HEA"), or Title IV programs. Title IV programs currently include grants and educational loans provided directly by the federal government, including loans to students and parents through the William D. Ford Federal Direct Loan Program (the "Direct Loan Program"). The Direct Loan Program offers Federal Stafford Loans, Federal Parent PLUS Loans, Federal Grad PLUS Loans and Federal Consolidation Loans. Prior to July 1, 2010, Title IV programs also included educational loans issued by private banks with below-market interest rates that are guaranteed by the federal government in the event of a student's default on repaying the loan. A significant percentage of students at our U.S. Institutions rely on the availability of Title IV programs to finance their cost of attendance.

To participate in Title IV programs, our U.S. Institutions are required to both maintain authorization by the appropriate state educational agency or agencies and be accredited by an accrediting agency recognized by the DOE. The HEA requires accrediting agencies recognized by the DOE to review and monitor many aspects of an institution's operations and to take appropriate action if the institution fails to meet the accrediting agency's standards.

We plan and implement our business activities to comply with the standards of these regulatory agencies. To monitor compliance with this regulatory environment, institutions participating in Title IV programs undergo periodic reviews to demonstrate, among other things, that they maintain proper

accreditation, state authorization, and adequate financial resources. Historically, our U.S. Institutions have maintained eligibility to access Title IV funding.

State Education Licensure and Regulation

Our U.S. Institutions are required by the HEA to be authorized by applicable state educational agencies in the states where we are located to participate in Title IV programs. To maintain requisite state authorizations, our U.S. Institutions are required to continuously meet standards relating to, among other things, educational programs, facilities, instructional and administrative staff, marketing and recruitment, financial operations, addition of new locations and educational programs and various operational and administrative procedures. These standards can be different than and conflict with the requirements of the DOE and other applicable regulatory bodies. State laws and regulations may limit our ability to offer educational programs and offer certain degrees. Some states may also prescribe financial regulations that are different from those of the DOE and may require the posting of surety bonds. Failure to comply with the requirements of applicable state educational agencies could result in us losing our authorization to offer educational programs in those states. If that were to occur, the applicable state educational agency could force us to cease operations in their state. Alternatively, the state educational licensing agencies could restrict the institution's ability to offer certain degree or diploma programs. The loss of an authorization by a state could also impact the ability of such institution to participate in Title IV programs.

Each of our U.S. Institutions maintains an authorization from the pertinent state regulatory authority in which such institutions are physically located, or is exempt under current state law from a requirement to be specifically authorized. If any of the authorizations provided to one or more of our U.S. Institutions are determined not to comply with the DOE regulations, or one or more of our U.S. Institutions is unable to obtain or maintain an authorization that satisfies the DOE requirements, students at the pertinent institution may be unable to access Title IV funds, which could force the institution to cease operations in the state and have a material adverse effect on our business, financial condition and results of operations in the United States.

On December 19, 2016, the DOE published final regulations regarding state authorization for programs offered through distance education and state authorization for foreign locations of institutions. Among other provisions, these final regulations require that an institution participating in the Title IV federal student aid programs and offering postsecondary education through distance education be authorized by each state in which the institution enrolls students, if such authorization is required by the state. The final regulations also require that foreign additional locations and branch campuses be authorized by the appropriate foreign government agency and, if at least 50% of a program can be completed at the location/branch, be approved by the institution's accrediting agency and be reported to the state where the main campus is located. The regulations also require institutions to: document the state process for resolving complaints from students enrolled in programs offered through distance education or correspondence courses; and make certain public and individualized disclosures to enrolled and prospective students about their distance education programs. The regulations also recognize authorization through participation in a state reciprocity agreement. These final regulations will become effective on July 1, 2018.

Independent of this matter of federal regulation, several states have asserted jurisdiction over educational institutions offering online degree programs that have no physical location or other presence in the state, but that have some activity in the state, such as enrolling or offering educational services to students who reside in the state, conducting practica or sponsoring internships in the state, employing faculty who reside in the state or advertising to or recruiting prospective students in the state. Thus, our activities in certain states constitute a presence requiring licensure or authorization under requirements of state law, regulation or policy of the state educational agency, even though we do not have a physical facility in such states. Therefore, in addition to the states where we maintain

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physical facilities, we have obtained, or are in the process of obtaining, approvals or exemptions that we believe are necessary in connection with our activities that may constitute a presence in such states requiring licensure or authorization by the state educational agency based on the laws, rules or regulations of that state. Some of our approvals are pending or are in the renewal process. Some of our U.S. Institutions do not have current approvals or exemptions from all of the state educational agencies that may require such an approval or exemption due to the U.S. Institution enrolling students via distance education in the state.

Notwithstanding our efforts to obtain approvals or exemptions, state regulatory requirements for online education vary among the states, are not well developed in many states, are imprecise or unclear in some states and can change frequently. Because our U.S. Institutions enroll students in online degree programs, we expect that regulatory authorities in other states where we are not currently licensed or authorized may request that we seek additional licenses or authorizations for these institutions in their states in the future. If any of our U.S. Institutions fails to comply with state licensing or authorization requirements for a state, or fails to obtain licenses or authorizations when required, that institution could lose its state licensure or authorization by that state, which could prohibit it from recruiting prospective students or offering services to current students in that state. We could also be subject to other sanctions, including restrictions on activities in that state, fines and penalties. We review the licensure requirements of other states when we believe that it is appropriate to determine whether our activities in those states may constitute a presence or otherwise may require licensure or authorization by the respective state education agencies. In addition, state laws and regulations may limit our ability to offer educational programs and to award degrees and may limit the ability of our students to sit for certification exams in their chosen fields of study. New laws, regulations or interpretations related to offering educational programs online could increase our cost of doing business and affect our ability to recruit students in particular states, which could, in turn, adversely affect our U.S. Institutions' enrollments and revenues and have a material adverse effect on our business.

We also are subject to extensive state laws and regulations, including standards for instruction, qualifications of faculty, administrative procedures, marketing, recruiting, financial operations and other operational matters. In recent years, the proprietary education industry has experienced broad-based, intensifying scrutiny in the form of increased investigations and enforcement actions. Attorneys general in several states have become more active in enforcing consumer protection laws, especially related to recruiting practices and the financing of education at proprietary educational institutions. The U.S. Federal Trade Commission ("FTC") has also issued civil investigative demands to several other U.S. proprietary educational institutions, which require the institutions to provide documents and information related to the advertising, marketing, or sale of secondary or postsecondary educational products or services, or educational accreditation products or services. The Consumer Financial Protection Bureau (the "CFPB") also has investigated the lending practices of post-secondary institutions. If our past or current business practices are found to violate applicable consumer protection laws, or if we are found to have made misrepresentations to our current or prospective students about our educational programs, we could be subject to monetary fines or penalties and possible limitations on the manner in which we conduct our business, which could materially and adversely affect our business, financial condition, results of operations and cash flows. To the extent that more states or government agencies commence investigations, act in concert, or direct their focus on our U.S. Institutions, the cost of responding to these inquiries and investigations could increase significantly, and the potential impact on our business would be substantially greater.

In addition to state or government agency actions, we are subject to litigation and complaints to state educational agencies by current and former students alleging violations of state consumer protection laws. See "Item 3—Legal Proceedings" for more information regarding student litigation matters. On September 8, 2016, the Minnesota Office of Higher Education ("MOHE") sent to Walden

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University an information request regarding its doctoral programs and complaints filed by doctoral students, as part of a program review that MOHE is conducting. We have been informed by MOHE that in an effort to better understand the context, background and issues related to doctoral student complaints in Minnesota, MOHE is initiating a full review of doctoral programs for certain institutions registered in Minnesota. MOHE has informed us that it expects to issue a report regarding its program review in 2018.

State Professional Licensure

Many states have specific licensure requirements that an individual must satisfy to be licensed as a professional in specified fields, including fields such as education and healthcare. These requirements vary by state and by field. A student's success in obtaining licensure following graduation typically depends on several factors, including but not limited to: the background and qualifications of the individual graduate; whether the institution and the program were approved by the state in which the graduate seeks licensure; whether the program from which the student graduated meets all requirements for professional licensure in that state; whether the institution and the program are accredited and, if so, by what accrediting agencies; and whether the institution's degrees are recognized by other states in which a student may seek to work. Several states also require that graduates pass a state test or examination as a prerequisite to becoming certified in certain fields, such as teaching and nursing. In several states, an educational program must be approved by a professional association in order for graduates to be licensed in that professional field. In the field of psychology, an increasing number of states require approval by either the American Psychological Association ("APA") or the Association of State and Provincial Psychology Boards ("ASPPB"). To date, Walden University has been unable to obtain approval of its Ph.D. program in Counseling Psychology from the ASPPB or APA. Additionally, states often require a criminal background clearance before granting certain professional licensures or certifications. The catalogs for our U.S. Institutions inform students that it is incumbent upon the student to verify whether a specific criminal background clearance is required in their field of study prior to beginning course work.

Additionally, under the HEA, proprietary schools generally are eligible to participate in Title IV programs in respect of educational programs that lead to "gainful employment in a recognized occupation." As part of regulations promulgated by the DOE to more specifically define "gainful employment," which became effective on July 1, 2015 and are described in more detail below, the DOE requires each of our U.S. Institutions to certify that its educational programs meet the applicable requirements for graduates to be professionally or occupationally certified in the state in which the institution is located. Failure to provide such certification may result in such programs being ineligible for Title IV program funds. It is possible that several programs offered by our schools may be adversely affected by this requirement due to lack of specialized program accreditation or certification in the states in which such institutions are based.

Accreditation

Accreditation is a private, non-governmental process for evaluating the quality of educational institutions and their programs in areas, including student performance, governance, integrity, educational quality, faculty, physical resources, administrative capability and resources and financial stability. To be recognized by the DOE, accrediting agencies must comply with DOE regulations, which require, among other things, that accrediting agencies adopt specific standards for their review of educational institutions, conduct peer review evaluations of institutions and publicly designate those institutions that meet their criteria. An accredited institution is subject to periodic review or review when necessary by its accrediting agencies to determine whether it continues to meet the performance, integrity and quality required for accreditation. Kendall College and Walden University are institutionally accredited by the Higher Learning Commission, a regional accrediting agency recognized

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by the DOE. NewSchool of Architecture and Design and St. Augustine are institutionally accredited by the Accrediting Commission for Senior Colleges and Universities of the Western Association of Colleges and Schools ("WASC"). Accreditation by these accrediting agencies is important to us for several reasons, one being that it enables eligible students at our U.S. Institutions to receive Title IV financial aid. In addition, other colleges and universities depend, in part, on an institution's accreditation in evaluating transfers of credit and applications to graduate schools. Employers also rely on the accredited status of institutions when evaluating candidates' credentials, and students and corporate and government sponsors under tuition reimbursement programs consider accreditation as assurance that an institution maintains quality educational standards. If any of our U.S. Institutions fails to satisfy the standards of its respective accrediting agency, that institution could lose its accreditation by that accrediting agency, which would cause it to lose its eligibility to participate in Title IV programs.

The HEA and regulations issued by the DOE require accrediting agencies to monitor the growth of institutions that they accredit. Our U.S. Institutions' respective accrediting agencies require all affiliated institutions, including us, to complete an annual data report. If the non-financial data, particularly enrollment information, and any other information submitted by the institution indicate problems, rapid change or significant growth, the staff of the respective accrediting agency may require that the institution address any concerns arising from the data report in the next self-study and visit process or may recommend additional monitoring. In addition, DOE regulations require the Higher Learning Commission to notify the DOE if an institution it accredits that offers distance learning programs, such as Kendall College and Walden University, experiences an increase in its headcount enrollment of 50% or more in any fiscal year. The DOE may consider that information in connection with its own regulatory oversight activities.

In addition to institution-wide accreditation, there are numerous specialized accrediting agencies that accredit specific programs or schools within their jurisdiction, many of which are in healthcare and professional fields. Accreditation of specific programs by one of these specialized accrediting agencies signifies that those programs have met the additional standards of those agencies. In addition to being accredited by regional and/or national accrediting agencies, our U.S. Institutions also have the following specialized accreditations:

- the American Culinary Federation Education Foundation Accrediting Commission accredits the A.A.S. in Culinary Arts and the A.A.S. in Baking & Pastry programs in the School of Culinary Arts at Kendall College;
- the Council for Accreditation of Counseling and Related Educational Programs accredits the M.S. in Clinical Mental Health Counseling, M.S. in Marriage, Couple and Family Counseling, M.S. in Addictions Counseling, M.S. in School Counseling and Ph.D. in Counselor Education and Supervision programs at Walden University;
- the Commission on Collegiate Nursing Education accredits the Bachelor of Science in Nursing, Master of Science in Nursing and Doctor of Nursing Practice programs at Walden University, and the Master of Science in Nursing program at St. Augustine holds new applicant status;
- the Accreditation Council for Business Schools and Programs accredits the B.S. in Business Administration, Master of Business Administration, Doctor of Business Administration and Ph.D. in Management programs at Walden University and granted Specialized Accounting Accreditation to the B.S. in Accounting and M.S. in Accounting programs at Walden University;
- the National Architecture Accrediting Board accredits NewSchool of Architecture and Design's professional architecture programs;

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- the Council for the Accreditation of Educator Preparation (formerly the National Council for Accreditation of Teacher Education) accredits the Richard W. Riley College of Education and Leadership at Walden University;
- the Project Management Institute Global Accreditation Center for Project Management Education Program accredits the M.S. in Project Management program at Walden University;
- the ABET accredits the B.S. in Information Technology online program at Walden University;
- the Commission for Accreditation of Physical Therapy Education accredits the Doctor of Physical Therapy at St. Augustine;
- the Accreditation Council for Occupational Therapy Education accredits the Master's in Occupational Therapy and doctorate in Occupational Therapy programs at St. Augustine;
- the International Association for Continuing Education and Training accredits the St. Augustine as an Authorized Provider of continuing education programs;
- the Council on Social Work Education accredits the master's in social work program at Walden University, and the bachelor's in social work program at Walden University holds candidacy status;
- the Council on Education for Public Health has granted candidacy status to the Master's in Public Health program at Walden University; and
- the American Board of Physical Therapy Residency & Fellowship Education (ABPTRFE) accredits the Orthopaedic Manual Physical Therapy Fellowship and the Clinical Orthopaedic Residency at St. Augustine.

If we fail to satisfy the standards of any of these specialized accrediting agencies, we could lose the specialized accreditation for the affected programs, which could result in materially reduced student enrollments in those programs.

Congressional Hearings and Related Actions

The U.S. Congress must authorize and appropriate funding for Title IV programs under the HEA and can change the laws governing Title IV programs at any time. The HEA was most recently reauthorized in August 2008. Congress is currently in the process of reauthorizing the HEA and has conducted hearings examining various issues including, but not limited to, the streamlining of Title IV financial aid programs and repayment systems, the role of consumer information in college choices by students and families, whether Title IV programs should include institutional risk-sharing, and the role of accrediting agencies in ensuring institutional quality, among other items. On December 13, 2017, the Committee on Education and the Workforce of the U.S. House of Representatives approved legislation to reauthorize the HEA, titled "Promoting Real Opportunity, Success, and Prosperity through Education Reform Act" (PROSPER Act). If enacted in its current form, this legislation would substantially amend the HEA, including, but not limited to, changes to Title IV programs and provisions governing institutional participation therein. We cannot predict the timing and terms of any eventual HEA reauthorization, including any potential changes to institutional participation or student eligibility requirements or funding levels for particular Title IV programs.

In addition to comprehensive reauthorizations of the HEA, Congress may periodically revise the law and other statutory requirements governing Title IV programs. In addition to Title IV programs, eligible veterans and military personnel may receive educational benefits under other federal programs. Congress must determine the funding levels for Title IV programs, and programs benefiting eligible veterans and military personnel, on an annual basis through the budget and appropriations process. A reduction in federal funding levels for Title IV programs, or for programs providing educational

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benefits to veterans and military personnel, could reduce the ability of some students to finance their education. The loss of, or a significant reduction in, Title IV program funds or other federal education benefits available to students at our U.S. Institutions could reduce our enrollments and revenues and have a material adverse effect on our business.

Additionally, the U.S. Congress and the Department of Defense (the "DoD") have increased their focus in recent years on DoD tuition assistance that is used for distance education and programs at proprietary institutions. On multiple occasions since 2012, the DoD has revised its standard Memorandum of Understanding ("MOU") to include additional provisions applicable to all higher educational institutions providing educational programs through the DoD tuition assistance program. Our U.S. Institutions utilizing tuition assistance have signed DoD's standard MOU.

Regulation of Federal Student Financial Aid Programs

To be eligible to participate in Title IV programs, an institution must comply with specific requirements contained in the HEA and the regulations issued thereunder by the DOE. An institution must, among other things, be licensed or authorized to offer its educational programs by the state or states in which it is located and maintain institutional accreditation by an accrediting agency recognized by the DOE. The substantial amount of federal funds disbursed to schools through Title IV programs, the large number of students and institutions participating in these programs and allegations of fraud and abuse by certain for-profit educational institutions have caused Congress to require the DOE to exercise considerable regulatory oversight over for-profit educational institutions. As a result, for-profit educational institutions, including ours, are subject to extensive oversight and review. Because the DOE periodically revises its regulations and changes its interpretations of existing laws and regulations, we cannot predict with certainty how the Title IV program requirements will be applied in all circumstances.

Significant aspects of Title IV programs include the following:

Eligibility and certification procedures. Each of our U.S. Institutions must apply periodically to the DOE for continued certification to participate in Title IV programs. Such recertification generally is required every six years, but may be required earlier, including when an institution undergoes a change in control. An institution may also come under the DOE's review when it expands its activities in certain ways, such as opening an additional location, adding a new educational program or modifying the academic credentials it offers. The DOE may place an institution on provisional certification status if it finds that the institution does not fully satisfy all of the eligibility and certification standards and in certain other circumstances, such as when an institution is certified for the first time or undergoes a change in control. During the period of provisional certification, the institution must comply with any additional conditions included in the institution's program participation agreement with the DOE. In addition, the DOE may more closely review an institution that is provisionally certified if it applies for recertification or approval to open a new location, add an educational program, acquire another institution or make any other significant change. If the DOE determines that a provisionally certified institution is unable to meet its responsibilities under its program participation agreement, it may seek to revoke the institution's certification to participate in Title IV programs without advance notice or opportunity for the institution to challenge the action. Students attending provisionally certified institutions remain eligible to receive Title IV program funds. Each of our U.S. Institutions currently is provisionally certified to participate in Title IV programs. They are also subject to a letter of credit for not satisfying the DOE's standards of financial responsibility, as described below. In addition, they are subject to additional cash management requirements with respect to their disbursements of Title IV funds, as well as certain additional reporting and disclosure requirements.

Gainful employment. Under the HEA, proprietary schools generally are eligible to participate in Title IV programs in respect of educational programs that lead to "gainful employment in a recognized

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occupation." On October 30, 2014, the DOE published regulations to define "gainful employment," which become effective on July 1, 2015. Continued compliance with the gainful employment regulations could increase our cost of doing business, reduce our enrollments and have a material adverse effect on our business, financial condition, results of operations and cash flows.

Historically, the concept of "gainful employment" has not been defined in detail. The regulations require each educational program offered by a proprietary institution to achieve threshold rates in two debt measure categories: an annual debt-to-annual earnings ("DTE") ratio and an annual debt-to-discretionary income ("DTI") ratio.

An educational program must achieve a DTE ratio at or below 8% or a DTI ratio at or below 20% to be considered "passing." An educational program with a DTE ratio greater than 8% but less than or equal to 12% or a DTI ratio greater than 20% but less than or equal to 30% is considered to be "in the zone." An educational program with a DTE ratio greater than 12% and a DTI ratio greater than 30% is considered "failing." An educational program will cease to be eligible for students to receive Title IV program funds if its DTE and DTI ratios are failing in two out of any three consecutive award years or if both of those rates are failing or in the zone for four consecutive award years.

The regulations also require an institution to provide warnings to current and prospective students in programs which may lose Title IV eligibility at the end of an award or fiscal year. If an educational program could become ineligible based on its ratios for the next award year, the institution must (1) deliver a warning to current and prospective students in the program and (2) not enroll, register or enter into a financial commitment with a prospective student until three business days after the warning is provided or a subsequent warning is provided, if more than thirty days have passed since the first warning. If a program becomes ineligible for students to receive Title IV program funds, the institution cannot seek to reestablish eligibility of that program, or establish the eligibility of a similar program having the same classification of instructional program ("CIP") code with the same first four digits of the CIP code of the ineligible program for three years.

Additionally, the regulations require an institution to certify to the DOE that its educational programs subject to the gainful employment requirements, which include all programs offered by our U.S. Institutions, meet the applicable requirements for graduates to be professionally or occupationally licensed or certified in the state in which the institution is located. If we are unable to certify that our programs meet the applicable state requirements for graduates to be professionally or occupationally certified in that state, then we may need to cease offering certain programs in certain states or to students who are residents in certain states. On July 5, 2017, the DOE further announced that it would allow additional time, until July 1, 2018, for institutions to comply with certain disclosure requirements in the gainful employment regulations.

In January 2017, the DOE issued final DTE rates to institutions. Among the Classification of Instructional Programs reported within NewSchool of Architecture and Design, Kendall College and Walden University, the DOE has indicated that we had one that failed and five in the zone. This represents a total of one educational program that failed and 10 in the zone. St. Augustine had no programs that failed or were in the zone. The percentage of students enrolled in the educational program that failed represents approximately 1% of the students currently enrolled in our U.S. Institutions. The percentage of students enrolled in the educational programs that were in the zone represents approximately 5%. We are currently examining and implementing options for each of these programs and their students. We are discontinuing the program that failed. For one of the programs in the zone, we conducted an alternate salary survey and are appealing the zone score to the DOE. The failure of any program or programs offered by any of our U.S. Institutions to satisfy any gainful employment regulations could render that program or programs ineligible for Title IV program funds. If a particular educational program ceased to become eligible for Title IV program funds, either

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because it fails to prepare students for gainful employment in a recognized occupation or due to other factors, we may choose to cease offering that program. It is possible that several programs offered by our schools may be adversely affected by the regulations due to lack of specialized program accreditation or certification in the states in which such institutions are based. We also could be required to make changes to certain programs at our U.S. Institutions or to increase student loan repayment efforts in order to comply with the rule or to avoid the uncertainty associated with such compliance.

On June 16, 2017, the DOE published a notice of intent to establish a negotiated rulemaking committee to develop proposed revisions to the gainful employment regulations. The DOE held negotiated rulemaking sessions on the gainful employment rule in December 2017 and February 2018, and will hold another negotiated rulemaking session in March 2018. If issued, any new gainful employment regulations would be effective July 1, 2019. We cannot predict with any certainty the outcome of the negotiated rulemaking or the extent to which revised gainful employment regulations may differ from the current regulations.

Administrative capability. DOE regulations specify extensive criteria by which an institution must establish that it has the requisite "administrative capability" to participate in Title IV programs. To meet the administrative capability standards, an institution must, among other things: comply with all applicable Title IV program requirements; have an adequate number of qualified personnel to administer Title IV programs; have acceptable standards for measuring the satisfactory academic progress of its students; not have student loan cohort default rates above specified levels; have various procedures in place for awarding, disbursing and safeguarding Title IV program funds and for maintaining required records; administer Title IV programs with adequate checks and balances in its system of internal controls; not be, and not have any principal or affiliate who is, debarred or suspended from federal contracting or engaging in activity that is cause for debarment or suspension; provide financial aid counseling to its students; refer to the DOE's Office of Inspector General any credible information indicating that any student, parent, employee, third-party servicer or other agent of the institution has engaged in any fraud or other illegal conduct involving Title IV programs; submit all required reports and financial statements in a timely manner; and not otherwise appear to lack administrative capability. If an institution fails to satisfy any of these criteria, the DOE may require the institution to repay Title IV funds its students previously received, change the institution's method of receiving Title IV program funds, which in some cases may result in a significant delay in the institution's receipt of those funds, place the institution on provisional certification status or commence a proceeding to impose a fine or to limit, suspend or terminate the institution's participation in Title IV programs. If the DOE determines that any of our U.S. Institutions failed to satisfy its administrative capability requirements, then the institution's students could lose, or be limited in their access to, Title IV program funding.

Financial responsibility. The HEA and DOE regulations establish extensive standards of financial responsibility that institutions such as ours must satisfy to participate in Title IV programs. The DOE evaluates institutions for compliance with these standards on an annual basis based on the institution's annual audited financial statements as well as when the institution applies to the DOE to have its eligibility to participate in Title IV programs recertified. The most significant financial responsibility standard is the institution's composite score, which is derived from a formula established by the DOE based on three financial ratios: (1) equity ratio, which measures the institution's capital resources, financial viability and ability to borrow; (2) primary reserve ratio, which measures the institution's ability to support current operations from expendable resources; and (3) net income ratio, which measures the institution's ability to operate at a profit or within its means. The DOE assigns a strength factor to the results of each of these ratios on a scale from negative 1.0 to positive 3.0, with negative 1.0 reflecting financial weakness and positive 3.0 reflecting financial strength. The DOE then assigns a weighting percentage to each ratio and adds the weighted scores for the three ratios together to

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produce a composite score for the institution. The composite score must be at least 1.5 for the institution to be deemed financially responsible without the need for further DOE oversight. In addition to having an acceptable composite score, an institution must, among other things, provide the administrative resources necessary to comply with Title IV program requirements, meet all of its financial obligations including required refunds to students and any Title IV liabilities and debts, be current in its debt payments and not receive an adverse, qualified or disclaimed opinion by its accountants in its audited financial statements.

If the DOE determines that an institution does not meet the financial responsibility standards due to a failure to meet the composite score or other factors, the institution is able to establish financial responsibility on an alternative basis permitted by the DOE. This alternative basis could include, in the Department's discretion, posting a letter of credit, accepting provisional certification, complying with additional DOE monitoring requirements, agreeing to receive Title IV program funds under an arrangement other than the DOE's standard advance funding arrangement, such as the reimbursement method of payment or heightened cash monitoring, or complying with or accepting other limitations on the institution's ability to increase the number of programs it offers or the number of students it enrolls.

The DOE measures the financial responsibility of several of our U.S. Institutions on the basis of the Laureate consolidated audited financial statements and not at the individual institution level. Based on Laureate's composite score for its fiscal year ended December 31, 2016, the DOE determined that it, and consequently, Walden University, NewSchool of Architecture and Design, Kendall College and St. Augustine failed to meet the standards of financial responsibility. As a result, in a letter dated October 30, 2017, the DOE required Laureate to increase its existing letter of credit to \$136,887,941 (15% of Title IV program funds that the schools received during the most recently completed fiscal year), continued the institutions on Heightened Cash Monitoring and required Laureate to continue to comply with additional notification and reporting requirements, including submitting bi-weekly cash flow statements for Laureate and monthly student rosters of the institutions. In a letter dated March 1, 2018, the DOE required Laureate to provide additional ongoing information about its current operations and future plans, including bi-weekly updates on its cash balances and monthly cash flow statements and student rosters for its U.S. Institutions, beginning in April 2018.

In December 2015, the DOE required us to provide a letter of credit in the amount of \$14,967 for St. Augustine (25% of the total Title IV program refunds the institution made or should have made during the fiscal year ended December 31, 2014). This requirement was due to the fact that St. Augustine was found to have untimely processed returns of Title IV program funds for withdrawn students for more than 5% of the students in its auditor's sample for the 2014 fiscal year. We have obtained this letter of credit. Any requirement to provide, maintain or increase a letter of credit or other sanctions that may be imposed by the DOE could increase our cost of regulatory compliance and could affect our cash flows. The DOE has the discretion to increase our letter of credit requirements at any time. If our U.S. Institutions are unable to meet the minimum composite score requirement or comply with the other standards of financial responsibility, and could not post a required letter of credit or comply with the alternative bases for establishing financial responsibility, then students at our U.S. Institutions could lose their access to Title IV program funding.

On November 1, 2016, as part of its defense to repayment rulemaking, the DOE issued a rule to revise its general standards of financial responsibility to include various actions and events that would require institutions to provide the DOE with irrevocable letters of credit upon the occurrence of certain triggering events. In June 2017, however, the DOE announced an indefinite delay in implementing the rule and its intent to establish a negotiated rulemaking committee to develop proposed revisions to these regulations. For additional information regarding this rule and the current rulemaking, see "—DOE rulemaking activities." If we are required to repay the DOE for any successful DTR claims by students who attended our U.S. Institutions, or we are required to obtain

additional letters of credit or increase our current letter of credit, it could materially affect our business, financial conditions and results of operations.

Return of Title IV funds for students who withdraw. When a student who has received Title IV funds withdraws from school, the institution must determine the amount of Title IV program funds the student has "earned." The institution must return any unearned Title IV program funds to the appropriate lender or the DOE in a timely manner, which is generally no later than 45 days after the date the institution determined that the student withdrew. If such payments are not timely made, the institution will be required to submit a letter of credit to the DOE equal to 25% of the Title IV funds that the institution should have returned for withdrawn students in its most recently completed fiscal year. Under DOE regulations, late returns of Title IV program funds for 5% or more of the withdrawn students in the audit sample in the institution's annual Title IV compliance audit for either of the institution's two most recent fiscal years or in a DOE program review triggers this letter of credit requirement.

The "90/10 Rule." A requirement of the HEA commonly referred to as the "90/10 Rule" provides that an institution loses its eligibility to participate in Title IV programs, if, under a complex regulatory formula that requires cash basis accounting and other adjustments to the calculation of revenue, the institution derives more than 90% of its revenues for any fiscal year from Title IV program funds. This rule applies only to for-profit post-secondary educational institutions, including our U.S. Institutions. An institution is subject to loss of eligibility to participate in Title IV programs if it exceeds the 90% threshold for two consecutive fiscal years, and an institution whose rate exceeds 90% for any single fiscal year will be placed on provisional certification and may be subject to addition conditions or sanctions imposed by the DOE.

Using the DOE's formula under the "90/10 Rule," Kendall College derived approximately 31%, 34% and 36% of its revenues (calculated on a cash basis) from Title IV program funds in fiscal years 2017, 2016 and 2015, respectively. NewSchool of Architecture and Design derived approximately 35%, 37% and 43% of its revenues (calculated on a cash basis) from Title IV program funds in fiscal years 2017, 2016 and 2015, respectively. St. Augustine derived approximately 65%, 57% and 49% of its revenues (calculated on a cash basis) from Title IV program funds in fiscal years 2017, 2016 and 2015, respectively. Walden University derived approximately 73%, 73% and 73% of its revenues (calculated on a cash basis) from Title IV program funds in fiscal years 2017, 2016 and 2015, respectively.

The ability of our U.S. Institutions to maintain 90/10 rates below 90% will depend on our enrollments, any increases in students Title IV funding eligibility in the future, and other factors outside of our control, including any reduction in government assistance for military personnel, including veterans, or changes in the treatment of such funding for the purposes of the 90/10 calculation. In recent years, several members of Congress have introduced proposals and legislation that would modify the 90/10 Rule. One such proposal would revise the 90/10 Rule to an 85/15 rule and would count DoD tuition assistance and GI Bill education benefits toward that limit. We cannot predict whether, or the extent to which, these actions could result in legislation or further rulemaking affecting the 90/10 Rule. To the extent that any such laws or regulations are enacted, our U.S. Institutions' financial condition could be adversely affected.

Student loan defaults. Under the HEA, an educational institution may lose its eligibility to participate in some or all Title IV programs if defaults by its students on the repayment of federal student loans received under Title IV programs exceed certain levels. For each federal fiscal year, the DOE calculates a rate of student defaults on such loans for each institution, known as a "cohort default rate." Under current regulations, an institution will lose its eligibility to participate in Title IV programs if its three-year cohort default rate equals or exceeds 30% for three consecutive cohort years or 40% for any given year.

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The DOE generally publishes official cohort default rates annually in September for the repayment period that ended the prior September 30. Kendall College's official cohort default rates for the 2014, 2013 and 2012 federal fiscal years were 11.3%, 10.0% and 7.9%, respectively. NewSchool of Architecture and Design's official cohort default rates for the 2014, 2013 and 2012 federal fiscal years were 5.2%, 5.1% and 10.2%, respectively. St. Augustine's official cohort default rates for the 2014, 2013 and 2012 federal fiscal years were 0.0%, 0.2% and 0.5%, respectively. Walden University's official cohort default rates for the 2014, 2013 and 2012 federal fiscal years were 7.5%, 6.7% and 6.8%, respectively. The average national student loan default rates published by the DOE for all institutions that participated in the federal student aid programs for 2014, 2013 and 2012 were 11.5%, 11.3% and 11.8%, respectively, and for all proprietary institutions that participated in the federal student aid programs for 2014, 2013 and 2012 were 15.5%, 15.0% and 15.8%, respectively.

Incentive compensation rule. Under the HEA, an educational institution that participates in Title IV programs may not make any commission, bonus or other incentive payments to any persons or entities involved in recruitment or admissions activities or in the awarding of financial aid pertaining to U.S. citizens, permanent residents and others temporarily residing in the United States with the intention of becoming a citizen or permanent resident. The DOE has taken the position that any commission, bonus or other incentive compensation based in any part, directly or indirectly, or securing enrollment or awarding financial aid is inconsistent with the statutory prohibition against incentive compensation. The DOE has maintained that institutions may make merit-based adjustments to employee compensation, provided that those adjustments are not based, in any part, directly or indirectly, upon securing enrollments or awarding financial aid. In sub-regulatory correspondence to institutions regarding its regulatory changes, the DOE provided additional guidance regarding the scope of the prohibition on incentive compensation and to what employees and types of activities the prohibition applies.

In addition, in recent years, other post-secondary educational institutions have been named as defendants to whistleblower lawsuits, known as "*qui tam*" cases, brought by current or former employees pursuant to the Federal False Claims Act, alleging that their institutions' compensation practices did not comply with the incentive compensation rule. A *qui tam* case is a civil lawsuit brought by one or more individuals (a "relator") on behalf of the federal government for an alleged submission to the government of a false claim for payment. The relator, often a current or former employee, is entitled to a share of the government's recovery in the case, including the possibility of treble damages. Any such litigation could be costly and could divert management's time and attention away from the business, regardless of whether a claim has merit.

Substantial misrepresentation. An institution participating in Title IV programs is prohibited from making misrepresentations regarding the nature of its educational programs, the nature of financial charges and availability of financial assistance, or the employability of graduates. A misrepresentation is defined in the regulations as any false, erroneous or misleading statement to any student or prospective student, any member of the public, an accrediting agency, a state agency or the DOE, and, significantly, the regulations as promulgated by the DOE define misleading statements to broadly include any statements that have a likelihood or tendency to deceive. If any of our U.S. Institutions—or any entity, organization, or person with whom the institution has an agreement to provide educational programs or to provide marketing, advertising, recruiting, or admissions services—committed a misrepresentation for which a person could reasonably be expected to rely, or has reasonably relied, to that person's detriment, the DOE could initiate proceedings to revoke the institution's Title IV eligibility, deny applications made by the institution, impose fines, or initiate a limitation, suspension or termination proceeding against the institution.

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Compliance reviews. Our U.S. Institutions are subject to announced and unannounced compliance reviews and audits by various external agencies, including the DOE, its Office of Inspector General, state licensing agencies, various state approving agencies for financial assistance to veterans and accrediting agencies. In general, after the DOE conducts a site visit and reviews data supplied by an institution, the DOE sends the institution a program review report and affords the institution with an opportunity to respond to any findings. The DOE then issues a final program review determination letter, which identifies any liabilities.

On September 21, 2015, the Higher Learning Commission notified Kendall College that the Higher Learning Commission placed the school on ongoing financial monitoring over the next 24 months. Such action was primarily due to concerns over the school's continued reliance upon Laureate to provide financial support to sustain its operations. The Higher Learning Commission also conducted a separate on-site mid-cycle review of Kendall on May 1, 2017. At its March 2018 meeting, the Institutional Actions Council of the Higher Learning Commission will consider the report for that mid-cycle review and Kendall's response. The Institutional Actions Council's recommendation will be considered by the Higher Learning Commission Board at its June 2018 meeting.

The Higher Learning Commission conducted an on-site mid-cycle review of Walden University on May 1, 2017. The Higher Learning Commission determined that Walden University met the accreditation criteria, with the exception of two, for which it is requiring the school to submit follow-up reports. Specifically, Walden University must submit an interim report by May 2018 regarding its progress in addressing the "material weakness" (pertaining to Laureate's control over information technology systems) as identified by its auditors in its December 31, 2016 financial statements, and a second interim report by May 2019 regarding retention and graduation rate improvements to doctoral programs.

On September 8, 2016, MOHE sent to Walden University an information request regarding its doctoral programs and complaints filed by doctoral students, as part of a program review that MOHE is conducting. We have been informed by MOHE that in an effort to better understand the context, background and issues related to doctoral student complaints in Minnesota, MOHE is initiating a full review of doctoral programs for certain institutions registered in Minnesota. MOHE has informed us that it expects to issue a report regarding its program review in 2018.

As part of the DOE's ongoing monitoring of institutions' administration of Title IV programs, the HEA also requires institutions to annually submit to the DOE a Title IV compliance audit conducted by an independent certified public accountant in accordance with applicable federal and DOE audit standards. In addition, to enable the DOE to make a determination of an institution's financial responsibility, each institution must annually submit audited financial statements prepared in accordance with DOE regulations.

DOE rulemaking activities. On December 19, 2016, the DOE published final regulations regarding state authorization for programs offered through distance education and state authorization for foreign locations of institutions. For additional information regarding these regulations, see "—State Education Licensure and Regulation."

On November 1, 2016, the DOE published a rule that, among other provisions, established new standards and processes for determining whether a Direct Loan Program borrower has a defense to repayment ("DTR") on a loan due to acts or omissions by the institution at which the loan was used by the borrower for educational expenses. The regulations were to take effect on July 1, 2017. On June 15, 2017, the DOE announced an indefinite delay to its implementation of the regulations, and on June 16, 2017 published a notice of intent to establish a negotiated rulemaking committee to develop proposed revisions to the rule.

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Among other topics, the now-delayed rule established permissible borrower defense claims for discharge, procedural rules under which claims would be adjudicated, time limits for borrowers' claims, and guidelines for recoupment by the DOE of discharged loan amounts from institutions of higher education. It also prohibited schools from using any pre-dispute arbitration agreements, prohibited schools from prohibiting relief in the form of class actions by student borrowers, and invalidated clauses imposing requirements that students pursue an internal dispute resolution process before contacting authorities regarding concerns about an institution. For proprietary institutions, the now-delayed rule described the threshold for loan repayment rates that would require specific disclosures to current and prospective students and the applicable loan repayment rate methodology. The now-delayed rule also established important new financial responsibility and administrative capacity requirements for both not-for-profit and for-profit institutions participating in the Title IV programs. Under the now-delayed rule, certain events would automatically trigger a letter of credit and the DOE retained discretion to impose a letter of credit upon the occurrence of other events.

The DOE held negotiated rulemaking sessions in November 2017, January 2018 and February 2018 regarding the DTR regulations. The DOE and negotiators failed to reach consensus on revised DTR regulations, and the DOE is now expected to issue revised DTR regulations for comment by the summer of 2018, with the rules becoming final by November 1, 2018. If issued, any new DTR regulations would be effective July 1, 2019. We cannot state with any certainty how the revised DTR regulations will differ from the now-delayed rule. Any new DTR regulations, whether or not they are similar to the now-delayed regulations, could have a direct and substantial impact on our U.S. Institutions. In the meantime, regardless of the status of new DTR regulations, our U.S. Institutions are subject to student loan discharge liabilities. If we are required to repay the DOE for any successful DTR claims by students who attended our U.S. Institutions, or we are required to obtain additional letters of credit or increase our current letter of credit, it could materially affect our business, financial conditions and results of operations.

Privacy of student records. The Family Educational Rights and Privacy Act of 1974 ("FERPA"), and the DOE's FERPA regulations require educational institutions to protect the privacy of students' educational records by limiting an institution's disclosure of a student's personally identifiable information without the student's prior written consent. FERPA also requires institutions to allow students to review and request changes to their educational records maintained by the institution, to notify students at least annually of this inspection right and to maintain records in each student's file listing requests for access to and disclosures of personally identifiable information and the interest of such party in that information. If an institution fails to comply with FERPA, the DOE may require corrective actions by the institution or may terminate an institution's receipt of further federal funds. In addition, our U.S. Institutions are obligated to safeguard student information pursuant to the Gramm-Leach-Bliley Act (the "GLBA"), a federal law designed to protect consumers' personal financial information held by financial institutions and other entities that provide financial services to consumers. The GLBA and the applicable GLBA regulations require an institution to, among other things, develop and maintain a comprehensive, written information security program designed to protect against the unauthorized disclosure of personally identifiable financial information of students, parents or other individuals with whom such institution has a customer relationship. If an institution fails to comply with the applicable GLBA requirements, it may be required to take corrective actions, be subject to monitoring and oversight by the FTC, and be subject to fines or penalties imposed by the FTC. For-profit educational institutions are also subject to the general deceptive practices jurisdiction of the FTC with respect to their collection, use and disclosure of student information. The institution must also comply with the FTC Red Flags Rule, a section of the federal Fair Credit Reporting Act, that requires the establishment of guidelines and policies regarding identity theft related to student credit accounts.

Potential effect of regulatory violations. If any of our U.S. Institutions fails to comply with the regulatory standards governing Title IV programs, the DOE could impose one or more sanctions, including requiring us to repay Title IV program funds, requiring us to post a letter of credit in favor of the DOE as a condition for continued Title IV certification, taking emergency action against us, initiating proceedings to impose a fine or to limit, suspend or terminate our participation in Title IV programs or referring the matter for civil or criminal prosecution. Because our U.S. Institutions are provisionally certified to participate in Title IV programs, the DOE may revoke the certification of these institutions without advance notice or advance opportunity for us to challenge that action. If such sanctions or proceedings were imposed against us and resulted in a substantial curtailment or termination of our participation in Title IV programs, our enrollments, revenues and results of operations could be materially and adversely affected.

In addition to the actions that may be brought against us as a result of our participation in Title IV programs, we are also subject to complaints and lawsuits relating to regulatory compliance brought not only by regulatory agencies, but also by other government agencies and third parties, such as current or former students or employees and other members of the public.

Regulatory Standards that May Restrict Institutional Expansion or Other Changes in the United States

Many actions that we may wish to take in connection with expanding our operations or other changes in the United States are subject to review or approval by the applicable regulatory agencies.

Adding teaching locations, implementing new educational programs and increasing enrollment. The requirements and standards of state education agencies, accrediting agencies and the DOE limit our ability in certain instances to establish additional teaching locations, implement new educational programs or increase enrollment in certain programs. Many states require review and approval before institutions can add new locations or programs. Our U.S. Institutions' state educational agencies and institutional and specialized accrediting agencies that authorize or accredit our U.S. Institutions and their programs generally require institutions to notify them in advance of adding new locations or implementing new programs, and upon notification may undertake a review of the quality of the facility or the program and the financial, academic and other qualifications of the institution.

With respect to the DOE, if an institution participating in Title IV programs plans to add a new location or educational program, the institution must generally apply to the DOE to have the additional location or educational program designated as within the scope of the institution's Title IV eligibility. As a condition for an institution to participate in Title IV programs on a provisional basis, as in our case, the DOE can require prior approval of such programs or otherwise restrict the number of programs an institution may add or the extent to which an institution can modify existing educational programs. If an institution that is required to obtain the DOE's advance approval for the addition of a new program or new location fails to do so, the institution may be liable for repayment of the Title IV program funds received by the institution or students in connection with that program or enrolled at that location.

Provisional certification. Each institution must apply to the DOE for continued certification to participate in Title IV programs at least every six years and when it undergoes a change in control. An institution may also come under the DOE's review when it expands its activities in certain ways, such as opening an additional location, adding an educational program or modifying the academic credentials that it offers.

The DOE may place an institution on provisional certification status if it finds that the institution does not fully satisfy all of the eligibility and certification standards. In addition, if a company acquires an institution from another entity, the acquired institution will automatically be placed on provisional certification when the DOE approves the transaction. During the period of provisional certification, the

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institution must comply with any additional conditions or restrictions included in its program participation agreement with the DOE. Students attending provisionally certified institutions remain eligible to receive Title IV program funds, but if the DOE finds that a provisionally certified institution is unable to meet its responsibilities under its program participation agreement, it may seek to revoke the institution's certification to participate in Title IV programs without advance notice or advance opportunity for the institution to challenge that action. In addition, the DOE may more closely review an institution that is provisionally certified if it applies for recertification or approval to open a new location, add an educational program, acquire another institution or make any other significant change. All of our U.S. Institutions currently participate in Title IV programs pursuant to provisional participation agreements due to our conversion to a public benefit corporation and our initial public offering, as well as because we do not meet the DOE's standards of financial responsibility.

Acquiring other institutions. We have acquired other institutions in the past, and we may seek to do so in the future. The DOE and virtually all state education agencies and accrediting agencies require a company to obtain their approval if it wishes to acquire another institution. The level of review varies by individual state and accrediting agency, with some requiring approval of such an acquisition before it occurs while others only consider approval after the acquisition has occurred. The approval of the applicable state education agencies and accrediting agencies is a necessary prerequisite to the DOE certifying the acquired institution to participate in Title IV programs. The restrictions imposed by any of the applicable regulatory agencies could delay or prevent our acquisition of other institutions in some circumstances or could delay the ability of an acquired institution to participate in Title IV programs.

Change in ownership resulting in a change in control. The DOE and many states and accrediting agencies require institutions of higher education to report or obtain approval of certain changes in control and changes in other aspects of institutional organization or control. Under DOE's regulations, an institution that undergoes a change in control loses its eligibility to participate in Title IV programs and must apply to the DOE to reestablish such eligibility. If an institution files the required application and follows other procedures, the DOE may temporarily certify the institution on a provisional basis following the change in control, so that the institution's students retain continued access to Title IV program funds. In addition, the DOE may extend such temporary provisional certification if the institution timely files certain required materials, including the approval of the change in control by its state authorizing agency and accrediting agency and certain financial information pertaining to the financial condition of the institution or its parent corporation.

The types of and thresholds for such reporting and approval vary among the states and accrediting agencies. Certain accrediting agencies may require that an institution must obtain its approval in advance of a change in control, structure or organization for the institution to retain its accredited status. In addition, in the event of a change in control, structure or organization, certain accrediting agencies may require a post-transaction focused visit or other evaluation to review the appropriateness of its approval of the change and whether the institution has met the commitment it made to the accrediting agency prior to the approval. Other specialized accrediting agencies also require an institution to obtain similar approval before or after the event that constitutes a change in control under their standards. Many states include the transfer of a controlling interest of common stock in the definition of a change in control requiring approval. Some state educational agencies that regulate us may require us to obtain approval of the change in control to maintain authorization to operate in that state, and in some cases such states could require us to obtain advance approval of a change in control.

Other Regulatory Considerations

In Australia, the Commonwealth government has established income-contingent loan schemes that assist eligible fee-paying students to pay all or part of their tuition fees (separate schemes exist for higher education and vocational courses). Under the schemes the relevant fees are paid directly to the

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institutions. A corresponding obligation then exists from the participating student to the Commonwealth government. The Australian institutions have no responsibility in connection with the repayment of these loans by students and, generally, this assistance is not available to international students. In December 2016, the Australian government introduced a new loan scheme for vocational courses. THINK has been registered for the purposes of this scheme (a precondition to its students being eligible to receive loans for vocational courses) up to December 31, 2021. TUA has also been registered for this purpose (to cover vocational courses which it may wish to offer in the future) up to December 31, 2021. TUA currently only provides higher education programs which are not affected by these changes. The Australia institutions have been deliberately placing emphasis on higher education courses in TUA in anticipation of these changes.

In Thailand, there are also government programs available to our students, however, they do not represent a material portion of the revenues of our institutions in this country. In the Kingdom of Saudi Arabia, our students' tuition is fully funded by the government and the government pays the tuition for each student either directly to us or, in the case of RPI, to the institution which, in turn, pays us. The government also provides a monthly stipend to each student enrolled at the eight colleges of excellence, while at RPI, the private companies sponsoring the students pay the stipend. The payments are based on our enrollments, with minimum payments set for each institution.

ITEM 1A. RISK FACTORS

The following are certain risks that could affect our business and our results of operations. The risks identified below are not all encompassing but should be considered in establishing an opinion of our future operations.

Risks Relating to Our Business

We are a global business with operations in more than 20 countries around the world and are subject to complex business, economic, legal, political, tax and foreign currency risks, which risks may be difficult to adequately address.

In each of 2017, 2016 and 2015, over 80% of our revenues were generated from operations outside of the United States. We own or control 52 institutions and manage or have relationships with 11 other licensed institutions in more than 20 countries, each of which is subject to complex business, economic, legal, political, tax and foreign currency risks. As we continue to expand our international operations, we may have difficulty managing and administering a globally dispersed business and we may need to expend additional funds to, among other things, staff key management positions, obtain additional information technology infrastructure and successfully implement relevant course and program offerings for a significant number of international markets, which may materially adversely affect our business, financial condition and results of operations.

Additional challenges associated with the conduct of our business overseas that may materially adversely affect our operating results include:

- the large size of our network and diverse range of institutions present numerous challenges, including difficulty in staffing and managing foreign operations as a result of distance, language, legal and other differences;
- each of our institutions is subject to unique business risks and challenges including competitive pressures and diverse pricing environments at the local level;
- difficulty maintaining quality standards consistent with our brands and with local accreditation requirements;

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- potential economic and political instability in the countries in which we operate, including student unrest;
- fluctuations in exchange rates, possible currency devaluations, inflation and hyperinflation;
- difficulty selecting, monitoring and controlling partners outside of the United States;
- compliance with a wide variety of domestic and foreign laws and regulations;
- expropriation of assets by governments;
- political elections and changes in government policies;
- difficulty protecting our intellectual property rights overseas due to, among other reasons, the uncertainty of laws and enforcement in certain countries relating to the protection of intellectual property rights;
- lower levels of availability or use of the Internet, through which our online programs are delivered;
- limitations on the repatriation and investment of funds and foreign currency exchange restrictions;
- limitations on our ability to realize economic benefits from certain institutions that are organized as not-for-profit or non-stock entities and that we account for as variable interest entities; and
- acts of terrorism, public health risks, crime and natural disasters, particularly in areas in which we have significant operations.

Our success in growing our business will depend, in part, on the ability to anticipate and effectively manage these and other risks related to operating in various countries. Any failure by us to effectively manage the challenges associated with the international expansion of our operations could materially adversely affect our business, financial condition and results of operations.

If we do not effectively manage our growth and business, our results of operations may be materially adversely affected.

We have expanded our business through the expansion of existing institutions and the acquisition of higher education institutions, and we intend to continue to do so in the future. We also have established and intend to establish new institutions in certain markets. Planned growth will require us to add management personnel and upgrade our financial and management systems and controls and information technology infrastructure. There is no assurance that we will be able to maintain or accelerate the current growth rate, effectively manage expanding operations, build expansion capacity, integrate new institutions or achieve planned growth on a timely or profitable basis. If our revenue growth is less than projected, the costs incurred for these additions and upgrades could have a material adverse effect on our business, financial condition and results of operations.

If we cannot maintain student enrollments in our institutions and maintain tuition levels, our results of operations may be materially adversely affected.

Our strategy for growth and profitability depends, in part, upon maintaining and, subsequently, increasing student enrollments in our institutions and maintaining tuition levels. Attrition rates are often due to factors outside our control. Students sometimes face financial, personal or family constraints that require them to drop out of school. They also are affected by economic and social factors prevalent in their countries. In some markets in which we operate, transfers between universities are not common and, as a result, we are less likely to fill spaces of students who drop out. In addition, our ability to attract and retain students may require us to discount tuition from published levels, and

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may prevent us from increasing tuition levels at a rate consistent with inflation and increases in our costs. If we are unable to control the rate of student attrition, our overall enrollment levels are likely to decline or if we are unable to charge tuition rates that are both competitive and cover our rising expenses, our business, financial condition, cash flows and results of operations may be materially adversely affected. In addition, student enrollment may be negatively affected by our reputation and any negative publicity related to us.

We have incurred net losses in certain prior fiscal years.

We had net income of \$93.8 million in 2017, net income of \$366.2 million in 2016, and net loss of \$315.8 million in 2015. Our operating expenses may increase in the foreseeable future as we continue to expand our operations and the *Laureate International Universities* network. These efforts may prove more expensive than we currently anticipate, and we may not succeed in increasing our revenues sufficiently to offset any higher expenses. Any failure to increase our revenues could prevent us from attaining profitability. We cannot be certain that we will be able to attain profitability on a quarterly or annual basis. If we are unable to manage these risks and difficulties effectively as we encounter them, our business, financial condition and results of operations may be materially adversely affected.

We may not be able to identify, acquire or establish control of, and integrate additional higher education institutions, or effectively integrate previously acquired institutions, which could materially adversely affect our growth.

We have previously relied on, and we expect to continue to rely on, acquisitions as an element of our growth. In 2017, we made one acquisition for \$8.3 million, in 2016, we made no acquisitions, in 2015, we made two acquisitions totaling \$11.6 million, in 2014, we made three acquisitions totaling \$469.2 million, in 2013, we made four acquisitions totaling \$321.7 million, in 2012, we made two acquisitions totaling \$8.6 million, and in 2011, we made six acquisitions totaling \$58.9 million, including debt assumed. However, there is no assurance that we will be able to continue to identify suitable acquisition candidates or that we will be able to acquire or establish control of any acquisition candidate on favorable terms, or at all. In addition, in many countries, the approval of a regulatory agency is needed to acquire or operate a higher education institution, which we may not be able to obtain. Furthermore, there is no assurance that any acquired institution can be integrated into our operations successfully or be operated profitably. Acquisitions involve a number of risks, including:

- diversion of management's time and resources;
- adverse short-term effects on reported operating results;
- competition from other acquirors, which could lead to higher prices and lost opportunities;
- cultural issues related to acquisition of closely held institutions in countries around the world;
- failures of due diligence during the acquisition process;
- integration of acquired institutions' operations, including reporting systems and internal controls; and
- loss of key employees of the acquired business.

If we do not make acquisitions or make fewer acquisitions than we have historically, or if our acquisitions are not managed successfully, our growth and results of operations may be materially adversely affected.

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Our divestiture activities may disrupt our ongoing business, may involve increased expenses and may present risks not contemplated at the time of the transactions.

We have divested and may in the future divest certain assets or businesses that no longer fit with our strategic direction or growth targets. See "Item 1—Business—Recent Developments." Divestitures involve significant risks and uncertainties, including:

- inability to find potential buyers on favorable terms;
- failure to effectively transfer liabilities, contracts, facilities and employees to buyers;
- requirements that we indemnify buyers against certain liabilities and obligations;
- the possibility that we will become subject to third-party claims arising out of such divestiture;
- challenges in identifying and separating the intellectual property and data to be divested from the intellectual property and data that we wish to retain;
- inability to reduce fixed costs previously associated with the divested assets or business;
- challenges in collecting the proceeds from any divestiture;
- disruption of our ongoing business and distraction of management; and
- loss of key employees who leave the Company as a result of a divestiture.

Because divestitures are inherently risky, our transactions may not be successful and may, in some cases, harm our operating results or financial condition.

Our success depends substantially on the value of the local brands of each of our institutions as well as the Laureate International Universities network brand, which may be materially adversely affected by changes in current and prospective students' perception of our reputation and the use of social media.

Each of our institutions has worked hard to establish the value of its individual brand. Brand value may be severely damaged, even by isolated incidents, particularly if the incidents receive considerable negative publicity. There has been a marked increase in use of social media platforms, including weblogs (blogs), social media websites, and other forms of Internet-based communications that allow individuals access to a broad audience of interested persons. We believe students and prospective employers value readily available information about our institutions and often act on such information without further investigation or authentication, and without regard to its accuracy. In addition, many of our institutions use the Laureate name in promoting their institutions and our success is dependent in large part upon our ability to maintain and enhance the value of the Laureate and *Laureate International Universities* brands. Social media platforms and devices immediately publish the content their subscribers and participants post, often without filters or checks on the accuracy of the content posted. Information concerning our company and our institutions may be posted on such platforms and devices at any time. Information posted may be materially adverse to our interests, it may be inaccurate, and it may harm our performance, prospects and business.

Our reputation may be negatively influenced by the actions of other for-profit and private institutions.

In recent years, there have been a number of regulatory investigations and civil litigation matters targeting post-secondary for-profit education institutions in the United States and private higher education institutions in other countries, such as Chile. These investigations and lawsuits have alleged, among other things, deceptive trade practices, false claims against the United States and noncompliance with state and DOE regulations, and breach of the requirement that universities in Chile be operated as not-for-profit institutions. These allegations have attracted adverse media coverage and have been the subject of federal and state legislative hearings and investigations in the United States and in other

countries. Allegations against the post-secondary for-profit and private education sectors may affect general public perceptions of for-profit and private educational institutions, including institutions in the *Laureate International Universities* network and us, in a negative manner. Adverse media coverage regarding other for-profit or private educational institutions or regarding us directly or indirectly could damage our reputation, reduce student demand for our programs, materially adversely affect our revenues and operating profit or result in increased regulatory scrutiny.

Growing our online academic programs could be difficult for us.

We anticipate significant future growth from online courses we offer to students, particularly in emerging markets. The expansion of our existing online programs, the creation of new online programs and the development of new fully online or hybrid programs may not be accepted by students or employers, or by government regulators or accreditation agencies. In addition, our efforts may be materially adversely affected by increased competition in the online education market or because of problems with the performance or reliability of our online program infrastructure. There is also increasing development of online programs by traditional universities, both in the public and private sectors, which may have more consumer acceptance than programs we develop, because of lower pricing or greater perception of value of their degrees in the marketplace, which may materially adversely affect our business, financial condition and results of operations.

Our success depends, in part, on the effectiveness of our marketing and advertising programs in recruiting new students.

In order to maintain and increase our revenues and margins, we must continue to develop our admissions programs and attract new students in a cost-effective manner. As part of our marketing and advertising, we also subscribe to lead-generating databases in certain markets, the cost of which is expected to increase. The level of marketing and advertising and types of strategies used are affected by the specific geographic markets, regulatory compliance requirements and the specific individual nature of each institution and its students. The complexity of these marketing efforts contributes to their cost. If we are unable to advertise and market our institutions and programs successfully, our ability to attract and enroll new students could be materially adversely affected and, consequently, our financial performance could suffer. We use marketing tools such as the Internet, radio, television and print media advertising to promote our institutions and programs. Our representatives also make presentations at upper secondary schools. Additionally, we rely on the general reputation of our institutions and referrals from current students, alumni and employers as a source of new enrollment. Among the factors that could prevent us from marketing and advertising our institutions and programs successfully are the failure of our marketing tools and strategies to appeal to prospective students, regulatory constraints on marketing, current student and/or employer dissatisfaction with our program offerings or results and diminished access to upper secondary campuses. In addition, in certain instances, local regulatory authorities set quotas each year for how many students we may enroll, which may further limit our ability to recruit new students or maintain our present enrollment level. In some of the countries in which we operate, enrollment growth in degree-granting, higher education institutions is slowing or is expected to slow. In order to maintain current growth rates, we will need to attract a larger percentage of students in existing markets and increase our addressable market by adding locations in new markets and rolling out new academic programs. Any failure to accomplish this may have a material adverse effect on our future growth.

Our institutions are subject to uncertain and varying laws and regulations, and any changes to these laws or regulations or their application to us may materially adversely affect our business, financial condition and results of operations.

Higher education is regulated to varying degrees and in different ways in each of the countries in which we operate an institution. In general, our institutions must have licenses, approvals, authorizations, or accreditations from various governmental authorities and accrediting bodies. These licenses, approvals, authorizations, and accreditations must be renewed periodically, usually after an evaluation of the institution by the relevant governmental authorities or accrediting bodies. These periodic evaluations could result in limitations, restrictions, conditions, or withdrawal of such licenses, approvals, authorizations or accreditations, which could have a material adverse effect on our business, financial condition and results of operations. In some countries in which we operate, there is a trend toward making continued licensure or accreditation based on successful student outcomes, such as employment, which may be affected by many factors outside of our control. Once licensed, approved, authorized or accredited, some of our institutions may need approvals for new campuses or to add new degree programs.

All of these regulations and their applicable interpretations are subject to change. Moreover, regulatory agencies may scrutinize our institutions because they are owned or controlled by a U.S.-based for-profit corporation. Outside the United States, we may be particularly susceptible to such treatment because, in several of the countries in which we operate, our institutions are among the largest private institutions and have a substantial share of the higher education market. Changes in applicable regulations may cause a material adverse effect on our business, financial condition and results of operations.

Changes in laws governing student financing could affect the availability of government-sponsored financing programs for our non-U.S. students, such as the Crédito con Aval del Estado (the "CAE Program"), a government-sponsored student loan program in Chile, the Fundo de Financiamento Estudantil ("FIES"), a government-sponsored loan program in Brazil, and the Programa Universidade Para Todos ("PROUNI") in Brazil, all of which are offered by governments as a means of increasing student access to post-secondary education programs. If those programs are changed, or if our institutions or our students are no longer permitted to participate in those programs, it could cause a material adverse effect on our business, financial condition and results of operations. For more information on the CAE Program, FIES and PROUNI, see "—If students who avail themselves of government-sponsored student financing programs in certain countries do not graduate and subsequently default on their loans, we may be responsible for repaying a significant portion of their loans" and "Item 1—Business—Industry Regulation—Brazilian Regulation" and "Item 1—Business—Industry Regulation—Chilean Regulation." Institutional accreditation is required for new students to be eligible to participate in the CAE Program. If one of our institutions in Chile loses accreditation, new students at that institution would not be eligible to participate in the CAE program. For more information about possible changes in government regulation of higher education in Chile, including possible changes to student financing programs, see "Item 1—Business—Industry Regulation—Chilean Regulation—Recent Developments." In December 2016, the Australian government introduced a new student loan scheme for vocational courses. These changes, among other things, require relevant vocational education providers to demonstrate a minimum of 50% completion rates, provide for payment of fees monthly in arrears and impose caps on the amounts of loans available for particular categories of courses. See "Item 1—Business—Industry Regulation—Other Regulation." The Australian vocational operations comply with these requirements but the changes may affect the results of those operations.

For a full description of the laws and regulations affecting our higher education institutions in the United States ("U.S. Institutions"), and the impact of those laws and regulations on the operations of our U.S. Institutions, including the ability of our U.S. Institutions to continue to access U.S. federal

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student aid funding sources, see "—Risks relating to our highly regulated industry in the United States" and "Item 1—Business—Industry Regulation—U.S. Regulation."

The laws of the countries where we own or control institutions and expect to acquire ownership or control of institutions in the future must permit both private higher education institutions and foreign ownership or control of them. For political, economic or other reasons, a country could decide to change its laws or regulations to prohibit or limit private higher education institutions or foreign ownership or control or prohibit or limit our ability to enter into contracts or agreements with these institutions. If this change occurred, it could have a material adverse effect on our business, financial condition and results of operations and we could be forced to sell an institution at a price that could be lower than its fair market value or relinquish control of an institution. A forced sale or relinquishment of control could materially adversely affect our business, financial condition and results of operations.

Political and regulatory developments in Turkey may materially adversely affect us.

Istanbul Bilgi University ("Bilgi"), a member of the Laureate International Universities network located in Turkey, is established as a "Foundation High Education Institution" (a "Foundation University") under the Turkish higher education law, sponsored by the Bilgi Foundation. As such, it is subject to regulation, supervision and inspection by Turkish Higher Education Council (the "YÖK"). Under the "Ordinance Concerned with Amendment to Foundation High Education Institutions" (the "Ordinance"), the YÖK has authority to inspect accounts, transactions, activities and assets of Foundation Universities, as well as their academic units, programs, projects and subjects. The Ordinance establishes a progressive series of five remedies that the YÖK can take in the event it finds a violation of the Ordinance, ranging from (1) a warning and request for correction to (2) the suspension of the Foundation University's ability to establish new academic units or programs to (3) limiting the number of students the Foundation University can admit, including ceasing new admissions, to (4) provisional suspension of the Foundation University's license to (5) cancellation of the Foundation University's license. Since the promulgation of the Ordinance, the YÖK has canceled the licenses of 15 Foundation Universities.

The Ordinance specifies that Foundation Universities cannot be established by foundations in order to gain profit for themselves, and prohibits specified types of fund transfers from Foundation Universities to their sponsoring foundation, with certain exceptions for payments made under contractual arrangements for various goods and services that are provided at or below current market rates. Bilgi has entered into contractual arrangements with a subsidiary of the Company to provide Bilgi with management, operational and student services and certain intellectual property at fair market rates, and certain affiliates of the Company are members of the board of trustees of the Bilgi Foundation. The YÖK conducts annual audits of the operations of Bilgi. If the YÖK were to determine that any of these contracts or the payments made by Bilgi to this Company subsidiary, or any other activities of Bilgi, including the donation of 40.0 million Turkish Liras made by the university to a charitable foundation that was subsequently reimbursed to the university by certain Company-owned entities, violate the Ordinance or other applicable law, the YÖK could take actions against Bilgi up to and including cancellation of its license.

On April 18, 2017, Bilgi received from the YÖK the results of its 2015-2016 annual audit (the "2015-2016 Annual Audit"). The 2015-2016 Annual Audit report required, among other things, that (i) with respect to the 2017-2018 academic year, there be a reduction in the quota for the number of new students permitted to be admitted into Bilgi's degree programs and (ii) Bilgi be reimbursed, not later than October 18, 2017, approximately \$29 million for payments previously made by Bilgi to a subsidiary of the Company for certain management, operational and student services, and intellectual property. The Company and Bilgi believe the charges to Bilgi for these services were at fair value and Bilgi has contested the findings of the 2015-2016 Annual Audit that they constituted an improper wealth transfer. Demands also were made in the 2015-2016 Annual Audit for the return or payment to

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Bilgi, by October 18, 2017, of other amounts involving approximately \$8 million. These deadlines have been extended to April 16, 2018. In the meantime, the YÖK has been conducting a supplemental audit, the results of which have not been released.

Bilgi has appealed the YÖK's decision in the Turkish court system and has not been reimbursed for any of the payments made to the Company's subsidiary for the services described above. As the Company currently consolidates Bilgi under the variable interest entity model, if the Company is unable to provide services under its contracts with Bilgi and receive the economic benefits from those contracts as a result of the determinations in the 2015-2016 Annual Audit, deconsolidation of Bilgi could be required. Deconsolidation, if required, could have a material adverse effect on the Company's business, financial condition and results of operations, including possible write-off of all or a portion of the Company's investment in Bilgi and a reduction in operating income. At December 31, 2017 and December 31, 2016, Bilgi had total assets of approximately \$112 million and \$83 million, respectively, and total liabilities of \$84 million and \$63 million, respectively. Total liabilities include approximately \$37 million and \$19 million of net intercompany liabilities as of December 31, 2017 and December 31, 2016, respectively. During fiscal year 2017, Bilgi generated approximately \$101 million of the Company's consolidated revenue and approximately \$28 million of the Company's consolidated operating income and incurred approximately \$6 million of depreciation and amortization expense.

If the YÖK were to determine that any administrators of Bilgi have directly taken any actions or supported any activities that are intended to harm the integrity of the state, the license of the university could be canceled. Political instability in Turkey could lead to changes in laws affecting Bilgi or result in modifications to the current interpretations and enforcement of the Ordinance or other laws and regulations by the YÖK. Any such actions by the YÖK, including the actions in relation to the conduct of the 2015-2016 Annual Audit, or the 2016-2017 annual audit, which is currently taking place, or any supplemental audit, and the reimbursement of amounts described above, could have a material adverse impact on Bilgi's future growth or its ability to remain in operation, and could have a material adverse effect on our business, financial condition and results of operations.

Political and regulatory developments in Chile have materially adversely affected us and may continue to affect us.

On January 24, 2018, a new Higher Education Law (the "New Law") was passed by the Chilean Congress and, assuming that it passes review by the Constitutional Court, it is expected to be signed into law by the President of Chile as early as the first quarter of 2018. Among other things, the New Law will prohibit for-profit organizations, such as Laureate, from controlling the boards of universities in Chile. The New Law also prohibits conflicts of interests and related party transactions with notable exceptions, including the provision of services that are educational in nature or essential for the university's purposes. The New Law provides for a transition period between one and two years. The incoming Chilean presidential administration, which took office on March 11, 2018, will have the responsibility to both interpret the legislative mandates and implement new compliance processes.

The Company is currently reviewing the impact the New Law will have on its Chilean operations, including the extent to which it will affect existing contractual relationships that the Company maintains with its Chilean non-profit universities. As a result of the New Law, the Company currently expects that it will be required to deconsolidate its three Chilean non-profit universities, which are accounted for as variable interest entities, and its Chilean real estate subsidiary, although the Company expects it will retain an approximately 30% equity ownership interest in the real estate subsidiary. The deconsolidation could happen as early as the first quarter of 2018. The Company currently expects that the deconsolidation will result in a one-time write-off of the carrying value of the assets of between approximately \$600 million and \$850 million and a decrease of between approximately \$410 million to \$430 million in revenues on an annualized basis. In addition, on an annualized basis, the Company

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expects a decrease in operating income of approximately \$35 million and a decrease in depreciation and amortization of approximately \$35 million, as detailed in the table below:

(\$ millions)	Operating Income (Loss)	Depreciation & Amortization	Operating Income (Loss) Plus Depreciation & Amortization
Chilean non-profit universities	\$ (5)	\$ 25	\$ 20
Chilean real estate subsidiary*	\$ 40	\$ 10	\$ 50

* The total impact of \$70 million in Operating Income (Loss) Plus Depreciation and Amortization will be partially offset by approximately a \$10 million increase in equity in income of affiliates, net of tax.

The Company's continuing evaluation of the impact of the New Law may result in changes to its expectations due to changes in the Company's interpretations of the law, assumptions used, and additional guidance that may be issued. There is no assurance that the New Law will not have additional material adverse effects on the business, financial condition or results of operations of the Company.

While we believe that all of our institutions in Chile are operating in full compliance with Chilean law, we cannot predict the extent or outcome of any educational reforms that may be implemented in Chile. The Company does not believe the New Law will change its relationship with its two tech/voc institutions in Chile that are for-profit entities. However, it is possible that the Chilean government will adopt additional laws that affect for-profit tech/voc institutions and their relationships with their owners. Depending upon how these reforms are defined and implemented, there could be a material adverse effect on our financial condition and results of operations. Any additional disruption to our operations in Chile would have a material adverse effect on our financial condition and results of operations. Similar reforms in other countries in which we operate could also have a material adverse effect on our financial condition and results of operations.

Regulatory changes in Chile may reduce access to student financing for some of our students in Chile, which could reduce enrollments at our Chilean institutions.

On November 11, 2016, the Chilean Congress passed the 2017 budget law (the "2017 Budget Law"). The 2017 Budget Law included changes to the policies for granting free access to higher education and scholarships to students from the first five and seven income deciles who attend certain universities or tech/voc institutions.

For university students, the 2017 Budget Law provided for free access to higher education with the same requirements as were in the previous law but added the requirement that eligible universities have a minimum of 80% of their newly enrolled students with an average result from the national university admissions examination, high school grades and high school rankings above a specified level, and have a transparent admission system that must have been published on the institution's website by December 1, 2016. For tech/voc institutions, the 2017 Budget Law provided for eligibility for free access for students if they were enrolled in institutions (i) organized as not-for-profit legal entities or as for-profit legal entities that have filed for transformation to not-for-profit legal entities under the "Transformation Law" passed by the Chilean Congress on November 16, 2016, before December 15, 2016, (ii) accredited for four years or more as of December 23, 2016, (iii) having as controllers not-for-profit legal entities or natural persons, (iv) having stated their intention to participate in the free access system before December 15, 2016, and (v) having a transparent admission system that must have been published on the institution's website by December 1, 2016.

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The 2017 Budget Law also modified the allocations of the *Bicentenario* Scholarship ("the BS Program"). The BS Program supports access to higher education for university students coming from one of the first seven income deciles and covers the full amount of tuition up to an amount authorized by the government. Historically, the BS Program solely benefited students of universities that are members of the *Consejo de Rectores de las Universidades Chilenas* (the "CRUCH"). The 2017 Budget Law terminated the differentiation between CRUCH and non-CRUCH universities for eligibility for the BS Program. Thus, for 2017, 3,500 BS Program scholarships were granted to students at non-CRUCH universities and 3,500 additional BS Program scholarships will be granted to students at non-CRUCH universities in 2018. By 2019, the government promises to have an equal BS Program scholarship policy for all universities, whether CRUCH or non-CRUCH. Students may apply for a BS Program scholarship if their university is accredited for at least four years and if 80% of the university's newly enrolled students have an average result from the national university admissions examination, high school grades and high school rankings above a specified level.

Under the 2017 Budget Law, the NMS II and NMS III are available to all students enrolled in a tech/voc institution, whether for-profit or not-for-profit: (i) NMS II in an amount of CLP 860,000 per year, or up to the effective government-approved tuition fee if it is less than that amount, for students who come from the first five income deciles with an average high school grade of 5.0 and the tech/voc institution in which they are enrolled being accredited for at least three years; and (ii) NMS III, in an amount up to CLP 900,000 per year, or up to the effective government-approved tuition fee if it is less than that amount, provided that such students and the institution in which they enroll meet the requirements for NMS II and the tech/voc institution was, on December 31, 2016, accredited for four years or more. The NMS III scholarship will last until the tax benefit established in the Transformation Law for tech/voc institutions ends.

We cannot predict the effect that these or other student financing reforms may have on our operations in Chile. Any material limitations on the access of our students in Chile to government-sponsored financing may have a material adverse effect on our financial condition and results of operations. Similar limitations on government-sponsored student financing in other countries in which we operate could also have a material adverse effect on our financial condition and results of operations.

We are subject to investigations by Chilean regulators, which could individually or in the aggregate, materially adversely affect our business, financial condition and results of operations.

In December 2014, the Chilean Congress approved legislation that provides for the appointment of a provisional administrator or closing administrator to handle the affairs of failing universities or universities found to have breached their bylaws (the "Provisional Administrator Law"). If the Ministry of Education were to determine that one of the universities in Chile that is part of the *Laureate International Universities* network had violated its bylaws, it could appoint a provisional administrator for that university causing us to lose our rights to control that institution, which could have a material adverse effect on our results of operations and financial condition.

In December 2016, Servicio de Impuestos Internos Chile ("SII") notified separately UDLA Chile and UNAB that as part of the general audit program called "*Auditoría Integral a Universidades*," it was requesting supporting documentation from them for the tax periods between November 2013 and October 2016. Each institution will submit responsive documents that support taxes paid related to its revenues and expenses, including to the extent such revenues and expenses involve financial dealings with Laureate for-profit entities.

In June 2016, the Ministry of Education notified UNAB that it was opening an investigation into possible violations of the not-for-profit nature of UNAB. In September 2016, the Ministry of Education notified UVM Chile that it was opening a similar investigation of UVM Chile. Each of the institutions

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continues to be responsive to the Ministry of Education's requests as part of these investigations. Each investigation is being conducted by an investigator appointed by the Ministry of Education under the Provisional Administrator Law. Under the Provisional Administrator Law, at the end of the investigation the Ministry of Education can either close the investigation or issue a report imposing one of the following measures: (i) ordering a recovery plan for the investigated institution, should the Ministry verify severe breaches of the institution's financial, administrative, labor or academic commitments; (ii) with the prior consent of the National Education Council, naming a provisional administrator for the institution if the Ministry determines that (a) there are serious risks to the administrative or financial viability of the institution that may affect the continuity of its educational programs, (b) there are serious and recurring breaches of the academic commitments of the institution to its students due to a lack of educational or teaching resources available to grant professional or technical degrees, (c) it is impossible for the institution to maintain its academic functions due to sanctions, injunctions or foreclosures affecting the institution, its campuses or its assets, (d) the institution is declared bankrupt or (e) a recovery plan pursuant to (i) above has not been presented, has been rejected or has been breached by the institution; or (iii) initiating a process to revoke the institution's license, in which case it would name a closing administrator.

While we believe that all of our institutions in Chile are operating in full compliance with Chilean law, we cannot predict what outcome may result from any investigations undertaken by the Ministry of Education or the SII. Depending upon the outcome of any investigation by the Chilean authorities, there could be a material adverse effect on our business. Any disruption to our operations in Chile would have a material adverse effect on our financial condition and results of operations.

Our right to receive economic benefits from certain of the institutions that are organized as not-for-profit or non-stock entities, and that we account for as variable interest entities, may be limited.

We have obtained board and operating control and controlling financial interests in entities outside the United States that are educational institutions similar to U.S. not-for-profit, non-stock universities. Under applicable law, these institutions do not have recognized "owners" or shareholders, and generally cannot declare dividends or distribute their net assets to us. For accounting purposes, we have determined that these institutions are variable interest entities under GAAP and that we are the primary beneficiary of these variable interest entities. Maintenance of our interest in the variable interest entity institutions, and our ability to receive economic benefits from these entities, is based on a combination of (1) service agreements that other Laureate entities have with the VIE institutions, allowing the institutions to access the benefits of the *Laureate International Universities* network and allowing us to recognize economies of scale throughout the network, (2) our ability to provide these entities with opportunities to invest for market returns in education-related real estate entities globally and (3) our ability to transfer our rights to govern the VIE institutions, or the entities that possess those rights, to other parties, which would yield a return if and when these rights are transferred. In limited circumstances, we may have rights to the residual assets in liquidation. Under the mutually agreed service agreements, we are paid at market rates for providing services to institutions such as access to content, support with curriculum design, professional development, student exchange, access to dual degree programs, affiliation and access to the *Laureate International Universities* network, and management, legal, tax, finance, accounting, treasury, use of real estate and other services. While we believe these arrangements conform to applicable law, the VIE institutions are subject to regulation by various agencies based on the requirements of local jurisdictions. These agencies, as well as local legislative bodies, review and update laws and regulations as they deem necessary or appropriate. We cannot predict the form of any laws that may be enacted, or regulations that ultimately may be adopted in the future, or what effects they might have on our results of operations, financial condition and cash flows. If local laws or regulations were to change, the VIE institutions were found to be in violation of existing local laws or regulations, or regulators were to question the financial sustainability of the VIE

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institutions and/or whether the contractual arrangements were at fair value, local government agencies could, among other actions:

- revoke the business licenses and/or accreditations of the VIE institutions;
- void or restrict related party transactions, such as the contractual arrangements between us and the VIE institutions;
- impose fines that significantly impact business performance or other requirements with which the VIE institutions may not be able to comply;
- require us to change the governance structures of the VIE institutions, such that we would no longer maintain control of the VIE institutions; or
- disallow a transfer of our rights to govern the VIE institutions, or the entities that possess those rights, to a third party for consideration.

If we are unable to receive economic benefits from these institutions, it could have a material adverse effect on our results of operations and financial condition. In addition, if we are unable or limited in our ability to receive economic benefits from these institutions, we may be unable to consolidate the VIE institutions into our consolidated financial statements, which could have a material adverse effect on our business, financial condition and results of operations, including possible write-offs of all or a portion of our investment in the affected VIEs and a reduction in operating income, or we may be limited in our ability to recognize all of the institutions' earnings in our consolidated statements of operations.

For example, on January 24, 2018, the New Law was passed by the Chilean Congress and, assuming that it passes review by the Constitutional Court, it is expected to be signed into law by the President of Chile as early as the first quarter of 2018. Among other things, the New Law will prohibit for-profit organizations, such as Laureate, from controlling the boards of universities in Chile. The New Law also prohibits conflicts of interests and related party transactions with notable exceptions, including the provision of services that are educational in nature or essential for the university's purposes. The New Law provides for a transition period of one year for related party transactions and two years for control. The incoming Chilean presidential administration, which took office on March 11, 2018, will have the responsibility to both interpret the legislative mandates and implement new compliance processes.

The Company is currently reviewing the impact the New Law will have on its Chilean operations, including the extent to which it will affect existing contractual relationships that the Company maintains with its Chilean non-profit universities. As a result of the New Law, the Company currently expects that it will be required to deconsolidate its three Chilean non-profit universities, which are accounted for as variable interest entities, and its Chilean real estate subsidiary, although the Company expects it will retain an approximately 30% equity ownership interest in the real estate subsidiary. The deconsolidation could happen as early as the first quarter of 2018. The Company currently expects that the deconsolidation will result in a one-time write-off of the carrying value of the assets of between approximately \$600 million and \$850 million and a decrease of between approximately \$410 million to \$430 million in revenues on an annualized basis. In addition, on an annualized basis, the Company expects a decrease in operating income of approximately \$35 million and a decrease in depreciation and amortization of approximately \$35 million.

The Company's continuing evaluation of the impact of the New Law may result in changes to its expectations due to changes in the Company's interpretations of the law, assumptions used, and additional guidance that may be issued. There is no assurance that the New Law will not have additional material adverse effects on the business, financial condition or results of operations of the Company. See "—Political and regulatory developments in Chile have materially adversely affected us and may continue to affect us." See also "—Political and regulatory developments in Turkey may materially adversely affect us."

Our ability to control our institutions may be materially adversely affected by changes in laws affecting higher education in certain countries in which we operate.

Our institutions are governed by the higher education laws of the various countries in which we operate, which may be amended or interpreted in ways that affect our ability to maintain control over the institutions through our ability to appoint the members of the institutions' governing bodies. If we are unable to maintain our rights of control of appointments to those governing bodies, our ability to realize economic benefits from these institutions may be severely limited, including not being able to transfer control of the institutions in a way that would yield us a return on our investment or not being able to implement or maintain service agreements with those institutions.

It is possible that the governance and control structures that we implement at a specific institution to comply with local laws and regulations would not allow us to meet the standards for consolidation of that institution's financial statements into our own consolidated financial statements. If we determine that we do not control an institution or otherwise meet the standards for consolidation, deconsolidation of that institution would be required. In that event, or if our controlling financial interest in that institution is impaired, it could have a material adverse effect on our business, financial condition and results of operations.

For example, in January 2018, the Chilean congress passed the New Law. See "—Political and regulatory developments in Chile have materially adversely affected us and may continue to affect us."

Our business may be materially adversely affected by a general economic slowdown or recession.

Many countries around the world have recently experienced reduced economic activity, increased unemployment, substantial uncertainty about their financial services markets and, in some cases, economic recession. These events may reduce the demand for our programs among students, which could materially adversely affect our business, financial condition, results of operations and cash flows. These adverse economic developments also may result in a reduction in the number of jobs available to our graduates and lower salaries being offered in connection with available employment which, in turn, may result in declines in our placement and retention rates. For example, in the United States, our professional-oriented graduate programs, such as master's degrees in teaching, are directly affected by the employment and promotion prospects for persons with advanced degrees. Efforts by states in recent years to reduce education funding by laying off younger teachers and curtailing pay increases for remaining teachers may have a material adverse effect on our ability to attract and retain students in our graduate education programs. In addition, in 2017 we generated approximately 83% of our revenues outside the United States. As a result, any general economic slowdown or recession that disproportionately impacts the countries in which our institutions operate could have a material adverse effect on our business, financial condition, results of operations and cash flows.

The higher education market is very competitive, and we may not be able to compete effectively.

Higher education markets around the world are highly fragmented and are very competitive and dynamic. Our institutions compete with traditional public and private colleges and universities and other proprietary institutions, including those that offer online professional-oriented programs. In each of the countries where we operate a private institution, our primary competitors are public and other private universities, some of which are larger, more widely known and have more established reputations than our institutions. Some of our competitors in both the public and private sectors may have greater financial and other resources than we have and have operated in their markets for many years. We also face potential competition from alternative education providers that prioritize open access education to students. A number of these providers have been formed recently to provide online curriculum from leading academics at little or no cost to the student. If this new modality is successful, it could disrupt the economics of the current education model (both for-profit and not-for-profit

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institutions). Other competitors may include large, well-capitalized companies that may pursue a strategy similar to ours of acquiring or establishing for-profit institutions. Public institutions receive substantial government subsidies, and public and private not-for-profit institutions have access to government and foundation grants, tax-deductible contributions and other financial resources generally not available to for-profit institutions. Accordingly, public and private not-for-profit institutions may have instructional and support resources superior to those in the for-profit sector, and public institutions can offer substantially lower tuition prices or other advantages that we cannot match.

Any of these large, well-capitalized competitors may make it more difficult for us to acquire institutions as part of our strategy. They may also be able to charge lower tuitions or attract more students, which would adversely affect our growth and the profitability of our competing institutions. There is also an increased ability of traditional universities to offer online programs and we expect competition to increase as the online market matures. This may create greater pricing or operating pressure on us, which could have a material adverse effect on our institutions' enrollments, revenues and profit margins. We may not be able to compete successfully against current or future competitors and may face competitive pressures that could have a material adverse effect on our business, financial condition and results of operations.

If our graduates are unable to obtain professional licenses or certifications required for employment in their chosen fields of study, our reputation may suffer and we may face declining enrollments and revenues or be subject to student litigation.

Certain of our students require or desire professional licenses or certifications after graduation to obtain employment in their chosen fields. Their success in obtaining such licensure depends on several factors, including the individual merits of the student, whether the institution and the program were approved by the relevant government or by a professional association, whether the program from which the student graduated meets all governmental requirements and whether the institution is accredited. If one or more governmental authorities refuses to recognize our graduates for professional licensure in the future based on factors relating to us or our programs, the potential growth of our programs would be negatively affected, which could have a material adverse effect on our business, financial condition and results of operations. In addition, we could be exposed to litigation that would force us to incur legal and other expenses that could have a material adverse effect on our business, financial condition and results of operations. See "Item 3—Legal Proceedings" for more information. See also "—Risks Relating to Our Highly Regulated Industry in the United States—The inability of our graduates to obtain licensure or other specialized outcomes in their chosen professional fields of study could reduce our enrollments and revenues, and potentially lead to litigation that could be costly to us."

Our business may be materially adversely affected if we are not able to maintain or improve the content of our existing academic programs or to develop new programs on a timely basis and in a cost-effective manner.

We continually seek to maintain and improve the content of our existing academic programs and develop new programs in order to meet changing market needs. Revisions to our existing academic programs and the development of new programs may not be accepted by existing or prospective students or employers in all instances. If we cannot respond effectively to market changes, our business may be materially adversely affected. Even if we are able to develop acceptable new programs, we may not be able to introduce these new programs as quickly as students or employers require or as quickly as our competitors are able to introduce competing programs. Our efforts to introduce a new academic program may be conditioned or delayed by requirements to obtain foreign, federal, state and accrediting agency approvals. The development of new programs and courses, both conventional and online, is subject to requirements and limitations imposed by the governmental regulatory bodies of the various countries in which our institutions are located, including the U.S. Department of Education ("DOE"), state licensing agencies and the relevant accrediting bodies. The imposition of restrictions on

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the initiation of new educational programs by regulatory agencies may delay such expansion plans. If we do not respond adequately to changes in market requirements, our ability to attract and retain students could be impaired and our financial results could suffer.

Establishing new academic programs or modifying existing academic programs also may require us to make investments in specialized personnel and capital expenditures, increase marketing efforts and reallocate resources away from other uses. We may have limited experience with the subject matter of new programs and may need to modify our systems and strategy. If we are unable to increase the number of students, offer new programs in a cost-effective manner or otherwise manage effectively the operations of newly established academic programs, our business, financial condition and results of operations could be materially adversely affected.

Failure to keep pace with changing market needs and technology could harm our ability to attract students.

The success of our institutions depends to a significant extent on the willingness of prospective employers to hire our students upon graduation. Increasingly, employers demand that their employees possess appropriate technological skills and also appropriate "soft" skills, such as communication, critical thinking and teamwork skills. These skills can evolve rapidly in a changing economic and technological environment. Accordingly, it is important that our educational programs evolve in response to those economic and technological changes. The expansion of existing academic programs and the development of new programs may not be accepted by current or prospective students or by the employers of our graduates. Students and faculty increasingly rely on personal communication devices and expect that we will be able to adapt our information technology platforms and our educational delivery methods to support these devices and any new technologies that may develop. Even if our institutions are able to develop acceptable new programs and adapt to new technologies, our institutions may not be able to begin offering those new programs and technologies as quickly as required by prospective students and employers or as quickly as our competitors begin offering similar programs. If we are unable to adequately respond to changes in market requirements due to regulatory or financial constraints, unusually rapid technological changes or other factors, our ability to attract and retain students could be impaired, the rates at which our graduates obtain jobs involving their fields of study could suffer and our results of operations and cash flows could be materially adversely affected.

If students who avail themselves of government-sponsored student financing programs in certain countries do not graduate and subsequently default on their loans, we may be responsible for repaying a significant portion of their loans.

Our accredited Chilean institutions participate in a Chilean government-sponsored student financing program known as the CAE Program. The program was implemented by the Chilean government in 2006 to promote higher education in Chile for lower socio-economic level students with good academic standing. The CAE Program involves tuition financing and guarantees that are shared by our institutions and the government. As part of the program, our institutions provide guarantees resulting in contingent liabilities to third-party financing institutions, beginning at 90% of the tuition loans made directly to qualified students enrolled through the CAE Program and declining to 60%. The guarantees by our institutions are for the period in which the student is enrolled, and the guarantees are assumed entirely by the government upon the student's graduation. Additionally, when a student leaves one of our institutions and enrolls in another CAE-qualified institution, our institution will remain the guarantor of the tuition loans that have been granted to the student up to such date, and until the student's graduation from the new CAE-qualified institution. Assuming that all students at our institutions who are in the CAE Program, and all students who left our institutions and were part of the CAE Program, do not graduate, and that all of those students default on the full amount of the CAE-qualified loan balances, the maximum potential amount of payments our institutions could be required to make under the CAE Program was approximately \$527 million at December 31, 2017. As

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of December 31, 2017, we had recorded \$27.1 million as estimated guarantee liabilities for these obligations. If a significant portion of our students who participate in the CAE Program were to default, the financial condition and results of operations of each participating institution would be materially adversely affected.

Similarly, students at substantially all of our Brazilian institutions are participating in a Brazilian government program known as FIES. FIES is a federal program established to provide financing to students enrolled in private institutions of higher education that meet certain academic standards and whose household incomes *per capita* are below a certain level. Under FIES, the government loans a portion of the tuition to eligible students, and then pays the corresponding loan amount to the higher education institution in special bonds, that the institution may use to pay its national social security tax and certain other federal taxes or, if the institution has a tax clearance certificate, that the institution can sell for cash in a public auction conducted by a government-sponsored bank.

FIES underwent a major reform at the end of 2017, consolidating several changes in the FIES statute (Law n. 10.260/2001), effective for new contracts in 2018. Contracts executed under the previous FIES regulations remain governed by the statutes in force at the time.

Under the new FIES regulation, in the case of a student's payment default on a FIES loan, the risk is borne by a new guarantee fund—called FG-FIES—which may have public contributions of up to BRL 3,000,000, and contributions from Higher Education Institutions (HEIs) that vary in range depending on the matriculation year of the student. The second financing offer—called P-FIES—has two variables and will be operated strictly by financial agents, who will also bear the risks of the operation. Since all variables are delinquency-related, HEI contributions to the fund may increase accordingly. Since there are no provisions for additional government contributions to the fund, extreme delinquency scenarios lead to a possible resources depletion.

For contracts still governed by the former FIES regulations, HEIs are responsible for repaying up to 15% of the related delinquency (30% if an institution has one or more open tax disputes that are not being defended in compliance with the applicable security/bond requirements). There is also a government-mandated, private guarantee fund (the "FGEDUC") that allows participating educational institutions to insure themselves for 90% (or 13.5% of 15%) of their losses related to student defaults under the FIES program.

In such cases, if a significant portion of our participating students were to default and their respective guarantors were to fail to fulfill the terms of their guarantee, or if the defaulting student was not required to provide a guarantor, our financial condition and results of operations could be materially adversely affected.

Regulatory changes that affect the timing of government-sponsored student aid payments or receipt of government-sponsored financial aid could materially adversely affect our liquidity.

New regulations may change the timing for the collection of government-sponsored student aid payments from our students. For example, in December 2014, regulators in Brazil announced several significant rule changes to FIES beginning in 2015; additional regulations were issued in December 2015. These changes raised the eligibility requirements, reduced the annual budget for the program and delayed payments to the post-secondary institutions that would otherwise have been due in 2015 and 2016. Such a delay in tuition payments from government-sponsored programs could negatively affect our liquidity and could require additional working capital or third-party funding to finance our operations. See "Item 1—Business—Industry Regulation—Brazil Regulation—Student Financing Program." See also "—Risks Relating to our Highly Regulated Industry in the United States—The DOE may change our U.S. Institutions' method of receiving Title IV program funds, which could materially affect our liquidity."

We may have exposure to greater-than-anticipated tax liabilities.

As a multinational corporation, we are subject to income taxes as well as non-income based taxes in the United States and various foreign jurisdictions.

Our future income taxes could be materially adversely affected by earnings being lower than anticipated in jurisdictions where we have lower statutory tax rates and higher than anticipated in jurisdictions where we have higher statutory tax rates. In addition, changes in the valuation of our deferred tax assets and liabilities, or changes in tax laws, regulations and accounting principles, could have a material adverse effect on our future income taxes.

On December 22, 2017, the United States enacted comprehensive tax legislation, the Tax Cuts and Jobs Act (the "2017 Tax Act"), which significantly changed the manner in which the United States imposes income tax on multinational corporations. The 2017 Tax Act mandates complex computations not previously required by U.S. tax law. Accordingly, the application of accounting guidance for such items is currently uncertain. Further, compliance with the 2017 Tax Act and the accounting for such provisions require preparation and analysis of information not previously required or regularly produced. In addition, the U.S. Department of Treasury has broad authority to issue regulations and interpretative guidance that may significantly impact how we will apply the law and impact our results of operations in future periods. Although we have provided a provisional estimate on the effect of the 2017 Tax Act in our consolidated financial statements (See Note 16, Income Taxes), further regulatory or GAAP accounting guidance relating to the 2017 Tax Act, our further analysis on the application of the law, and refinement of our initial estimates and calculations could materially change our current provisional estimates, which could in turn materially affect our tax obligations and effective tax rate.

The determination of our worldwide provision for income taxes and other tax liabilities requires significant judgment, and there are many transactions and calculations where the ultimate tax determination is uncertain. We have not recorded any deferred tax liabilities for undistributed foreign earnings either because of legal restrictions on distributions or because our historical strategy was to reinvest these earnings outside the United States. As circumstances change and if some or all of these undistributed foreign earnings are remitted to the United States, we may be required to recognize deferred tax liabilities on those amounts.

Additionally, in certain countries in which we operate, higher education institutions are either exempt from paying certain taxes, including income taxes, or pay taxes at significantly reduced rates. This includes certain of our higher education institutions that are organized as VIEs, similar to not-for-profit institutions in the United States. If we were to lose this favorable tax treatment, either because a VIE institution is converted into a for-profit shareholder-owned entity, or because of a change in local tax laws, our tax liabilities could increase materially.

We are subject to regular review and audit by both domestic and foreign tax authorities. Any adverse outcome of such a review or audit could have a negative effect on our operating results and financial condition. We are also subject to non-income based taxes, such as payroll, sales, use, value-added, net worth, property and goods and services taxes, in both the United States and various foreign jurisdictions. We are under regular audit by tax authorities with respect to these non-income based taxes and may have exposure to additional non-income based tax liabilities. Our acquisition activities have increased the volume and complexity of laws and regulations that we are subject to and with which we must comply.

We have identified certain contingencies, primarily tax-related, that we have assessed as being reasonably possible of loss, but not probable of loss, and could have an adverse effect on our results of operations if the outcomes are unfavorable. In most cases, we have received indemnifications from the former owners and/or noncontrolling interest holders of the acquired businesses for contingencies. In cases where we are not indemnified, the unrecorded contingencies are primarily in Brazil and, in the

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aggregate, we estimate that the reasonably possible loss for these unrecorded contingencies in Brazil could be up to approximately \$55 million if the outcomes were unfavorable in all cases. If we are not able to recover amounts that are subject to indemnification, the loss for these contingencies could be greater.

During 2010, we were notified by the Spanish Taxing Authorities ("STA") (in this case, by the Regional Inspection Office of the Special Madrid Tax Unit) that an audit of some of our Spanish subsidiaries was being initiated for 2006 and 2007. On June 29, 2012, the STA issued a final assessment to Iniciativas Culturales de España, S.L. ("ICE"), our Spanish holding company, for approximately EUR 11.1 million (\$13.1 million at December 31, 2017), including interest, for those two years based on its rejection of the tax deductibility of financial expenses related to certain intercompany acquisitions and the application of the Spanish ETVE regime. On July 25, 2012, we filed a claim with the Regional Economic-Administrative Court challenging this assessment and, in the same month, we issued a cash-collateralized letter of credit for the assessment amount, in order to suspend the payment of the tax due. Further, in July 2013, we were notified by the STA (in this case, by the Central Inspection Office for Large Taxpayers) that an audit of ICE was also being initiated for 2008 through 2010. On October 19, 2015, the STA issued a final assessment to ICE for approximately EUR 17.2 million (\$20.4 million at December 31, 2017), including interest, for those three years. We have appealed this assessment and, in order to suspend the payment of the tax assessment until the court decision, we issued a cash-collateralized letter of credit for the assessment amount plus interest and surcharges. We believe the assessments in this case are without merit and intend to defend vigorously against them. During the second quarter of 2016, we were notified by the STA that tax audits of the Spanish subsidiaries were also being initiated for 2011 and 2012, and in July 2017 the tax audit was extended to include 2013; no assessments have yet been issued for these years. Also during the second quarter of 2016, the Regional Administrative Court issued a decision against the Company on its appeal. The Company has further appealed at the Highest Administrative Court level, which appeal has been rejected. The Company has appealed both decisions to the National Court. In the first quarter of 2018, the Company made payments to the STA totaling EUR 29.6 million (approximately US \$35.1 million at December 31, 2017) in order to reduce the amount of future interest that could be incurred as the appeals process continues. The payments were made using cash that collateralized the letters of credit discussed above.

During the quarter ended June 30, 2015, we reassessed our position regarding the ICE tax audit matters as a result of recent adverse decisions from the Spanish Supreme Court and Spanish National Court on cases for taxpayers with similar facts, and determined that we could no longer support a more-likely-than-not position. As a result, during the second quarter of 2015, we recorded a provision totaling EUR 37.6 million (\$42.1 million) for the period from January 1, 2006 through December 31, 2016. We plan to continue the appeals process for the periods already audited and assessed.

Although we believe our estimates are reasonable, the ultimate tax outcome may differ from the amounts recorded in our financial statements and may materially adversely affect our financial results in the period or periods for which such determination is made.

Our reported revenues and earnings may be negatively affected by the strengthening of the U.S. dollar and currency exchange rates.

We report revenues, costs and earnings in U.S. dollars, while our institutions generally collect tuition in the local currency. Exchange rates between the U.S. dollar and the local currency in the countries where we operate institutions are likely to fluctuate from period to period. In 2017, approximately 83% of our revenues originated outside the United States. We translate revenues and other results denominated in foreign currencies into U.S. dollars for our consolidated financial statements. This translation is based on average exchange rates during a reporting period. In recent years, the U.S. dollar has strengthened against many international currencies, including the Brazilian

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real, euro and Mexican peso. As the exchange rate of the U.S. dollar strengthens, our reported international revenues and earnings are reduced because foreign currencies translate into fewer U.S. dollars. For the year ended December 31, 2017, a hypothetical 10% adverse change in average annual foreign currency exchange rates, excluding the impacts of our derivatives, would have decreased our operating income and our Adjusted EBITDA by \$28.6 million and \$80.2 million, respectively. For more information, see "Item 7A—Quantitative and Qualitative Disclosures About Market Risk—Foreign Currency Exchange Risk."

To the extent that foreign revenues and expense transactions are not denominated in the local currency and/or to the extent foreign earnings are reinvested in a currency other than their functional currency, we are also subject to the risk of transaction losses. We occasionally enter into foreign exchange forward contracts or other hedging arrangements to reduce the earnings impact of non-functional currency denominated non-trade receivables and debt and to protect the U.S. dollar value of our assets and future cash flows with respect to exchange rate fluctuations. Given the volatility of exchange rates, there is no assurance that we will be able to effectively manage currency transaction and/or translation risks. Therefore, volatility in currency exchange rates may have a material adverse effect on our business, financial condition, results of operations and cash flows.

Currency exchange rates and our reported revenues and earnings may also be negatively affected by inflation or hyperinflation. If a country in which we operate is designated as a highly inflationary economy in the future under GAAP, the U.S. dollar would become the functional currency for our operations in that country. As a result, all gains and losses resulting from the remeasurement of the financial results of operations in such country and other transactional foreign exchange gains and losses would be reflected in our earnings, which could result in volatility within our earnings, rather than as a component of our comprehensive income within stockholders' equity. Hyperinflation in any of the countries in which we operate may have a material adverse effect on our business, financial condition, results of operations and cash flows.

Goodwill and indefinite-lived intangibles make up a significant portion of our total assets, and if we determine that goodwill or indefinite-lived intangibles become impaired in the future, net income and operating income in such years may be materially and adversely affected.

As of December 31, 2017, the net carrying value of our goodwill and other intangible assets totaled approximately \$3,286.2 million. Goodwill represents the excess of cost over the fair market value of net assets acquired in business combinations. Due to the revaluation of our assets at the time of the LBO and acquisitions we have completed historically, goodwill makes up a significant portion of our total assets. In accordance with generally accepted accounting principles, we periodically review goodwill and indefinite-lived intangibles for impairment and any excess in carrying value over the estimated fair value is charged to the results of operations. Our review of goodwill and indefinite-lived intangibles at December 31, 2017 resulted in an aggregate reduction of \$8.5 million in the value of such assets in our financial statements. Future reviews of goodwill and indefinite-lived intangibles could result in reductions. Any reduction in net income and operating income resulting from the write down or impairment of goodwill and indefinite-lived intangibles could adversely affect our financial results. If economic or industry conditions deteriorate or if market valuations decline, including with respect to our Class A common stock, we may be required to impair goodwill and indefinite-lived intangibles in future periods.

We experience seasonal fluctuations in our results of operations.

Most of the institutions in our network have a summer break, during which classes are generally not in session and minimal revenues are recognized. In addition to the timing of summer breaks, holidays such as Easter also have an impact on our academic calendar. Operating expenses, however, do not fully correlate to the enrollment and revenue cycles, as the institutions continue to incur

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expenses during summer breaks. Given the geographic diversity of our institutions and differences in timing of summer breaks, our second and fourth quarters are stronger revenue quarters as the majority of our institutions are in session for most of these respective quarters. Our first and third fiscal quarters are weaker revenue quarters because the majority of our institutions have summer breaks for some portion of one of these two quarters. Because a significant portion of our expenses do not vary proportionately with the fluctuations in our revenues, our results in a particular fiscal quarter may not indicate accurately the results we will achieve in a subsequent quarter or for the full fiscal year.

Connectivity constraints or technology system disruptions to our computer networks could have a material adverse effect on our ability to attract and retain students.

We run the online operations of our institutions on different platforms, which are in various stages of development. The performance and reliability of these online operations are critical to the reputation of our institutions and our ability to attract and retain students. Any computer system error or failure, or a sudden and significant increase in traffic on our institutions' computer networks may result in the unavailability of these computer networks. In addition, any significant failure of our computer networks could disrupt our on-campus operations. Individual, sustained or repeated occurrences could significantly damage the reputation of our institutions' operations and result in a loss of potential or existing students. Additionally, the computer systems and operations of our institutions are vulnerable to interruption or malfunction due to events beyond our control, including natural disasters and other catastrophic events and network and telecommunications failures. The disaster recovery plans and backup systems that we have in place may not be effective in addressing a natural disaster or catastrophic event that results in the destruction or disruption of any of our critical business or information technology and infrastructure systems. As a result of any of these events, we may not be able to conduct normal business operations and may be required to incur significant expenses in order to resume normal business operations. As a result, our revenues and results of operations may be materially adversely affected.

We rely on computer systems for financial reporting and other operations and any disruptions in our systems would materially adversely affect us.

We rely on computer systems to support our financial reporting capabilities, including our SSOs, and other operations. As with any computer systems, unforeseen issues may arise that could affect our ability to receive adequate, accurate and timely financial information, which in turn could inhibit effective and timely decisions. Furthermore, it is possible that our information systems could experience a complete or partial shutdown. If such a shutdown occurred, it could materially adversely affect our ability to report our financial results in a timely manner or to otherwise operate our business.

We are subject to privacy and information security laws and regulations due to our collection and use of personal information, and any violations of those laws or regulations, or any breach, theft or loss of that information, could materially adversely affect our reputation and operations.

Possession and use of personal information in our operations subjects us to risks and costs that could harm our business. Our institutions collect, use and retain large amounts of personal information regarding our students and their families, including social security numbers, tax return information, personal and family financial data and credit card numbers. We also collect and maintain personal information of our employees in the ordinary course of our business. In addition, we collect and maintain other types of information, such as leads, that may include personal information of our business contacts in the ordinary course of our business. Our computer networks and the networks of certain of our vendors that hold and manage confidential information on our behalf may be vulnerable to unauthorized access, computer hackers, computer viruses, cyber-attacks and other security threats. Confidential information also may become available to third parties inadvertently when we integrate or

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convert computer networks into our network following an acquisition of an institution or in connection with upgrades from time to time.

Due to the sensitive nature of the information contained on our networks, such as students' grades, our networks may be targeted by hackers. A user who circumvents security measures could misappropriate proprietary information or cause interruptions or malfunctions in our operations. Although we use security and business controls to limit access and use of personal information, a third party may be able to circumvent those security and business controls, which could result in a breach of student or employee privacy. In addition, errors in the storage, use or transmission of personal information could result in a breach of student or employee privacy. Possession and use of personal information in our operations also subjects us to legislative and regulatory burdens that could require notification of data breaches and restrict our use of personal information. As a result, we may be required to expend significant resources to protect against the threat of these security breaches or to alleviate problems caused by these breaches. A wide range of high profile data breaches in recent years has led to renewed interest in data and cybersecurity legislation that could materially increase our costs and/or require changes in our operating procedures or systems. Any breach of student or employee privacy or errors in storing, using or transmitting personal information could violate the privacy laws and regulations of one or more of the countries in which we operate, resulting in fines or other penalties. A breach, theft or loss of personal information regarding our students and their families, our employees, or other persons that is held by us or our vendors, or a violation of the laws and regulations governing privacy in one or more of the countries in which we operate, could have a material adverse effect on our reputation or result in lawsuits, additional regulation, remediation and compliance costs or investments in additional security systems or networks, the costs of which may be substantial.

We may lose the right to license certain intellectual property which is integral to our online course offerings.

With our mandate that all of our institutions offer a certain percentage of online course offerings, we rely heavily upon the licensing of third-party materials, including e-textbooks and graphic, video and audio media, which are incorporated into our globally offered course content. Our institutions contract with large vendors which offer volumes of such course content. We could lose the right to license some percentage or all of those third-party materials for several reasons, including our licensors' infringement of third-party materials, going out of business, or terminating our content licenses for one or more business reasons. We rely on the negotiation of extensive licensing rights to mitigate this eventuality and contract with known, reliable vendors. If we lose the right to a significant percentage of such content, our course offerings and programs could be negatively affected because those materials must be removed from our course offerings, resulting in significant cost to us to revise the affected courses and a poor educational experience for our students, which could negatively affect our reputation, and our financial condition and results of operations may be materially adversely affected.

We may infringe the intellectual property rights of one or more of our third-party licensors.

All of our institutions offer a certain percentage of online course offerings. The educational content contained in such online course offerings is inherently more susceptible to infringement than campus-based learning materials because it is easier to make many digital copies of an online text, picture, video or audio file than it is to reproduce hard-copy materials. Also, intellectual property laws can vary from country to country, resulting in additional risk of infringement when licensing the same materials in multiple countries. Our institutions take reasonable precautions to ensure that all course content offerings used by them are properly licensed and distributed; however, there is no assurance that all of our course content offerings are properly licensed. Additionally, we create universally applicable course and program offerings that are licensed throughout our institutions, meaning that a single act of infringement could adversely affect multiple institutions around the world. Intellectual property infringement by us and our institutions can result in damaged vendor relationships, legal proceedings, loss of course content, and reputational loss, which could negatively affect our reputation, and our financial condition and results of operations may be materially adversely affected.

We may be unable to bring the Laureate brand into new markets due to preexisting trademark owners.

We file for and seek trademark protection for at least one of the Laureate brands, including "Laureate," "Laureate Education, Inc.," "Laureate Online Education," "Laureate Online International," and "Laureate International Universities" in all jurisdictions in which we operate. Our business model includes expanding into new markets through the creation and/or acquisition of new institutions in new or existing countries. Preexisting trademark owners already could have rights to some variant of the Laureate trademark in the education industry in certain new countries and this may prevent Laureate from introducing its brand to these markets. This could prevent Laureate from achieving a comprehensively global educational brand.

Our trademarks are subject to infringement.

As a global education services brand, our trademarks are subject to infringement by third parties attempting to trade on the Laureate brand's goodwill. We have spent considerable time and resources over the years in defending our trademark rights in the United States and abroad. It is difficult to assess the cost and likelihood of success in any legal proceeding related to trademark infringement, but we have implemented a policy of obtaining trademark rights for all of our brands in all countries in which we operate or plan to operate now and in the future and defending those rights vigorously. For example, in 2014, we filed a trademark infringement suit against an alleged infringer of the Laureate trademark located in the state of Georgia. The alleged infringer has formed several companies which incorporate the name "Laureate" and which purport to operate in the field of educational services. Although we won the case, the defendant has appealed. To date, the alleged infringer has not presented evidence that its use predates our use of the trademark "Laureate" in the field of educational services. An unfavorable result in a trademark infringement case such as this could lead to us being barred from using our trademark in certain jurisdictions around the world and negatively affect our reputation.

Student protests and strikes may disrupt our ability to hold classes as well as our ability to attract and retain students, which could materially adversely affect our operations.

Political, social and economic developments in the countries in which we operate may cause protests and disturbances against conditions in those countries, including policies relating to the operation and funding of higher education institutions. These disturbances may involve protests on university campuses, including the occupation of university buildings and the disruption of classes. We are unable to predict whether students at institutions in the *Laureate International Universities* network will engage in various forms of protest in the future. Should we sustain student strikes, protests or

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occupations in the future, it could have a material adverse effect on our results of operations and on our overall financial condition. Further, we may need to make additional investments in security infrastructure and personnel on our campuses in order to prevent future student protests from disrupting the ability of our institutions to hold classes. If we are required to make substantial additional investments in security, or if we are unable to identify security enhancements that would prevent future disruptions of classes, that could cause an adverse effect on our results of operations and financial condition. In addition, we may need to pay overtime compensation to certain of our faculty and staff, which may increase our overall costs.

We may be unable to operate one or more of our institutions or suffer liability or loss due to a natural or other disaster.

Our institutions are vulnerable to natural or other disasters, including fires, floods, earthquakes, hurricanes and other events beyond our control. A number of our institutions are located in areas such as Mexico and Central America that are prone to hurricane damage, which may be substantial. A number of our institutions are also located in areas, such as Chile, Mexico, Peru and Turkey, that are prone to earthquake damage. For example, in 2017, Peru's normally arid regions experienced historic, torrential rainfall and subsequent flooding. At least one of our campuses located there suffered flood-related damage. There, as elsewhere in the country, flood-related damage caused a range of disruptions, including in our case a delay in the regularly scheduled start of classes for the semester, which caused revenue anticipated to occur in the first quarter of 2017 not to be recognized until the second quarter. On September 19, 2017, a magnitude 7.1 earthquake struck Mexico causing a temporary suspension of activities at several UVM and UNITEC campuses located in the affected states of Mexico City, Puebla, Veracruz, Morelos, Chiapas and Estado de México. UVM and UNITEC temporarily suspended all activities on 21 campuses at the request of the Ministry of Education. The temporary suspension lasted 12 days on average and we incurred direct costs for repairs due to the earthquake of approximately \$3.3 million. It is possible that one or more of our institutions would be unable to operate for an extended period of time in the event of a hurricane, earthquake or other disaster which does substantial damage to the area in which an institution is located. The failure of one or more of our institutions to operate for a substantial period of time could have a material adverse effect on our results of operations. In the event of a major natural or other disaster, we could also experience loss of life of students, faculty members and administrative staff, or liability for damages or injuries.

If there is an outbreak of disease in one or more of our locations, our ability to recruit new students or hold classes may be interrupted.

In recent years, there have been numerous outbreaks of infectious diseases, such as Zika, SARS and the H1N1 virus, that have spread quickly through populations in countries in which we operate, and have had serious impact on businesses that operate in those countries. Concentrated populations, such as students in upper secondary schools and universities, may be particularly susceptible to these diseases, requiring local governments to take various measures, including suspension of business and quarantines, to control their spread. If there is an outbreak of disease in a country in which we operate, our recruiters may be prevented from visiting local upper secondary schools during the student recruitment season, which could have a material adverse effect on our new student enrollments during the following academic term. In addition, an outbreak during the academic year could result in a shutdown of one or more campuses, or a quarantine that could prevent students and faculty from entering a campus or, in the case of a residential campus, a quarantine of students on campus without faculty access, resulting in a material adverse effect on our results of operations.

We may be unable to recruit, train and retain qualified and experienced faculty and administrative staff at our institutions.

Our success and ability to grow depend on the ability to hire and retain large numbers of talented people. The process of hiring employees with the combination of skills and attributes required to implement our business strategy can be difficult and time-consuming. Our faculty members in particular are key to the success of our institutions. Our rapid global expansion has presented challenges for recruiting talented people with the right experience and skills for our needs. We face competition in attracting and retaining faculty members who possess the necessary experience and accreditation to teach at our institutions. As we expand and add personnel, it may be difficult to maintain consistency in the quality of our faculty and administrative staff. If we are unable to, or are perceived to be unable to, attract and retain experienced and qualified faculty, our business, financial condition and results of operations may be materially adversely affected.

High crime levels in certain countries and regions in which we operate institutions may have an impact on our ability to attract and retain students and may increase our operating expenses.

Many of our institutions are located in countries and regions that have high rates of violent crime, drug trafficking and vandalism. If we are unable to maintain adequate security levels on our campuses, and to work with local authorities to maintain adequate security in the areas adjacent to our campuses, we may not be able to continue to attract and retain students, or we may have to close a campus either temporarily or permanently. For example, in 2014 we closed a small campus of one of our universities in Mexico because of threats from a local drug cartel. In addition, high crime rates may require us to make additional investments in security infrastructure and personnel, which may cause us to increase our tuition rates in order to maintain operating margins. Certain security measures may materially adversely affect the campus experience by making access by students more cumbersome, which may be viewed negatively by some of our existing or prospective students. If we are not able to attract and retain students because of our inability to provide them with a safe environment, or if we are required to make substantial additional investments in security, that could cause a material adverse effect on our business, financial condition and results of operations.

If we are unable to upgrade our campuses, they may become less attractive to parents and students and we may fail to grow our business.

All of our institutions require periodic upgrades to remain attractive to parents and students. Upgrading the facilities at our institutions could be difficult for a number of reasons, including the following:

- our properties may not have the capacity or configuration to accommodate proposed renovations;
- construction and other costs may be prohibitive;
- we may fail to obtain regulatory approvals;
- it may be difficult and expensive to comply with local building and fire codes, especially as to properties that we acquired as part of past acquisitions;
- we may be unable to finance construction and other costs; and
- we may not be able to negotiate reasonable terms with our landlords or developers or complete the work within acceptable timeframes.

Our failure to upgrade the facilities of our institutions could lead to lower enrollment and could cause a material adverse effect on our business, financial condition and results of operations.

Our planned growth will require occupying increasing amounts of real estate that can be difficult to obtain and are subject to local regulation and control by landlords.

In order to continue to expand, we must continue to buy or lease additional real estate and construct new campus buildings. Construction of new campus buildings requires us to obtain permits from local authorities and to manage complex construction projects, which may result in unanticipated delays or expenditures. In 2013, the opening of a new campus building at UNAB was delayed, resulting in the need to relocate students to temporary facilities while the building was completed. UNAB incurred expenses to rent temporary facilities and provided tuition discounts to those students affected by the delay. The real estate that institutions in the *Laureate International Universities* network occupy is subject to local regulations, some of which may affect their ability to expand their operations. For example, in some locations, institutions are required by local regulations to provide a specific number of parking spaces per student enrolled or per area constructed. Even if there were adequate space in the academic facilities to expand the number of programs offered or students enrolled, we may not be able to expand if we are not able to provide adequate parking at a reasonable cost. Approximately half of the real estate that institutions in the *Laureate International Universities* network occupy is leased and may be subject to lease provisions that give the landlord the ability to affect the operation of the academic programs. For example, in certain jurisdictions, the landlord may be responsible for obtaining and maintaining occupancy permits or licenses, without which we cannot operate. If the landlord does not maintain the required permits or licenses, the institution may be required to suspend operations, which could have a material adverse effect on our results of operations. In Brazil, real estate laws provide that rent terms under certain types of leases are subject to periodic adjustments to reflect local economic conditions. These rent increases can be substantial, which could have a material adverse effect on our results of operations. We currently have leases with various expiration dates, some of which have renewal options. Our ability to renegotiate favorable terms on an expiring lease or to negotiate favorable terms for a suitable alternate location, and our ability to negotiate favorable lease terms for additional locations, will depend on conditions in the real estate market, competition for desirable properties and our relationships with current and prospective landlords or may depend on other factors that are not within our control. Any or all of these factors and conditions could negatively affect our growth.

We have recently experienced a significant transition at the executive management level. If our new executive team is unable to engage and align mid-management or attract and retain the key talent needed for us to timely achieve our business objectives, our business and results of operations could be harmed.

Effective January 1, 2018, our former President and Chief Administrative Officer, Eilif Serck-Hanssen, became Chief Executive Officer, and our former Chief Operating Officer, Ricardo Berckemeyer, assumed the additional title of President. Simultaneously, our Founder, Chairman and former Chief Executive Officer, Douglas Becker, assumed the role of non-executive Chairman of the Board of Directors.

During the 2017 fiscal year, we experienced additional changes in our senior management, including the following departures from the Company: Timothy Daniels, former CEO of our EMEAA segment; Jonathan Kaplan, former President/CEO of Walden University and CEO of Laureate Online; Alfonso Martinez, Chief Human Resources Officer; Richard Patro, CEO, Global Products and Services; Karl Salnoske, Chief Information Officer; and Robert Zentz, Senior Vice President, Secretary, General Counsel. We also added the following individuals: Jean-Jacques Charhon, Executive Vice President and Chief Financial Officer; Neel Broker, CEO of our EMEAA segment; Juan José Hurtado, Senior Vice President, Operations and Chief of Learning and Innovation; Jose Roberto Loureiro, CEO of our Brazil segment; and Victoria Silbey, Senior Vice President, Secretary, and Chief Legal Officer.

While the individual members of our executive management team each have significant industry-related experience, they previously have not worked together as a group and it will take time for them

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to become an integrated management team. Delays in the integration of our management team could affect our ability to implement our business strategy, which could have a material adverse effect on our business and results of operations.

In addition, the marketplace for senior executive management candidates is very competitive. Our growth may be adversely affected if we are unable to attract and retain such key employees. Turnover of senior management can adversely affect our stock price, our results of operations and our client relationships, and can make recruiting for future management positions more difficult. Competition for senior leadership may increase our compensation expenses, which may negatively affect our profitability.

Our status as a Certified B Corporation may not result in the benefits that we anticipate.

While not required by Delaware law or the terms of our certificate of incorporation, we have elected to have our social and environmental performance, accountability and transparency assessed against the proprietary criteria established by an independent non-profit organization. As a result of this assessment, we have been designated as a "Certified B CorporationTM," which refers to companies that are certified as meeting certain levels of social and environmental performance, accountability and transparency. The standards for Certified B Corporation certification are set by an independent organization and may change over time. See "Item 1—Business—Certified B Corporation." Our reputation could be harmed if we lose our status as a Certified B Corporation, whether by our choice or by our failure to continue to meet the certification requirements, if that failure or change were to create a perception that we are more focused on financial performance and are no longer as committed to the values shared by Certified B Corporations. Likewise, our reputation could be harmed if our publicly reported Certified B Corporation score declines.

The minority owners of our institutions may disagree with the way we operate the institutions or plan to expand the institutions, which could materially adversely affect our business and results of operations.

Although we control all of our institutions, we share ownership or control of several of our institutions with minority stockholders. We currently do not have the right to buy out all of these minority interests. The minority owners could assert that our business decisions at the institution adversely affected the value of their investment. In certain of our institutions, minority owners continue to occupy key management positions and may have the ability to enter into agreements with third parties or take other actions that are inconsistent with our corporate policies, which could create legal burdens and additional expense for us. In addition, disagreements with the minority owners may distract management and may materially adversely affect our business, financial condition and results of operations.

Litigation may materially adversely affect our business, financial condition and results of operations.

Our business is subject to the risk of litigation by employees, students, suppliers, competitors, minority partners, stockholders, government agencies or others through private actions, class actions, administrative proceedings, regulatory actions or other litigation. The outcome of litigation, particularly class action lawsuits, regulatory actions and intellectual property claims, is difficult to assess or quantify. Plaintiffs in these types of lawsuits may seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss relating to these lawsuits may remain unknown for substantial periods of time. In addition, certain of these lawsuits, if decided adversely to us or settled by us, may result in liability material to our financial statements as a whole or may negatively affect our operating results if changes to our business operation are required. The cost to defend future litigation may be significant. There also may be adverse publicity associated with litigation that could negatively affect customer perception of our business, regardless of whether the allegations are valid or whether we are ultimately

found liable. As a result, litigation may materially adversely affect our business, financial condition and results of operations. See "Item 3—Legal Proceedings."

We are subject to anti-corruption laws in the jurisdictions in which we operate, including the U.S. Foreign Corrupt Practices Act (the "FCPA"), as well as trade compliance and economic sanctions laws and regulations. Our failure to comply with these laws and regulations could subject us to civil and criminal penalties, harm our reputation and materially adversely affect our business, financial condition and results of operations.

Doing business on a worldwide basis requires us to comply with the laws and regulations of numerous jurisdictions. These laws and regulations place restrictions on our operations and business practices. In particular, we are subject to the FCPA, which generally prohibits companies and their intermediaries from providing anything of value to foreign officials for the purpose of obtaining or retaining business or securing any improper business advantage, along with various other anti-corruption laws. As a result of doing business in foreign countries and with foreign partners, we are exposed to a heightened risk of violating anti-corruption laws. Although we have implemented policies and procedures designed to ensure that we, our employees and other intermediaries comply with the FCPA and other anti-corruption laws to which we are subject, there is no assurance that such policies or procedures will work effectively all of the time or protect us against liability under the FCPA or other laws for actions taken by our employees and other intermediaries with respect to our business or any businesses that we may acquire. We cannot assure you that all of our local partners will comply with these laws, in which case we could be held liable for actions taken inside or outside of the United States, even though our partners may not be subject to these laws. Our continued international expansion, and any development of new partnerships and joint venture relationships worldwide, increase the risk of FCPA violations in the future.

Violations of anti-corruption laws, export control laws and regulations, and economic sanctions laws and regulations are punishable by civil penalties, including fines, as well as criminal fines and imprisonment. If we fail to comply with the FCPA or other laws governing the conduct of international operations, we may be subject to criminal and civil penalties and other remedial measures, which could materially adversely affect our business, financial condition, results of operations and liquidity. Any investigation of any potential violations of the FCPA or other anti-corruption laws, export control laws and regulations, and economic sanctions laws and regulations by the United States or foreign authorities could also materially adversely affect our business, financial condition, results of operations and liquidity, regardless of the outcome of the investigation.

We may not generate anticipated savings from our EiP program or our SSOs.

In 2014, we launched EiP as an enterprise wide initiative to optimize and standardize our processes to enable sustained growth and margin expansion. The program, which we refer to as EiP Wave 1, was developed to enable vertical integration of procurement, information technology, finance, accounting, and human resources, thus enabling us to fully leverage the growing size and scope of our local operations while also enhancing our internal controls. This initiative is largely completed and has generated significant cost savings. The savings we have generated from this initiative, however, could be offset by many factors, including, among others, lack of acceptance by local regulators and institutions, inability to identify and hire qualified personnel to staff SSOs and unanticipated technical difficulties.

Following implementation of EiP Wave 1, we further evaluated additional opportunities for efficiencies and savings related to the mid-office functions (including, for example, student information systems and the enrollment-to-graduation cycle) as well as general and administrative structure and certain student-facing activities. We anticipate realizing \$75 to \$100 million of annual savings (generated primarily from general and administrative expense and technology-enabled efficiency solutions) by year end 2019. To achieve these savings, we expect to have approximately \$125 million of

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one-time costs associated with severance and restructuring expenses, as well as costs related to technology investments. Approximately 50% of these one-time costs were incurred in 2017; we anticipate that the remainder will be incurred in 2018 and 2019. There can be no assurance that we will achieve these savings goals or that we will not have to make additional investments in these programs to do so.

If we are not able to fully implement the EiP program and the SSOs successfully and timely and at the costs that we currently anticipate, or if these initiatives do not generate their intended operating efficiencies, this could have a material adverse effect on our business, financial condition and results of operations.

We are conducting an internal investigation of one of our network institutions for violations of the Company's policies, and possible violations of the FCPA and other applicable laws. A violation of these laws and regulations could subject us to penalties, harm our reputation and materially adversely affect our business, financial condition and results of operations.

As previously disclosed, during the fourth quarter of 2014, we recorded an operating expense of \$18.0 million (the value of 40.0 million Turkish Liras at the date of donation) for a donation by our network institution in Turkey to a charitable foundation. We believed the donation was encouraged by the Turkish government to further a public project supported by the government and expected that it would enhance the position and ongoing operations of our institution in Turkey. The Company has learned that the charitable foundation which received the donation disbursed the funds at the direction of a former senior executive at our network institution in Turkey and other external individuals to a third party without our knowledge or approval.

In June 2016, the Audit Committee of the Board of Directors initiated an internal investigation into this matter with the assistance of external counsel. The investigation concerns the facts surrounding the donation, violations of the Company's policies, and possible violations of the FCPA and other applicable laws in what appears to be a fraud perpetrated by the former senior executive at our network institution in Turkey and other external individuals. This includes an investigation to determine if the diversion was part of a scheme to misappropriate the funds and whether any portion of the funds was paid to government officials. As of the date of this Form 10-K, we have not identified that any other officers or employees outside of Turkey were involved in the diversion of the intended donation. Although we are pursuing efforts to recover the diverted funds, including through legal proceedings, there is no assurance that we will be successful. As a result of the investigation, we took steps to remove the former senior executive at our network institution in Turkey and he is no longer affiliated with that institution.

We have been advised by Turkish counsel that, under Turkish law, a Foundation University may not make payments that cause a decrease in the university's wealth or do not otherwise benefit the university. Given the uncertainty of recovery of the diverted donation and to mitigate any potential regulatory issues in Turkey relating to the donation, certain Laureate-owned entities that are members of the foundation that controls our network institution in Turkey have contributed an amount of approximately \$13.0 million (the value of 40.0 million Turkish Liras on November 4, 2016, the date of contribution) to our network institution in Turkey to reimburse it for the donation.

In September 2016, we voluntarily disclosed the investigation to the U.S. Department of Justice (the "DOJ") and the Securities and Exchange Commission (the "SEC"). The Company is fully cooperating with these agencies in their investigations and inquiries relating to this matter. The Company has internal controls and compliance policies and procedures that are designed to prevent misconduct of this nature and support compliance with laws and best practices throughout its global operations. The Company is taking steps to enhance these internal controls and compliance policies and procedures. The governmental and Company investigations relating to these matters are ongoing,

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and we cannot predict the outcome at this time, or the impact, if any, to the Company's consolidated financial statements or predict how the resulting consequences, if any, may impact our internal controls and compliance policies and procedures, business, ability or right to operate in Turkey, results of operations or financial position. If we are found to have violated the FCPA or other laws applicable to us, we may be subject to criminal and civil penalties and other remedial measures, which could materially adversely affect our business, financial condition, results of operations and liquidity.

See "—We currently have four material weaknesses in our internal control over financial reporting that, if not corrected, could result in material misstatements of our financial statements" and "—Our institutions are subject to uncertain and varying laws and regulations, and any changes to these laws or regulations or their application to us may materially adversely affect our business, financial condition and result of operations."

We currently have four material weaknesses in our internal control over financial reporting that, if not corrected, could result in material misstatements of our financial statements.

In the course of preparing our consolidated financial statements as of and for the year ended December 31, 2013, we identified certain material weaknesses in our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis. The material weaknesses related to (1) an inadequate contract management process, (2) inadequate accounting for tax matters, (3) inadequate knowledge of GAAP in the non-U.S. finance organization, (4) inadequate journal entry review processes and (5) inadequate controls over key reports and spreadsheets. We have remediated four of the five material weaknesses; however, as described below, the material weakness related to inadequate controls over key reports and spreadsheets remained at December 31, 2017.

As of December 31, 2017, we identified a material weakness in our internal control over financial reporting related to inadequate controls over key reports and spreadsheets, as discussed above. Specifically, we did not design adequate controls to address the completeness and accuracy of key reports and spreadsheets. This material weakness (in combination with other prior material weaknesses discussed above, which have since been remediated) contributed to a revision to our audited financial statements for the year ended December 31, 2013. This material weakness could result in additional misstatements to accounts and disclosures that would result in a material misstatement of our consolidated financial statements that would not be prevented or detected.

As of December 31, 2016, we identified three additional material weaknesses which still exist as of December 31, 2017, as follows:

- We identified a material weakness in our risk assessment process, which we determined was not operating adequately to identify and address the risks to our business and to establish appropriate control objectives given the environment in which we operate and the decentralized structure used to manage our operating activities. This material weakness in our risk assessment process was a factor contributing to two additional material weaknesses which we have further described below:
- We identified a material weakness in that we did not appropriately assess the risks relating to our contracting processes and did not have controls that were properly designed or operating effectively to detect and prevent fraud (referred to as the Contract Legal Compliance material weakness). Specifically, our controls over contracting processes were not designed or operating effectively to incorporate appropriate levels of due diligence, requisite management approvals, segregation of duties or ongoing monitoring. This material weakness allowed for the occurrence of the incident in our network institution in Turkey as discussed in "Item 1—Business—Industry

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Regulation—Turkish Regulation and Internal Investigation," as well as certain other contracting irregularities at other network institutions that also necessitated an internal investigation. This control deficiency could result in material misstatements of the accounts and disclosures that would result in a material misstatement of our consolidated financial statements that would not be prevented or detected.

- We identified a material weakness in that we did not maintain effective controls over the operating effectiveness of information technology ("IT") general controls for information systems that are relevant to the preparation of our financial statements. Specifically we did not:
 - (i) maintain program change management controls to ensure that IT program and data changes affecting financial IT applications and underlying accounting records are identified, tested, authorized and implemented appropriately;
 - (ii) maintain user access controls to ensure appropriate segregation of duties and that access to financial applications and data is adequately restricted to appropriate personnel; and
 - (iii) maintain computer operations controls to ensure that privileges are appropriately granted, and data backups are authorized and monitored.

These IT deficiencies did not result in a material misstatement to the financial statements, however, the deficiencies, when aggregated, could impact the effectiveness of IT-dependent controls (such as automated controls that address the risk of material misstatement to one or more assertions, along with the IT controls and underlying data that support the effectiveness of system-generated data and reports) that could result in misstatements potentially affecting all financial statement accounts and disclosures that would not be prevented or detected in a timely manner.

We have commenced the remediation of these material weaknesses and other deficiencies. Our efforts to remediate these material weaknesses may not be effective. If our efforts to remediate these material weaknesses are not successful, the remediated material weaknesses may reoccur, the current material weaknesses may not be remediated in a timely manner, or other material weaknesses could occur in the future.

As a result of these material weaknesses, we may be unable to report our financial results accurately on a timely basis, which could cause our reported financial results to be materially misstated and result in the loss of investor confidence or delisting of our Class A common stock and could cause the market price of our Class A common stock to decline. As a result of such failures, we could also become subject to investigations by the stock exchange on which our Class A common stock is listed, the SEC or other regulatory authorities, and become subject to litigation from investors, which could harm our reputation, business, financial condition and results of operations, and divert financial and management resources from our core business.

Further, if as a result of these material weaknesses we are unable to provide the DOE with required financial statements by specified deadlines, the DOE could take action to materially limit or terminate our U.S. Institutions' participation in the Title IV federal student aid programs, which could result in a material or adverse decline in revenues, financial condition or results of operations. Furthermore, the U.S. Institutions would then be unable to continue their business as currently conducted, which could be expected to have a material adverse effect on our U.S. Institutions' ability to continue as going concerns.

See "—We are conducting an internal investigation of one of our network institutions for violations of the Company's policies, and possible violations of the U.S. Foreign Corrupt Practices Act and other applicable laws. A violation of these laws and regulations could subject us to penalties, harm our reputation and materially adversely affect our business, financial condition and results of operations."

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We may in the future discover areas of our internal financial and accounting controls and procedures that need improvement. Our internal control over financial reporting will not prevent or detect all errors and all fraud. A control system, regardless of how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud will be detected.

If we are not able to comply with the requirements of Section 404 of the Sarbanes-Oxley Act in a timely manner, or if we are unable to maintain proper and effective internal controls, we may not be able to produce timely and accurate financial statements, and we or our independent registered public accounting firm may conclude that our internal controls over financial reporting are not effective or our independent registered public accounting firm may not be able to provide us with an unqualified opinion as required by Section 404 of the Sarbanes-Oxley Act. If that were to happen, investors could lose confidence in our reported financial information, which could lead to a decline in the market price of our Class A common stock and we could be subject to sanctions or investigations by the stock exchange on which our Class A common stock is listed, the SEC or other regulatory authorities.

Additionally, the existence of any material weakness could require management to devote significant time and incur significant expense to remediate any such material weakness and management may not be able to remediate any such material weakness in a timely manner. The existence of any material weakness in our internal control over financial reporting could also result in errors in our financial statements that could require us to restate our financial statements, cause us to fail to meet our reporting obligations and cause the holders of our Class A common stock to lose confidence in our reported financial information, all of which could materially adversely affect our business and share price.

Risks Relating to Our Highly Regulated Industry in the United States

Failure of any of our U.S. Institutions to comply with extensive regulatory requirements could result in significant monetary liabilities, fines and penalties, restrictions on our operations, limitations on our growth, or loss of access to federal student loans and grants for our students, on which we are substantially dependent.

Our U.S. Institutions are subject to extensive regulatory requirements, including at the federal, state, and accrediting agency levels. Many students at our U.S. Institutions rely on the availability of federal student financial aid programs, known as Title IV programs, which are administered by the DOE, to finance their cost of attending our institutions. For the fiscal year ended December 31, 2017, Kendall College, NewSchool of Architecture and Design, St. Augustine and Walden University derived approximately 31%, 35%, 65% and 73%, respectively, of their revenues (calculated on a cash basis) from Title IV program funds. In the aggregate, our U.S. Institutions derived approximately \$498 million of revenues (calculated on a cash basis) from Title IV programs during the year ended December 31, 2017.

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To participate in Title IV programs, our U.S. Institutions must be authorized by the appropriate state education agency or agencies, be accredited by an accrediting agency recognized by the DOE, and be certified as an eligible institution by the DOE. As a result, our U.S. Institutions are subject to extensive regulation and review by these agencies and commissions which cover the vast majority of our U.S. operations, including our educational programs, instructional and administrative staff, administrative procedures, marketing, student recruiting and admissions, and financial operations. These regulations also affect our ability to acquire or open additional institutions, add new educational programs, substantially change existing programs or change our corporate or ownership structure. The agencies and commissions that regulate our operations periodically revise their requirements and modify their interpretations of existing requirements. Regulatory requirements are not always precise and clear, and regulatory agencies may sometimes disagree with the way we interpret or apply these requirements. If we misinterpret or are found to have not complied with any of these regulatory requirements, our U.S. Institutions could suffer financial penalties, limitations on their operations, loss of accreditation, termination of or limitations on their ability to grant degrees and certificates, or limitations on or termination of their eligibility to participate in Title IV programs, each of which could materially adversely affect our business, financial condition and results of operations. In addition, if we are charged with regulatory violations, our reputation could be damaged, which could have a negative impact on our enrollments and materially adversely affect our business, financial condition and results of operations. We cannot predict with certainty how all of these regulatory requirements will be applied, or whether we will be able to comply with all of the applicable requirements in the future.

If any of our U.S. Institutions were to lose its eligibility to participate in Title IV programs, we would experience a material and adverse decline in revenues, financial condition, results of operations, and future growth prospects. Furthermore, the affected U.S. Institution would be unable to continue its business as it is currently conducted, which could have a material adverse effect on the institution's ability to continue as a going concern.

If any of the U.S. education regulatory agencies or commissions that regulate us do not approve or delay any required approvals of transactions involving a change of control, our ability to operate or participate in Title IV programs may be impaired.

If we or one of our U.S. Institutions experiences a change of ownership or control under the standards of the DOE, any applicable accrediting agency, any applicable state educational licensing agency, or any specialized accrediting agency, we must notify or seek approval of each such agency or commission. These agencies do not have uniform criteria for what constitutes a change of ownership or control. Transactions or events that typically constitute a change of ownership or control include significant acquisitions or dispositions of shares of the voting stock of an institution or its parent company, and significant changes in the composition of the board of directors of an institution or its parent company. The occurrence of some of these transactions or events may be beyond our control. Our failure to obtain, or a delay in receiving, approval of any change of control from the DOE or any applicable accrediting agency or state educational licensing agency, could impair our U.S. Institutions' ability to operate or participate in Title IV programs, which could have a material adverse effect on our business, financial condition and results of operations. Failure to obtain, or a delay in receiving, approval of any change of control from any state in which our U.S. Institutions are currently licensed or authorized, or from any applicable accrediting agency, could require us to suspend our activities in that state or suspend offering applicable programs until we receive the required approval, or could otherwise impair our operations.

Our failure to obtain any required approval of any transactions from the DOE, the institutional accrediting agencies, or the pertinent state educational agencies could result in one or more of our U.S. Institutions losing continued eligibility to participate in the Title IV programs, accreditation or state

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licensure, which could have a material adverse effect on our U.S. business, financial condition and results of operations.

Congress may revise the laws governing Title IV programs or reduce funding for those and other student financial assistance programs, and the DOE may revise its regulations administering Title IV programs, any of which could reduce our enrollment and revenues and increase costs of operations.

The U.S. Higher Education Act (the "HEA") is a federal law that governs Title IV programs. The U.S. Congress must authorize and appropriate funding for Title IV programs under the HEA and can change the laws governing Title IV programs at any time. The HEA was most recently reauthorized in August 2008. Congress is currently in the process of reauthorizing the HEA and has conducted hearings examining various issues including, but not limited to, the streamlining of Title IV financial aid programs and repayment systems, the role of consumer information in college choices by students and families, whether Title IV programs should include institutional risk sharing, and the role of accrediting agencies in ensuring institutional quality, among other items. On December 13, 2017, the Committee on Education and the Workforce of the U.S. House of Representatives approved legislation to reauthorize the HEA, titled the "Promoting Real Opportunity, Success, and Prosperity through Education Reform Act" (PROSPER Act). If enacted in its current form, this legislation would substantially amend the HEA, including but not limited to changes to Title IV programs and provisions governing institutional participation therein. We cannot predict the timing and terms of any eventual HEA reauthorization, including any potential changes to institutional participation or student eligibility requirements or funding levels for particular Title IV programs, which terms may materially adversely affect our business, financial condition and results of operations.

Apart from Title IV programs, eligible veterans and military personnel may receive educational benefits for the pursuit of higher education. A reduction in federal funding levels for Title IV programs, or for programs providing educational benefits to veterans and military personnel, could reduce the ability of some students to finance their education. We cannot predict with certainty the future funding levels for Title IV programs, or for programs providing educational benefits to veterans and military personnel, or the nature of any future revisions to the law or regulations related to these programs. Because a significant percentage of the revenues of our U.S. Institutions is and is expected to be derived from Title IV programs, any action by the U.S. Congress that significantly reduces Title IV program funding or the ability of our U.S. students to participate in Title IV programs could have a material adverse effect on our U.S. Institutions' enrollments, business, financial condition and results of operations. Congressional action also may require our U.S. Institutions to modify their practices in ways that could increase administrative costs and reduce profit margins, which could have a material adverse effect on our business, financial condition and results of operations.

In recent years, the DOE has promulgated a substantial number of new regulations that impact our U.S. Institutions, including, but not limited to, state authorization, gainful employment, financial responsibility, borrower defenses to repayment, and the definition of a credit hour for the purpose of determining program eligibility for Title IV student financial aid. On October 30, 2014, the DOE published regulations to define "gainful employment" for the purposes of the Title IV program requirement that educational programs offered by proprietary institutions prepare students for gainful employment in recognized occupations, which became effective on July 1, 2015. On July 5, 2017, the DOE further announced that it would allow additional time, until July 1, 2018, for institutions to comply with certain disclosure requirements in the gainful employment regulations. On June 16, 2017, the DOE published a notice of intent to establish a negotiated rulemaking committee to develop proposed revisions to the gainful employment regulations. The DOE held negotiated rulemaking sessions on the gainful employment rule in December 2017 and February 2018, and will hold another negotiated rulemaking session in March 2018. If issued, any new gainful employment regulations would be effective July 1, 2019. We cannot predict with any certainty the outcome of the negotiated

rulemaking or the extent to which revised gainful employment regulations may differ from the current regulations.

On December 19, 2016, the DOE published final regulations regarding state authorization for programs offered through distance education and state authorization for foreign locations of institutions. Among other provisions, these final regulations require that an institution participating in the Title IV federal student aid programs and offering post-secondary education through distance education be authorized by each state in which the institution enrolls students, if such authorization is required by the state. The DOE would recognize authorization through participation in a state authorization reciprocity agreement, if the agreement does not prevent a state from enforcing its own laws. The final regulations also require that foreign additional locations and branch campuses be authorized by the appropriate foreign government agency and, if at least 50% of a program can be completed at the location/branch, be approved by the institution's accrediting agency and be reported to the state where the main campus is located. The final regulations would also require institutions to: document the state process for resolving complaints from students enrolled in programs offered through distance education or correspondence courses; and make certain public and individualized disclosures to enrolled and prospective students about their distance education programs. These final regulations are effective July 1, 2018.

The DOE may adopt regulations governing federal student loan debt forgiveness that could result in liability for amounts based on borrower defenses or affect the DOE's assessment of our institutional capability.

Under the DOE's current regulations, a William D. Ford Federal Direct Loan Program (the "Direct Loan Program") borrower may assert as a defense to repayment any "act or omission of the school attended by the student that would give rise to a cause of action against the school under applicable State law." On November 1, 2016, the DOE published a rule that, among other provisions, established new standards and processes for determining whether a Direct Loan Program borrower has a defense to repayment ("DTR") on a loan due to acts or omissions by the institution at which the loan was used by the borrower for educational expenses. The regulations were to take effect on July 1, 2017. On June 15, 2017, the DOE announced an indefinite delay to its implementation of the regulations, and on June 16, 2017 published a notice of intent to establish a negotiated rulemaking committee to develop proposed revisions to the rule.

Among other topics, the now-delayed rule established permissible borrower defense claims for discharge, procedural rules under which claims would be adjudicated, time limits for borrowers' claims, and guidelines for recoupment by the DOE of discharged loan amounts from institutions of higher education. It also prohibited schools from using any pre-dispute arbitration agreements, prohibited schools from prohibiting relief in the form of class actions by student borrowers, and invalidated clauses imposing requirements that students pursue an internal dispute resolution process before contacting authorities regarding concerns about an institution. For proprietary institutions, the now-delayed rule described the threshold for loan repayment rates that would require specific disclosures to current and prospective students and the applicable loan repayment rate methodology. The now-delayed rule also established important new financial responsibility and administrative capacity requirements for both not-for-profit and for-profit institutions participating in the Title IV programs. Under the now-delayed rule, certain events would automatically trigger a letter of credit, and the DOE retained discretion to impose a letter of credit upon the occurrence of other events.

The DOE held negotiated rulemaking sessions in November 2017, January 2018 and February 2018 regarding the DTR regulations. The DOE and negotiators failed to reach consensus on revised DTR regulations, and the DOE is now expected to issue revised DTR regulations for comment by the summer of 2018, with the rules becoming final by November 1, 2018. If issued, any new DTR regulations would be effective July 1, 2019. We cannot state with any certainty how the revised DTR regulations will differ from the now-delayed rule. Any new DTR regulations, whether or not they are

similar to the now-delayed regulations, could have a direct and substantial impact on our U.S. Institutions. In the meantime, regardless of the status of new DTR regulations, our U.S. Institutions are subject to student loan discharge liabilities. If we are required to repay the DOE for any successful DTR claims by students who attended our U.S. Institutions, or we are required to obtain additional letters of credit or increase our current letter of credit, it could materially affect our business, financial conditions and results of operations. We cannot predict with any certainty the outcome of the litigation brought against the DOE, the extent to which a revised DTR rule may differ from the previously promulgated DTR regulations, or the impact that such a revised rule might have on our business.

Hearings and examinations of the for-profit educational industry could result in negative publicity, additional legislation, rulemaking by the DOE and other federal regulatory agencies, and other restrictions on our business.

The U.S. Congress and the Department of Defense ("DoD") have increased their focus in recent years on DoD tuition assistance that is used for distance education and programs at proprietary institutions. On multiple occasions since an April 2012 Executive Order, the DoD has revised its standard Memorandum of Understanding ("MOU") to include additional provisions applicable to all higher educational institutions providing educational programs through the DoD tuition assistance program. Our U.S. Institutions utilizing tuition assistance have signed DoD's standard MOU.

We cannot predict whether, or the extent to which, this scrutiny will result in legislation or further rulemaking affecting our participation in Title IV programs, or in programs providing educational benefits to veterans and military personnel. To the extent that any laws or regulations are adopted that limit our participation in Title IV programs, programs providing educational benefits to veterans and military personnel, or the amount of student financial aid for which the students at our U.S. Institutions are eligible, those institutions' enrollments, revenues and results of operations could be materially adversely affected.

Our U.S. Institutions must periodically seek recertification to participate in Title IV programs and, if the DOE does not recertify the institutions to continue participating in Title IV programs, our students would lose their access to Title IV program funds, or the institutions could be recertified but required to accept significant limitations as a condition of continued participation in Title IV programs.

DOE certification to participate in Title IV programs lasts a maximum of six years, and institutions are required to seek recertification from the DOE on a regular basis to continue their participation in Title IV programs. An institution must also apply for recertification by the DOE if it undergoes a change in control, as defined by DOE regulations, and may be subject to similar review if it expands its operations or educational programs in certain ways. Generally, the recertification process includes a review by the DOE of the institution's educational programs and locations, administrative capability, financial responsibility and other oversight categories. The DOE could limit, suspend or terminate an institution's participation in Title IV programs for violations of the HEA or Title IV regulations. As discussed in more detail under "Item 1—Business—Industry Regulation—U.S. Regulation," each of our U.S. Institutions currently participates in the Title IV programs pursuant to the DOE's provisional form of certification.

If the DOE does not renew or withdraws any of our U.S. Institutions' certifications to participate in Title IV programs at any time, students in the affected institution(s) would no longer be able to receive Title IV program funds. Similarly, the DOE could renew our U.S. Institutions' certifications, but restrict or delay Title IV funding, limit the number of students to whom it could disburse such funds or impose other restrictions. In addition, the DOE may take emergency action to suspend any of our U.S. Institutions' certifications without advance notice if it receives reliable information that an institution is violating Title IV requirements and it determines that immediate action is necessary to

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prevent misuse of Title IV funds. Any of these outcomes could have a material adverse effect on our U.S. Institutions' enrollments and our business, financial condition and results of operations.

Our U.S. Institutions would lose their ability to participate in Title IV programs if they fail to maintain their institutional accreditation, and our student enrollments could decline if we fail to maintain any of our accreditations or approvals.

An institution must be accredited by an accrediting agency recognized by the DOE to participate in Title IV programs. Each of our U.S. Institutions is so accredited, and such accreditation is subject to renewal or review periodically or when necessary. If any of our U.S. Institutions fails to satisfy any of its respective accrediting commissions' standards, that institution could lose its accreditation by its respective accrediting commission, which would cause the institution to lose eligibility to participate in Title IV programs and experience a significant decline in total student enrollments. In addition, many of our U.S. Institutions' individual educational programs are accredited by specialized accrediting commissions or approved by specialized state agencies. If any of our U.S. Institutions fails to satisfy the standards of any of those specialized accrediting commissions or state agencies, that institution could lose the specialized accreditation or approval for the affected programs, which could result in materially reduced student enrollments in those programs and have a material adverse effect on our business, financial condition and results of operations. In addition, if an accrediting body of one of our U.S. Institutions loses recognition by the DOE, that institution could lose its ability to participate in Title IV programs.

If any of our U.S. Institutions fail to obtain or maintain any of its state authorizations in states where such authorization is required, that institution may not be able to operate or enroll students in that state, and may not be able to award Title IV program funds to students.

The DOE requires that an educational institution be authorized in each state where it physically operates in order to participate in Title IV programs. The level of regulatory oversight varies substantially from state to state. Our campus-based U.S. Institutions are authorized by applicable state educational licensing agencies to operate and to grant degrees or diplomas, which authorizations are required for students at these institutions to be eligible to receive funding under Title IV programs. If any of our U.S. Institutions fail to continuously satisfy applicable standards for maintaining its state authorization in a state in which that institution is physically located, that institution could lose its authorization from the applicable state educational agency to offer educational programs and could be forced to cease operations in that state. Such a loss of authorization would also cause that institution's location in the state to lose eligibility to participate in Title IV programs, which could have a material adverse effect on our business, financial condition and results of operations.

Many states also have sought to assert jurisdiction, whether through adoption of new laws and regulations or new interpretations of existing laws and regulations, over out-of-state educational institutions offering online degree programs that have no physical location or other presence in the state but that have some activity in the state, such as enrolling or offering educational services to students who reside in the state, employing faculty who reside in the state or advertising to or recruiting prospective students in the state. State regulatory requirements for online education are inconsistent between states and not well developed in many jurisdictions. As such, these requirements change frequently and, in some instances, are not clear or are left to the discretion of state employees or agents. State regulatory agencies may sometimes disagree with the way we have interpreted or applied these requirements. Any misinterpretation by us of these regulatory requirements or adverse changes in regulations or interpretations of these regulations by state licensing agencies could have a material adverse effect on our business, financial condition and results of operations.

Our online educational programs offered by our U.S. Institutions and the constantly changing regulatory environment require us to continually evaluate our state regulatory compliance activities. We

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review the licensure requirements of other states when appropriate to determine whether our activities in those states constitute a presence or otherwise require licensure or authorization by the respective state education agencies. Therefore, in addition to the states where we maintain physical facilities, we have obtained, or are in the process of obtaining, approvals or exemptions that we believe are necessary in connection with our activities that may constitute a presence in such other states requiring licensure or authorization by the state educational agency based on the laws, rules or regulations of that state. Some of our approvals are pending or are in the renewal process. Some of our U.S. Institutions do not have current approvals or exemptions from all of the state educational agencies that may require such an approval or exemption due to the U.S. Institution enrolling students via distance education in the state. If any of our U.S. Institutions fail to comply with state licensure or authorization requirements, we could be subject to various sanctions, including restrictions on recruiting students, providing educational programs and other activities in that state, and fines and penalties. Additionally, new laws, regulations or interpretations related to providing online educational programs and services could increase our cost of doing business and affect our ability to recruit students in particular states, which could, in turn, negatively affect enrollments and revenues and otherwise have a material adverse effect on our business, financial condition and results of operations.

The failure to maintain any required state licensure or authorization for our distance education programs in the United States could prohibit us from recruiting prospective students or offering educational services to current students in one or more states, which could significantly reduce enrollments and revenues and have a material adverse effect on our business, financial condition and results of operations in the United States. Additionally, on December 19, 2016, the DOE published final regulations regarding state authorization for programs offered through distance education and state authorization for foreign locations of institutions. For additional information regarding these final regulations, see "—Congress may revise the laws governing Title IV programs or reduce funding for those and other student financial assistance programs, and the DOE may revise its regulations administering Title IV programs, any of which could reduce our enrollment and revenues and increase costs of operations." Any failure to comply with state requirements, or any new or modified regulations at the federal or state level, could result in our inability to enroll students or receive Title IV funds for students in those states and could result in restrictions on our growth and enrollments.

Increased regulatory and enforcement effort aimed at proprietary education institutions could be a catalyst for legislative or regulatory restrictions, investigations, enforcement actions and claims that could, individually or in the aggregate, materially adversely affect our business, financial condition, results of operations and cash flows.

In recent years, the proprietary education industry has experienced broad-based, intensifying scrutiny in the form of increased investigations and enforcement actions. The U.S. Federal Trade Commission (the "FTC") has issued civil investigative demands to several other U.S. proprietary educational institutions, which require the institutions to provide documents and information related to the advertising, marketing, or sale of secondary or postsecondary educational products or services, or educational accreditation products or services. The Consumer Financial Protection Bureau ("CFPB") has also initiated a series of investigations against other U.S. proprietary educational institutions alleging that certain institutions' lending practices violate various consumer finance laws. In addition, attorneys general in several states have become more active in enforcing consumer protection laws, especially related to recruiting practices and the financing of education at proprietary educational institutions.

In the event that any of our past or current business practices are found to violate applicable consumer protection laws, or if we are found to have made misrepresentations to our current or prospective students about our educational programs, we could be subject to monetary fines or penalties and possible limitations on the manner in which we conduct our business, which could

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materially adversely affect our business, financial condition, results of operations and cash flows. To the extent that more states or government agencies commence investigations, act in concert, or direct their focus on our U.S. Institutions, the cost of responding to these inquiries and investigations could increase significantly, and the potential impact on our business would be substantially greater.

Our failure to comply with the laws and regulations of various states could result in actions that would have a material adverse effect on our enrollments, revenues and results of operations.

We are subject to extensive laws and regulations by the states in which we are authorized or licensed to operate. State laws typically establish standards for instruction, qualifications of faculty, administrative procedures, marketing, recruiting, financial operations and other operational matters. State laws and regulations may limit our ability to offer educational programs and to award degrees and may limit the ability of our students to sit for certification exams in their chosen fields of study. In addition, as mentioned above, attorneys general in several states have become more active in enforcing consumer protection laws, and in some instances have partnered with the CFPB. In addition, we may be subject to litigation by private parties alleging that we violated state laws regarding the educational programs provided by our U.S. Institutions and their operations. For more information on these lawsuits, see "Item 3—Legal Proceedings."

On September 8, 2016, as part of a program review that the Minnesota Office of Higher Education ("MOHE") is conducting of Walden University's doctoral programs, MOHE sent to Walden University an information request regarding its doctoral programs and complaints filed by doctoral students. We have been informed by MOHE that in an effort to better understand the context, background and issues related to doctoral student complaints in Minnesota, MOHE is initiating a full review of doctoral programs for certain institutions registered in Minnesota. MOHE has informed us that it expects to issue a report regarding its program review in 2018. We cannot predict the outcome of this matter. However, if MOHE makes an adverse determination, it could have a material adverse effect on our business, financial condition and results of operations.

The inability of our graduates to obtain licensure or other specialized outcomes in their chosen professional fields of study could reduce our enrollments and revenues, and potentially lead to litigation that could be costly to us.

Certain of our graduates seek professional licensure or other specialized outcomes in their chosen fields following graduation. Their success in obtaining these outcomes depends on several factors, including the individual merits of the learner, but also may depend on whether the institution and the program were approved by the state or by a professional association, whether the program from which the learner graduated meets all state requirements and whether the institution is accredited. In addition, professional associations may refuse to certify specialized outcomes for our learners for similar reasons. The state requirements for licensure are subject to change, as are the professional certification standards, and we may not immediately become aware of changes that may impact our learners in certain instances. Also, as described below, the final gainful employment regulations require an institution to certify to the DOE that its educational programs subject to the gainful employment requirements, which include all programs offered by our U.S. Institutions, meet the applicable requirements for graduates to be professionally or occupationally certified in the state in which the institution is located. In the event that one or more states refuses to recognize our learners for professional licensure, and/or professional associations refuse to certify specialized outcomes for our learners, based on factors relating to our institution or programs, the potential growth of our programs would be negatively affected, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, we could be exposed to litigation that would force us to incur legal and other expenses that could have a material adverse effect on our business, financial condition, results of operations and cash flows.

If any of our U.S. Institutions do not comply with the DOE's "administrative capability" standards, we could suffer financial penalties, be required to accept other limitations to continue participating in Title IV programs or lose our eligibility to participate in Title IV programs.

DOE regulations specify extensive criteria an institution must satisfy to establish that it has the requisite "administrative capability" to participate in Title IV programs. These criteria require, among other things, that we comply with all applicable Title IV program regulations; have capable and sufficient personnel to administer the federal student financial aid programs; not have student loan cohort default rates in excess of specified levels; have acceptable methods of defining and measuring the satisfactory academic progress of our students; have various procedures in place for safeguarding federal funds; not be, and not have any principal or affiliate who is, debarred or suspended from federal contracting or engaging in activity that is cause for debarment or suspension; provide financial aid counseling to our students; refer to the DOE's Office of Inspector General any credible information indicating that any applicant, student, employee or agent of the institution has been engaged in any fraud or other illegal conduct involving Title IV programs; submit in a timely manner all reports and financial statements required by Title IV regulations; and not otherwise appear to lack administrative capability. If an institution fails to satisfy any of these criteria or comply with any other DOE regulations, the DOE may change the institution's method of receiving Title IV program funds, which in some cases may result in a significant delay in the institution's receipt of those funds; place the institution on provisional certification status; or commence a proceeding to impose a fine or to limit, suspend or terminate the participation of the institution in Title IV programs. Thus, if any of our U.S. Institutions were found not to have satisfied the DOE's "administrative capability" requirements, we could be limited in our access to, or lose, Title IV program funding, which could significantly reduce our enrollments and have a material adverse effect on our business, financial condition and results of operations.

If any of our U.S. Institutions do not meet specific financial responsibility standards established by the DOE, that institution may be required to post a letter of credit or accept other limitations to continue participating in Title IV programs, or that institution could lose its eligibility to participate in Title IV programs.

To participate in Title IV programs, our U.S. Institutions must satisfy specific measures of financial responsibility prescribed by the DOE, or post a letter of credit in favor of the DOE and possibly accept other conditions on its participation in Title IV programs. These financial responsibility tests are applied on an annual basis based on an institution's audited financial statements, and may be applied at other times, such as if an institution undergoes a change in control. The DOE may also apply such measures of financial responsibility to an eligible institution's operating company and ownership entities and, if such measures are not satisfied by the operating company or ownership entities, require the institution to post a letter of credit in favor of the DOE and possibly accept other conditions on its participation in Title IV programs. The operating restrictions that may be placed on an institution that does not meet the quantitative standards of financial responsibility include changes to the method of receiving Title IV program funds, which in some cases may result in a significant delay in the institution's receipt of those funds. Limitations on, or termination of, our participation in Title IV programs as a result of our failure to demonstrate financial responsibility would limit our students' access to Title IV program funds, which could significantly reduce enrollments and have a material adverse effect on our business, financial condition and results of operations.

As described in more detail under "Item 1—Business—Industry Regulation—U.S. Regulation," the DOE annually assesses our U.S. Institutions' financial responsibility through a composite score determination based on the Laureate consolidated audited financial statements and not at the individual institutional level. Based on Laureate's composite score for its fiscal year ended December 31, 2016, the DOE determined that it, and consequently, Walden University, NewSchool of Architecture and Design, Kendall College and St. Augustine failed to meet the standards of financial

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responsibility. As a result, in a letter dated October 30, 2017, the Department required Laureate to increase its existing letter of credit to \$136,887,941 (15% of the Title IV program funds that the schools received during the most recently completed fiscal year), continued the institutions on Heightened Cash Monitoring 1 and required Laureate to continue to comply with additional notification and reporting requirements, including submitting bi-weekly cash flow statements for Laureate and monthly student rosters of the institutions. In a letter dated March 1, 2018, the DOE required Laureate to provide additional ongoing information about its current operations and future plans, including bi-weekly updates on its cash balances and monthly cash flow statements and student rosters for its U.S. Institutions, beginning in April 2018.

In December 2015, the DOE sent us a letter requiring us to post a letter of credit in the amount of \$14,967 for St. Augustine (25% of the total Title IV program refunds the institution made or should have made during the fiscal year ended December 31, 2014). This requirement was due to the fact that St. Augustine was found to have untimely processed refunds of Title IV program funds for withdrawn students for more than 5% of the students in its auditor's sample for the 2014 fiscal year. We have obtained this letter of credit. Any obligation to post, maintain or increase a letter of credit could materially adversely affect our liquidity or increase our costs of regulatory compliance. The DOE has the discretion to increase our letter of credit requirements at any time. If we are unable to secure any required letter of credit, our U.S. Institutions would lose their eligibility to participate in Title IV programs, which could have a material adverse effect on our business, financial condition and results of operations.

On November 1, 2016, as part of its defense to repayment rulemaking, the DOE issued a rule to revise its general standards of financial responsibility to include various actions and events that would require institutions to provide the DOE with irrevocable letters of credit upon the occurrence of certain triggering events. In June 2017, the DOE announced an indefinite delay in implementing these regulations and also announced its intent to establish a negotiated rulemaking committee to develop proposed revisions to these regulations. For additional information regarding this rule and current rulemaking, see "—The DOE may adopt regulations governing federal student loan debt forgiveness that could result in liability for amounts based on borrower defenses or affect the DOE's assessment of our institutional capability." If we are required to repay the DOE for any successful DTR claims by students who attended our U.S. Institutions, or we are required to obtain additional letters of credit or increase our current letter of credit, it could materially affect our business, financial conditions and results of operations.

The DOE may change our U.S. Institutions' method of receiving Title IV program funds, which could materially adversely affect our liquidity.

The DOE can impose sanctions for violating the statutory and regulatory requirements of Title IV programs, including transferring one or more of our U.S. Institutions from the advance method or the heightened cash monitoring level one method of Title IV payment, each of which permits an institution to receive Title IV funds before or concurrently with disbursing them to students, to the heightened cash monitoring level two method of payment or to the reimbursement method of payment, each of which may significantly delay an institution's receipt of Title IV funds until student eligibility has been verified by the DOE. Any such delay in our U.S. Institutions' receipt of Title IV program funds may materially adversely affect our cash flows and we may require additional working capital or third-party funding to finance our operations.

Our U.S. Institutions may lose eligibility to participate in Title IV programs if the percentage of our U.S. Institutions revenues derived from Title IV programs is too high.

A provision of the HEA commonly referred to as the "90/10 Rule" provides that a for-profit educational institution loses its eligibility to participate in Title IV programs if, under a complex regulatory formula that requires cash basis accounting and other adjustments to the calculation of revenues, the institution derives more than 90% of its revenues from Title IV program funds for any two consecutive fiscal years. If any of our U.S. Institutions were to violate the 90/10 Rule, that institution would become ineligible to participate in Title IV programs as of the first day of the fiscal year following the second consecutive fiscal year in which the institution exceeded the 90% threshold and would be unable to regain eligibility for two fiscal years thereafter. In addition, an institution that derives more than 90% of its revenue (on a cash basis) from Title IV programs for any single fiscal year will be placed on provisional certification for at least two fiscal years and may be subject to additional conditions or sanctions imposed by the DOE. Using the DOE's formula under the "90/10 Rule," Kendall College, NewSchool of Architecture and Design, St. Augustine and Walden University derived approximately 31%, 35%, 65% and 73% of their revenues (calculated on a cash basis), respectively, from Title IV program funds for the fiscal year ended December 31, 2017.

Our U.S. Institutions' ratios could increase in the future. Congressional increases in students' Title IV grant and loan limits may result in an increase in the revenues we receive from Title IV programs. In recent years, legislation has been introduced in Congress that would revise the 90/10 Rule to consider educational benefits for veterans and military personnel from the Department of Veteran Affairs and Department of Defense, respectively, in the same manner as Title IV funds for purposes of the rule, to prohibit institutions from participating in Title IV programs for one year if they derive more than 90% of their total revenues (calculated on a cash basis) from the Title IV programs and these other federal programs in a single fiscal year rather than the current rule of two consecutive fiscal years, and to revise the 90/10 Rule to an 85/15 rule. We cannot predict whether, or the extent to which, any of these proposed revisions could be enacted into law or result in further rulemaking. In addition, reductions in state appropriations in a number of areas, including with respect to the amount of financial assistance provided to post-secondary students, could further increase our U.S. Institutions' percentages of revenues derived from Title IV program funds. The employment circumstances of our students or their parents could also increase reliance on Title IV program funds. If any of our U.S. Institutions become ineligible to participate in Title IV programs as a result of noncompliance with the 90/10 Rule, it could have a material adverse effect on our business, financial condition and results of operations.

Any of our U.S. Institutions may lose eligibility to participate in Title IV programs if their respective student loan default rates are too high.

An educational institution may lose eligibility to participate in Title IV programs if, for three consecutive years, 30% or more of its students who were required to begin repayment on their federal student loans in the relevant fiscal year default on their payment by the end of the next federal fiscal year. In addition, an institution may lose its eligibility to participate in Title IV programs if the default rate as determined by the DOE of its students exceeds 40% for any single year. The Department of Education generally publishes official cohort default rates annually in September for the repayment period that ended the prior September 30.

Kendall College's official cohort default rates for the 2014, 2013 and 2012 federal fiscal years were 11.3%, 10.0% and 7.9%, respectively. NewSchool of Architecture and Design's official cohort default rates for the 2014, 2013 and 2012 federal fiscal years were 5.2%, 5.1% and 10.2%, respectively. St. Augustine's official cohort default rates for the 2014, 2013 and 2012 federal fiscal years were 0.0%, 0.2% and 0.5%, respectively. Walden University's official cohort default rates for the 2014, 2013 and 2012 federal fiscal years were 7.5%, 6.7% and 6.8%, respectively. The average national student loan

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default rates published by the DOE for all institutions that participated in the federal student aid programs for 2014, 2013 and 2012 were 11.5%, 11.3% and 11.8%, respectively, and for all proprietary institutions that participated in the federal student aid programs for 2014, 2013 and 2012 were 15.5%, 15.0% and 15.8%, respectively.

While we believe our U.S. Institutions are not in danger of exceeding the regulatory default rate thresholds for other Title IV programs, we cannot provide any assurance that this will continue to be the case. Any increase in interest rates or reliance on "self-pay" students, as well as declines in income or job losses for our students, could contribute to higher default rates on student loans. Exceeding the student loan default rate thresholds and losing eligibility to participate in Title IV programs would have a material adverse effect on our business, financial condition and results of operations. Any future changes in the formula for calculating student loan default rates, economic conditions or other factors that cause our default rates to increase, could place our U.S. Institutions in danger of losing their eligibility to participate in Title IV programs, which would have a material adverse effect on our business, financial condition and results of operations.

We could be subject to sanctions or other adverse legal actions if any of our U.S. Institutions were to pay impermissible commissions, bonuses or other incentive payments to individuals involved in or with responsibility for certain recruiting, admission or financial aid activities.

Under the HEA, an educational institution that participates in Title IV programs may not make any commission, bonus or other incentive payments to any persons or entities involved in recruitment or admissions activities or in the awarding of financial aid. The requirement only pertains to the recruitment of students who are U.S. citizens, permanent residents and others temporarily residing in the United States with the intention of becoming a citizen or permanent resident. Under regulations that took effect on July 1, 2011, the DOE effectively has taken the position that any commission, bonus or other incentive compensation payment based in any part, directly or indirectly, or securing enrollment or awarding financial aid is inconsistent with the statutory prohibition against incentive compensation. The DOE has maintained that institutions may make merit-based adjustments to employee compensation, provided that those adjustments are not based, in any part, directly or indirectly, upon securing enrollments or awarding financial aid. In sub-regulatory correspondence to institutions, the DOE provided additional guidance regarding the scope of the prohibition on incentive compensation and to what employees and types of activities the prohibition applies. Based on these regulatory changes, we modified some of our compensation practices, which could make it more difficult to attract and retain key employees and executives, and affect our ability to grow and maintain our business and enrollments.

In addition, in recent years, several for-profit education companies have been faced with whistleblower lawsuits under the Federal False Claims Act, known as "qui tam" cases, by current or former employees alleging violations of the prohibition against incentive compensation. If the DOE were to determine that we or any of our U.S. Institutions violated this requirement of Title IV programs, or if we were to be found liable in a False Claims action alleging a violation of this law, or if any third parties we have engaged were to violate this law, we could be fined or sanctioned by the DOE, or subjected to other monetary liability or penalties that could be substantial, including the possibility of treble damages under a False Claims action, any of which could harm our reputation, impose significant costs and have a material adverse effect on our business, financial condition and results of operations.

We could be subject to sanctions if any of our U.S. Institutions fails to correctly calculate and timely return Title IV program funds for students who withdraw before completing their educational program.

An institution participating in Title IV programs must calculate the amount of unearned Title IV program funds that it has disbursed to students who withdraw from their educational programs before

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completing such programs and must return those unearned funds to the appropriate lender or the DOE in a timely manner, generally within 45 days of the date the institution determines that the student has withdrawn. If any of our U.S. Institutions does not properly calculate and timely return the unearned funds for a sufficient percentage of students, that institution may have to post a letter of credit in favor of the DOE equal to 25% of Title IV program funds that should have been returned for such students in the prior fiscal year. Additionally, if any of our U.S. Institutions does not correctly calculate and timely return unearned Title IV program funds, that institution may be liable for repayment of Title IV funds and related interest and may be fined, sanctioned, or otherwise subject to adverse actions by the DOE, including termination of that institution's participation in Title IV programs. Any of these adverse actions could increase our cost of regulatory compliance and have a material adverse effect on our business, financial condition and results of operations.

We could also be subject to fines or penalties related to findings cited in our regulatory compliance reviews. For more information, see "—Government, regulatory agencies, accrediting bodies and third parties may conduct compliance reviews, bring claims or initiate litigation against us."

We or certain of our educational programs at our U.S. Institutions may lose eligibility to participate in Title IV programs if any of our U.S. Institutions or certain of their educational programs cannot satisfy the DOE's "gainful employment" requirements.

Under the HEA, proprietary schools generally are eligible to participate in Title IV programs in respect of educational programs that lead to "gainful employment in a recognized occupation." Historically, the concept of "gainful employment" has not been defined in detail. On October 30, 2014, the DOE published regulations to define "gainful employment," which became effective on July 1, 2015. The regulations define this concept using two ratios, one based on annual debt-to-annual earnings ("DTE") and another based on annual debt-to-discretionary income ("DTI") ratio. Under the regulations, an educational program with a DTE ratio at or below 8% or a DTI ratio at or below 20% is considered "passing." An educational program with a DTE ratio greater than 8% but less than or equal to 12% or a DTI ratio greater than 20% but less than or equal to 30% is considered to be "in the zone." An educational program with a DTE ratio greater than 12% and a DTI ratio greater than 30% is considered "failing." An educational program will cease to be eligible for students to receive Title IV program funds if its DTE and DTI ratios are failing in two out of any three consecutive award years or if both of those rates are failing or in the zone for four consecutive award years. The regulations also require an institution to provide warnings to current and prospective students in programs which may lose Title IV eligibility at the end of an award or fiscal year. For more information see "Item 1—Business—Industry Regulation—U.S. Regulation—Regulation of Federal Student Financial Aid Programs—Gainful Employment."

In January 2017, the DOE issued final DTE rates to institutions. Among the Classification of Instructional Programs reported within NewSchool of Architecture and Design, Kendall College and Walden University, the DOE has indicated that we had one that failed and five in the zone. This represents a total of one educational program that failed and ten in the zone. St. Augustine had no programs that failed or were in the zone. The percentage of students enrolled in the educational program that failed represents approximately 1% of the students currently enrolled in our U.S. Institutions. The percentage of students enrolled in the educational programs that were in the zone represents approximately 5%. We are currently examining and implementing options for each of these programs and their students. We are discontinuing the program that failed. For one of the programs in the zone, we conducted an alternate salary survey and are appealing the zone score to the DOE. Additionally, the regulations require an institution to certify to the DOE that its educational programs subject to the gainful employment requirements, which include all programs offered by our U.S. Institutions, meet the applicable requirements for graduates to be professionally or occupationally licensed or certified in the state in which the institution is located. The regulations also include

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requirements for the reporting of student and program data by institutions to the DOE and expand the disclosure requirements that have been in effect since July 1, 2011. On July 5, 2017, the DOE announced that it would allow additional time, until July 1, 2018, for institutions to comply with certain disclosure requirements in the gainful employment regulations.

On June 16, 2017 the DOE published a notice of intent to establish a negotiated rulemaking committee to develop proposed revisions to the gainful employment regulations. The DOE held negotiated rulemaking sessions on the gainful employment rule in December 2017 and February 2018, and will hold another negotiated rulemaking session in March 2018 nt. If issued, any revised gainful employment regulations would be effective July 1, 2019. We cannot predict with any certainty the outcome of the negotiated rulemaking or the extent to which revised gainful employment regulations may differ from the current regulations.

The failure of any program or programs offered by any of our U.S. Institutions to satisfy any gainful employment regulations could render that program or programs ineligible for Title IV program funds. Additionally, any gainful employment data released by the DOE about our U.S. Institutions or warnings provided under the regulations could influence current students not to continue their studies, discourage prospective students from enrolling in our programs or negatively impact our reputation. If a particular educational program ceased to become eligible for Title IV program funds, either because it fails to prepare students for gainful employment in a recognized occupation or due to other factors, we may choose to cease offering the program. It is possible that several programs offered by our schools may be adversely affected by the regulations due to lack of specialized program accreditation or certification or in the states in which such institutions are based. We also could be required to make changes to certain programs in the future in order to comply with the rule or to avoid the uncertainty associated with such compliance. Any of these factors could reduce enrollments, impact tuition prices, and have a material adverse effect on our U.S. Institutions' business, financial condition and results of operations.

If we fail to maintain adequate systems and processes to detect and prevent fraudulent activity in student enrollment and financial aid, our business could be materially adversely affected.

Higher educational institutions are susceptible to an increased risk of fraudulent activity by outside parties with respect to student enrollment and student financial aid programs. The DOE's regulations require institutions that participate in Title IV programs to refer to the Office of Inspector General credible information indicating that any applicant, employee, third-party servicer or agent of the institution that acts in a capacity that involves administration of the Title IV programs has been engaged in any fraud or other illegal conduct involving Title IV programs. We cannot be certain that our systems and processes will always be adequate in the face of increasingly sophisticated and ever-changing fraud schemes. The potential for outside parties to perpetrate fraud in connection with the award and disbursement of Title IV program funds, including as a result of identity theft, may be heightened due to our U.S. Institutions offering various educational programs via distance education. Any significant failure by one or more of our U.S. Institutions to adequately detect fraudulent activity related to student enrollment and financial aid could result in loss of accreditation at the discretion of the institutions' accrediting agency, which would result in the institution losing eligibility for Title IV programs, or in direct action by the DOE to limit or terminate the institution's Title IV program participation. Any of these outcomes could have a material adverse effect on our business, financial condition and results of operations.

Any substantial misrepresentation regarding our U.S. Institutions could have a material adverse effect on our business, financial condition and results of operations.

The DOE's regulation regarding substantial misrepresentations includes statements about the nature of its educational programs, its financial charges or the employability of its graduates. Under the

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regulation as promulgated by the DOE, any false, erroneous, or misleading statement, or statement that has the likelihood or tendency to deceive, that an institution, one of its representatives, or person or entity with whom the institution has an agreement to provide educational programs, marketing, advertising, recruiting or admissions services, makes directly or indirectly to a student, prospective student, any member of the public, an accrediting agency, a state licensing agency or the DOE could be deemed a misrepresentation by the institution. In the event that the DOE determines that an institution engaged in a substantial misrepresentation, it can revoke the institution's program participation agreement, impose limitations on the institution's participation in Title IV programs, deny participation applications on behalf of the institution, or seek to fine, suspend or terminate the institution's participation in Title IV programs. These regulations create broad grounds for the DOE to monitor and enforce violations of the regulations on substantial misrepresentation, and the DOE has recently taken actions to terminate the Title IV Program participation of, and impose significant financial penalties on other institutions based on its determination of such violations. These regulations also provide grounds for private litigants to seek to enforce the expanded regulations through False Claims Act litigation, which could have a material adverse effect on our business, financial condition and results of operations.

The requirement to notify the DOE in advance of introducing new programs, and to obtain approvals for new programs, could delay the introduction of such programs and negatively impact growth.

All of our U.S. Institutions are currently provisionally certified by the DOE and remain subject to certain program approval requirements otherwise applicable to provisionally certified institutions. Any delay in obtaining a required DOE approval could delay the introduction of the program, which could negatively impact our enrollment growth.

A bankruptcy filing by us, or by any of our subsidiaries that operate our U.S. Institutions or a closure of one of our U.S. Institutions or their affiliates, would lead to an immediate loss of the institution's eligibility to participate in Title IV programs.

In the event of a bankruptcy filing by us, or by any of our subsidiaries that operate our U.S. Institutions, the U.S. Institutions owned by us or the bankrupt subsidiary would lose its eligibility to participate in Title IV programs, pursuant to statutory provisions of the HEA and notwithstanding the automatic stay provisions of federal bankruptcy law, which would make any reorganization difficult to implement. Additionally, in the event of any bankruptcy affecting one or more of our U.S. Institutions, the DOE could hold our other U.S. Institutions jointly liable for any Title IV program liabilities, whether asserted or unasserted at the time of such bankruptcy, of our U.S. Institutions whose Title IV program eligibility was terminated.

Further, in the event that an institution closes and fails to pay liabilities or other amounts owed to the DOE, the DOE can attribute the liabilities of that institution to other institutions under common ownership. If any one of our U.S. Institutions or affiliates were to close or have unpaid DOE liabilities, the DOE could seek to have those liabilities repaid by one of our other U.S. Institutions. In addition, the ultimate controlling owner of SFUAD is Wengen, which is also the ultimate controlling owner of Laureate. As a result, it is possible that the DOE could attempt to attribute any unpaid Title IV related liabilities of SFUAD to our other U.S. Institutions, or determine that our U.S. Institutions do not meet the DOE financial responsibility regulations, due to their common ownership. On April 12, 2017, SFUAD announced that it plans to close after the end of the 2017-2018 academic year and will work with its students on a phased teach-out and transfer process leading up to the graduation of students who are eligible to complete their degrees by May 2018 and appropriate transfer opportunities for other students.

Government, regulatory agencies, accrediting bodies and third parties may conduct compliance reviews, bring claims or initiate litigation against us.

Because we operate in a highly regulated industry, we may be subject to compliance reviews and claims of noncompliance and lawsuits by government agencies, regulatory agencies and third parties, including claims brought by third parties on behalf of the federal government. On September 21, 2015, the Higher Learning Commission notified Kendall College that the Higher Learning Commission placed the school on ongoing financial monitoring over the next 24 months. Such action was primarily due to concerns over the school's continued reliance upon Laureate to provide financial support to sustain its operations. See also "—We could be subject to sanctions if any of our U.S. Institutions fails to correctly calculate and timely return Title IV program funds for students who withdraw before completing their educational program." The Higher Learning Commission also conducted an on-site mid-cycle review of Kendall on May 1, 2017. At its March 2018 meeting, the Institutional Actions Council of the Higher Learning Commission will consider the report for that mid-cycle review and Kendall's response. The Institutional Actions Council's recommendation will be considered by the Higher Learning Commission Board at its June 2018 meeting.

On September 8, 2016, as part of a program review that MOHE is conducting of Walden University's doctoral programs, MOHE sent to Walden University an information request regarding its doctoral programs and complaints filed by doctoral students. We have been informed by MOHE that in an effort to better understand the context, background and issues related to doctoral student complaints in Minnesota, MOHE is initiating a full review of doctoral programs for certain institutions registered in Minnesota. MOHE has informed us that it expects to issue a report regarding its program review in 2018.

The Higher Learning Commission conducted an on-site mid-cycle review of Walden University on May 1, 2017. The Higher Learning Commission determined that Walden University met the accreditation criteria, with the exception of two, for which it is requiring the school to submit follow-up reports. Specifically, Walden University must submit an interim report by May 2018 regarding its progress in addressing the "material weakness" (pertaining to Laureate's control over information technology systems) as identified by its auditors in its December 31, 2016 financial statements, and a second interim report by May 2019 regarding retention and graduation rate improvements to doctoral programs.

If the results of these or other reviews or proceedings are unfavorable to us, or if we are unable to defend successfully against lawsuits or claims, we may be required to pay money damages or be subject to fines, limitations, loss of eligibility for Title IV program funding at our U.S. Institutions, injunctions or other penalties. We may also lose or have limitations imposed on our accreditations, licensing or Title IV program participation, be required to pay monetary damages or be limited in our ability to open new institutions or add new program offerings. Even if we adequately address issues raised by an agency review or successfully defend a lawsuit or claim, we may have to divert significant financial and management resources from our ongoing business operations to address issues raised by those reviews or to defend against those lawsuits or claims. Additionally, we may experience adverse collateral consequences, including declines in the number of students enrolling at our institutions and the willingness of third parties to deal with us or our institutions, as a result of any negative publicity associated with such reviews, claims or litigation. Claims and lawsuits brought against us may damage our reputation or cause us to incur expenses, even if such claims and lawsuits are without merit, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Risks Relating to Our Indebtedness

The fact that we have substantial debt could materially adversely affect our ability to raise additional capital to fund our operations and limit our ability to pursue our strategy or to react to changes in the economy or our industry.

We have substantial debt. As of December 31, 2017 we had outstanding: (a) a senior secured credit facility (the "Senior Secured Credit Facilities") consisting of (1) a multi currency revolving credit facility scheduled to mature in April 2022 and (2) a senior secured term loan facility scheduled to mature in April 2024 (the "2024 Term Loan"); (b) senior notes consisting of Senior Notes due 2025; and (c) other long term indebtedness, consisting of capital lease obligations, notes payable, seller notes and borrowings against certain lines of credit. Our debt could have important negative consequences to our business, including:

- increasing the difficulty of our ability to make payments on our outstanding debt;
- increasing our vulnerability to general economic and industry conditions because our debt payment obligations may limit our ability to use our cash to respond to or defend against changes in the industry or the economy;
- requiring a substantial portion of our cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, therefore reducing our ability to use our cash flow to fund our operations, capital expenditures and future business opportunities or to pay dividends;
- limiting our ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes;
- limiting our ability to pursue our strategy;
- limiting our ability to adjust to changing market conditions; and
- placing us at a competitive disadvantage compared to our competitors who are less highly leveraged.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future, subject to the restrictions contained in the senior secured credit agreement governing our Senior Secured Credit Facilities and the indenture governing our outstanding Senior Notes due 2025. If new indebtedness is added to our current debt levels, the related risks that we now face could intensify.

We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments on or to refinance our debt obligations depends on our financial condition and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital or restructure or refinance our indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. Our senior secured credit agreement governing our Senior Secured Credit Facilities and the indenture governing our outstanding Senior Notes due 2025 restrict our ability to dispose of assets and use the proceeds from the

disposition. We may not be able to consummate those dispositions or to obtain the proceeds that we could realize from them and these proceeds may not be adequate to meet any debt service obligations then due.

Repayment of our debt is dependent on cash flow generated by our subsidiaries and their ability to make distributions to us or return cash via other repatriation strategies.

Our subsidiaries own a significant portion of our assets and conduct a significant portion of our operations. Accordingly, repayment of our indebtedness is dependent, to a significant extent, on the generation of cash flow by our subsidiaries and their ability to make such cash available to us, by dividend, debt repayment or otherwise. Because the majority of our indebtedness is denominated in U.S. dollars, the strengthening of the U.S. dollar against the local currencies in countries where we have significant operations has an adverse impact on our cash flows when translated into U.S. dollars and, accordingly, could have a material adverse impact on our ability to repay the obligations under our outstanding indebtedness. Unless they are guarantors of our Senior Secured Credit Facilities or our outstanding notes, our subsidiaries do not have any obligation to pay amounts due on our indebtedness or to make funds available for that purpose. Our subsidiaries may not be able to, or may not be permitted to, make distributions to enable us to make payments in respect of our indebtedness. Each subsidiary is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries. Our non-guarantor subsidiaries include foreign subsidiaries and they may be prohibited by law or other regulations from distributing funds to us and/or we may be subject to payment of repatriation taxes and withholdings. Our non-guarantor subsidiaries account for substantially all of our total revenue, our total Adjusted EBITDA, and our total assets and our total liabilities (other than our Senior Secured Credit Facilities and our outstanding Senior Notes due 2025). While the senior secured credit agreement governing our Senior Secured Credit Facilities and the indenture governing our outstanding Senior Notes due 2025 limit the ability of our subsidiaries to incur consensual restrictions on their ability to pay dividends or make other intercompany payments to us, these limitations are subject to certain qualifications and exceptions. In the event that we do not receive distributions from our subsidiaries or receive cash via other cash repatriation strategies for services rendered and intellectual property, or if the strengthening of the U.S. dollar against local currencies significantly reduces the amount of such distributions when translated into U.S. dollars, we may be unable to make required principal and interest payments on our indebtedness.

Our debt agreements contain, and future debt agreements may contain, restrictions that may limit our flexibility in operating our business.

The senior secured credit agreement governing our Senior Secured Credit Facilities and the indenture governing our outstanding Senior Notes due 2025 contain various covenants that may limit our ability to engage in specified types of transactions. These covenants limit our and our restricted subsidiaries' ability to, among other things:

- pay dividends and make certain distributions, investments and other restricted payments;
- incur additional indebtedness, issue disqualified stock or issue certain preferred shares;
- sell assets;
- enter into transactions with affiliates;
- create certain liens or encumbrances;
- preserve our corporate existence;
- merge, consolidate, sell or otherwise dispose of all or substantially all of our assets; and

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- designate our subsidiaries as unrestricted subsidiaries.

In addition, the senior secured credit agreement governing our Senior Secured Credit Facilities provides for compliance with the Consolidated Senior Secured Debt to Consolidated EBITDA Ratio, as defined in the senior secured credit agreement, solely with respect to the revolving line of credit facility, which is tested quarterly. The maximum ratio, as defined, was 5.3x, 4.5x and 3.75x at December 31, 2015, 2016 and 2017, respectively. As of December 31, 2017, we satisfied certain conditions under the Senior Secured Credit Facilities; therefore, we were not subject to this leverage ratio covenant as of December 31, 2017.

The senior secured credit agreement governing our Senior Secured Credit Facilities and the indenture governing our outstanding Senior Notes due 2025 also include cross-default provisions applicable to other agreements. A breach of any of these covenants could result in a default under the agreement governing such indebtedness, including as a result of cross-default provisions. In addition, failure to make payments or observe certain covenants on the indebtedness of our subsidiaries may cause a cross default on our Senior Secured Credit Facilities and our outstanding Senior Notes due 2025. Upon our failure to maintain compliance with these covenants, the lenders could elect to declare all amounts outstanding to be immediately due and payable and terminate all commitments to extend further credit. If the lenders under such indebtedness accelerate the repayment of borrowings, we cannot assure you that we will have sufficient assets to repay those borrowings, as well as our other indebtedness. We have pledged a significant portion of our assets as collateral under our Senior Secured Credit Facilities. If we were unable to repay those amounts, the lenders under our Senior Secured Credit Facilities could proceed against the collateral granted to them to secure that indebtedness.

We rely on contractual arrangements and other payments, advances and transfers of funds from our operating subsidiaries to meet our debt service and other obligations.

We conduct all of our operations through certain of our subsidiaries, and we have no significant assets other than cash of \$11.3 million as of December 31, 2017 held at corporate entities and the capital stock or other control rights of our subsidiaries. As a result, we rely on payments from contractual arrangements, such as intellectual property royalty, network fee and management services agreements. In addition, we also rely upon intercompany loan repayments and other payments from our operating subsidiaries to meet any existing or future debt service and other obligations, a substantial portion of which are denominated in U.S. dollars. The ability of our operating subsidiaries to pay dividends or to make distributions or other payments to their parent companies or directly to us will depend on their respective operating results and may be restricted by, among other things, the laws of their respective jurisdictions of organization, regulatory requirements, agreements entered into by those operating subsidiaries and the covenants of any existing or future outstanding indebtedness that we or our subsidiaries may incur. For example, our VIE institutions generally are not permitted to pay dividends. Further, because most of our income is generated by our operating subsidiaries in non-U.S. dollar denominated currencies, our ability to service our U.S. dollar denominated debt obligations may be affected by any strengthening of the U.S. dollar compared to the functional currencies of our operating subsidiaries.

Disruptions of the credit and equity markets worldwide may impede or prevent our access to the capital markets for additional funding to expand our business and may affect the availability or cost of borrowing under our existing senior secured credit facilities.

The credit and equity markets of both mature and developing economies have historically experienced extraordinary volatility, asset erosion and uncertainty, leading to governmental intervention in the banking sector in the United States and abroad. If these market disruptions occur in the future, we may not be able to access the capital markets to obtain funding needed to refinance our existing

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indebtedness or expand our business. In addition, changes in the capital or other legal requirements applicable to commercial lenders may affect the availability or increase the cost of borrowing under our Senior Secured Credit Facilities. If we are unable to obtain needed capital on terms acceptable to us, we may need to limit our growth initiatives or take other actions that materially adversely affect our business, financial condition, results of operations and cash flows.

Failure to obtain additional capital in the future could materially adversely affect our ability to grow.

We believe that our cash flows from operations, cash, investments and borrowings under our multi-currency revolving credit facility will be adequate to fund our current operating plans for the foreseeable future. However, we may need additional debt or equity financing in order to finance our continued growth and to fund the put/call arrangements with certain minority stockholders. In addition, we may be required to buy additional interests in certain higher education institutions and redeem the shares of our Series A Preferred Stock at specified times in the future. The amount and timing of such additional financing will vary principally depending on the timing and size of acquisitions and new institution openings, the willingness of sellers to provide financing for future acquisitions and the cash flows from our operations. Given current global macro conditions, companies with emerging market exposure have been more affected by recent market volatility, which has been reflected in the trading level of our Senior Notes due 2025, which have at various times traded at a significant discount to par. During the second quarter of 2015, one of the leading U.S. credit rating agencies downgraded our credit rating one notch and during the second quarter of 2016, another of the leading U.S. credit rating agencies downgraded our credit rating one notch. A significantly discounted trading price for our Senior Notes due 2025, as well as the reduced credit rating, could materially and adversely affect our ability to obtain additional debt financing in the future. To the extent that we require additional financing in the future and are unable to obtain such additional financing, we may not be able to fully implement our strategy.

Our variable rate debt exposes us to interest rate risk which could materially adversely affect our cash flow.

Borrowings under our Senior Secured Credit Facilities and certain local credit facilities bear interest at variable rates and other debt we incur also could be variable-rate debt. If market interest rates increase, variable-rate debt will create higher debt service requirements, which could materially adversely affect our cash flow. If these rates were to increase significantly, the risks related to our substantial debt would intensify. While we have and may in the future enter into agreements limiting our exposure to higher interest rates, any such agreements may not offer complete protection from this risk. Based on our outstanding variable-rate debt as of December 31, 2017, after factoring in the impact of derivatives, an increase of 1% in interest rates would result in an increase in interest expense of approximately \$13.4 million on an annual basis.

Risks Relating to Investing in Our Class A Common Stock

Our status as a public benefit corporation may not result in the benefits that we anticipate.

We are a public benefit corporation under Delaware law. As a public benefit corporation we are required to balance the financial interests of our stockholders with the best interests of those stakeholders materially affected by our conduct, including particularly those affected by the specific benefit purpose relating to education set forth in our certificate of incorporation. In addition, there is no assurance that the expected positive impact from being a public benefit corporation will be realized. Accordingly, being a public benefit corporation and complying with our related obligations could negatively impact our ability to provide the highest possible return to our stockholders.

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As a public benefit corporation, we are required to publicly disclose a report at least biennially on our overall public benefit performance and on our assessment of our success in achieving our specific public benefit purpose. If we are not timely or are unable to provide this report, or if the report is not viewed favorably by parties doing business with us or regulators or others reviewing our credentials, our reputation and status as a public benefit corporation may be harmed.

As a public benefit corporation, our focus on a specific public benefit purpose and producing a positive effect for society may negatively influence our financial performance.

As a public benefit corporation, we may take actions that we believe will benefit our students and the surrounding communities, even if those actions do not maximize our short- or medium-term financial results. While we believe that this designation and obligation will benefit the Company given the importance to our long-term success of our commitment to education, it could cause our board of directors to make decisions and take actions not in keeping with the short-term or more narrow interests of our stockholders. Any longer-term benefits may not materialize within the timeframe we expect or at all and may have an immediate negative effect. For example:

- we may choose to revise our policies in ways that we believe will be beneficial to our students and their communities in the long term, even though the changes may be costly in the short- or medium-term;
- we may take actions, such as modernizing campuses to provide students with the latest technology, even though these actions may be more costly than other alternatives;
- in exiting a market that is not meeting our goals, we may choose to "teach out" the existing student body over several years rather than lose an institution; even though this could be substantially more expensive;
- we may be influenced to pursue programs and services to demonstrate our commitment to our students and communities even though there is no immediate return to our stockholders; or
- in responding to a possible proposal to acquire the Company, our board of directors may be influenced by the interests of our employees, students, teachers and others whose interests may be different from the interests of our stockholders.

We may be unable or slow to realize the long-term benefits we expect from actions taken to benefit our students and communities in which we operate, which could materially adversely affect our business, financial condition and results of operations, which in turn could cause our stock price to decline.

The price of our Class A common stock has been and may continue to be volatile, and you could lose all or part of your investment as a result.

We completed our IPO in February 2017. Since our IPO, the price of our Class A common stock, as reported by the Nasdaq Global Select Market, has ranged from a low of \$10.46 on November 15, 2017 to a high of \$18.96 on June 28, 2017. The trading price of our Class A common stock may continue to fluctuate and is dependent upon a number of factors, including those described in this "Item 1A—Risk Factors" section, many of which are beyond our control and may not be related to our operating performance. These fluctuations could cause you to lose all or part of your investment in our Class A common stock as you may be unable to sell your shares at or above the price you paid, or at all. Factors that could cause fluctuations in the trading price of our Class A common stock include the following:

- quarterly variations in our results of operations;
- results of operations that vary from the expectations of securities analysts and investors;

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- results of operations that vary from those of our competitors;
- changes in expectations as to our future financial performance, including financial estimates by securities analysts and investors;
- our or our competitors' introduction of new institutions, new programs, concepts or pricing policies;
- announcements by us, our competitors or our vendors of significant acquisitions, joint marketing relationships, joint ventures or capital commitments;
- changes in laws or conditions in the education industry, the financial markets or the economy as a whole;
- failure of any of our institutions to secure or maintain accreditation or licensure;
- announcements of regulatory or other investigations, adverse regulatory action by any regulatory body including those overseas or the DOE, state agencies or accrediting agencies, regulatory scrutiny of our operations or operations of our competitors or lawsuits filed against us or our competitors;
- announcements by third parties of significant claims or proceedings against us;
- the size of our public float;
- changes in senior management or key personnel;
- changes in our dividend policy;
- adverse resolution of new or pending litigation against us;
- the occurrence of any event described in "Item 1A—Risk Factors";
- issuances, exchanges or sales, or expected issuances, exchanges or sales of our capital stock; and
- general domestic and international economic conditions.

In the past, following periods of market volatility, stockholders have instituted securities class action litigation. We may be the target of this type of litigation in the future. If we were to become involved in securities litigation, it could have a substantial cost and divert resources and the attention of our management team from our business regardless of the outcome of such litigation.

In addition, price volatility may be greater if the public float and trading volume of our Class A common stock is low. As a result, you may suffer a loss on your investment.

If we or our existing investors sell or announce an intention to sell additional shares of our Class A common stock, and when all outstanding shares of our Series A Preferred Stock are converted into shares of our Class A common stock, the market price of our Class A common stock could decline.

The market price of our Class A common stock could decline as a result of sales of a large number of shares of Class A common stock in the market, or the perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to raise capital through future sales of equity securities at a time and at a price that we deem appropriate, or at all.

The holders of the shares of Series A Preferred Stock may convert their shares of Series A Preferred Stock into shares of our Class A common stock at any time. We expect to issue an aggregate of approximately 35.3 million to 40.0 million shares of Class A common stock if all such shares of Series A Preferred Stock are converted. Depending on when and in what manner the shares of Series A Preferred Stock are converted, or may be sold pursuant to a registration statement or

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Rule 144, the shares of Class A common stock issued upon conversion may or may not be subject to any lock up agreements and may be sold pursuant to Rule 144 under the Securities Act of 1933, as amended, depending on their holding period and subject to restrictions in the case of shares held by persons deemed to be our affiliates.

As of December 31, 2017, 132,442,994 shares of our Class B common stock were outstanding. Such amount excludes 1,772,374 shares of Class B common stock issuable upon the exercise of outstanding vested stock options under the 2007 Stock Incentive Plan (the "2007 Plan"), 6,512,946 shares of Class B common stock issuable upon the exercise of outstanding vested stock options under the 2013 Long-Term Incentive Plan (the "2013 Plan"), 150,987 shares of Class B common stock subject to outstanding unvested stock options under the 2013 Plan, 1,646,946 shares of Class A common stock and/or Class B common stock reserved for future issuance under the 2013 Plan, 7,432 shares of Class B common stock reserved for future issuance under the Laureate Education, Inc. Deferred Compensation Plan (the "Deferred Compensation Plan"), and all shares of Class A common stock issuable upon conversion of the Series A Preferred Stock. See Note 19, Benefit Plans, in our consolidated financial statements for additional information regarding the Deferred Compensation Plan. All of our outstanding shares of Class B common stock became eligible for sale on August 5, 2017. Sales of a substantial number of shares of our Class B common stock, which will automatically convert into Class A common stock upon sale, could cause the market price of our Class A common stock to decline.

Because we have no current plans to pay cash dividends on our common stock for the foreseeable future, and our debt arrangements and the Series A Preferred Stock place certain restrictions on our ability to do so, you may not receive any return on investment unless you sell your Class A common stock for a price greater than that which you paid for it.

We may retain future earnings, if any, for future operation, expansion, debt repayment and the possible mandatory redemption of the shares of Series A Preferred Stock pursuant to the terms of the certificate of designations governing our Series A Preferred Stock (the "Certificate of Designations") and have no current plans to pay any cash dividends for the foreseeable future. Any decision to declare and pay dividends in the future will be made at the discretion of our board of directors and will depend on, among other things, our results of operations, financial condition, cash requirements, contractual restrictions, restrictions on dividends imposed by the Certificate of Designations and other factors that our board of directors may deem relevant. In addition, our ability to pay dividends may be limited by covenants of any existing and future outstanding indebtedness we or our subsidiaries incur, including our Senior Secured Credit Facilities and the indenture governing our outstanding notes, and the terms of our Series A Preferred Stock. In addition, we are permitted under the terms of our debt instruments to incur additional indebtedness, which may restrict or prevent us from paying dividends on our common stock. Furthermore, our ability to declare and pay dividends may be limited by instruments governing future outstanding indebtedness we may incur. As a result, you may not receive any return on an investment in our Class A common stock unless you sell your Class A common stock for a price greater than that which you paid for it.

The dual class structure of our common stock as contained in our certificate of incorporation has the effect of concentrating voting control with those stockholders who held our stock prior to our initial public offering, including Wengen and our executive officers, employees and directors and their affiliates, and limiting your ability to influence corporate matters.

Each share of our Class B common stock has ten votes per share, and each share of our Class A common stock has one vote per share. As of December 31, 2017, stockholders who hold shares of Class B common stock, including Wengen, and our executive officers, employees and directors and their affiliates, together hold approximately 96.0% of the voting power of our outstanding capital stock, and

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therefore have significant influence over the management affairs of the Company and control over all matters requiring stockholder approval, including election of directors and significant corporate transactions, such as a merger or other sale of our company or its assets, for the foreseeable future. Because of the 10-to-1 voting ratio between our Class B and Class A common stock, the holders of our Class B common stock collectively will continue to control a majority of the combined voting power of our common stock even when the shares of Class B common stock represent less than a majority of the outstanding shares of our Class A and Class B common stock.

The Wengen Investors have control over our decisions to enter into any corporate transaction and the ability to prevent any transaction that requires stockholder approval regardless of whether others believe that the transaction is in our best interests. So long as the Wengen Investors continue to have an indirect interest in a majority of our outstanding Class B common stock, they have the ability to control the vote in any election of directors. This concentrated control limits your ability to influence corporate matters. The interests of the Wengen Investors and other holders of Class B common stock may not coincide with the interests of holders of the Class A common stock. In addition, in connection with the completion of our IPO, we entered into a new Wengen Securityholders' Agreement dated as of February 6, 2017, by and among Wengen, Laureate and the other parties thereto (as amended and restated from time to time, the "Wengen Securityholders' Agreement"), pursuant to which certain of the Wengen Investors have certain rights to appoint directors to our board of directors and its committees.

In addition, the Wengen Investors are in the business of making or advising on investments in companies and may hold, and may from time to time in the future acquire, interests in or provide advice to businesses that directly or indirectly compete with certain portions of our business or are suppliers or customers of ours.

The Certificate of Designations governing the terms of our Series A Preferred Stock contains rights and privileges that may adversely affect the holders of our Class A common stock, and, if we are unable to redeem the shares of Series A Preferred Stock when required, the holders of the shares of Series A Preferred Stock could take control of our board of directors and force a sale of the Company.

So long as there are shares of Series A Preferred Stock outstanding, the holders of such security are entitled to annual dividends and have seniority upon any distribution of the Company's cash and other assets. The holders of Series A Preferred Stock also have veto power over certain corporate matters, such as (i) amending or repealing any provision of our certificate of incorporation or bylaws that would adversely affect the rights, preferences, privileges or voting powers of the Series A Preferred Stock, including any amendment that would increase or decrease the authorized number of shares of Series A Preferred Stock, and (ii) if it is not a follow-on public offering after our initial public offering in which the holders of the Series A Preferred Stock receive net proceeds not less than the Priority Amount, the first public offering of our common stock following a QPO (as defined below) or an initial public offering that is not a QPO. The holders of shares of the Series A Preferred Stock may have interests adverse to holders of our Class A common stock and the exercise of such rights may have a negative impact on the value of Class A common stock or the amount of cash or other assets the holders of our common stock may receive in connection with a distribution or merger, consolidation or share exchange.

In addition, if we fail to redeem the shares of Series A Preferred Stock when required after the fifth anniversary of the issue date, the holders of the Series A Preferred Stock are entitled to appoint two members to our board of directors and the dividend rate increases to 18.0% per annum. For a period of 120 days following the appointment of such directors, we must work in good faith with the holders of the Series A Preferred Stock to structure a mutually agreeable capital fundraising transaction to redeem the then outstanding shares of Series A Preferred Stock. If, after such 120 day period, any shares of Series A Preferred Stock remain outstanding, the holders of the Series A

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Preferred Stock may nominate a number of individuals to our board of directors such that after such nomination the holders of the Series A Preferred Stock control a majority of our board of directors and, after which, the holders of Series A Preferred Stock may cause a sale of the Company and/or cause the Company to raise debt or equity capital in an amount sufficient to redeem the remaining outstanding shares of Series A Preferred Stock.

We are a "controlled company" within the meaning of the Nasdaq rules and, as a result, qualify for, and rely on, exemptions from certain corporate governance requirements. Holders of our securities do not have the same protections afforded to stockholders of companies that are subject to such requirements.

Wengen controls a majority of the voting power of our outstanding common stock. As a result, we are a "controlled company" within the meaning of the Nasdaq corporate governance standards. Under these rules, a company of which more than 50% of the voting power is held by an individual, group or another company is a "controlled company" and may elect not to comply with certain corporate governance requirements, including:

- the requirement that a majority of the board of directors consist of independent directors;
- the requirement that we have a nominating/corporate governance committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities;
- the requirement that we have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and
- the requirement for an annual performance evaluation of the nominating/corporate governance and compensation committees.

We currently utilize these exemptions and intend to continue to do so. As a result, we do not have a majority of independent directors, our nominating and corporate governance committee and our compensation committee do not consist entirely of independent directors and such committees are not subject to annual performance evaluations. Accordingly, for so long as we are a "controlled company," you will not have the same protections afforded to holders of securities of companies that are subject to all of the corporate governance requirements of Nasdaq.

Provisions in our certificate of incorporation, Certificate of Designations and bylaws and the Delaware General Corporation Law could make it more difficult for a third party to acquire us and could discourage a takeover and adversely affect the holders of our Class A common stock.

Provisions of our amended and restated certificate of incorporation and amended and restated bylaws, as well as provisions of Delaware law could discourage, delay or prevent a merger, acquisition or other change in control of the Company, even if such change in control would be beneficial to the holders of our Class A common stock. These provisions include:

- the dual class structure of our common stock;
- authorizing the issuance of "blank check" preferred stock that could be issued by our board of directors to increase the number of outstanding shares and thwart a takeover attempt;
- prohibiting the use of cumulative voting for the election of directors;
- as a public benefit corporation, requiring a two-thirds majority vote of the outstanding stock to effect a non-cash merger with an entity that is not a public benefit corporation with an identical public benefit;
- limiting the ability of stockholders to call special meetings or amend our bylaws;

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- following the conversion of all of our Class B common stock into Class A common stock, requiring all stockholder actions to be taken at a meeting of our stockholders;
- establishing advance notice and duration of ownership requirements for nominations for election to the board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings; and
- certain protective provisions in favor of the holders of Series A Preferred Stock.

These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of your choosing and cause us to take other corporate actions you desire. In addition, because our board of directors is responsible for appointing the members of our management team, these provisions could in turn affect any attempt by our stockholders to replace current members of our management team.

We may issue additional shares of preferred stock in the future, which could make it difficult for another company to acquire us or could otherwise adversely affect holders of our Class A common stock, which could depress the price of our Class A common stock.

Our amended and restated certificate of incorporation authorizes us to issue one or more additional series of preferred stock. Our board of directors has the authority to determine the preferences, limitations and relative rights of any additional shares of preferred stock and to fix the number of shares constituting any series and the designation of such series, without any further vote or action by our stockholders. Additional series of preferred stock could be issued with voting, liquidation, dividend and other rights superior to the rights of our Class A common stock. The potential issuance of an additional series of preferred stock may delay or prevent a change in control of us, discourage bids for our Class A common stock at a premium to the market price, and materially adversely affect the market price and the voting and other rights of the holders of our Class A common stock.

The provision of our certificate of incorporation requiring exclusive venue in the Court of Chancery in the State of Delaware for certain types of lawsuits may have the effect of discouraging lawsuits against our directors and officers.

Our amended and restated certificate of incorporation requires, to the fullest extent permitted by law, that (a) any derivative action or proceeding brought on our behalf, (b) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (c) any action asserting a claim against us arising pursuant to any provision of the Delaware General Corporation Law (the "DGCL") or our amended and restated certificate of incorporation or the bylaws or (d) any action asserting a claim against us governed by the internal affairs doctrine will have to be brought only in the Court of Chancery in the State of Delaware. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock is deemed to have notice of and to have consented to the provisions of our amended and restated certificate of incorporation described above. This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or any of our directors, officers, other employees or stockholders, which may discourage lawsuits with respect to such claims. Alternatively, if a court were to find the choice of forum provision contained in our certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could materially adversely affect our business, financial condition, results of operations and cash flows.

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If we do not maintain adequate coverage of our Class A common stock by securities analysts or if they publish unfavorable commentary about us or our industry or downgrade our Class A common stock, the trading price of our Class A common stock could decline.

The trading price for our Class A common stock could be affected by any research or reports that securities analysts publish about us or our business. If one or more of the analysts who cover us or our business downgrade their evaluations of our Class A common stock, the price of our Class A common stock could decline. We may be unable to maintain adequate research coverage, and if one or more analysts cease coverage of our company, we could lose visibility in the market for our Class A common stock, which in turn could cause our stock price to decline.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Laureate is headquartered in Baltimore, Maryland. As of December 31, 2017, there were more than 200 Laureate locations around the world. These locations include buildings and land comprising a total of approximately 124.8 million square feet, of which, approximately 59.3 million square feet were under lease and approximately 65.6 million square feet were owned. The following table summarizes the properties leased and owned by segment:

Segment	Square feet leased space	Square feet owned space	Total square feet
Brazil	11,479,548	2,837,295	14,316,843
Mexico	29,005,537	8,998,500	38,004,037
Andean & Iberian	6,743,514	13,193,993	19,937,507
Central America & U.S. Campuses	6,481,212	3,446,200	9,927,412
EMEA	4,331,886	34,893,959	39,225,845
Online & Partnerships	812,531	—	812,531
Corporate (including headquarters)	152,728	—	152,728
Total	59,006,956	63,369,947	122,376,903

Our Brazil, Mexico, Andean & Iberian, Central America & U.S. Campuses and EMEA segments lease and own various sites that may include a local headquarters and all or some of the facilities of a campus or location. In many countries, our facilities are subject to mortgages.

Our Online & Partnerships segment has offices at our headquarters location in Baltimore and leases seven additional facilities in Columbia, Maryland; Minneapolis, Minnesota; Tempe, Arizona; San Antonio, Texas; Gdansk, Poland; Liverpool, England and Amsterdam, Netherlands. Our headquarters consists of two leased facilities in Baltimore, Maryland, which are used primarily for office space.

We monitor the capacity of our higher education institutions on a regular basis and make decisions to expand capacity based on expected enrollment and other factors. Our leased facilities are occupied under leases whose remaining terms range from one month to 23 years. A majority of these leases contain provisions giving us the right to renew the lease for additional periods at various rental rates, although generally at rates higher than we are currently paying.

ITEM 3. LEGAL PROCEEDINGS

We are party to various claims and legal proceedings from time to time. Except as described below, we are not aware of any legal proceedings that we believe could have, individually or in the aggregate, a material adverse effect on our business, results of operations or financial condition.

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On October 5, 2016, a student filed suit against us and Walden University in the United States District Court for the Southern District of Ohio in the matter of *Latonya Thornhill v. Walden University, et. al.*, claiming that her progress in her program was delayed by Walden University and seeking class action status to represent a nationwide class of purportedly similarly situated doctoral students. The claims include fraud in the inducement, breach of contract, consumer fraud under the laws of Maryland and Ohio, and unjust enrichment. We and Walden University were served on October 17, 2016. On December 16, 2016, we and Walden University filed a motion to dismiss the claims and a motion to strike the class action certification request. On January 12, 2017, the plaintiff filed an amended complaint, making modifications to supplement some of the factual allegations and seeking to change the governing law of the case to the law of Minnesota. A substantive response to the amended complaint was filed on February 9, 2017. After the parties fully briefed motions to dismiss the complaint as well as the request for class certification, the *Thornhill* court ruled on October 10, 2017 that the plaintiff could file a further amended complaint. A Second Amended Complaint was filed on October 13, 2017 supplementing some of the factual allegations and on October 27, 2017 we filed motions to dismiss the complaint and strike the request for class certification, which have been fully briefed. Further, the Court has temporarily stayed discovery in this case in its entirety, other than with respect to plaintiff Thornhill individually, pending the outcome of the various motions to dismiss noted above. Walden University and we intend to defend against this case vigorously, including the request to certify a nationwide class.

On October 18, 2016, a former student filed suit against us and Walden University pro se in the United States District Court for the District of Maryland in the matter of *Eric D. Streeter v. Walden University, et. al. (Case No. 1CCB6-CV-3460)*, claiming that his progress in his program was delayed by Walden University and Laureate. The claims include unjust enrichment, breach of contract, violation of the Maryland Consumer Protection Act, violation of the Due Process Clause in the Fourteenth Amendment, libel, and violation of the False Claims Act. We filed a motion to dismiss on April 12, 2017, which was granted on December 5, 2017. The plaintiff is pursuing an appeal of the dismissal with the U.S. Fourth Circuit Court of Appeals. Walden University and we intend to defend against this case vigorously.

In addition, several groups of current and former students filed separate law suits in the Seventh Judicial Circuit in and for St. Johns County, Florida against St. Augustine relating to matters arising before we acquired that institution in November 2013. The pending suits are *Hemingway et al. v. University of St. Augustine for Health Sciences, Inc.* filed on August 12, 2013; *Johnson v. University of St. Augustine for Health Sciences, LLC* filed on June 16, 2016 and *Miller v. University of St. Augustine for the Health Sciences, LLC* filed on February 12, 2018. The allegations in the cases relate to a program that was launched in May 2011 and, at the time, offered a "Master of Orthopaedic Physician's Assistant Program" degree. The plaintiffs in these matters allege that the university misrepresented their ability to practice as licensed Physician Assistants with a heightened specialty in orthopaedics. The plaintiffs are seeking relief including refund of tuition paid to St. Augustine, as well as loan debt incurred by the plaintiffs while attending St. Augustine, loss of future earnings and litigation costs. The *Hemingway* matter is scheduled for trial in October 2018. The *Johnson* matter is at a preliminary stage of discovery. Motions to consolidate the *Johnson* and *Miller* cases into the *Hemingway* case were filed on February 12, 2018. We believe the claims in these cases are without merit and intend to defend vigorously against the allegations. With respect to the three pending St. Augustine cases, under the terms of the acquisition agreement for St. Augustine, we expect to be indemnified by the seller for substantially all of the liability with respect to any claims in these cases. We also have a right of set-off against the seller for such amounts.

On November 16, 2016, Michael S. Ryan, the former chief accounting officer of the Company, filed a complaint with the Occupational Safety and Health Administration of the U.S. Department of Labor alleging retaliatory employment practices in violation of the whistleblower provisions of the

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Sarbanes-Oxley Act (*Michael S. Ryan vs. Laureate Education, Inc., Case No. 3-0050-17-011*). The complaint also alleges a lack of compliance with U.S. GAAP and violations of certain SEC rules and regulations. The complaint does not seek any specified amount of damages. The Company has investigated the allegations made in the complaint with the assistance of outside legal and accounting advisers and believes that its consolidated financial statements are in compliance with U.S. GAAP and SEC rules and regulations in all material respects and that the allegations are baseless and without merit. The Company intends to assert all appropriate defenses to these allegations and filed a statement of position with the U.S. Department of Labor on December 13, 2016. On March 13, 2017 Mr. Ryan submitted a reply to the Company's statement of position. The Company intends to continue to defend itself vigorously.

During 2010, we were notified by the Spanish Taxing Authorities ("STA") (in this case, by the Regional Inspection Office of the Special Madrid Tax Unit) that an audit of some of our Spanish subsidiaries was being initiated for 2006 and 2007. On June 29, 2012, the STA issued a final assessment to Iniciativas Culturales de España, S.L. ("ICE"), our Spanish holding company, for approximately EUR 11.1 million (\$13.1 million at December 31, 2017), including interest, for those two years based on its rejection of the tax deductibility of financial expenses related to certain intercompany acquisitions and the application of the Spanish ETVE regime. On July 25, 2012, we filed a claim with the Regional Economic-Administrative Court challenging this assessment and, in the same month, we issued a cash-collateralized letter of credit for the assessment amount, in order to suspend the payment of the tax due. Further, in July 2013, we were notified by the STA (in this case, by the Central Inspection Office for Large Taxpayers) that an audit of ICE was also being initiated for 2008 through 2010. On October 19, 2015, the STA issued a final assessment to ICE for approximately EUR 17.2 million (\$20.4 million at December 31, 2017), including interest, for those three years. We have appealed this assessment and, in order to suspend the payment of the tax assessment until the court decision, we issued a cash-collateralized letter of credit for the assessment amount plus interest and surcharges. We believe the assessments in this case are without merit and intend to defend vigorously against them. During the second quarter of 2016, we were notified by the STA that tax audits of the Spanish subsidiaries were also being initiated for 2011 and 2012; no assessments have yet been issued for these years. Also during the second quarter of 2016, the Regional Administrative Court issued a decision against the Company on its appeal. The Company has further appealed at the Highest Administrative Court level, which appeal has been rejected. The Company has appealed both decisions to the National Court. In July 2017, we were notified by the STA that tax audits of the Spanish subsidiaries for 2011 and 2012 were being extended to include 2013; no assessments have yet been issued for 2013. In the first quarter of 2018, we made payments to the STA totaling EUR 29.6 million (approximately US \$35.1 million at December 31, 2017) in order to reduce the amount of future interest that could be incurred as the appeals process continues. The payments were made using cash that collateralized the letters of credit discussed above.

In June 2016, Li Shihong and Hunan Lieying Education Investment Management Co Ltd commenced civil proceedings in the Changsha Intermediary Court in the People's Republic of China against Zhang Jiangbo, Zhang Jianbo, Chin Zhingxian, Hunan New Lieying Science and Education Co Ltd and Hunan International Economics University, our network institution in China ("HIEU"). Zhang Jiangbo, Zhang Jianbo and Chin Zhingxian were the minority shareholders in the HIEU group. The plaintiffs claim that the defendants are liable to pay an amount of RMB 170 million (approximately \$25.0 million at June 30, 2017) based on a debt repayment document executed in 2014. The document was signed by the minority shareholders and Hunan New Lieying Science and Education Co Ltd and Zhang Jiangbo, allegedly on behalf of HIEU, in effect as a guarantor and a seal was affixed, allegedly being that of HIEU. The plaintiffs also claim interest and litigation expenses. HIEU has filed a defense and evidence in this matter contending that Zhang Jiangbo was not authorized to execute the document on behalf of HIEU, nor to affix any HIEU seal, and contending further that in any event an education institution is not permitted to guarantee a loan for non-educational purposes.

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Zhang Jiangbo has admitted to the court that he lacked such authorization. The Changsha Intermediary Court issued a judgment on October 25, 2017 which dismissed this claim. The plaintiffs appealed to the Higher People's Court of Hainan Province.

In November 2017, Chin Zhingxian (a minority shareholder in the HIEU group) commenced civil proceedings in the Higher Court of Hunan Province in the People's Republic of China against LEI Lie Ying Limited and Steven Lin (a Laureate employee) seeking return of a capital contribution of RMB 172,019,779.35 and for loss of interest of RMB 28 million or the distribution of dividends in an equivalent amount. Neither LEI Lie Ying Limited nor Mr Lin have yet been served with these proceedings. In connection with these proceedings, the court has prohibited the transfer of shares in Hunan Lie Ying Industry Co Ltd held by LEI Lie Ying Limited equal to 10.6% of the shares in Hunan Lie Ying Industry Co Ltd. pending resolution of the matter on the merits. The defendants intend to contest these proceedings vigorously.

In December 2017, Guangdong Nanbo Education Investment Co Ltd (a minority shareholder in the HIEU group) commenced civil proceedings in the Higher Court of Hunan Province in the People's Republic of China against LEI Lie Ying Limited (as majority shareholder) and Laureate Shanghai alleging the invalidity of service agreements entered into between HIEU and Laureate Shanghai and the infringement by LEI Lie Ying Limited of HIEU's interests, seeking the repayment of RMB 265 million fees paid under those agreements. In connection with these proceedings, the court has prohibited the transfer of shares in Hunan Lie Ying Industry Co Ltd held by LEI Lie Ying Limited equal to 22.8% of the shares in Hunan Lie Ying Industry Co Ltd. pending resolution of the matter on the merits. The defendants intend to contest these proceedings vigorously.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our Class A common stock has traded on the Nasdaq under the symbol "LAUR" since February 1, 2017. Prior to that date, there was no public trading market for our Class A common stock. As a result, the quarterly information with respect to the high and low prices for our Class A common stock for the first quarter of 2017 reflects only a partial quarter. On March 15, 2018, the last reported sale price of our common stock was \$13.35. There is currently no established public trading market for our Class B common stock.

	High	Low
First Quarter	\$ 14.49	\$ 12.12
Second Quarter	\$ 18.96	\$ 12.81
Third Quarter	\$ 18.24	\$ 13.78
Fourth Quarter	\$ 14.79	\$ 10.46

Holders of Record

There were 17 holders of record of our Class A common stock and 235 holders of record of our Class B common stock as of March 15, 2018. The number of beneficial owners of our Class A common stock is substantially greater than the number of record holders, because substantially all of our Class A common stock is held in "street name" by banks and brokers.

Dividend Policy

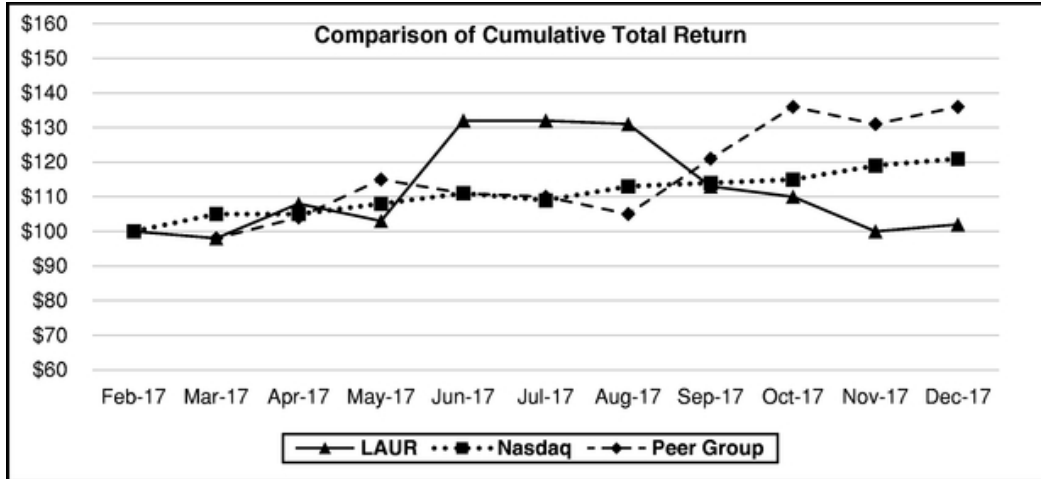
We currently do not anticipate paying any cash dividends on our Class A common stock or Class B common stock in the foreseeable future. We expect to retain our future earnings, if any, for use in the operation and expansion of our business. The terms of our senior secured credit agreement governing our Senior Secured Credit Facilities, the indenture governing our outstanding Senior Notes and the Certificate of Designations governing our Series A Preferred Stock limit our ability to pay cash dividends in certain circumstances. Furthermore, if we are in default under the senior secured credit agreement governing our Senior Secured Credit Facilities or the indenture governing our outstanding Senior Notes, our ability to pay cash dividends will be limited in the absence of a waiver of that default or an amendment to such agreement or such indenture. In addition, our ability to pay cash dividends on shares of our Class A common stock may be limited by restrictions on our ability to obtain sufficient funds through dividends from our subsidiaries. For more information on our senior secured credit agreement governing our Senior Secured Credit Facilities and the indenture governing our outstanding Senior Notes, see "Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 10, Debt. Subject to the foregoing, the payment of cash dividends in the future, if any, will be at the discretion of our board of directors and will depend upon such factors as earnings levels, capital requirements, our overall financial condition and any other factors deemed relevant by our board of directors.

Equity Compensation Plan Information

This information will be contained in our definitive proxy statement for the 2018 Annual Meeting of Stockholders, to be filed within 120 days following the end of our fiscal year, and is incorporated herein by reference.

Stock Performance Graph

The following graph compares the cumulative total return of our Class A common stock, an industry peer group index, and the Nasdaq Composite Index from February 1, 2017 (the first day on which our Class A common stock traded on the Nasdaq Global Select Market) through December 31, 2017. We believe our industry peer group represents the majority of the market value of publicly traded companies whose primary business is postsecondary education. The returns set forth on the following graph are based on historical results and are not intended to suggest future performance. The performance graph assumes \$100 investment on February 1, 2017 in either our common stock, the companies in our industry peer group, or the Nasdaq Composite Index. Data for the Nasdaq Composite Index and our peer group assume reinvestment of dividends.



The peer group included in the performance graph above consists of Capella Education Company (CPLA), Adtalem Global Education, Inc. (ATGE), Grand Canyon Education, Inc. (LOPE), Strayer Education, Inc. (STRA), Kroton Educacional S.A. (KROT3), and Estacio Participações S.A. (ESTC3).

The information contained in the performance graph shall not be deemed "soliciting material" or to be "filed" with the SEC, nor shall such information be deemed incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that we specifically incorporate it by reference into such filing.

Recent Sales of Unregistered Securities

None.

ITEM 6. SELECTED FINANCIAL DATA

Set forth below are selected consolidated financial data of Laureate Education, Inc., at the dates and for the periods indicated. The selected historical statements of operations data and statements of cash flows data for the fiscal years ended December 31, 2017, 2016 and 2015 and balance sheet data as of December 31, 2017 and 2016 have been derived from our historical audited consolidated financial statements included elsewhere in this Form 10-K. The selected historical statements of operations data and statements of cash flows data for the fiscal years ended December 31, 2014 and 2013 and balance sheet data as of December 31, 2015, 2014 and 2013 have been derived from our historical audited consolidated financial statements not included in this Form 10-K. Our historical results are not necessarily indicative of our future results. The data should be read in conjunction with the consolidated financial statements, related notes, and other financial information included therein.

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The selected historical consolidated financial data should be read in conjunction with "Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this Form 10-K.

(Dollar amounts in thousands)	Fiscal Year Ended December 31,				
	2017	2016	2015	2014	2013
Consolidated Statements of Operations:					
Revenues	\$ 4,377,989	\$ 4,244,192	\$ 4,291,659	\$ 4,414,682	\$ 3,913,881
Costs and expenses:					
Direct costs	3,665,134	3,615,338	3,760,016	3,838,179	3,418,449
General and administrative expenses	315,471	222,496	194,686	151,215	141,197
Loss on impairment of assets	40,597	23,465	—	125,788	33,582
Operating income	356,787	382,893	336,957	299,500	320,653
Interest income	19,669	18,670	13,328	21,822	21,805
Interest expense	(362,904)	(421,936)	(398,042)	(385,754)	(350,196)
Loss on debt extinguishment	(8,392)	(17,363)	(1,263)	(22,984)	(1,361)
Gain (loss) on derivatives	28,656	(6,084)	(2,607)	(3,101)	6,631
Other (expense) income, net	(2,193)	910	195	(1,184)	7,499
Foreign currency exchange gain (loss), net	5,838	67,450	(149,178)	(109,970)	(3,102)
(Loss) gain on sale of subsidiaries, net(1)	(10,662)	406,557	—	—	—
Income (loss) from continuing operations before income taxes and equity in net income (loss) of affiliates	26,799	431,097	(200,610)	(201,671)	1,929
Income tax benefit (expense)	66,813	(65,001)	(117,730)	39,060	(91,246)
Equity in net income (loss) of affiliates, net of tax	152	90	2,495	158	(905)
Income (loss) from continuing operations	93,764	366,186	(315,845)	(162,453)	(90,222)
Income from discontinued operations, net of tax of \$0, \$0, \$0, \$0, and \$0, respectively	—	—	—	—	796
Gain on sales of discontinued operations, net of tax of \$0, \$0, \$0, \$0 and \$1,864, respectively	—	—	—	—	4,350
Net income (loss)	93,764	366,186	(315,845)	(162,453)	(85,076)
Net (income) loss attributable to noncontrolling interests	(2,299)	5,661	(403)	4,162	15,398
Net income (loss) attributable to Laureate Education, Inc.	\$ 91,465	\$ 371,847	\$ (316,248)	\$ (158,291)	\$ (69,678)

- (1) In 2016, represented a gain of approximately \$249.4 million resulting from the Swiss institutions sale that closed on June 14, 2016, a gain of approximately \$148.7 million, subject to certain adjustments, resulting from the French institutions sale that closed on July 20, 2016 and a gain of approximately \$8.5 million resulting from the sale of Sichuan Tianyi College that closed in December 2016. In 2017, primarily represents a final purchase price settlement related to the sale of the Swiss institutions.

(Dollar amounts in thousands)	Fiscal Year Ended December 31,				
	2017	2016	2015	2014	2013
Consolidated Statements of Cash Flows:					
Net cash provided by operating activities of continuing operations	\$ 130,756	\$ 184,570	\$ 170,486	\$ 269,156	\$ 277,202
Net cash (used in) provided by investing activities of continuing operations	(324,530)	269,234	(173,642)	(489,181)	(899,083)
Net cash provided by (used in) financing activities of continuing operations	222,795	(445,722)	34,424	172,586	756,663
Net cash provided by operating activities of discontinued operations	—	—	—	—	344
Net cash provided by discontinued operations	—	—	—	—	344
Effects of exchange rate changes on cash	23,974	(1,790)	(34,179)	(50,877)	(12,531)
Business acquisitions, net of cash acquired	(835)	—	(6,705)	(287,945)	(177,550)
Payments of contingent consideration for acquisitions	—	—	(1,275)	—	(5,674)
Change in cash included in current assets held for sale	(49,227)	—	—	—	—
Segment Data:					
Revenues:					
Brazil	\$ 765,746	\$ 690,804	\$ 672,917	\$ 713,623	\$ 569,018
Mexico	646,154	626,011	678,193	741,755	701,871
Andean & Iberian	1,313,872	1,188,599	1,121,408	1,162,500	1,139,744
Central America and U.S. Campuses	291,877	274,860	263,283	254,754	217,926
EMEA	697,244	788,683	881,664	885,202	640,590
Online & Partnerships	690,374	704,976	707,998	683,084	664,573
Corporate	(27,278)	(29,741)	(33,804)	(26,236)	(19,841)
Total revenues	<u>\$4,377,989</u>	<u>\$4,244,192</u>	<u>\$4,291,659</u>	<u>\$4,414,682</u>	<u>\$3,913,881</u>
Other Data:					
Total enrollments (rounded to the nearest hundred):					
Brazil	271,200	259,000	257,200	255,600	156,800
Mexico	214,200	213,800	205,000	195,000	184,300
Andean & Iberian	321,800	308,600	291,800	260,700	230,500
Central America and U.S. Campuses	69,200	68,100	64,700	62,300	67,200
EMEA	128,100	125,400	130,000	117,500	96,700
Online & Partnerships	63,500	68,300	72,400	68,300	67,000
Total	<u>1,068,000</u>	<u>1,043,200</u>	<u>1,021,100</u>	<u>959,400</u>	<u>802,500</u>
New enrollments (rounded to the nearest hundred):					
Brazil	149,900	134,500	142,300	105,000	83,700
Mexico	107,300	108,400	101,000	97,000	93,000
Andean & Iberian	126,700	126,500	121,700	116,600	109,100
Central America and U.S. Campuses	44,700	43,100	39,300	36,000	39,100
EMEA	51,500	55,900	60,700	57,700	34,600
Online & Partnerships	35,000	39,300	39,500	37,300	35,600
Total	<u>515,100</u>	<u>507,700</u>	<u>504,500</u>	<u>449,600</u>	<u>395,100</u>

(Dollar amounts in thousands)	As of December 31,				
	2017	2016	2015	2014	2013
Consolidated Balance Sheets:					
Cash and cash equivalents	\$ 468,733	\$ 464,965	\$ 458,673	\$ 461,584	\$ 559,900
Restricted cash and investments	224,934	189,319	160,585	149,438	361,832
Net working capital (deficit) (including cash and cash equivalents)	(85,895)	(324,431)	(491,084)	(589,744)	(267,861)
Property and equipment, net	1,934,904	2,151,633	2,290,900	2,514,319	2,656,726
Goodwill	1,954,666	1,934,464	2,115,897	2,469,795	2,376,678
Tradenames	1,295,614	1,307,633	1,361,125	1,461,762	1,519,737
Other intangible assets, net	35,927	46,700	52,197	93,064	29,973
Total assets	7,391,723	7,062,470	7,403,445	8,314,446	8,340,549
Total debt, including due to shareholders of acquired companies	3,440,867	4,019,312	4,698,007	4,734,834	4,401,461
Deferred compensation	14,470	14,128	32,343	115,575	188,394
Total liabilities, excluding debt, due to shareholders of acquired companies and derivative instruments	1,935,729	2,008,965	2,278,252	2,454,929	2,333,941
Convertible redeemable preferred stock	400,276	332,957	—	—	—
Redeemable noncontrolling interests and equity	13,721	23,876	51,746	43,876	42,165
Total Laureate Education, Inc. stockholders' equity	1,575,164	632,210	324,759	1,017,068	1,465,755

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our results of operations and financial condition with the "Selected Financial Data" and the audited historical consolidated financial statements and related notes included elsewhere in this Form 10-K. This discussion contains forward-looking statements and involves numerous risks and uncertainties, including, but not limited to, those described in the "Item 1A. Risk Factors" section of this Form 10-K. Actual results may differ materially from those contained in any forward-looking statements. See "Forward-Looking Statements."

Introduction

This Management's Discussion and Analysis of Financial Condition and Results of Operations (the "MD&A") is provided to assist readers of the financial statements in understanding the results of operations, financial condition and cash flows of Laureate Education, Inc. This MD&A should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. The consolidated financial statements included elsewhere in this Annual Report on Form 10-K are presented in U.S. dollars (USD) rounded to the nearest thousand, with the amounts in MD&A rounded to the nearest tenth of a million. Therefore, discrepancies in the tables between totals and the sums of the amounts listed may occur due to such rounding. Our MD&A is presented in the following sections:

- Overview;
- Results of Operations;
- Liquidity and Capital Resources;
- Contractual Obligations;
- Off-Balance Sheet Arrangements;
- Critical Accounting Policies and Estimates; and
- Recently Issued Accounting Standards.

Overview

Our Business

We are the largest global network of degree-granting higher education institutions with more than one million students enrolled at our 66 institutions in 24 countries on more than 200 campuses as of December 31, 2017, which we collectively refer to as the *Laureate International Universities* network. We participate in the global higher education market, which was estimated to account for revenues of approximately \$1.5 trillion in 2015, according to Global Silicon Valley (GSV). We believe the global higher education market presents an attractive long-term opportunity, primarily because of the large and growing imbalance between the supply and demand for quality higher education around the world. Advanced education opportunities drive higher earnings potential, and we believe the projected growth in the middle-class population worldwide and limited government resources dedicated to higher education create substantial opportunities for high-quality private institutions to meet this growing and unmet demand. Our outcomes-driven strategy is focused on enabling millions of students globally to prosper and thrive in the dynamic and evolving knowledge economy.

In 1999, we made our first investment in higher education and, since that time, we have developed into the global leader in higher education, based on the number of students, institutions and countries making up our network. As of December 31, 2017, our global network of 66 institutions comprised 55 institutions we owned or controlled, and an additional 11 institutions that we managed or with which

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we had other relationships. We have six reporting segments as described below. We group our institutions by geography in: 1) Brazil; 2) Mexico; 3) Andean & Iberian; 4) Central America & U.S. Campuses; and 5) Europe, Middle East, Africa and Asia Pacific (EMEA) for reporting purposes. Our sixth segment, Online & Partnerships, includes fully online institutions that operate globally.

Assets Held For Sale

As discussed in Note 3, Assets Held for Sale, of our consolidated financial statements included elsewhere in this Annual Report on Form 10-K, the Company has identified certain subsidiaries in our EMEA and Central America & U.S. Campuses segments that may not reach a scale that will be meaningful for Laureate, and has undertaken a process to sell these entities. The Company has begun entering into sale agreements for these entities and closing of the sale transactions began in the first quarter of 2018; see also Note 25, Subsequent Events, in our consolidated financial statements included elsewhere in our Form 10-K. Our December 31, 2017 presentation includes these held for sale entities; however, as the sale transactions are completed in 2018 they will cause reductions to, among other things, our future institution counts, country counts, enrollment and revenues. There are notes included in various sections of the MD&A to aid in identifying these future impacts.

Our Segments



As previously disclosed in our Quarterly Report on Form 10-Q for the period ended September 30, 2017, effective August 1, 2017, we changed our operating segments in order to realign our segments according to how our chief operating decision maker allocates resources and assesses performance. The change includes the creation of three operating segments (Brazil, Mexico and Andean & Iberian) from the previous Latin America (LatAm) segment. Our institutions in Spain and Portugal (Iberian) have moved from the Europe, Middle East, Africa and Asia Pacific (EMEA) segment and combined with our institutions in Chile and Peru to form the Andean & Iberian segment. In addition, our institutions in Central America, which were previously part of the LatAm segment, have combined with our campus-based institutions in the United States, which were previously part of the GPS segment, to

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from the Central America & U.S. Campuses segment. The Online & Partnerships segment consists of the online institutions that were previously part of the GPS segment. This change has been reflected in the segment information for the year ended December 31, 2017. As required, the segment information presented for comparative purposes for the years ended December 31, 2016 and 2015 has also been revised to reflect this change.

Our campus-based segments generate revenues by providing an education that emphasizes professional-oriented fields of study with undergraduate and graduate degrees in a wide range of disciplines. Our educational offerings are increasingly utilizing online and hybrid (a combination of online and in-classroom) courses and programs to deliver their curriculum. Many of our largest campus-based operations are in developing markets which are experiencing a growing demand for higher education based on favorable demographics and increasing secondary completion rates, driving increases in participation rates and resulting in continued growth in the number of higher education students. Traditional higher education students (defined as 18-24 year olds) have historically been served by public universities, which have limited capacity and are often underfunded, resulting in an inability to meet the growing student demand and employer requirements. This supply and demand imbalance has created a market opportunity for private sector participants. Most students finance their own education. However, there are some government-sponsored student financing programs which are discussed below. These campus-based segments include Brazil, Mexico, Andean & Iberian, Central America & U.S. Campuses and EMEAA. Specifics related to each of these campus-based segments and our Online & Partnerships segment are discussed below:

- In Brazil, approximately 75% of post-secondary students are enrolled in private higher education institutions. While the federal government defines the national curricular guidelines, institutions are licensed to operate by city. Laureate owns 13 institutions in eight states throughout Brazil, with a particularly strong presence in the competitive São Paulo market. Many students finance their own education while others rely on the government-sponsored programs such as Prouni and FIES.
- Public universities in Mexico enroll approximately two-thirds of students attending post-secondary education. However, many public institutions are faced with capacity constraints or the quality of the education is considered low. Laureate owns two institutions and is present throughout the country with a footprint of over 40 campuses. Each institution in Mexico has a national license. Students in our Mexican institutions typically finance their own education.
- The Andean & Iberian segment includes institutions in Chile, Peru, Portugal and Spain. In Chile, private universities enroll approximately 80% of post-secondary students. In Peru, the public sector plays a significant role but private universities are increasingly providing the capacity to meet growing demand. In Spain and Portugal, the high demand for post-secondary education places capacity constraints on the public sector, pushing students to turn to the private sector for high-quality education. Chile has government-sponsored student financing programs, while in the other countries students generally finance their own education.
- The Central America & U.S. Campuses segment includes institutions in Costa Rica, Honduras, Panama and the United States. Students in Central America typically finance their own education while students in the United States finance their education in a variety of ways, including Title IV programs.
- The EMEAA segment includes institutions in the European countries of Cyprus, Germany, Italy and Turkey, as well as locations in the Middle East, Africa and Asia Pacific consisting of campus-based institutions with operations in Australia, China, India, Malaysia, Morocco, New Zealand, South Africa and Thailand. Additionally, EMEAA manages nine licensed institutions in the Kingdom of Saudi Arabia and manages one additional institution in China through a joint venture arrangement.

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- The Online & Partnerships segment includes fully online institutions operating globally that offer professionally-oriented degree programs in the United States through Walden University, a U.S.-based accredited institution, and through the University of Liverpool and the University of Roehampton in the United Kingdom. These online institutions primarily serve working adults with undergraduate and graduate degree program offerings. Students in the United States finance their education in a variety of ways, including Title IV programs.

Corporate is a non-operating business unit whose purpose is to support operations. Its departments are responsible for establishing operational policies and internal control standards; implementing strategic initiatives; and monitoring compliance with policies and controls throughout our operations. Our Corporate segment is an internal source of capital and provides financial, human resource, information technology, insurance, legal and tax compliance services. The Corporate segment also contains the eliminations of intersegment revenues and expenses.

The following information for our operating segments is presented as of December 31, 2017:

	Countries(2)	Institutions	Enrollment	2017 YTD Revenues (\$ in millions)(1)	% Contribution to 2017 YTD Revenues
Brazil	1	13	271,200	\$ 765.7	17%
Mexico	1	2	214,200	646.2	15%
Andean & Iberian	4	15	321,800	1,313.9	30%
Central America & U.S. Campuses(2)(3)	4	8	69,200	291.9	6%
EMEA(4)(5)	13	25	128,100	697.2	16%
Online & Partnerships(2)(6)	2	3	63,500	690.4	16%
Total(1)(2)	24	66	1,068,000	\$ 4,378.0	100%

- The elimination of intersegment revenues and amounts related to Corporate, which total \$27.3 million, is not separately presented.
- Our Central America & U.S. Campuses and Online & Partnerships segments both have institutions located in the United States. The total reflects the elimination of this duplication.
- In January 2018, we entered into an agreement to sell the assets of Kendall College, LLC (Kendall) in our Central America & U.S. Campuses, which had approximately 1,100 students as of December 31, 2017.
- Effective January 2018, three institutions in our EMEA segment, European University Cyprus (EUC), Nuova Accademia di Belle Arti Milano (NABA) in Italy, which includes Domus Academy, and Hunan International Economics University (HIEU) in China, which collectively had approximately 38,600 students as of December 31, 2017, are no longer part of the *Laureate International Universities* network as a result of sale transactions.
- During 2017, we entered into agreements to sell the entities that operate Université Internationale de Casablanca (UIC) in Morocco and INTI University and Colleges (INTI) in Malaysia. These two institutions are included in our EMEA segment and had a total student population of approximately 18,900 students as of December 31, 2017. See Note 3, Assets Held for Sale, in our consolidated financial statements included elsewhere in our Form 10-K for more information.
- In December 2017, we stopped accepting new enrollments at the University of Roehampton, an institution in our Online & Partnerships segment.

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Challenges

Our global operations are subject to complex business, economic, legal, regulatory, political, tax and foreign currency risks, which may be difficult to adequately address. The majority of our operations are outside the United States. As a result, we face risks that are inherent in international operations, including: fluctuations in exchange rates, possible currency devaluations, inflation and hyper-inflation; price controls and foreign currency exchange restrictions; potential economic and political instability in the countries in which we operate; expropriation of assets by local governments; key political elections and changes in government policies; multiple and possibly overlapping and conflicting tax laws; and compliance with a wide variety of foreign laws. We plan to grow our business organically by: 1) adding new programs and course offerings; 2) expanding target student demographics; and 3) increasing capacity at existing and new campus locations. Our success in growing our business will depend on the ability to anticipate and effectively manage these and other risks related to operating in various countries.

Regulatory Environment and Other Matters

Our business is subject to regulation by various agencies based on the requirements of local jurisdictions. These agencies continue to review and update regulations as they deem necessary. We cannot predict the form of the rules that ultimately may be adopted in the future or what effects they might have on our business, financial condition, results of operations and cash flows. We will continue to develop and implement necessary changes that enable us to comply with such regulations. See "Risk Factors—Risks Relating to Our Business—Our institutions are subject to uncertain and varying laws and regulations, and any changes to these laws or regulations or their application to us may materially adversely affect our business, financial condition and results of operations, Risk Factors—Risks Relating to Our Business—Political and regulatory developments in Turkey may materially adversely affect us, "Risk Factors—Risks Relating to Our Business—Political and regulatory developments in Chile have materially adversely affected us and may continue to affect us, Risk Factors—Risks Relating to Our Business—Our ability to control our institutions may be materially adversely affected by changes in laws affecting higher education in certain countries in which we operate, Risk Factors-Risks Relating to Our Highly Regulated Industry in the United States,"and "Item 1—Business—Industry Regulation," for a detailed discussion of our different regulatory environments and Note 20, Legal and Regulatory Matters, in our consolidated financial statements included elsewhere in this Form 10-K.

Key Business Metrics

Enrollment

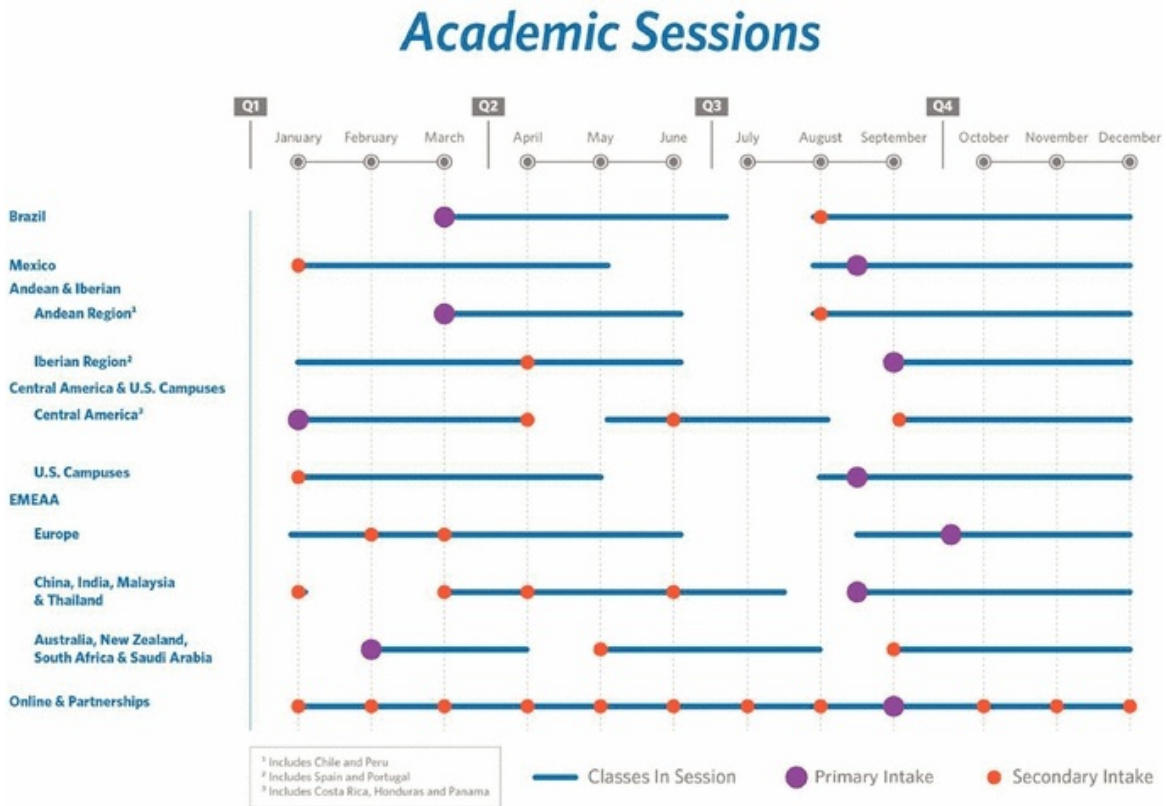
Enrollment is our lead revenue indicator and represents our most important non-financial metric. We define "enrollment" as the number of students registered in a course on the last day of the enrollment reporting period. New enrollments provide an indication of future revenue trends. Total enrollment is a function of continuing student enrollments, new student enrollments and enrollments from acquisitions, offset by graduations, attrition and enrollment decreases due to dispositions. Attrition is defined as a student leaving the institution before completion of the program. To minimize attrition, we have implemented programs that involve assisting students in remedial education, mentoring, counseling and student financing.

Each of our institutions has an enrollment cycle that varies by geographic region and academic program. During each academic year, each institution has a "Primary Intake" period in which the majority of the enrollment occurs. Most institutions also have one or more smaller "Secondary Intake" periods. The first calendar quarter generally coincides with the Primary Intakes for our institutions in Brazil, the Andean Region, Central America, Australia, New Zealand, South Africa and Saudi Arabia. The third calendar quarter generally coincides with the Primary Intakes for our institutions in Mexico,

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the Iberian Region, U.S. Campuses, Europe, China, India, Malaysia, Thailand and the Online & Partnerships segment.

The following chart shows our enrollment cycles. Shaded areas in the chart represent periods when classes are generally in session and revenues are recognized. Areas that are not shaded represent summer breaks during which revenues are not typically recognized. The large circles indicate the Primary Intake start dates of our institutions, and the small circles represent Secondary Intake start dates.



Pricing

We continually monitor market conditions and carefully adjust our tuition rates to meet local demand levels. We proactively seek the best price and content combinations to ensure that we remain competitive in all the markets in which we operate.

Principal Components of Income Statement

Revenues

Tuition is the largest component of our revenues and we recognize tuition revenues on a weekly basis as classes are being taught. The amount of tuition generated in a given period depends on the price per credit hour and the total credit hours or price per program taken by the enrolled student population. Deferred revenue and student deposits on our consolidated balance sheets consist of tuition paid prior to the start of academic sessions and unearned tuition amounts recorded as accounts receivable after an academic session begins. The price per credit hour varies by program, by market

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and by degree level. Additionally, varying levels of discounts and scholarships are offered depending on market-specific dynamics and individual achievements of our students. Revenues are reported net of scholarships, other discounts, refunds, waivers and the fair value of any guarantees made by Laureate related to student financing programs. In addition to tuition revenues, we generate other revenues from ancillary product sales, dormitory/residency fees, student fees and other education-related services. These other revenues are less material to our overall financial results and have a tendency to trend with tuition revenues. The main drivers of changes in revenues between periods are student enrollment and price.

Direct Costs

Our direct costs include labor and operating costs associated with the delivery of services to our students, including the cost of wages, payroll taxes, and benefits for institution employees, depreciation and amortization, rent, utilities, bad debt expenses and marketing and promotional costs to grow future enrollments. In general, a significant portion of our direct costs tend to be variable in nature and trend with enrollment, and management continues to monitor and improve the efficiency of instructional delivery. Conversely, as campuses expand, direct costs may grow faster than enrollment growth as infrastructure investments are made in anticipation of future enrollment growth.

General and Administrative Expenses

Our general and administrative expenses primarily consist of costs associated with corporate departments, including executive management, finance, legal, business development and other departments that do not provide direct operational services.

Factors Affecting Comparability

Acquisitions

Our past experiences provide us with the expertise to further our mission of providing high-quality, accessible and affordable higher education to students by expanding into new markets, primarily through acquisitions. Acquisitions affect the comparability of our financial statements from period to period. Acquisitions completed during one period impact comparability to a prior period in which we did not own the acquired entity. Therefore, changes related to such entities are considered "incremental impact of acquisitions" for the first 12 months of our ownership. We made two acquisitions in 2015, no acquisitions in 2016 and only one small acquisition in 2017 that had essentially no impact on the comparability of the periods presented.

Dispositions

Certain strategic initiatives may include the sale of institutions such as the 2016 sales of our Swiss and French institutions. In June 2016, we completed the sale of our Swiss and associated institutions for total net proceeds of approximately \$339 million, and in July 2016 we completed the sale of our French institutions for total net proceeds of approximately \$207 million. Such dispositions affect the comparability of our financial statements from period to period. Dispositions completed during one period impact comparability to a prior period in which we owned the divested entity. Therefore, changes related to such entities are considered "incremental impact of dispositions" for the first 12 months subsequent to the disposition.

Foreign Exchange

The majority of our institutions are located outside the United States. These institutions enter into transactions in currencies other than USD and keep their local financial records in a functional currency other than the USD. We monitor the impact of foreign currency movements and the

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correlation between the local currency and the USD. Our revenues and expenses are generally denominated in local currency. The USD is our reporting currency and our subsidiaries operate in various other functional currencies, including: Australian Dollar, Brazilian Real, Chilean Peso, Chinese Renminbi, Costa Rican Colon, Euro, Honduran Lempira, Hong Kong Dollar, Indian Rupee, Malaysian Ringgit, Mexican Peso, Moroccan Dirham, New Zealand Dollar, Peruvian Nuevo Sol, Polish Zloty, Saudi Riyal, South African Rand, Thai Baht and Turkish Lira. The principal foreign exchange exposure is the risk related to the translation of revenues and expenses incurred in each country from the local currency into USD. The impact of changing foreign currency exchange rates increased consolidated revenues by approximately \$62 million for the year ended December 31, 2017 and reduced consolidated revenues by approximately \$180 million and \$689 million for the years ended December 31, 2016 and 2015, respectively, as compared to the comparable preceding period. For the years ended December 31, 2017, 2016, and 2015, the impact of changing foreign currency exchange rates reduced consolidated Adjusted EBITDA by approximately \$5 million, \$10 million and \$142 million, respectively, as compared to the comparable preceding period. We experienced a proportionally greater negative impact related to the years ended December 31, 2015 and the first half of 2016, which resulted from the significant weakening against the USD experienced by most currencies where we have significant operations. See "Risk Factors—Risks Relating to Our Business—Our reported revenues and earnings may be negatively affected by the strengthening of the U.S. dollar and currency exchange rates." In order to provide a framework for assessing how our business performed excluding the effects of foreign currency fluctuations, we present organic constant currency in our segment results, which is calculated using the change from prior-year average foreign exchange rates to current-year average foreign exchange rates, as applied to local-currency operating results for the current year.

Seasonality

Most of the institutions in our network have a summer break during which classes are generally not in session and minimal revenues are recognized. In addition to the timing of summer breaks, holidays such as Easter also have an impact on our academic calendar. Operating expenses, however, do not fully correlate to the enrollment and revenue cycles, as the institutions continue to incur expenses during summer breaks. Given the geographic diversity of our institutions and differences in timing of summer breaks, our second and fourth quarters are stronger revenue quarters as the majority of our institutions are in session for most of these respective quarters. Our first and third fiscal quarters are weaker revenue quarters because the majority of our institutions have summer breaks for some portion of one of these two quarters. Due to this seasonality, revenues and profits in any one quarter are not necessarily indicative of results in subsequent quarters and may not be correlated to new enrollment in any one quarter.

Income Tax Expense

Our consolidated income tax provision is derived based on the combined impact of federal, state and foreign income taxes. Laureate has operations in multiple countries, many of which have statutory tax rates lower than the United States. Generally, lower tax rates in these foreign jurisdictions, along with Laureate's intent and ability to indefinitely reinvest foreign earnings outside of the United States, results in an effective tax rate lower than the statutory rate in the United States. Further, discrete items can arise in the course of our operations that can further impact the Company's effective tax rate for the period. Our tax rate fluctuates from period to period due to changes in the mix of earnings between our tax-paying entities, our tax-exempt entities and our loss-making entities for which it is not more likely than not that a tax benefit will be realized on the loss. The pre-tax result from our profitable entities for the years ended December 31, 2017 and 2016 was \$602.0 million and \$596.7 million, respectively.

Results of Operations

The following discussion of the results of our operations is organized as follows:

- Summary Comparison of Consolidated Results;
- Non-GAAP Financial Measure; and
- Segment Results.

Summary Comparison of Consolidated Results

Discussion of Significant Items Affecting the Consolidated Results for the Years Ended December 31, 2017, 2016 and 2015

Year Ended December 31, 2017

During the second quarter of 2017, the Company completed refinancing transactions that resulted in repayment of the previous senior credit facility and the redemption of the 9.250% Senior Notes due 2019 (the Senior Notes due 2019) (other than \$250.0 million in aggregate principal amount of the Senior Notes due 2019 that the Company exchanged on April 21, 2017 for substantially identical but non-redeemable notes issued under a new indenture (the Exchanged Notes)). As a result of the refinancing transactions, during the quarter ended June 30, 2017, we recorded approximately \$22.8 million in General and administrative expenses related to new third-party costs. We also recorded a Loss on debt extinguishment of \$8.4 million as a result of the refinancing transactions combined with the repayment of notes in the first quarter related to the note exchange transaction, as discussed in Note 10, Debt in our consolidated financial statements included elsewhere in this Form 10-K.

On August 11, 2017, the remaining Senior Notes due 2019 were exchanged for a total of 18.7 million shares of the Company's Class A common stock and the Senior Notes due 2019 were canceled.

In November 2017, we completed the sale of property and equipment at Ad Portas, a for-profit real estate subsidiary in our Andean & Iberian segment, to UDLA Ecuador a licensed institution in Ecuador that was formerly consolidated into Laureate. We recognized an operating gain on the sale of this property and equipment of approximately \$20.3 million.

In December 2017, we reached a final purchase price settlement agreement with the buyer of our Swiss hospitality management schools in 2016 and made a payment of approximately \$9.3 million. The total settlement amount was approximately \$10.3 million, which we recognized as (Loss) gain on sales of subsidiaries, net, in the Consolidated Statement of Operations for the year ended December 31, 2017, as it represented an adjustment of the sale purchase price. This loss is included in other non-operating income in the table below.

Impairment

Upon completion of our impairment testing for 2017, we recorded a total impairment loss of \$40.6 million. The impairment charges recorded in 2017 relate almost entirely to the disposal groups described in Note 3, Assets Held for Sale, in our consolidated financial statements included elsewhere in the Form 10-K, which under ASC 360-10 are required to be recorded at the lower of their carrying values or their estimated 'fair values less costs to sell.' Two subsidiaries in our Central America & U.S. Campuses that met the held-for-sale criteria during the fourth quarter of 2017 recorded Tradenames impairment of \$5.4 million and approximately \$12.0 million of impairments of long-lived assets. Several subsidiaries in one country within our EMEA segment that are classified as held-for-sale at December 31, 2017 recorded Tradenames impairment of \$3.1 million and approximately \$13.0 million of impairment of long-lived assets. Since the estimated fair values of these disposal groups were less

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than their carrying values by more than the carrying value of the long-lived assets, we recorded an impairment on the long-lived assets and wrote the remaining Tradenames and Property and equipment, net down to a carrying value of \$0.

The remaining portion of the impairment charges recorded in 2017 related to impairments of certain Property and equipment, net as well as impairments of Deferred costs and Other intangible assets, which were not associated with the assets held for sale. These included the impairment of a lease intangible, certain modular buildings and online course development costs.

Year Ended December 31, 2016

On June 14, 2016, we sold the operations of Gliion in Switzerland and the United Kingdom, and the operations of Les Roches in Switzerland and the United States, as well as Haute école spécialisée Les Roches-Gruyère SA (LRG) in Switzerland, Les Roches Jin Jiang in China, Royal Academy of Culinary Arts (RACA) in Jordan and Les Roches Marbella in Spain, which resulted in a gain on sale of approximately \$249.4 million. This gain is included in other non-operating income in the table below.

On July 20, 2016, we sold the operations of École Supérieure du Commerce Extérieur (ESCE), Institut Français de Gestion (IFG), European Business School (EBS), École Centrale d'Electronique (ECE), and Centre d'Études Politiques et de la Communication (CEPC), which resulted in a gain on sale of approximately \$148.7 million. This gain is included in other non-operating income in the table below.

In December 2016, we completed the sale of our remaining 21% ownership interest in Sichuan Tianyi College (Tianyi) in China, which resulted in a gain on sale of approximately \$8.5 million. This gain is included in other non-operating income in the table below.

Impairment

Upon completion of our impairment testing for 2016, we recorded a total impairment loss of \$23.5 million in our EMEAA segment. We recorded a goodwill impairment charge of \$4.2 million related to our institutions in Germany and \$19.3 million at Monash South Africa (MSA). The weakness of the South African Rand and challenging economic conditions have resulted in a change to our capital allocation strategy for this business, resulting in an impairment charge in the fourth quarter of 2016. We determined the fair value of the reporting units using an income approach based primarily on discounted cash flow projections.

Year Ended December 31, 2015

On March 5, 2015, we completed the sale of our interest in HSM Group Management Focus Europe Global S.L. (HSM). We recognized a net gain of \$2.0 million in equity in net income (loss) of affiliates, net of tax, for the year ended December 31, 2015.

During the quarter ended June 30, 2015, we reassessed our position regarding certain ongoing Spanish tax audits and, as a result of recent adverse decisions from the Spanish Supreme Court and Spanish National Court on cases for taxpayers with similar facts, it was determined that we could no longer support a more-likely-than-not position and therefore recorded a provision of \$42.1 million relating to these tax audits.

During the fourth quarter of 2015, we approved a plan of restructuring, which primarily included workforce reductions in order to reduce operating costs in response to overcapacity at certain locations. We incurred employee termination costs of \$15.5 million resulting from a reduction in force at certain locations, including \$3.3 million in our Brazil segment, \$0.1 million in our Mexico segment, \$4.1 million in our Andean & Iberian segment, \$0.5 million in our Central America & U.S. Campuses, \$5.7 million in our EMEAA segment, \$1.5 million in our Online & Partnerships segment and \$0.3 million incurred at Corporate.

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Comparison of Consolidated Results for the Years Ended December 31, 2017, 2016 and 2015

(in millions)	2017	2016	2015	% Change Better/(Worse)	
				2017 vs. 2016	2016 vs. 2015
Revenues	\$ 4,378.0	\$ 4,244.2	\$ 4,291.7	3%	(1)%
Direct costs	3,665.1	3,615.3	3,760.0	(1)%	4%
General and administrative expenses	315.5	222.5	194.7	(42)%	(14)%
Loss on impairment of assets	40.6	23.5	—	(73)%	nm
Operating income	356.8	382.9	337.0	(7)%	14%
Interest expense, net of interest income	(343.2)	(403.3)	(384.7)	15%	(5)%
Other non-operating income (expense)	13.2	451.5	(152.9)	(97)%	nm
Income (loss) from continuing operations before income taxes and equity in net income of affiliates	26.8	431.1	(200.6)	(94)%	nm
Income tax benefit (expense)	66.8	(65.0)	(117.7)	nm	45%
Equity in net income of affiliates, net of tax	0.2	0.1	2.5	100%	(96)%
Net income (loss)	93.8	366.2	(315.8)	(74)%	nm
Net (income) loss attributable to noncontrolling interests	(2.3)	5.7	(0.4)	140%	nm
Net income (loss) attributable to Laureate Education, Inc.	\$ 91.5	\$ 371.8	\$ (316.2)	(75)%	nm

nm—percentage changes not meaningful

For further details on certain discrete items discussed below, see "Discussion of Significant Items Affecting the Consolidated Results."

Comparison of Consolidated Results for the Year Ended December 31, 2017 to the Year Ended December 31, 2016

Revenues increased by \$133.8 million to \$4,378.0 million for the year ended December 31, 2017 from \$4,244.2 million for the year ended December 31, 2016. This revenue increase was driven by higher average total enrollment at a majority of our institutions, which increased revenues by \$94.9 million. The effect of changes in tuition rates and enrollments in programs at varying price points ("product mix"), pricing and timing resulted in an \$116.8 million increase in revenues compared to 2016. For 2017, the effect of a net change in foreign currency exchange rates increased revenues by \$61.6 million compared to 2016. The incremental impact of dispositions decreased revenues by \$141.9 million. Other Corporate and Eliminations changes accounted for an increase in revenues of \$2.4 million.

Direct costs and general and administrative expenses combined increased by \$142.8 million to \$3,980.6 million for 2017 from \$3,837.8 million for 2016. The direct costs increase was due to overall higher enrollments and expanded operations which increased costs by \$103.4 million compared to 2016. The effect of a net change in foreign currency exchange rates increased costs by \$70.8 million for 2017 compared to 2016. For 2017, share-based compensation expense and EiP implementation expense also increased direct costs by \$75.2 million. Other Corporate and Eliminations expenses accounted for an increase in costs of \$53.7 million in 2017, which included an expense of \$22.8 million related to the portion of the refinancing transactions that was deemed to be a debt modification. Offsetting these direct cost increases was the incremental impact of dispositions, which decreased costs by \$118.3 million for 2017 compared to 2016. Acquisition-related contingent liabilities for taxes other-than-income tax,

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net of changes in recorded indemnification assets, decreased direct costs by \$2.9 million in 2017 and increased direct costs by \$18.8 million in 2016, decreasing expenses by \$21.7 million in 2017 compared to 2016. An operating gain on the sale of an asset group at Ad Portas decreased direct costs by \$20.3 million in 2017.

Operating income decreased by \$26.1 million to \$356.8 million for 2017 from \$382.9 million for 2016. The decrease in operating income was primarily the result of higher 2017 operating expenses at Corporate combined with an increase in impairment loss of \$17.1 million, partially offset by increased operating income at our Andean & Iberian segment.

Interest expense, net of interest income decreased by \$60.1 million to \$343.2 million for 2017 from \$403.3 million for 2016. The decrease in interest expense was primarily attributable to lower average debt balances and lower interest rates during 2017 resulting from the 2017 debt refinancing transactions.

Other non-operating income decreased by \$438.3 million to \$13.2 million for 2017 from \$451.5 million for 2016. This decrease was primarily attributable to the gain on the sale of our Swiss and French subsidiaries in 2016 for a change of \$417.2 million, a decrease in gain on foreign currency exchange of \$61.6 million, primarily due to a redesignation of certain intercompany loans from temporary to permanent in the first quarter of 2017, and a change in other non-operating expense of \$3.2 million in 2017 compared to 2016. These decreases were partially offset by a gain on derivative instruments in 2017 compared to a loss in 2016 for a change of \$34.7 million and a decrease in loss on debt extinguishment of \$9.0 million.

Income tax benefit (expense) changed by \$131.8 million to a benefit of \$66.8 million for 2017 from expense of \$65.0 million for 2016. This decrease in expense was primarily due to the effects of the U.S. tax reform legislation, including a \$66.9 million benefit for the remeasurement of deferred tax assets/liabilities due to the decrease in the U.S. federal tax rate from 35% to 21% beginning in 2018, and a \$70.7 million benefit for valuation allowance release on the deferred tax assets other than net operating losses that, when realized, will become indefinite-lived net operating losses. Also, management's decision to redesignate certain intercompany loans from temporary to permanent caused a discrete benefit of approximately \$30 million during 2017. Changes in the mix of pre-tax book income attributable to taxable and non-taxable entities in various taxing jurisdictions also contributed to the overall change.

Net (income) loss attributable to noncontrolling interests increased by \$8.0 million to net income of \$2.3 million for 2017 from a net loss of \$5.7 million for 2016. The increase in net income attributable to noncontrolling interests primarily related to less net loss at Monash and CIU, combined with increased net income related to HIEU and a change from net loss to net income at INTI and Pearl. In 2017, the noncontrolling interest holders of Pearl exercised their put option, which required Laureate to purchase an additional 35% equity interest in Pearl. These increases were partially offset by St. Augustine, for which we had noncontrolling interest net income in 2016 but no noncontrolling interest net income in 2017 following our 2016 acquisition of the remaining 20% noncontrolling interest.

Comparison of Consolidated Results for the Year Ended December 31, 2016 to the Year Ended December 31, 2015

Revenues decreased by \$47.5 million to \$4,244.2 million for the year ended December 31, 2016 from \$4,291.7 million for the year ended December 31, 2015. This revenue decrease was driven by the effect of a net change in foreign currency exchange rates, which decreased revenues by \$180.1 million and the incremental impact of dispositions, which reduced revenue by \$129.0 million. Partially offsetting this decrease in revenues was the overall increased average total enrollment at a majority of our institutions, which increased revenues by \$117.9 million; the incremental impact of acquisitions, which

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increased revenues by \$3.4 million; and the effect of product mix, pricing and timing, which increased revenues by \$136.2 million. Other Corporate and Elimination changes accounted for an increase in revenues of \$4.1 million.

Direct costs and general and administrative expenses combined decreased by \$116.9 million to \$3,837.8 million for 2016 from \$3,954.7 million for 2015. The decrease in direct costs was due to the effect of a net change in foreign currency exchange rates, which decreased costs by \$182.5 million for 2016 compared to 2015, the incremental impact of dispositions, which decreased costs by \$121.9 million for 2016 compared to 2015 and employee termination costs which increased direct costs by \$15.5 million in 2015.

Offsetting these direct cost decreases was the incremental impact of acquisitions, which increased costs by \$2.0 million, and overall higher enrollments and expanded operations, which increased costs by \$162.4 million. Acquisition-related contingent liabilities for taxes other than income tax, net of changes in recorded indemnification assets increased direct costs by \$18.8 million in 2016 and increased direct costs by \$5.6 million in 2015, increasing expenses by \$13.2 million in 2016 compared to 2015. Other Corporate and Eliminations expenses accounted for an increase in costs of \$25.4 million in 2016 compared to 2015.

Operating income increased by \$45.9 million to \$382.9 million for 2016 from \$337.0 million for 2015. The increase in operating income was related to increased operating income in our Brazil, Andean & Iberian, Central America & U.S. Campuses, Online & Partnerships and Mexico segments. The increase in operating income was partially offset by a loss on impairment of \$23.5 million in our EMEA segment for 2016 and increased Corporate expenses.

Interest expense, net of interest income increased by \$18.6 million to \$403.3 million for 2016 from \$384.7 million for 2015. The increase in interest expense was primarily attributable to higher interest rates on our outstanding balances, partially offset by lower average balances outstanding during 2016.

Other non-operating income (expense) increased by \$604.4 million to income of \$451.5 million for 2016 from expense of \$152.9 million for 2015. This increase was primarily attributable to a gain on sales of subsidiaries in 2016 of \$406.6 million, a gain on foreign currency exchange in 2016 compared to a loss in 2015 for a change of \$216.6 million and a change in other non-operating income (expense) of \$0.8 million in 2016 compared to 2015. This increase was offset by an increase in the loss on debt extinguishment of \$16.1 million combined with an increased loss on derivative instruments in 2016 compared to 2015 of \$3.5 million.

Income tax expense decreased by \$52.7 million to \$65.0 million in 2016 from \$117.7 million in 2015. This year-over-year decrease in expense was the result of recognizing a contingent liability in 2015 of \$42.1 million related to the Spanish tax audits. In addition, in 2016 we had a benefit of \$7.9 million related to the deferred taxes included within the accounting for the sale of the hospitality management schools and a release of contingent liabilities related to Peru and Brazil of \$21.8 million and \$12.5 million, respectively. There was also a change in the mix of pre-tax book income attributable to taxable and tax-exempt entities, partially offsetting the decreases above. Of the total 2016 pre-tax book income, \$83.1 million related to the non-taxable gain on the sale of the hospitality management schools, resulting in a decrease to the overall effective tax rate for 2016.

Equity in net income of affiliates, net of tax decreased by \$2.4 million to \$0.1 million in 2016 from \$2.5 million in 2015. We recognized a net gain on the sale of HSM for \$2.0 million in 2015. Other equity-method investments resulted in a change of \$0.4 million for 2016 compared to 2015.

Net loss (income) attributable to noncontrolling interests increased by \$6.1 million to net loss of \$5.7 million for 2016 from net income of \$0.4 million for 2015. The increase in net loss attributable to noncontrolling interests primarily related to a higher net loss at Monash, combined with net losses at Obeikan and INTI and less net income from St. Augustine. We acquired the remaining 20%

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noncontrolling interest of St. Augustine in 2016. These losses were offset by increased net income related to HIEU and the closure of NHU in August 2015, which had losses in 2015.

Non-GAAP Financial Measure

We evaluate segment performance based on Adjusted EBITDA, which is a non-GAAP performance measure defined as income (loss) from continuing operations before income taxes and equity in net income of affiliates, adding back the following items: (loss) gain on sales of subsidiaries, net, foreign currency exchange gain (loss), net, other (expense) income, net, gain (loss) on derivatives, loss on debt extinguishment, interest expense, interest income, depreciation and amortization expense, loss on impairment of assets, share-based compensation expense and expenses related to our EiP initiative. When we review Adjusted EBITDA on a segment basis, we exclude intercompany revenues and expenses, related to network fees and royalties between our segments, which eliminate in consolidation. We use total assets as the measure of assets for reportable segments.

Adjusted EBITDA is a key measure used by our management and board of directors to understand and evaluate our core operating performance and trends, to prepare and approve our annual budget and to develop short- and long-term operational plans. In particular, the exclusion of certain expenses in calculating Adjusted EBITDA can provide a useful measure for period-to-period comparisons of our core business. Additionally, Adjusted EBITDA is a key financial measure used by the compensation committee of our board of directors and our Chief Executive Officer in connection with the payment of incentive compensation to our executive officers and other members of our management team. Accordingly, we believe that Adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors.

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The following table presents Adjusted EBITDA and reconciles net income (loss) to Adjusted EBITDA for the years ended December 31, 2017, 2016 and 2015:

(in millions)	2017	2016	2015	% Change Better/(Worse)	
				2017 vs. 2016	2016 vs. 2015
Net income (loss)	\$ 93.8	\$ 366.2	\$ (315.8)	(74)%	nm
Plus:					
Equity in net income of affiliates, net of tax	(0.2)	(0.1)	(2.5)	100%	(96)%
Income tax (benefit) expense	(66.8)	65.0	117.7	nm	45%
Income (loss) from continuing operations before income taxes and equity in net income of affiliates	26.8	431.1	(200.6)	(94)%	nm
Plus:					
Loss (gain) on sale of subsidiaries, net	10.7	(406.6)	—	(103)%	nm
Foreign currency exchange (gain) loss, net	(5.8)	(67.5)	149.2	(91)%	145%
Other expense (income), net	2.2	(0.9)	(0.2)	nm	nm
(Gain) loss on derivatives	(28.7)	6.1	2.6	nm	(135)%
Loss on debt extinguishment	8.4	17.4	1.3	52%	nm
Interest expense	362.9	421.9	398.0	14%	(6)%
Interest income	(19.7)	(18.7)	(13.3)	5%	41%
Operating income	356.8	382.9	337.0	(7)%	14%
Plus:					
Depreciation and amortization	264.7	264.9	282.9	—%	6%
EBITDA	621.5	647.8	619.9	(4)%	5%
Plus:					
Share-based compensation expense(a)	64.8	38.8	39.0	(67)%	1%
Loss on impairment of assets(b)	40.6	23.5	—	(73)%	nm
EiP implementation expenses(c)	104.8	55.6	44.5	(88)%	(25)%
Adjusted EBITDA	<u>\$ 831.7</u>	<u>\$ 765.6</u>	<u>\$ 703.4</u>	<u>9%</u>	<u>9%</u>

nm—percentage changes not meaningful

- (a) Represents non-cash, share-based compensation expense pursuant to the provisions of ASC 718.
- (b) Represents non-cash charges related to impairments of long-lived assets. For further details on certain impairment items see "Discussion of Significant Items Affecting the Consolidated Results for the Years Ended December 31, 2017, 2016 and 2015—Impairments."
- (c) EiP implementation expenses are related to our enterprise-wide initiative to optimize and standardize our processes, creating vertical integration of procurement, information technology, finance, accounting and human resources. The first wave of EiP began in 2014 and was substantially completed in 2017, and includes the establishment of regional SSOs around the world, as well as improvements to our system of internal controls over financial reporting. Given the success of the first wave of EiP, we have expanded the initiative into other back- and mid-office areas, as well as certain student-facing activities, in order to generate additional efficiencies and create a more efficient organizational structure. Also included in EiP are certain non-recurring costs incurred in connection with the planned dispositions described in Note 3, Assets Held for Sale, of our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

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Comparison of Depreciation and Amortization, Share-based Compensation and EiP Implementation Expenses for the Years Ended December 31, 2017 and 2016

Depreciation and amortization decreased by \$0.2 million to \$264.7 million for 2017 from \$264.9 million for 2016. The incremental impact of dispositions decreased depreciation and amortization expense by \$3.0 million. Other items accounted for a decrease in depreciation and amortization expense of \$1.6 million. These decreases were partially offset by the effects of foreign currency exchange, which increased depreciation and amortization expense by \$4.4 million for 2017 compared to 2016.

Share-based compensation expense increased by \$26.0 million to \$64.8 million for 2017 from \$38.8 million for 2016. This increase is attributable in part to stock options that were granted to the Company's then-CEO under the Executive Profits Interests (EPI) agreement. The EPI options vested upon consummation of the IPO on February 6, 2017, resulting in additional share-based compensation expense of \$14.6 million during 2017. Additionally, we recognized \$15.0 million in additional share-based compensation expense in 2017 related to the extension of the post-employment exercise periods of vested stock options for several executives in connection with their separation from the Company.

EiP implementation expenses increased by \$49.2 million to \$104.8 million for 2017 from \$55.6 million for 2016. The EiP expenses are related to an enterprise-wide initiative to optimize and standardize our processes, creating vertical integration of procurement, information technology, financing, accounting and human resources. EiP also includes the establishment of regional SSOs around the world, as well as improvements to our system of internal controls over financial reporting. The increase relates primarily to increased severance costs in 2017 that are predominantly contractual termination benefits recognized in accordance with ASC 712, "Compensation—Nonretirement Postemployment Benefits."

Comparison of Depreciation and Amortization, Share-based Compensation and EiP Implementation Expenses for the Years Ended December 31, 2016 and 2015

Depreciation and amortization decreased by \$18.0 million to \$264.9 million for 2016 from \$282.9 million for 2015. The effects of foreign currency exchange decreased depreciation and amortization expense by \$12.5 million for 2016 compared to 2015. The incremental impact from dispositions decreased depreciation and amortization expense by \$7.0 million. New capital expenditures accounted for an increase in depreciation expense of \$10.5 million. Other items accounted for the remaining change in amortization expense of \$9.0 million.

Share-based compensation expense decreased by \$0.2 million to \$38.8 million for 2016 from \$39.0 million for 2015. This decrease was primarily due to the following: (1) a decrease in expense recorded for the share-based deferred compensation arrangement as the remaining 2016 obligation of \$18.2 million was settled in 2016 with \$7.7 million in cash and \$10.5 million in notes and as \$87.1 million was paid in December 2015 with \$37.1 million in cash and \$50.0 million in notes and (2) a decrease in restricted stock awards expense in 2016 as compared to 2015. These decreases were partially offset by an increase in stock option expense related to an equity award modification in 2016.

EiP implementation expenses increased by \$11.1 million to \$55.6 million for 2016 from \$44.5 million for 2015. These increased expenses represent increased spending related to an enterprise-wide initiative to optimize and standardize our processes, creating vertical integration of procurement, information technology, financing, accounting and human resources. It includes the establishment of regional SSOs around the world, as well as improvements to our system of internal controls over financial reporting.

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Segment Results

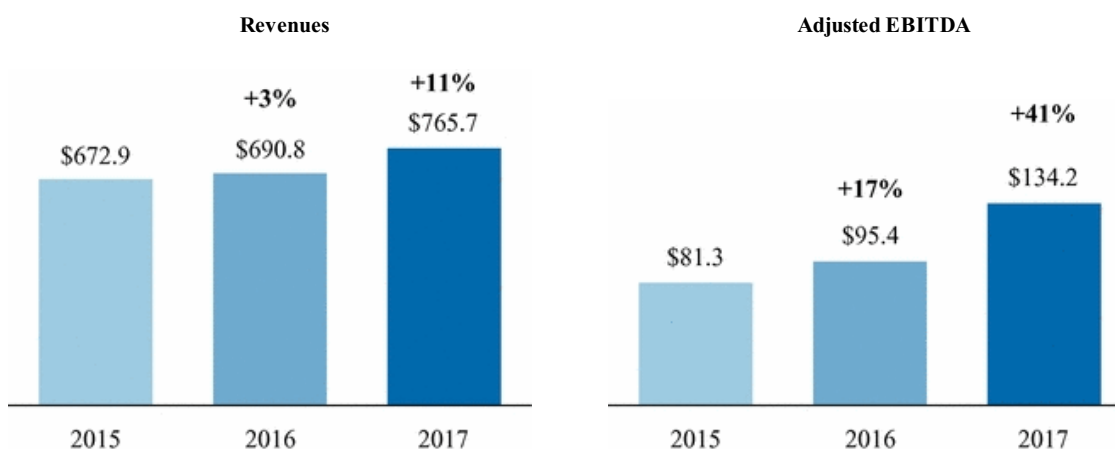
We have six operating segments: Brazil, Mexico, Andean & Iberian, Central America & U.S. Campuses, EMEAA, and Online & Partnerships. For purposes of the following comparison of results discussion, "segment direct costs" represent direct costs by segment as they are included in Adjusted EBITDA, such that depreciation and amortization expense, loss on impairment of assets, share-based compensation expense and our EiP implementation expenses have been excluded. For a further description of our segments, see "Overview."

The following tables, derived from our consolidated financial statements included elsewhere in this Annual Report on Form 10-K, presents selected financial information of our segments:

(in millions) For the year ended December 31,	% Change Better/(Worse)				
	2017	2016	2015	2017 vs. 2016	2016 vs. 2015
Revenues:					
Brazil	\$ 765.7	\$ 690.8	\$ 672.9	11%	3%
Mexico	646.2	626.0	678.2	3%	(8)%
Andean & Iberian	1,313.9	1,188.6	1,121.4	11%	6%
Central America & U.S. Campuses	291.9	274.9	263.3	6%	4%
EMEAA	697.2	788.7	881.7	(12)%	(11)%
Online & Partnerships	690.4	705.0	708.0	(2)%	—%
Corporate	(27.3)	(29.7)	(33.8)	8%	12%
Consolidated Total Revenues	\$ 4,378.0	\$ 4,244.2	\$ 4,291.7	3%	(1)%
Adjusted EBITDA:					
Brazil	\$ 134.2	\$ 95.4	\$ 81.3	41%	17%
Mexico	147.2	143.7	150.1	2%	(4)%
Andean & Iberian	360.1	283.4	255.1	27%	11%
Central America & U.S. Campuses	48.3	43.5	31.6	11%	38%
EMEAA	125.1	127.7	109.6	(2)%	17%
Online & Partnerships	204.5	208.2	191.0	(2)%	9%
Corporate	(187.7)	(136.4)	(115.4)	(38)%	(18)%
Consolidated Total Adjusted EBITDA	\$ 831.7	\$ 765.6	\$ 703.4	9%	9%

Brazil

Financial Overview



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Comparison of Brazil Results for the Year Ended December 31, 2017 to the Year Ended December 31, 2016

<u>(in millions)</u>	<u>Revenues</u>	<u>Direct Costs</u>	<u>Adjusted EBITDA</u>
December 31, 2016	\$ 690.8	\$ 595.4	\$ 95.4
Organic enrollment(1)	25.3		
Product mix, pricing and timing(1)	(2.9)		
Organic constant currency	22.4	6.3	16.1
Foreign exchange	52.5	51.0	1.5
Acquisitions	—	—	—
Dispositions	—	—	—
Other(2)	—	(21.2)	21.2
December 31, 2017	\$ 765.7	\$ 631.5	\$ 134.2

(1) Organic enrollment and Product mix, pricing and timing are not separable for the calculation of direct costs and therefore are combined and defined as Organic constant currency for the calculation of Adjusted EBITDA.

(2) Other is composed of acquisition-related contingent liabilities for taxes other-than-income tax, net of changes in recorded indemnification assets.

Revenues increased by \$74.9 million, an 11% increase from 2016.

- Organic enrollment increased during 2017 by 3%, increasing revenues by \$25.3 million.
- Revenues represented 17% of our consolidated total revenues for 2017 compared to 16% for 2016.

Adjusted EBITDA increased by \$38.8 million, a 41% increase from 2016.

- Acquisition-related contingent liabilities for taxes other-than-income tax, net of changes in recorded indemnification assets, decreased direct costs by \$6.2 million in 2017 and increased direct costs by \$15.0 million in 2016, decreasing expenses by \$21.2 million in 2017 compared to 2016.

Comparison of Brazil Results for the Year Ended December 31, 2016 to the Year Ended December 31, 2015

<u>(in millions)</u>	<u>Revenues</u>	<u>Direct Costs</u>	<u>Adjusted EBITDA</u>
December 31, 2015	\$ 672.9	\$ 591.6	\$ 81.3
Organic enrollment(1)	(5.0)		
Product mix, pricing and timing(1)	29.6		
Organic constant currency	24.6	24.0	0.6
Foreign exchange	(6.7)	(29.6)	22.9
Acquisitions	—	—	—
Dispositions	—	—	—
Employee termination costs	—	(3.3)	3.3
Other(2)	—	12.7	(12.7)
December 31, 2016	\$ 690.8	\$ 595.4	\$ 95.4

(1) Organic enrollment and Product mix, pricing and timing are not separable for the calculation of direct costs and therefore are combined and defined as Organic constant currency for the calculation of Adjusted EBITDA.

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- (2) Other is composed of acquisition-related contingent liabilities for taxes other-than-income tax, net of changes in recorded indemnification assets.

Revenues increased by \$17.9 million, a 3% increase from 2015.

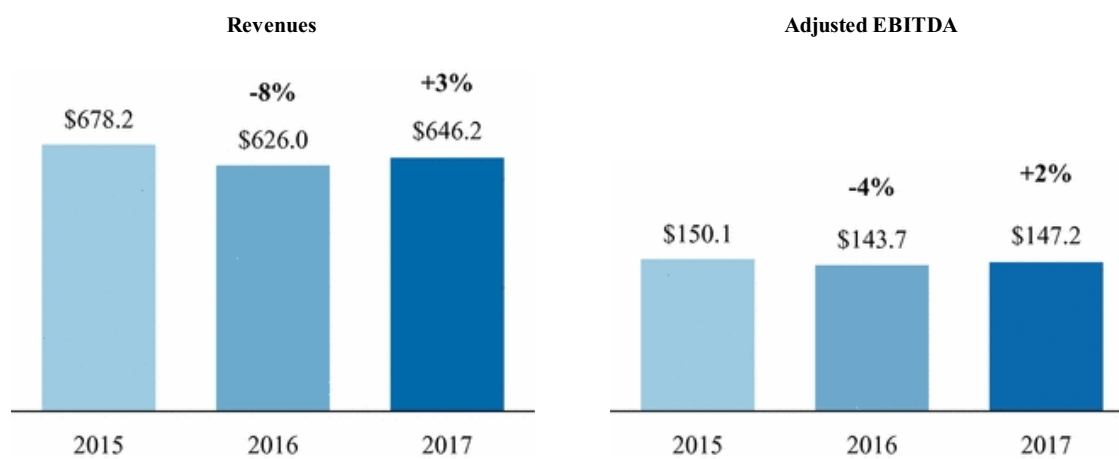
- Organic enrollment decreased during 2016 by 1%, decreasing revenues by \$5.0 million.
- Revenues represented 16% of our consolidated total revenues for 2016 and 2015.

Adjusted EBITDA increased by \$14.1 million, a 17% increase from 2015.

- Acquisition-related contingent liabilities for taxes other-than-income tax, net of changes in recorded indemnification assets, increased direct costs by \$15.0 million in 2016 and increased direct costs by \$2.3 million in 2015, increasing expenses by \$12.7 million in 2016 compared to 2015.

Mexico

Financial Overview



Comparison of Mexico Results for the Year Ended December 31, 2017 to the Year Ended December 31, 2016

(in millions)	Revenues	Direct Costs	Adjusted EBITDA
December 31, 2016	\$ 626.0	\$ 482.3	\$ 143.7
Organic enrollment(1)	7.0		
Product mix, pricing and timing(1)	22.2		
Organic constant currency	29.2	23.6	5.6
Foreign exchange	(9.0)	(6.4)	(2.6)
Acquisitions	—	—	—
Dispositions	—	—	—
Other(2)	—	(0.5)	0.5
December 31, 2017	\$ 646.2	\$ 499.0	\$ 147.2

- (1) Organic enrollment and Product mix, pricing and timing are not separable for the calculation of direct costs and therefore are combined and defined as Organic constant currency for the calculation of Adjusted EBITDA.

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- (2) Other is composed of acquisition-related contingent liabilities for taxes other-than-income tax, net of changes in recorded indemnification assets.

Revenues increased by \$20.2 million, a 3% increase from 2016.

- Organic enrollment increased during 2017 by 2%, increasing revenues by \$7.0 million.
- Revenues represented 15% of our consolidated total revenues for both 2017 and 2016.

Adjusted EBITDA increased by \$3.5 million, a 2% increase from 2016.

- The September 2017 Mexico City earthquake caused approximately \$3.3 million of repairs and maintenance expenses to be recorded in direct costs.

Comparison of Mexico Results for the Year Ended December 31, 2016 to the Year Ended December 31, 2015

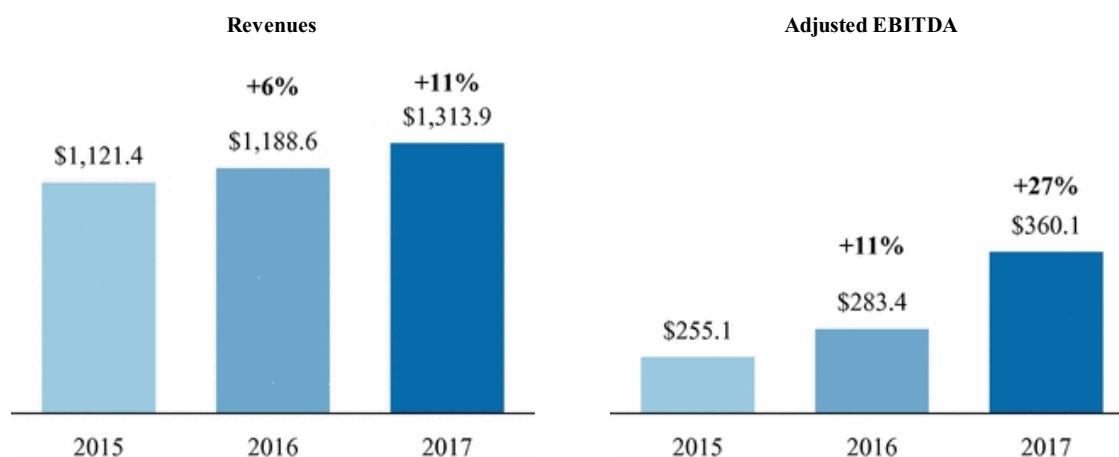
<u>(in millions)</u>	<u>Revenues</u>	<u>Direct Costs</u>	<u>Adjusted EBITDA</u>
December 31, 2015	\$ 678.2	\$ 528.1	\$ 150.1
Organic enrollment(1)	22.8		
Product mix, pricing and timing(1)	33.3		
Organic constant currency	56.1	37.7	18.4
Foreign exchange	(108.3)	(84.0)	(24.3)
Acquisitions	—	—	—
Dispositions	—	—	—
Employee termination costs	—	(0.1)	0.1
Other(2)	—	0.6	(0.6)
December 31, 2016	\$ 626.0	\$ 482.3	\$ 143.7

- (1) Organic enrollment and Product mix, pricing and timing are not separable for the calculation of direct costs and therefore are combined and defined as Organic constant currency for the calculation of Adjusted EBITDA.
- (2) Other is composed of acquisition-related contingent liabilities for taxes other-than-income tax, net of changes in recorded indemnification assets.

Revenues decreased by \$52.2 million, an 8% decrease from 2015.

- Organic enrollment increased during 2016 by 4%, increasing revenues by \$22.8 million.
- Revenues represented 15% of our consolidated total revenues for 2016 compared to 16% for 2015.

Adjusted EBITDA decreased by \$6.4 million, a 4% decrease from 2015.



Comparison of Andean & Iberian Results for the Year Ended December 31, 2017 to the Year Ended December 31, 2016

(in millions)	Revenues	Direct Costs	Adjusted EBITDA
December 31, 2016	\$ 1,188.6	\$ 905.2	\$ 283.4
Organic enrollment(1)	43.9		
Product mix, pricing and timing(1)	44.3		
Organic constant currency	88.2	37.3	50.9
Foreign exchange	37.1	31.6	5.5
Acquisitions	—	—	—
Dispositions	—	—	—
Other(2)	—	(20.3)	20.3
December 31, 2017	\$ 1,313.9	\$ 953.8	\$ 360.1

(1) Organic enrollment and Product mix, pricing and timing are not separable for the calculation of direct costs and therefore are combined and defined as Organic constant currency for the calculation of Adjusted EBITDA.

(2) Other includes an operating gain on the sale of property and equipment from Ad Portas to UDLA Ecuador.

Revenues increased by \$125.3 million, an 11% increase from 2016.

- Organic enrollment increased during 2017 by 4%, increasing revenues by \$43.9 million.
- Revenue represented 30% of our consolidated total revenues for 2017 compared to 28% for 2016.

Adjusted EBITDA increased by \$76.7 million, a 27% increase from 2016.

- In November 2017, we completed the sale of property and equipment from Ad Portas to UDLA Ecuador and recognized an operating gain of approximately \$20.3 million, which is included in the Other line item in the above table.

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- Foreign exchange affected the results for 2017 due to the strengthening of the Chilean Peso, the Peruvian Nuevo Sol and the Euro relative to the USD.

Comparison of Andean & Iberian Results for the Year Ended December 31, 2016 to the Year Ended December 31, 2015

<u>(in millions)</u>	<u>Revenues</u>	<u>Direct Costs</u>	<u>Adjusted EBITDA</u>
December 31, 2015	\$ 1,121.4	\$ 866.3	\$ 255.1
Organic enrollment(1)	52.8		
Product mix, pricing and timing(1)	43.3		
Organic constant currency	96.1	71.2	24.9
Foreign exchange	(32.3)	(30.0)	(2.3)
Acquisitions	3.4	2.0	1.4
Dispositions	—	—	—
Employee termination costs	—	(4.1)	4.1
Other(2)	—	(0.2)	0.2
December 31, 2016	\$ 1,188.6	\$ 905.2	\$ 283.4

- (1) Organic enrollment and Product mix, pricing and timing are not separable for the calculation of direct costs and therefore are combined and defined as Organic constant currency for the calculation of Adjusted EBITDA.
- (2) Other is composed of acquisition-related contingent liabilities for taxes other-than-income tax, net of changes in recorded indemnification assets.

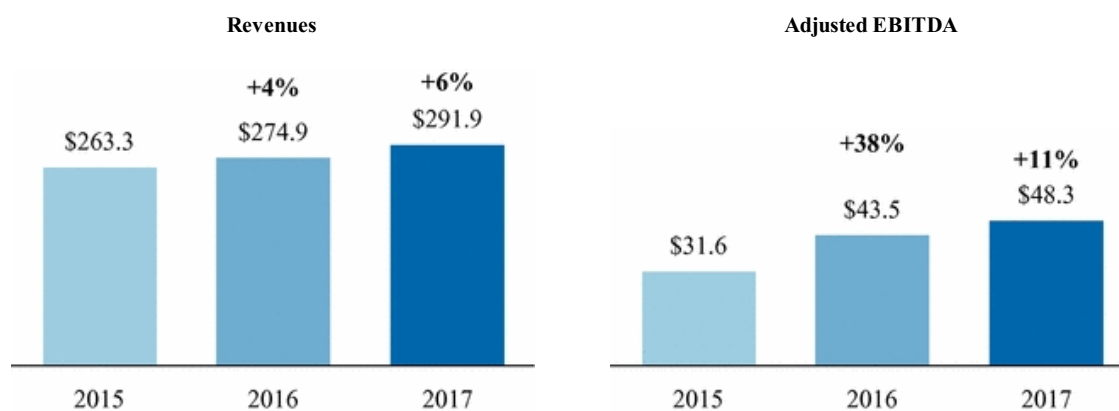
Revenues increased by \$67.2 million, a 6% increase from 2015.

- Organic enrollment increased during 2016 by 6%, increasing revenues by \$52.8 million.
- Revenues represented 28% of our consolidated total revenues for 2016 compared to 26% for 2015.

Adjusted EBITDA increased by \$28.3 million, an 11% increase from 2015.

Central America & U.S. Campuses

Financial Overview



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Comparison of Central America & U.S. Campuses Results for the Year Ended December 31, 2017 to the Year Ended December 31, 2016

(in millions)	Revenues	Direct Costs	Adjusted EBITDA
December 31, 2016	\$ 274.9	\$ 231.4	\$ 43.5
Organic enrollment(1)	17.9		
Product mix, pricing and timing(1)	4.2		
Organic constant currency	22.1	16.4	5.7
Foreign exchange	(5.1)	(4.2)	(0.9)
Acquisitions	—	—	—
Dispositions	—	—	—
Other	—	—	—
December 31, 2017	\$ 291.9	\$ 243.6	\$ 48.3

(1) Organic enrollment and Product mix, pricing and timing are not separable for the calculation of direct costs and therefore are combined and defined as Organic constant currency for the calculation of Adjusted EBITDA.

Revenues increased by \$17.0 million, a 6% increase from 2016.

- Organic enrollment increased during 2017 by 3%, increasing revenues by \$17.9 million.
- Revenues represented 6% of our consolidated total revenues for 2017 and 2016.

Adjusted EBITDA increased by \$4.8 million, an 11% increase from 2016.

Comparison of Central America & U.S. Campuses Results for the Year Ended December 31, 2016 to the Year Ended December 31, 2015

(in millions)	Revenues	Direct Costs	Adjusted EBITDA
December 31, 2015	\$ 263.3	\$ 231.7	\$ 31.6
Organic enrollment(1)	8.0		
Product mix, pricing and timing(1)	6.9		
Organic constant currency	14.9	3.0	11.9
Foreign exchange	(3.3)	(2.8)	(0.5)
Acquisitions	—	—	—
Dispositions	—	—	—
Employee termination costs	—	(0.5)	0.5
Other	—	—	—
December 31, 2016	\$ 274.9	\$ 231.4	\$ 43.5

(1) Organic enrollment and Product mix, pricing and timing are not separable for the calculation of direct costs and therefore are combined and defined as Organic constant currency for the calculation of Adjusted EBITDA.

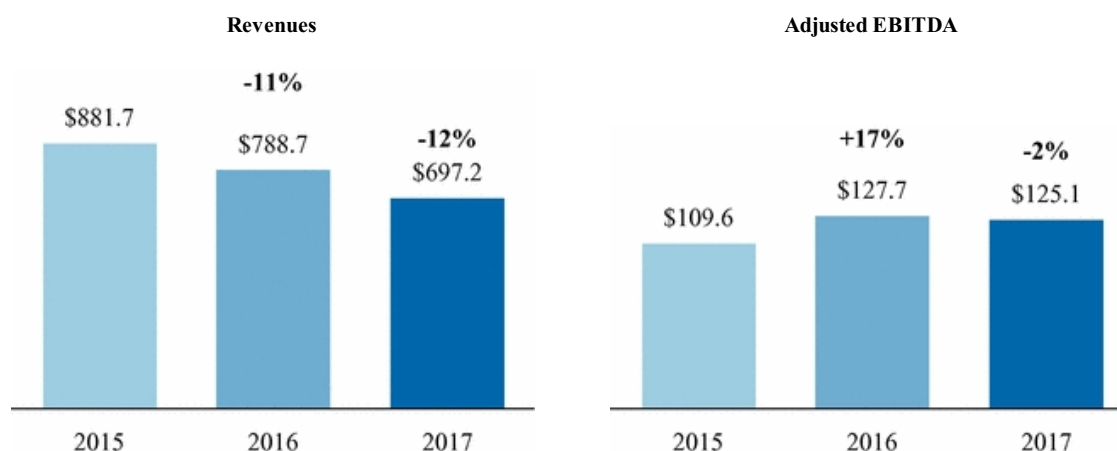
Revenues increased by \$11.6 million, a 4% increase from 2015.

- Organic enrollment increased during 2016 by 4%, increasing revenues by \$8.0 million.
- Revenues represented 6% of our consolidated total revenues for 2016 and 2015.

Adjusted EBITDA increased by \$11.9 million, a 38% increase from 2015.

EMEA

Financial Overview



Comparison of EMEA Results for the Year Ended December 31, 2017 to the Year Ended December 31, 2016

(in millions)	Revenues	Direct Costs	Adjusted EBITDA
December 31, 2016	\$ 788.7	\$ 661.0	\$ 127.7
Organic enrollment(1)	36.4		
Product mix, pricing and timing(1)	28.5		
Organic constant currency	64.9	32.7	32.2
Foreign exchange	(14.5)	(6.3)	(8.2)
Acquisitions	—	—	—
Dispositions	(141.9)	(115.3)	(26.6)
Other	—	—	—
December 31, 2017	\$ 697.2	\$ 572.1	\$ 125.1

(1) Organic enrollment and Product mix, pricing and timing are not separable for the calculation of direct costs and therefore are combined and defined as Organic constant currency for the calculation of Adjusted EBITDA.

Revenues decreased by \$91.5 million, a 12% decrease from 2016.

- Organic enrollment increased during 2017 by 5%, increasing revenues by \$36.4 million.
- The disposition of our Swiss and French institutions by sale accounted for a \$141.9 million decrease in revenues.
- Revenues represented 16% of our consolidated total revenues for 2017 compared to 18% for 2016.

Adjusted EBITDA decreased by \$2.6 million, a 2% decrease from 2016.

- Foreign exchange affected the results for 2017 primarily due to the weakening of the Turkish Lira, the Malaysian Ringgit, and the Chinese Renminbi, partially offset by the strengthening of the Australian Dollar, the Euro, the Indian Rupee, and the South African Rand relative to the USD.

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- The incremental impact of dispositions includes the sale of our Swiss and French institutions and accounted for a \$26.6 million decrease in Adjusted EBITDA.

Comparison of EMEAA Results for the Year Ended December 31, 2016 to the Year Ended December 31, 2015

<u>(in millions)</u>	<u>Revenues</u>	<u>Direct Costs</u>	<u>Adjusted EBITDA</u>
December 31, 2015	\$ 881.7	\$ 772.1	\$ 109.6
Organic enrollment(1)	33.1		
Product mix, pricing and timing(1)	32.2		
Organic constant currency	65.3	33.0	32.3
Foreign exchange	(29.3)	(23.6)	(5.7)
Acquisitions	—	—	—
Dispositions	(129.0)	(114.9)	(14.1)
Employee termination costs	—	(5.7)	5.7
Other(2)	—	0.1	(0.1)
December 31, 2016	\$ 788.7	\$ 661.0	\$ 127.7

- (1) Organic enrollment and Product mix, pricing and timing are not separable for the calculation of direct costs and therefore are combined and defined as Organic constant currency for the calculation of Adjusted EBITDA.
- (2) Other is composed of acquisition-related contingent liabilities for taxes other-than-income tax, net of changes in recorded indemnification assets.

Revenues decreased by \$93.0 million, an 11% decrease from 2015.

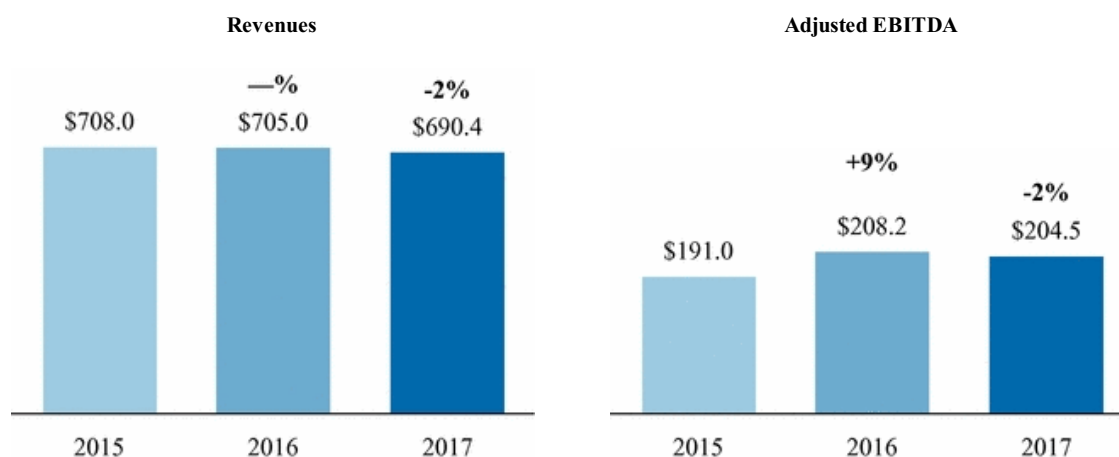
- Organic enrollment increased during 2016 by 7%, increasing revenues by \$33.1 million.
- Revenues represented 18% of our consolidated total revenues for 2016 compared to 20% for 2015.

Adjusted EBITDA increased by \$18.1 million, a 17% increase from 2015.

- Foreign exchange affected the results for 2016 primarily due to the weakening of the Turkish Lira, the Malaysian Ringgit, the Chinese Renminbi, the Indian Rupee, South African Rand and the Swiss Franc relative to the USD.
- The incremental impact of dispositions includes the sale of our Swiss and French institutions and accounted for a \$14.1 million decrease in Adjusted EBITDA.

Online & Partnerships

Financial Overview



Comparison of Online & Partnerships Results for the Year Ended December 31, 2017 to the Year Ended December 31, 2016

(in millions)	Revenues	Direct Costs	Adjusted EBITDA
December 31, 2016	\$ 705.0	\$ 496.8	\$ 208.2
Organic enrollment(1)	(35.6)		
Product mix, pricing and timing(1)	20.4		
Organic constant currency	(15.2)	(11.6)	(3.6)
Foreign exchange	0.6	0.7	(0.1)
Acquisitions	—	—	—
Dispositions	—	—	—
Other	—	—	—
December 31, 2017	\$ 690.4	\$ 485.9	\$ 204.5

(1) Organic enrollment and Product mix, pricing and timing are not separable for the calculation of direct costs and therefore are combined and defined as Organic constant currency for the calculation of Adjusted EBITDA.

Revenues decreased by \$14.6 million, a 2% decrease from 2016.

- Organic enrollment decreased during 2017 by 6%, decreasing revenues by \$35.6 million.
- Revenues represented 16% of our consolidated total revenues for 2017 compared to 17% for 2016.

Adjusted EBITDA decreased by \$3.7 million, a 2% decrease compared to 2016.

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Comparison of Online & Partnerships Results for the Year Ended December 31, 2016 to the Year Ended December 31, 2015

<u>(in millions)</u>	<u>Revenues</u>	<u>Direct Costs</u>	<u>Adjusted EBITDA</u>
December 31, 2015	\$ 708.0	\$ 517.0	\$ 191.0
Organic enrollment(1)	6.2		
Product mix, pricing and timing(1)	(9.0)		
Organic constant currency	(2.8)	(18.7)	15.9
Foreign exchange	(0.2)	—	(0.2)
Acquisitions	—	—	—
Dispositions	—	—	—
Employee termination costs	—	(1.5)	1.5
Other	—	—	—
December 31, 2016	\$ 705.0	\$ 496.8	\$ 208.2

- (1) Organic enrollment and Product mix, pricing and timing are not separable for the calculation of direct costs and therefore are combined and defined as Organic constant currency for the calculation of Adjusted EBITDA.

Revenues decreased by \$3.0 million, remaining essentially flat from 2015.

- Organic enrollment increased during 2016 by 1%, increasing revenues by \$6.2 million.
- Revenues represented 17% of our consolidated total revenues for 2016 compared to 16% for 2015.

Adjusted EBITDA increased by \$17.2 million, a 9% increase from 2015, primarily due to operational cost reductions.

Corporate

Corporate revenues represent amounts from contractual arrangements with UDLA Ecuador and our consolidated joint venture with the University of Liverpool, as well as Corporate billings for centralized IT costs billed to various segments, offset by the elimination of intersegment revenues.

Operating results for Corporate for the years ended December 31, 2017, 2016 and 2015 were as follows:

<u>(in millions)</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>% Change Better/(Worse)</u>	
				<u>2017 vs. 2016</u>	<u>2016 vs. 2015</u>
Revenues	\$ (27.3)	\$ (29.7)	\$ (33.8)	8%	12%
Expenses	160.4	106.7	81.6	(50)%	(31)%
Adjusted EBITDA	<u>\$ (187.7)</u>	<u>\$ (136.4)</u>	<u>\$ (115.4)</u>	<u>(38)%</u>	<u>(18)%</u>

Comparison of Corporate Results for the Year Ended December 31, 2017 to the Year Ended December 31, 2016

Adjusted EBITDA decreased by \$51.3 million, a 38% decrease from 2016.

- 2017 includes expense of \$22.8 million related to the portion of the refinancing transactions that was deemed to be a debt modification.
- Expense of \$4.5 million recorded in 2017 related to a transaction with a former business partner.

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- Other costs, primarily labor costs and other professional fees, increased expenses by \$24.0 million, mostly related to ongoing internal controls compliance initiatives, increased consulting expenses, legal costs, and compensation and severance.

Comparison of Corporate Results for the Year Ended December 31, 2016 to the Year Ended December 31, 2015

Adjusted EBITDA decreased by \$21.0 million, an 18% decrease from 2015.

- Labor costs and other professional fees increased expenses by \$19.2 million.
- In 2015, we recognized employee termination costs of \$0.3 million.
- Other items accounted for a decrease in Adjusted EBITDA of \$2.1 million.

Liquidity and Capital Resources

Liquidity Sources

We anticipate that cash flow from operations and available cash will be sufficient to meet our current operating requirements for at least the next 12 months from the date of issuance of this report.

Our primary source of cash is revenue from tuition charged to students in connection with our various education program offerings. The majority of our students finance the cost of their own education and/or seek third-party financing programs. We anticipate generating sufficient cash flow from operations in the majority of countries where we operate to satisfy the working capital and financing needs of our organic growth plans for each country. If our educational institutions within one country were unable to maintain sufficient liquidity, we would consider using internal cash resources or reasonable short-term working capital facilities to accommodate any short- to medium-term shortfalls.

As of December 31, 2017, our secondary source of liquidity was cash and cash equivalents of \$468.7 million. Our cash accounts are maintained with high-quality financial institutions with no significant concentration in any one institution.

The Company also maintains a revolving credit facility with a syndicate of financial institutions as a source of liquidity. The revolving credit facility provides for borrowings of \$385.0 million and a maturity date of April 2022. If certain conditions are satisfied, the Second Amended and Restated Credit Agreement also provides for an incremental revolving and term loan facilities not to exceed \$300.0 million plus additional amounts so long as both immediately before and after giving effect to such incremental facilities the Company's Consolidated Senior Secured Debt to Consolidated EBITDA ratio, as defined in the Second Amended and Restated Credit Agreement, on a pro forma basis, does not exceed 2.75x. The Company also continues to maintain an unencumbered asset pool that it believes can be used for additional secured and unsecured borrowings, and for sale and sale-leaseback transactions. Additionally, a significant portion of the Company's capital expenditures in any given year are for growth initiatives and are therefore discretionary.

The Company has continued to take actions to reduce leverage, improve liquidity and increase cash flow. In the first quarter of 2018, we repaid \$350.0 million of the principal balance of the 2024 Term Loan using the proceeds from the sale of our Cyprus and Italy operations, along with borrowings on our revolving credit facility that were subsequently repaid with the China sale proceeds.

The Company has several subsidiaries in our EMEAA and Central America & U.S. Campuses segments that are classified as held for sale as of December 31, 2017, as discussed in "Overview" and in Note 3, Assets Held for Sale, of our consolidated financial statements included elsewhere in this Annual Report on Form 10-K. The Company intends to use proceeds from the subsidiary sales to repay debt.

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Liquidity Restrictions

Our liquidity is affected by restricted cash and investments balances, which totaled \$224.9 million and \$189.3 million as of December 31, 2017 and December 31, 2016, respectively.

Restricted cash and investments consists of cash equivalents and short-term investments held to collateralize standby letters of credit in favor of the DOE. These letters of credit are required by the DOE in order to allow our U.S. institutions to participate in the Title IV program and totaled \$136.9 million and \$105.6 million as of December 31, 2017 and 2016, respectively.

As of December 31, 2017 and 2016, we had \$39.5 million and \$34.7 million, respectively, posted as cash-collateral for LOCs related to the Spain Tax Audits.

As part of our normal operations, our insurers issue surety bonds on our behalf, as required by various state education authorities in the United States. We are obligated to reimburse our insurers for any payments made by the insurers under the surety bonds. As of December 31, 2017 and 2016, the total face amount of these surety bonds was \$14.0 million and \$12.2 million, respectively.

Indefinite Reinvestment of Foreign Earnings

We earn a significant portion of our income from subsidiaries located in countries outside the United States. As part of our business strategies, we have determined that all earnings from our foreign operations will be deemed indefinitely reinvested outside of the United States. As of December 31, 2017, \$447.9 million of our total \$468.7 million of cash and cash equivalents were held by foreign subsidiaries, including \$231.9 million held by VIEs. These amounts above do not include \$49.2 million of cash recorded at subsidiaries that are classified as held for sale at December 31, 2017, of which \$45.2 million was held by foreign subsidiaries. As of December 31, 2016, \$373.4 million of our total \$465.0 million of cash and cash equivalents were held by foreign subsidiaries, including \$169.1 million held by VIEs. The VIEs' cash and cash equivalents balances are generally required to be used only for the operations of these VIEs.

Our plans to indefinitely reinvest certain earnings are supported by projected working capital and long-term capital requirements in each foreign subsidiary location in which the earnings are generated. We have analyzed our domestic operation's cash repatriation strategies, projected cash flows, projected working capital and liquidity, and the expected availability within the debt or equity markets to provide funds for our domestic needs. As a result, we rely on payments from contractual arrangements, such as intellectual property royalty, network fee and management services agreements, as well as repayments of intercompany loans to meet any of our existing or future debt service and other obligations, a substantial portion of which are denominated in USD. Based on our analysis, we believe we have the ability to indefinitely reinvest these foreign earnings.

If our expectations change based on future developments such that some or all of the undistributed earnings of our foreign subsidiaries may be remitted to the United States in the foreseeable future, we will be required to recognize deferred tax expense and liabilities on those amounts and pay additional taxes.

Liquidity Requirements

Our short-term liquidity requirements include: funding for debt service (including capital leases); operating lease obligations; payments due to shareholders of acquired companies; payments of deferred compensation; working capital; operating expenses; payments of third-party obligations; capital expenditures; payments related to certain asset sale transactions; and business development activities.

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Long-term liquidity requirements include: payments on long-term debt (including capital leases); operating lease obligations; payments of long-term amounts due to shareholders of acquired companies; payments of deferred compensation; settlements of derivatives; and payments of third-party obligations.

Debt

During the second quarter of 2017, the Company completed refinancing transactions that resulted in repayment of the previous senior credit facility and the redemption of the 9.250% Senior Notes due 2019 (the Senior Notes due 2019) (other than \$250.0 million in aggregate principal amount of the Senior Notes due 2019 that the Company exchanged on April 21, 2017 for substantially identical but non-redeemable notes issued under a new indenture (the Exchanged Notes)). The Exchanged Notes were settled on August 11, 2017 as described further below.

On April 26, 2017, we completed an offering of \$800.0 million aggregate principal amount of 8.250% Senior Notes due 2025 (the Senior Notes due 2025). The Senior Notes due 2025 were issued at par and will mature on May 1, 2025. Interest on the Senior Notes due 2025 is payable semi-annually on May 1 and November 1, and the first interest payment date was November 1, 2017.

Substantially concurrently with the issuance of the Senior Notes due 2025, we consummated a refinancing of our Senior Secured Credit Facility by means of an amendment and restatement of the existing amended and restated credit agreement (the Second Amended and Restated Credit Agreement) to provide a new revolving credit facility of \$385.0 million maturing in April 2022 (the Revolving Credit Facility) and a new syndicated term loan of \$1,600.0 million maturing in April 2024 (the 2024 Term Loan).

As of December 31, 2017, senior long-term borrowings totaled \$2,425.3 million and consisted of \$1,625.3 million under the Senior Secured Credit Facility that matures in April 2022 and April 2024 and \$800.0 million in Senior Notes due 2025 that mature on May 2025.

As of December 31, 2017, other debt balances totaled \$809.2 million and our capital lease obligations and sale-leaseback financings were \$234.4 million. Other debt includes lines of credit and short-term borrowing arrangements of subsidiaries, mortgages payable and notes payable.

Approximately \$53.4 million of long-term debt, including the current portion, is included in the held-for-sale liabilities recorded on the consolidated balance sheet as of December 31, 2017. For further description of the held-for-sale amounts see Note 3, Assets Held for Sale in our consolidated financial statements included elsewhere in this Form 10-K.

Senior Secured Credit Facility

As of December 31, 2017, the outstanding balance under our Senior Secured Credit Facility was \$1,625.3 million, which consisted of \$52.0 million outstanding under our \$385.0 million senior secured revolving credit facility and an aggregate outstanding balance of \$1,573.3 million, net of a debt discount, under the term loans. As of December 31, 2016, the outstanding balance under our previous senior credit facility was \$1,497.9 million, which consisted of no amount outstanding under our senior secured multi-currency revolving credit facility and an aggregate outstanding balance of \$1,497.9 million, net of a debt discount, under the term loans.

Senior Notes

As of December 31, 2017, the outstanding balance under our Senior Notes due 2025 was \$800.0 million. As of December 31, 2016, our outstanding balance under our Senior Notes due 2019 was \$1,388.0 million, net of a debt discount.

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On April 15, 2016, Laureate entered into separate, privately negotiated note exchange agreements (the Note Exchange Agreements) with certain existing holders of the Senior Notes due 2019 pursuant to which we agreed to exchange \$250.0 million in aggregate principal amount of Senior Notes due 2019 for shares of the Company's Class A common stock. The exchange was to be completed within one year and one day after the consummation of an initial public offering of our common stock that generates gross proceeds of at least \$400.0 million or 10% of the equity value of the Company (a Qualified Public Offering). On February 6, 2017, the Company completed an initial public offering of its Class A common stock at a price per share of \$14.00 that qualified as a Qualified Public Offering. On March 1, 2017, in accordance with the terms of the Note Exchange Agreements, we repurchased Senior Notes due 2019 with an aggregate principal amount of \$22.6 million at a repurchase price of 104.625% of the aggregate principal amount, for a total payment of \$23.6 million. On August 2, 2017, we sent notices to the holders of the notes subject to the Note Exchange Agreements indicating that the closing of the exchange contemplated by the Note Exchange Agreements would be consummated on Friday, August 11, 2017. On August 11, 2017, the remaining Senior Notes due 2019 were exchanged for a total of 18.7 million shares of the Company's Class A common stock and the Senior Notes due 2019 were canceled.

Covenants

Under our Second Amended and Restated Credit Agreement we are subject to a Consolidated Senior Secured Debt to Consolidated EBITDA financial maintenance covenant, as defined in the Second Amended and Restated Credit Agreement, unless certain conditions are satisfied. As of December 31, 2017, these conditions were satisfied and, therefore, we were not subject to the leverage ratio covenant. The maximum ratio, as defined, is 4.50x as of the last day of each quarter ending June 30, 2017 through September 30, 2017, 3.75x as of the last day of each quarter ending December 31, 2017 through March 31, 2018, and 3.50x as of the last day of each quarter ending June 30, 2018 and thereafter. In addition, notes payable at some of our locations contain financial maintenance covenants.

Other Debt

Other debt includes lines of credit and short-term borrowing arrangements of subsidiaries, mortgages payable, and notes payable.

As of December 31, 2017 and 2016, the aggregate outstanding balances on our lines of credit were \$55.8 million and \$66.1 million, respectively.

On May 12, 2016, two outstanding loans at Universidad del Valle de México (UVM Mexico) that originated in 2007 and 2012 and were both scheduled to mature in May 2021 were refinanced and combined into one loan. The maturity date of the combined loan was extended to May 15, 2023. Principal repayments were suspended until May 15, 2018. The new refinanced loan carries a variable interest rate based on the 28-day Mexican Interbanking Offer Rate (TIIE), plus the applicable margin. The applicable margin for the interest calculation is established based on the ratio of debt to EBITDA, as defined in the agreement. Interest is paid monthly commencing on May 15, 2016. The outstanding balance of the loan on May 12, 2016 was MXN 2,224.6 million (US \$120.5 million at that date). As of December 31, 2017, the interest rate on the loan was 10.72% and the outstanding balance on the loan was \$112.6 million. As of December 31, 2016, the interest rate on the loan was 8.94% and the outstanding balance on the loan was \$107.8 million.

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In addition to the loans above, in August 2015 UVM Mexico entered into an agreement with a bank for a loan of MXN 1,300.0 million (approximately US \$79.0 million at the time of the loan). The loan carried a variable interest rate (8.09% at December 31, 2016) and was scheduled to mature in August 2020. As of December 31, 2016 the outstanding balance of this loan was \$63.0 million. During December 2017, this loan was paid in full and a new loan in the amount of MXN 1,700.0 million (approximately US \$89.0 million at the time of the loan) was obtained. The new loan matures in December 2023 and carries a variable interest rate based on TIIE, plus an applicable margin, which is established based on the ratio of debt to EBITDA, as defined in the agreement (10.02% as of December 31, 2017). Payments on the loan are deferred until December 2018, at which time quarterly principal payments are due, beginning at MXN 42.5 million (US \$2.2 million at December 31, 2017) and increasing to MXN 76.5 million (US \$3.9 million at December 31, 2017), with a balloon payment of MXN 425.0 million (US \$21.5 million at December 31, 2017) due at maturity. As of December 31, 2017, the outstanding balance of this loan was \$86.1 million.

The Company has also obtained financing to fund the construction of two new campuses at one of our institutions in Peru, Universidad Peruana de Ciencias Aplicadas. As of December 31, 2017 and 2016, the outstanding balance on the loans was \$42.2 million and \$47.8 million, respectively. These loans have varying maturity dates with the final payment due in October 2022.

We have outstanding notes payable at Universidad Privada del Norte (UPN), one of our institutions in Peru. These loans have varying maturity dates through December 2024. As of December 31, 2017 and 2016, these loans had an aggregate balance of \$38.6 million and \$44.5 million, respectively.

On December 22, 2017, one of our subsidiaries in Peru entered into an agreement to borrow PEN 247.5 million (approximately US \$76.0 million at the agreement date). The loan matures in December 2022. Quarterly payments in the amount of PEN 9.3 million (US \$2.9 million at December 31, 2017) are due from March 2018 through December 2019. The quarterly payments increase to PEN 14.4 million (US \$4.5 million at December 31, 2017) in March 2020 through the loan's maturity in December 2022. As of December 31, 2017, no payments have been made on this loan and it had a balance of \$76.4 million.

In May 2014, the Company obtained financing to fund the construction of a new campus at one of our institutions in Panama. As of December 31, 2017 and 2016, the outstanding balance on this loan was \$21.4 million and \$25.0 million, respectively, and it matures in 2024.

We had outstanding notes payable at HIEU in China. As of December 31, 2017 and 2016, the outstanding balance on the loans was \$21.4 million and \$61.9 million, respectively. As discussed in Note 3, Assets Held for Sale, in the consolidated financial statements included elsewhere in this Form 10-K, Laureate entered into an agreement to sell LEILY, the entity that indirectly holds the sponsorship interests in HIEU, and as a result these outstanding notes payable have been included in liabilities held for sale as of December 31, 2017. As discussed in Note 25, Subsequent Events, in the consolidated financial statements included elsewhere in this Form 10-K we closed the sale of LEILY in January 2018.

We have outstanding notes payable at a real estate subsidiary in Chile. As of December 31, 2017 and 2016, the outstanding balance on the loans was \$67.1 million and \$62.7 million, respectively. These notes are repayable in installments with the final installment due in August 2028.

On December 20, 2013, Laureate acquired THINK and financed a portion of the purchase price by borrowing AUD 45.0 million (US \$34.7 million at December 31, 2017) under a syndicated facility agreement in the form of two term loans of AUD 22.5 million each. Facility A is payable at its maturity date of December 20, 2018. Facility B was amended in 2016 to be a revolving facility of up to AUD 15.0 million (US \$11.6 million at December 31, 2017) and any balance outstanding is repayable

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at its maturity date of December 20, 2018. In October 2017, these loan facilities were further amended to provide the lender a security interest in all of the assets of Laureate's Australian operations. In addition, Facility A was converted from a term loan to a loan with a balloon payment due at maturity. As of December 31, 2017 and 2016, \$16.1 million and \$16.8 million, respectively, was outstanding under these loan facilities.

We acquired FMU on September 12, 2014 and financed a portion of the purchase price by borrowing amounts under two loans that totaled BRL 259.1 million (approximately US \$110.3 million at the borrowing date). Beginning in October 2017, the loans require semi-annual principal payments of BRL 22.0 million, continuing through their maturity dates in April 2021. As of December 31, 2017 and 2016, the outstanding balance of these loans was \$46.4 million and \$59.8 million, respectively.

On November 18, 2015, one of our Spanish subsidiaries entered into an agreement with two banks to borrow a total of EUR 100.0 million (approximately US \$106.5 million at the agreement date) for a term of 10 years. As of December 31, 2017 and 2016, the outstanding balance on this loan was \$100.9 million and \$96.6 million, respectively.

On December 20, 2017, one of our subsidiaries in Brazil entered into an agreement to borrow BRL 360.0 million (approximately US \$110.0 million at the time of the loan). The loan matures on December 25, 2022. Quarterly payments in the amount of BRL 13.5 million (US \$4.1 million at December 31, 2017) are due from March 2019 through December 2019, at which point the quarterly payments increase to BRL 22.5 million (US \$6.8 million at December 31, 2017) from March 2020 through December 2020, then to BRL 27.0 million (US \$8.1 million at December 31, 2017) from March 2021 through maturity in December 2022. As of December 31, 2017, no payments have been made on this loan and it had a balance of \$108.4 million.

Leases

We conduct a significant portion of our operations from leased facilities. These facilities include our corporate headquarters, other office locations, and many of our higher education facilities.

Due to Shareholders of Acquired Companies

One method of payment for acquisitions is the use of promissory notes payable to the sellers of acquired companies. As of December 31, 2017 and December 31, 2016, we recorded \$79.6 million and \$210.9 million, respectively, for these liabilities. During the third quarter of 2017, we repaid the FMU seller note of \$114.6 million. See also Note 6, Due to Shareholders of Acquired Companies, in our consolidated financial statements included elsewhere in this Form 10-K.

Capital Expenditures

Capital expenditures consist of purchases of property and equipment, purchases of land use rights and expenditures for deferred costs. Our capital expenditure program is a component of our liquidity and capital management strategy. This program includes discretionary spending, which we can adjust in response to economic and other changes in our business environment, to grow our network through the following: (1) capacity expansion at institutions to support enrollment growth; (2) new campuses for institutions entering new geographic markets; (3) information technology to increase efficiency and controls; and (4) online content development. Our non-discretionary spending includes the maintenance of existing facilities. We typically fund our capital expenditures through cash flow from operations and external financing. In the event that we are unable to obtain the necessary funding for capital expenditures, our long-term growth strategy could be significantly affected. We believe that our internal sources of cash and our ability to obtain additional third-party financing, subject to market conditions, will be sufficient to fund our investing activities.

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Our capital expenditures, excluding receipts from the sale of subsidiaries and property equipment, were \$293.8 million, \$256.7 million and \$366.9 million during 2017, 2016 and 2015, respectively. The 14% increase in capital expenditures for 2017 compared to 2016 was related to increased spending on growth initiatives in Brazil combined with facilities improvements in Mexico and Costa Rica. These increases were partially offset by lower capital expenditures on Peru growth initiatives combined with the timing of spending related to certain Corporate global transformation initiatives. The 30% decrease in capital expenditures for 2016 compared to 2015 primarily related to decreases in capital expenditures in Chile, Peru, EMEA, France and Switzerland (both of which were divested during 2016) and due in part to an ongoing initiative to increase online delivery and reduce capital expenditures, in addition to project deferrals. These decreases were partially offset by increased information technology spending in Corporate. Our online initiative is designed to not only provide our students with access to the technology platforms and innovative programs they expect, but also to increase our enrollment in a more capital efficient manner, leveraging current infrastructure and improving classroom utilization.

Derivatives

In the normal course of business, our operations are exposed to fluctuations in foreign currency values and interest rate changes. We mitigate a portion of these risks through a risk-management program that includes the use of derivatives. We were required to make net cash payments on our derivatives totaling \$8.2 million, \$17.7 million and \$11.3 million for the years ended December 31, 2017, 2016 and 2015, respectively. These amounts include cash payments that were recognized as interest expense for the derivatives designated as cash flow hedges, and in 2016 included net cash payments made for the derivatives related to the sale transactions. For further information on our derivatives, see Note 15, Derivative Instruments, in our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Series A Convertible Redeemable Preferred Stock (Series A Preferred Stock)

In December 2016 and January 2017, the Company issued shares of Series A Preferred Stock for total gross proceeds of \$400.0 million. The current outstanding liquidation value is approximately \$420 million as the Company has paid in kind certain dividends on that instrument as provided for in the Certificate of Designations for the Series A Preferred Stock.

The Company and each holder of shares of the Company's Series A Preferred Stock may elect to convert all of the shares of Series A Preferred Stock into shares of Class A Common Stock one day following the first anniversary of the closing of the Company's initial public offering, which occurred on February 6, 2017. However, the Company is not permitted to convert any shares of Series A Preferred Stock until there is an effective registration statement available to permit the holders of Series A Preferred Stock to sell the underlying shares of Class A Common Stock. As of the date of this filing, the Series A Preferred Stock has not been converted to Class A Common Stock.

The shares of Series A Preferred Stock generally convert at a 15% discount to the lesser of (i) \$14.00 (the price per share at which the Company's shares of Class A Common Stock were sold to the public in the Company's initial public offering) or (ii) the volume-weighted average price per share of our Class A Common Stock during the 30 trading days prior to conversion, but in no case shall the conversion price be less than 75% of \$14.00. The number of shares of Class A Common Stock expected to be issued upon the conversion of all the outstanding Series A Preferred Stock is between 35.3 million and 40.0 million shares.

Redeemable Noncontrolling Interests and Equity

In connection with certain acquisitions, we have entered into put/call arrangements with certain minority shareholders, and we may be required or elect to purchase additional ownership interests in

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the associated entities within a specified timeframe. Certain of our call rights contain minimum payment provisions. If we exercise such call rights, the consideration required could be higher than the estimated put values. Upon exercise of these puts or calls, our ownership interests in these subsidiaries would increase.

Laureate Education, Inc. Deferred Compensation Plan

Laureate maintains a deferred compensation plan to provide certain executive employees and members of our Board of Directors with the opportunity to defer their salaries, bonuses, and Board of Directors' retainers and fees in order to accumulate funds for retirement on a pre-tax basis. Participants are 100% vested in their respective deferrals and the earnings thereon. Laureate does not make contributions to the plan or guarantee returns on the investments. Although plan investments and participant deferrals are kept in a separate trust account, the assets remain Laureate's property and are subject to claims of general creditors.

As of December 31, 2017 and 2016, plan assets included in Other assets in our Consolidated Balance Sheets were \$11.6 million and \$10.4 million, respectively. As of December 31, 2017 and 2016, the plan liabilities reported in our Consolidated Balance Sheets were \$18.7 million and \$16.0 million, respectively. As of December 31, 2017 and 2016, \$11.9 million and \$0.9 million, respectively, of the total plan liability was classified as a current liability; the remainder was noncurrent and recorded in Other long-term liabilities. The increase in the current liability in 2017 relates to several participants who retired during the fourth quarter of 2017 and are required to receive distributions of their plan balances in 2018. The Company plans to fund at least approximately \$5.2 million of the 2018 plan distributions with operating cash, rather than using the plan assets.

Assets Held for Sale-Kendall Asset Purchase Agreement

Under the January 2018 asset purchase agreement for Kendall, we agreed to make future payments to NLU, the buyer. As discussed in Note 25, Subsequent Events in the consolidated financial statements included elsewhere in this Form 10-K, in January 2018 Laureate paid \$0.5 million to reimburse NLU for its expenses in connection with the transactions contemplated by the sale purchase agreement. Also, at the closing of the sale, Laureate will pay to NLU up to \$14.0 million to support NLU's construction of facilities for the acquired culinary program on Kendall's campus, subject to possible partial recoupment under specified conditions during the 10-year post-closing period.

Chilean Regulatory Updates

If the 2017 Higher Education Bill is enacted in the form as described in "Item 1A—Risk Factors—Political and regulatory developments in Chile have materially adversely affected us and may continue to affect us," we believe, based on our interpretation of the current form of the 2017 Higher Education Bill, we will have a decrease of approximately \$410 million to \$430 million in revenues on an annual consolidated basis and a total impact of approximately \$70 million to operating income, partially offset by an increase of approximately \$10 million in equity in income of affiliates, net of tax. As of December 31, 2017, the three Chilean non-profit institutions had a total cash balance of approximately \$101 million. The Company's continuing evaluation of the impact of the New Law may result in changes to its expectations due to changes in the Company's interpretations of the law, assumptions used, and additional guidance that may be issued.

Cash Flows

In the consolidated statements of cash flows, the changes in operating assets and liabilities are presented excluding the effects of exchange rate changes, acquisitions, and reclassifications, as these effects do not represent operating cash flows. Accordingly, the amounts in the consolidated statements

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of cash flows do not agree with the changes of the operating assets and liabilities as presented in the consolidated balance sheets. The effects of exchange rate changes on cash are presented separately in the consolidated statements of cash flows.

The following table summarizes our cash flows from operating, investing, and financing activities for each of the past three fiscal years:

<u>(in millions)</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Cash provided by (used in):			
Operating activities	\$ 130.8	\$ 184.6	\$ 170.5
Investing activities	(324.5)	269.2	(173.6)
Financing activities	222.8	(445.7)	34.4
Effects of exchange rates changes on cash	24.0	(1.8)	(34.2)
Change in cash included in current assets held for sale	(49.2)	—	—
Net change in cash and cash equivalents	<u>\$ 3.8</u>	<u>\$ 6.3</u>	<u>\$ (2.9)</u>

Comparison of Cash Flows for the Year Ended December 31, 2017 to the Year Ended December 31, 2016

Operating activities

Cash provided by operating activities decreased by \$53.8 million to \$130.8 million for 2017, compared to \$184.6 million for 2016. This decrease in operating cash flows during 2017 is due primarily to the payment of redemption and call premiums during the second quarter of 2017 on the debt modification, which totaled \$65.2 million, as well as debt modification fees that were paid and expensed during 2017 of \$22.8 million. During the third quarter of 2017 we also fully repaid the FMU seller notes, the interest portion of which is classified in operating cash flows and included in the \$39.4 million of interest paid on deferred purchase price for acquisitions. In addition, cash paid for interest on all other debt increased by \$17.0 million, from \$367.3 million for 2016 to \$384.3 million for 2017. During 2017 we had lower average debt balances and lower interest rates than in 2016, so this increase in cash paid for interest is attributable to the timing of interest payments as a result of the 2017 refinancing transactions; the year-over-year decrease in our accrued interest payable balance resulted in increased cash interest payments of approximately \$79.0 million in 2017 as compared to 2016. Cash paid for taxes increased by \$1.8 million, from \$128.7 million for 2016 to \$130.5 million for 2017. Changes in operating assets and liabilities and other working capital increased cash by \$92.4 million for 2017, compared to 2016, which can be partly attributed to the effect on operating cash flows for 2016 of the dispositions of the Swiss and French businesses.

Investing activities

Cash used in investing activities increased by \$593.7 million for 2017 to \$(324.5) million, from an investing cash inflow of \$269.2 million in 2016. This change is primarily attributable to the sales of the Swiss and French institutions during 2016, which resulted in a \$544.6 million year-over-year decrease in receipts from the sale of property and equipment. Additionally, capital expenditures were higher in 2017 than in 2016 by \$37.1 million. These decreases in cash were partially offset by a year-over-year increase in investing cash flows of \$5.7 million related to the 2016 cash settlement of derivatives associated with the sales of the Swiss and French institutions. Other items accounted for the remaining change of \$17.7 million.

Financing activities

Cash provided by financing activities increased by \$668.5 million for 2017 to \$222.8 million, compared to a financing cash outflow of \$(445.7) million for 2016. This increased cash from financing

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activities was primarily attributable to the \$456.4 million of net proceeds from the IPO. Additionally, net payments of long-term debt during 2017, which included the repayment of the previous senior credit facility and the redemption of the Senior Notes due 2019 in addition to the repurchase of \$22.6 million of Senior Notes due 2019 under the Note Exchange Agreements, were \$572.4 million lower than in 2016. Debt repayments in 2016 included a payment of \$300.0 million made in connection with the 2016 amendment of our credit agreement and approximately \$269.3 million of repayments on our revolving credit facility related to the balance outstanding at the beginning of 2016. In addition, payments to purchase noncontrolling interests were \$8.2 million lower during 2017 as compared to 2016, since 2016 included the purchase of the remaining noncontrolling interest of St. Augustine. These increases in cash from financing activities were partially offset by less net proceeds from the issuance of Series A Preferred Stock of \$273.9 million, higher payments of deferred purchase price for acquisitions during 2017 versus 2016 of \$72.7 million, due principally to the repayment of the FMU seller note in September 2017 and higher dividends of \$17.9 million in 2017 paid on the Series A Preferred Stock. Other items accounted for the remaining change of \$4.0 million.

Comparison of Cash Flows for the Year Ended December 31, 2016 to the Year Ended December 31, 2015

Operating activities

Cash provided by operating activities increased by \$14.1 million to \$184.6 million for 2016, compared to \$170.5 million for 2015. The increase in operating cash flows was primarily related to increased operating income in 2016 of \$45.9 million over 2015. Partially offsetting these increases were: (1) cash paid for interest increased by \$15.9 million to \$367.3 million for 2016 compared to \$351.4 million for 2015, primarily due to higher average interest rates on our outstanding debt balances; and (2) cash paid for taxes increased by \$20.4 million to \$128.7 million for 2016, compared to \$108.3 million for 2015, primarily due to a change in the estimated tax payment requirements in Spain. Other working capital changes accounted for the remaining change of \$4.5 million.

Investing activities

Cash from investing activities increased by \$442.8 million for 2016 to \$269.2 million, from an investing cash usage of \$(173.6) million for 2015. Cash provided by investing activities was higher during 2016 than in 2015 due to the following: (1) proceeds from the sale of property and equipment were \$350.4 million higher in 2016 than in 2015, due to proceeds received in 2016 from the sale of the Glion and Les Roches Hospitality Management schools and the French institutions, partially offset by the proceeds from the Switzerland sale-leaseback arrangements received in 2015; (2) our capital expenditures were \$110.2 million lower in 2016 than in 2015; and (3) in 2015, we used cash for business acquisitions of \$6.7 million related to the 2015 Portugal acquisition. These changes were partially offset by: (1) in 2016, we settled derivatives related to the sale of our subsidiaries for net cash payments of \$5.7 million; and (2) in 2015, we received proceeds of \$5.0 million related to the sale of HSM. Other items accounted for the remaining change of \$13.8 million.

Financing activities

Cash from financing activities decreased by \$480.1 million for 2016 to \$(445.7) million, compared to a financing cash inflow of \$34.4 million for 2015. This change in financing activities was due to higher net payments of long-term debt during 2016 versus 2015 of \$813.0 million, which included the prepayment of \$300.0 million related to the Fifth Amendment to our Amended and Restated Credit Agreement, which we entered into on June 3, 2016, a \$62.5 million payment on our Senior Notes due 2019, and a full pay down of our revolving credit facility, which had an outstanding balance of \$269.3 million at the end of 2015. In addition, payments to purchase noncontrolling interests were higher in 2016 versus 2015 by \$20.3 million, primarily related to the 2016 purchase of the remaining noncontrolling interest of St. Augustine. These changes were partially offset by the receipt of

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\$329.1 million of proceeds from the issuance of the Series A redeemable preferred stock in December 2016, a \$19.0 million decrease in cash dividends to our shareholders, which is primarily related to a November 2015 cash dividend of \$19.0 million, and a \$3.3 million reduction in seller note payments during 2016 as compared to 2015. Other items accounted for the remaining difference of \$1.8 million.

Contractual Obligations

The following table reflects a summary of our contractual obligations as of December 31, 2017:

(in millions)	Total	Payments due by period			
		less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Long-term debt(a)(b)	\$ 3,287.0	\$ 160.3	\$ 289.7	\$ 357.8	\$ 2,479.2
Interest payments(c)	1,579.5	270.8	498.6	433.3	376.8
Operating lease obligations(d)	1,497.7	201.9	357.9	305.7	632.2
Capital lease obligations(e)	250.0	8.2	41.8	40.8	159.2
Due to shareholders of acquired companies(f)	103.4	40.8	50.8	11.8	—
Other obligations(g)	79.2	34.4	16.8	10.9	17.1
Total	\$ 6,796.8	\$ 716.4	\$ 1,255.6	\$ 1,160.3	\$ 3,664.5

- (a) Amount shown is gross of debt discount of approximately \$14.7 million. Amount also includes approximately \$37.7 million of debt related to subsidiaries that are classified as held for sale as of December 31, 2017.
- (b) On February 1, 2018, we amended our Senior Secured Credit Facility to reduce the interest rate on the 2024 Term Loan. In connection with this transaction, we also repaid \$350.0 million of the principal balance of the 2024 Term Loan using the proceeds from the sale of our Cyprus and Italy operations, along with borrowings on our revolving credit facility that were subsequently repaid with the proceeds from the sale of our China operations. As a result of the \$350.0 million repayment, there will be no further quarterly principal payments required and the remaining balance will be due at maturity.
- (c) Interest payments relate to long-term debt, capital lease obligations and amounts due to shareholders of acquired companies, including interest on obligations related to subsidiaries that are classified as held for sale as of December 31, 2017. Interest payments for variable-rate long-term debt were calculated using the variable interest rates in effect at December 31, 2017. As noted above, on February 1, 2018 we repaid \$350.0 million of the principal balance of the 2024 Term Loan and, in addition, we amended our Senior Secured Credit Facility to reduce the interest rate on the 2024 Term Loan by 100 basis points.
- (d) Includes approximately \$101.0 million of minimum future operating lease payments related to subsidiaries classified as held for sale as of December 31, 2017.
- (e) Includes failed sale-leasebacks. Also includes approximately \$15.7 million of capital lease obligations related to subsidiaries classified as held for sale as of December 31, 2017.
- (f) Due to shareholders of acquired companies represent promissory notes payable to the sellers of companies acquired by us. These notes payable are generally interest-bearing and have been recorded at their carrying value of \$79.6 million, which is included in due to shareholders of acquired companies, and \$21.3 million, which is included in liabilities held for sale on the 2017 consolidated balance sheet.
- (g) Other obligations consists primarily of contractually-owed service-related compensation, foreign tax settlement payments, purchase commitments, and other contractual obligations. Includes

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\$11.9 million for the current portion of a deferred compensation plan liability for certain executive employees and members of our board of directors. The current liability relates to participants who are required to receive distributions of their plan balances in 2018. The noncurrent portion of the deferred compensation plan liability of approximately \$7.0 million is not included in the table above as the payout dates cannot be estimated. See also Note 19, Benefit Plans included in our consolidated financial statements included elsewhere in this Form 10-K.

The preceding table does not reflect unrecognized income tax benefits, including interest and penalties, as of December 31, 2017 of approximately \$128.5 million. We are unable to make a reasonably reliable estimate of the period of any cash settlements. It is reasonably possible that our liability for unrecognized tax benefits could change during the time period.

The preceding table does not include the Series A Preferred Stock that is discussed in "Liquidity and Capital Resources." We have not included the Series A Preferred Stock in the table above since it could be converted into common stock upon certain conditions and is not mandatorily redeemable for cash on a fixed date.

Off-Balance Sheet Arrangements

As of December 31, 2017, we have the following off-balance sheet arrangements:

Noncontrolling Interest Call Options

We hold several call options that give us the right to purchase the remaining shares owned by noncontrolling interest holders of certain acquired subsidiaries. These call options had no impact on our consolidated financial statements as of December 31, 2017. For further discussion regarding call options, see Note 12, Commitments and Contingencies, and Note 2, Significant Accounting Policies, included in our consolidated financial statements included elsewhere in this Form 10-K.

Student Loan Guarantees

The accredited Chilean institutions in our network also participate in the CAE Program. As part of the CAE Program, these institutions provide guarantees which result in contingent liabilities to third-party financing institutions, beginning at 90% of the tuition loans made directly to qualified students enrolled through the CAE Program and declining to 60% over time. The guarantees by these institutions are in effect during the period in which the student is enrolled. The maximum potential amount of payments our institutions could be required to make under the CAE Program was approximately \$527.0 million and \$479.0 million at December 31, 2017 and 2016, respectively. This maximum potential amount assumes that all students in the CAE Program do not graduate, so that our guarantee would not be assigned to the government, and that all students default on the full amount of the CAE-qualified loan balances. As of December 31, 2017 and 2016, we recorded \$27.1 million and \$20.6 million, respectively, as estimated long-term guarantee liabilities for these obligations, through a reduction of Revenues.

Subsidiary Shares as Collateral

In conjunction with the purchase of Universidade Potiguar in Brazil (UNP), we pledged all of the acquired shares as a guarantee of our payments of rents as they become due. In the event that we default on any payment, the pledge agreement provides for a forfeiture of the relevant pledged shares. In the event of forfeiture, we may be required to transfer the books and management of UNP to the former owners.

We acquired the remaining 49% ownership interest in UAM Brazil in April 2013. As part of the agreement to purchase the 49% ownership interest, we pledged 49% of our total shares in UAM Brazil

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as a guarantee of our payment obligations under the purchase agreement. In the event that we default on any payment, the agreement provides for a forfeiture of the pledged shares.

In connection with the purchase of FMU on September 12, 2014, we pledged 75% of the acquired shares to third-party lenders as a guarantee of our payment obligations under the loans that financed a portion of the purchase price. We pledged the remaining 25% of the acquired shares to the sellers as a guarantee of our payment obligations under the purchase agreement for the seller notes. In the event that we default on any payment of the loans or seller notes, the purchase agreement provides for a forfeiture of the relevant pledged shares. After the payment of the seller notes in September 2017, the shares pledged to the sellers were pledged to the third-party lenders until full payment of the loans, which mature in April 2021.

Standby Letters of Credit

As of December 31, 2017, Laureate had outstanding letters of credit (LOCs), which consisted primarily of the following:

- Fully cash-collateralized LOCs of \$136.9 million in favor of the DOE, which are included in Restricted cash and investments. These LOCs were required to allow Walden, Kendall, NewSchool and St. Augustine to continue participating in the DOE Title IV program.
- Fully cash-collateralized LOCs totaling \$39.5 million, which are included in Restricted cash and investments, that were issued to continue the appeals process with the Spain Tax Authorities who challenged the holding company structure in Spain.

Surety Bonds

As part of our normal operations, our insurers issue surety bonds on our behalf, as required by various state education authorities in the United States. We are obligated to reimburse our insurers for any payments made by the insurers under the surety bonds. As of December 31, 2017, the total face amount of these fully cash-collateralized surety bonds was \$14.0 million.

In November 2016, in order to continue participating in Prouni, a federal program that offers tax benefits designed to increase higher education participation rates in Brazil, UAM Brazil posted a guarantee in the amount of \$15.3 million. In connection with the issuance of the guarantee, UAM Brazil obtained a non-collateralized surety bond from a third party in order to secure the guarantee. The cost of the surety bond was \$1.4 million, of which half was reimbursed by the former owner of UAM Brazil, and is being amortized over the five-year term.

Critical Accounting Policies and Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires our management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities. Actual results could differ from these estimates. Our significant accounting policies are discussed in Note 2, Significant Accounting Policies, in our consolidated financial statements included elsewhere in this Form 10-K. Our critical accounting policies require the most significant judgments and estimates about the effect of matters that are inherently uncertain. As a result, these accounting policies and estimates could materially affect our financial statements and are critical to the understanding of our results of operations and financial condition. Management has discussed the selection of these critical accounting policies and estimates with the audit committee of the board of directors.

Variable Interest Entities (VIEs)

Laureate consolidates in its financial statements certain internationally based educational organizations that do not have shares or other equity ownership interests. Although these educational organizations may be considered not-for-profit entities in their home countries and they are operated in compliance with their respective not-for-profit legal regimes, we believe they do not meet the definition of a not-for-profit entity under GAAP, and therefore we treat them as "for-profit" entities for accounting purposes. These entities generally cannot declare dividends or distribute their net assets to the entities that control them. Under ASC 810-10, "Consolidation," we have determined that these institutions are VIEs and that Laureate is the primary beneficiary of these VIEs because we have, as further described herein: (1) the power to direct the activities of the VIEs that most significantly affect their educational and economic performance and (2) the right to receive economic benefits from contractual and other arrangements with the VIEs that could potentially be significant to the VIEs. We account for the acquisition of the right to control a VIE in accordance with ASC 805, "Business Combinations."

As with all of our educational institutions, the VIE institutions' primary source of income is tuition fees paid by students, for which the students receive educational services and goods that are proportionate to the prices charged. Laureate maintains control of these VIEs through our rights to designate a majority of the governing entities' board members, through which we have the legal ability to direct the activities of the entities. Laureate maintains a variable interest in these VIEs through mutual contractual arrangements at market rates and terms that provide them with necessary products and services, and/or intellectual property, and has the ability to enter into additional such contractual arrangements at market rates and terms. We also have the ability to transfer our rights to govern these VIEs, or the entities that possess those rights, to other parties, which could yield a return if and when these rights are transferred.

We generally do not have legal entitlement to distribute the net assets of the VIEs. Generally, in the event of liquidation or the sale of the net assets of the VIEs, the net proceeds can only be transferred either to another VIE institution with similar purposes or to the government. In the unlikely case of liquidation or a sale of the net assets of the VIE, we may be able to retain the residual value by naming another Laureate-controlled VIE resident in the same jurisdiction as the recipient, if one exists; however we generally cannot name a for-profit entity as the recipient. Moreover, because the institution generally would be required to provide for the continued education of its students, liquidation would not be a likely course of action and would be unlikely to result in significant residual assets available for distribution. However, we operate our VIEs as going concern enterprises, maintain control in perpetuity, and have the ability to provide additional contractual arrangements for educational and other services priced at up to market rates with Laureate-controlled service companies. Typically, we are not legally obligated to make additional investments in the VIE institutions.

Laureate for-profit entities provide necessary products and services, and/or intellectual property, to all institutions in the *Laureate International Universities* network, including the VIE institutions, through contractual arrangements at market rates and terms, which are accretive to Laureate. We periodically modify the rates we charge under these arrangements to ensure that they are priced at or below fair market value and to add additional services. If it is determined that contractual arrangements with any institution are not on market terms, it could have an adverse regulatory impact on such institution. We believe these arrangements improve the quality of the academic curriculum and the students' educational experience. There are currently four types of contractual arrangements: (i) intellectual

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property (IP) royalty arrangements; (ii) network fee arrangements; (iii) management service arrangements; and (iv) lease arrangements.

- (i) Under the IP royalty arrangements, institutions in the *Laureate International Universities* network pay to Laureate royalty payments for the use of Laureate's tradename and best practice policies and procedures.
- (ii) Institutions in the *Laureate International Universities* network gain access to other network resources, including academic content, support with curriculum design, online programs, professional development, student exchange and access to dual degree programs, through network fee arrangements whereby the institutions pay stipulated fees to Laureate for such access.
- (iii) Institutions in the *Laureate International Universities* network contract with Laureate and pay fees under management services agreements for the provision of support and managerial services including access to management, legal, tax, finance, accounting, treasury and other services, which in some cases Laureate provides through shared service arrangements in certain jurisdictions.
- (iv) Laureate for-profit entities, including for-profit entities in which the VIEs are investors, own various campus real estate properties and have entered into long-term lease contracts with the respective institutions in the *Laureate International Universities* network, whereby they pay market-based rents for the use of the properties in the conduct of their educational operations.

Revenues recognized by our for-profit entities from these contractual arrangements with our consolidated VIEs were \$123.2 million, \$113.3 million and \$106.0 million for the years ended December 31, 2017, 2016 and 2015, respectively. These revenues are eliminated in consolidation.

Under our accounting policy, we allocate all of the income or losses of these VIEs to Laureate unless there is a noncontrolling interest where the economics of the VIE are shared with a third party. The income or losses of these VIEs allocated to Laureate represent the earnings after deducting charges related to contractual arrangements with our for-profit entities as described above. We believe that the income remaining at the VIEs after these charges accretes value to our rights to control these entities.

Laureate's VIEs are generally exempt from income taxes. As a result, the VIEs generally do not record deferred tax assets or liabilities or recognize any income tax expense in the Consolidated Financial Statements. No deferred taxes are recognized by the for-profit service companies for the remaining income in these VIEs as the legal status of these entities generally prevents them from declaring dividends or making distributions to their sponsors. However, these for-profit service companies record income taxes related to revenues from their contractual arrangements with these VIEs.

Risks in relation to the VIEs

We believe that all of the VIE institutions in the Laureate network are operated in full compliance with local law and that the contractual arrangements with the VIEs are legally enforceable; however, these VIEs are subject to regulation by various agencies based on the requirements of local jurisdictions. These agencies, as well as local legislative bodies, review and update laws and regulations as they deem necessary or appropriate. We cannot predict the form of any laws that may be enacted, or regulations that ultimately may be adopted in the future, or what effects they might have on our business, financial condition, results of operations and cash flows. If local laws or regulations were to change, if the VIEs were found to be in violation of existing local laws or regulations, or if the

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regulators were to question the financial sustainability of the VIEs and/or whether the contractual arrangements were at fair value, local government agencies could, among other actions:

- revoke the business licenses and/or accreditations of the VIE institutions;
- void or restrict related-party transactions, such as the contractual arrangements between Laureate and the VIE institutions;
- impose fines that significantly impact business performance or other requirements with which the VIEs may not be able to comply;
- require Laureate to change the VIEs' governance structures, such that Laureate would no longer maintain control of the activities of the VIEs; or
- disallow a transfer of our rights to govern these VIEs, or the entities that possess those rights, to a third party for consideration.

Laureate's ability to conduct our business would be negatively affected if local governments were to carry out any of the aforementioned or other similar actions. In any such case, Laureate may no longer be able to consolidate the VIEs. As discussed in Note 25, Subsequent Events, in our consolidated financial statements included elsewhere in this Form 10-K, in January 2018 a bill was passed by the Chilean Congress and, assuming that it passes review by the Constitutional Court, it is expected to be signed into law by the President of Chile. Once the bill becomes law, it will prohibit for-profit organizations, such as Laureate, from controlling the boards of universities in Chile. As a result, the Company currently expects that it will be required to deconsolidate its three Chilean non-profit universities, which are included in the Andean & Iberian segment, as early as the first quarter of 2018.

The VIEs in Brazil and Mexico include several not-for-profit foundations that have insignificant revenues and operating expenses. Selected Consolidated Statements of Operations information for VIEs was as follows, net of the charges related to the above-described contractual arrangements:

(in millions)				
For the years ended December 31,		2017	2016	2015
Selected Statements of Operations information:				
Revenues, by segment:				
Brazil	\$	0.1	\$ —	\$ —
Mexico		—	—	—
Andean & Iberian		418.0	380.1	363.5
Central America & U.S. Campuses		61.9	57.8	54.3
EMEAA		265.8	273.1	264.5
Revenues		745.8	711.0	682.4
Depreciation and amortization		49.1	51.7	53.0
Operating (loss) income, by segment:				
Brazil		—	(0.1)	—
Mexico		(0.9)	(1.0)	(1.3)
Andean & Iberian		(4.9)	(17.2)	(12.8)
Central America & U.S. Campuses		0.3	0.4	(0.6)
EMEAA		33.0	29.0	22.9
Operating income		27.5	11.2	8.1
Net income		46.3	35.1	11.8
Net income attributable to Laureate Education, Inc.		43.2	33.0	11.5

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The following table reconciles the Net income (loss) attributable to Laureate Education, Inc. as presented in the table above, to the amounts in our Consolidated Statements of Operations:

(in millions)	2017		2016		2015	
For the years ended December 31,						
Variable interest entities	\$	43.2	\$	33.0	\$	11.5
Other operations		482.8		520.1		118.5
Corporate and eliminations		(434.5)		(181.3)		(446.3)
Net income (loss) attributable to Laureate Education, Inc.	\$	<u>91.5</u>	\$	<u>371.8</u>	\$	<u>(316.2)</u>

The following table presents selected assets and liabilities of the consolidated VIEs. Except for Goodwill, the assets in the table below include the assets that can be used only to settle the obligations for the VIEs. The liabilities in the table are liabilities for which the creditors of the VIEs do not have recourse to the general credit of Laureate.

Selected Consolidated Balance Sheet amounts for these VIEs were as follows:

(in millions)	December 31, 2017		December 31, 2016					
	VIE	Consolidated	VIE	Consolidated				
Balance Sheets data:								
Cash and cash equivalents	\$	231.9	\$	468.7	\$	169.1	\$	465.0
Current assets held for sale		22.2		102.6		—		—
Other current assets		153.1		717.5		153.1		650.8
Total current assets		<u>407.3</u>		<u>1,288.9</u>		<u>322.2</u>		<u>1,115.8</u>
Goodwill		192.2		1,954.7		181.7		1,934.5
Tradenames		110.6		1,295.6		104.1		1,307.6
Other intangible assets, net		—		35.9		—		46.7
Long-term assets held for sale		185.1		392.4		—		—
Other long-term assets		524.3		2,424.3		701.1		2,657.9
Total assets		<u>1,419.6</u>		<u>7,391.7</u>		<u>1,309.1</u>		<u>7,062.5</u>
Current liabilities held for sale		64.9		176.7		—		—
Other current liabilities		276.3		1,198.0		320.9		1,440.2
Long-term liabilities held for sale		41.7		94.4		—		—
Long-term debt and other long-term liabilities		66.7		3,921.3		103.4		4,601.0
Total liabilities		<u>449.6</u>		<u>5,390.4</u>		<u>424.3</u>		<u>6,041.2</u>
Total stockholders' equity		<u>970.0</u>		<u>1,587.3</u>		<u>884.8</u>		<u>664.4</u>
Total stockholders' equity attributable to Laureate Education, Inc.		<u>949.0</u>		<u>1,575.2</u>		<u>867.0</u>		<u>632.2</u>

Included in the December 31, 2017 VIE cash balance in the table above is approximately \$101 million of cash held at the three Chilean VIEs. The amounts classified as held-for-sale assets and liabilities at December 31, 2017 in the table above relate to VIEs that are included in our EMEAA segment and are subject to finalization. The VIEs' cash and cash equivalents balances are generally required to be used only for the benefit of the operations of these VIEs. These balances are included in cash and cash equivalents in our consolidated balance sheets.

[Business Combinations](#)

We apply the purchase accounting standards under ASC 805, "Business Combinations," to acquisitions. The purchase price of an acquisition is allocated, for accounting purposes, to individual tangible and identifiable intangible assets acquired, liabilities assumed and noncontrolling interests

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based on their estimated fair values on the acquisition date. Any excess purchase price over the assigned values of net assets acquired is recorded as goodwill. The acquisition date is the date on which control is obtained by the acquiring company. Any non-monetary consideration transferred and any previously held noncontrolling interests that are part of the purchase consideration are remeasured at fair value on the acquisition date, with any resulting gain or loss recognized in earnings. The preliminary allocations of the purchase price are subject to revision in subsequent periods based on the final determination of fair values, which must be finalized no later than the first anniversary of the date of the acquisition. Transaction costs are expensed as incurred. See Note 4, Acquisitions in our consolidated financial statements included elsewhere in this Form 10-K for details of our business combinations.

Redeemable Noncontrolling Interests and Equity

In certain cases, we initially purchase a majority ownership interest in a company and use various put and call arrangements with the noncontrolling interest holders that require or enable us to purchase all or a portion of the remaining minority ownership at a later date. In accounting for these arrangements we are required to make estimates with regard to the final amount we will eventually pay for the additional ownership interest that we will acquire. In the minority put arrangements, the final settlement values are usually based on future earnings measurements that we refer to as "non-GAAP earnings," as they are calculated using an agreed-upon set of rules that are not necessarily consistent with GAAP. We use the current value of a multiple of the current period non-GAAP earnings as an estimate for the final value that will eventually be paid to settle the arrangement. These values are then adjusted annually to reflect changes in the acquired company's non-GAAP earnings as well as the additional passage of time to maturity for the arrangement. To the extent that the current period's non-GAAP earnings are different from future periods' non-GAAP earnings, the value of these obligations can change significantly and can impact our financial position and results of operations. See Note 12, Commitments and Contingencies in our consolidated financial statements included elsewhere in this Form 10-K for details of our noncontrolling interest put arrangements.

Goodwill and Indefinite-lived Intangible Assets

We perform annual impairment tests of indefinite-lived intangible assets, primarily goodwill and tradenames, as of October 1st each year. We also evaluate these assets on an interim basis if events or changes in circumstances between annual tests indicate that the assets may be impaired. We have not made material changes to the methodology used to assess impairment loss on indefinite-lived intangible assets during the past three fiscal years.

We have the option of first performing a qualitative assessment (i.e., step zero) before calculating the fair value of the reporting unit (i.e., step one of the two-step fair value-based impairment test). A reporting unit is defined as a component of an operating segment for which discrete financial information is available and regularly reviewed by management of the segment. If we determine on the basis of qualitative factors that the fair value of the reporting unit is more likely than not less than the carrying amount, the two-step impairment test is required.

If we do not perform the qualitative assessment for a reporting unit or determine that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, a quantitative two-step fair value-based test is performed. In the first step, we estimate the fair value of each reporting unit, utilizing a weighted combination of a discounted cash flow analysis and a market multiples analysis. A reporting unit is defined as a component of an operating segment for which discrete financial information is available and regularly reviewed by management of that segment. If the recorded net assets of the reporting unit are less than the reporting unit's estimated fair value, then there is no goodwill deemed to be impaired. If the recorded net assets of the reporting unit exceed its estimated fair value, then goodwill is potentially impaired and we calculate the implied fair value of

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goodwill, by deducting the estimated fair value of all tangible and identifiable intangible net assets of the reporting unit from the estimated fair value of the reporting unit. If the recorded amount of goodwill exceeds this implied fair value, the difference is recognized as a loss on impairment of assets in the consolidated statements of operations.

Our valuation approach utilizes a weighted combination of a discounted cash flow analysis and a market multiples analysis, where available. The discounted cash flow analysis relies on historical data and internal estimates, which are developed as a part of our long-range plan process, and includes an estimate of terminal value based on these expected cash flows using the generally accepted Gordon Dividend Growth formula, which derives a valuation using an assumed perpetual annuity based on the reporting unit's residual cash flows. The discount rate is based on the generally accepted Weighted Average Cost of Capital methodology, and is derived using a cost of equity based on the generally accepted Capital Asset Pricing Model and a cost of debt assumption based on the typical rate paid by market participants. The market multiples analysis utilizes multiples of business enterprise value to revenues, operating income and earnings before interest, taxes, depreciation and amortization of comparable publicly traded companies and multiples based on fair value transactions where public information is available. Significant assumptions used in estimating the fair value include: (1) discount and growth rates, and (2) our long-range plan which includes enrollment, pricing, planned capital expenditures and operating margins. Management reviews the sum of the estimated enterprise fair value of all our reporting units to our market enterprise value to corroborate the results of its weighted combination approach to determining fair value.

We also evaluate the sensitivity of a change in assumptions related to goodwill impairment, assessing whether a 10% reduction in our estimates of revenue or a 1% increase in our estimated discount rates would result in impairment of goodwill. Using the current estimated cash flows and discount rates, each reporting unit's estimated fair value exceeds its carrying value by at least 15%. We have determined that none of our reporting units with material goodwill were at risk of failing the first step of the goodwill impairment test as of December 31, 2017.

The impairment test for indefinite-lived intangible assets generally requires a new determination of the fair value of the intangible asset using the "relief-from-royalty" method. This method estimates the amount of royalty expense that we would expect to incur if the assets were licensed from a third party. We use publicly available information and proprietary third-party arm's length agreements that Laureate has entered into with various licensors in determining certain assumptions to assist us in estimating fair value using market participant assumptions. If the fair value of the intangible asset is less than its carrying value, the intangible asset is adjusted to its new estimated fair value, and an impairment loss is recognized.

If the estimates and related assumptions used in assessing the recoverability of our goodwill and indefinite-lived intangible assets decline, we may be required to record impairment charges for those assets. We base our fair value estimates on assumptions that we believe to be reasonable but that are unpredictable and inherently uncertain. Actual results may differ from those estimates. In addition, we make certain judgments and assumptions in allocating shared assets and liabilities to determine the carrying values for each of our reporting units. See also "—Results of Operations—Discussion of Significant Items Affecting the Consolidated Results for the Years Ended December 31, 2017, 2016 and 2015" and Note 8, Goodwill and Other Intangible Assets, in our consolidated financial statements included elsewhere in this Form 10-K for further details of the impairments.

We completed our IPO on February 6, 2017 at an initial public offering price that was below the range and since then our stock price at times has traded below the initial public offering price. While our market capitalization is currently in excess of the carrying value of our stockholders' equity, a significant decline in our stock price for an extended period of time could be considered an impairment

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indicator that would cause us to perform an interim impairment test that could result in additional impairments of goodwill or other intangible assets.

Long-Lived Assets and Finite-Lived Intangible Assets

We evaluate our long-lived assets, including property and equipment and finite-lived intangible assets, to determine whether events or changes in circumstances indicate that the remaining estimated useful lives of such assets may warrant revision or that their carrying values may not be fully recoverable.

Indicators of impairment include, but are not limited to:

- a significant deterioration of operating results;
- a change in regulatory environment;
- a significant change in the use of an asset, its physical condition, or a change in management's intended use of the asset;
- an adverse change in anticipated cash flows; or
- a significant decrease in the market price of an asset.

If an impairment indicator is present, we evaluate recoverability by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to result from the use and eventual disposition of the assets. If the assets are determined to be impaired, the impairment recognized is the excess of the carrying amount over the fair value of the assets. Fair value is generally determined by the discounted cash flow method. The discount rate used in any estimate of discounted cash flows is the rate commensurate with a similar investment of similar risk. We use judgment in determining whether a triggering event has occurred and in estimating future cash flows and fair value. Changes in our judgments could result in impairments in future periods.

As a result of our impairment testing, we recorded impairment losses on long-lived assets for the year ended December 31, 2017, primarily related to certain subsidiaries that were classified as held for sale at December 31, 2017. See Note 8, Goodwill and Other Intangible Assets, in our consolidated financial statements included elsewhere in our Form 10-K for further details of the impairments. We recorded no impairment losses on long-lived assets and finite-lived intangible assets for the years ended December 31, 2016 and December 31, 2015.

Deferred Costs

Deferred costs on the consolidated balance sheets consist primarily of direct costs associated with online course development and accreditation. Deferred costs associated with the development of online educational programs are capitalized after technological feasibility has been established. Deferred online course development costs are amortized to direct costs on a straight-line basis over the estimated period that the associated products are expected to generate revenues. Deferred online course development costs are evaluated on a quarterly basis through review of the corresponding course catalog. If a course is no longer listed or offered in the current course catalog, then the costs associated with its development are written off. As of December 31, 2017 and 2016, the unamortized balances of online course development costs were \$60.9 million and \$54.7 million, respectively. We defer direct and incremental third-party costs incurred for obtaining initial accreditation and for the renewal of accreditations. These accreditation costs are amortized to direct costs over the life of the accreditation on a straight-line basis. As of December 31, 2017 and 2016, the unamortized balances of accreditation costs were \$3.2 million and \$3.0 million, respectively.

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At December 31, 2017 and 2016, our total deferred costs were \$176.4 million and \$160.6 million, respectively, with accumulated amortization of \$(112.3) million and \$(102.8) million, respectively.

As a result of our impairment testing, we recorded impairment losses on deferred costs for the year ended December 31, 2017. We recorded no impairment losses on deferred costs for the years ended December 31, 2016 and December 31, 2015.

Debt Issuance Costs

Debt issuance costs are paid as a result of certain debt transactions and are presented as a deduction from debt. These debt issuance costs are amortized over the term of the associated debt instruments. The amortization expense is recognized as a component of Interest expense in the Consolidated Statements of Operations. If we extinguish our debt before its full term, we may need to write off all or a portion of these deferred financing costs and recognize a loss on extinguishment. As of December 31, 2017 and 2016, the unamortized balances of deferred financing costs were \$107.6 million and \$44.6 million, respectively.

Income Taxes

We record the amount of income taxes payable or refundable for the current year, as well as deferred tax assets and liabilities for the expected future tax consequences of events that we have recognized in our consolidated financial statements or tax returns. We exercise judgment in assessing future profitability and the likely future tax consequences of these events.

Deferred Taxes

Estimates of deferred tax assets and liabilities are based on current tax laws, rates and interpretations, and, in certain cases, business plans and other expectations about future outcomes. We develop estimates of future profitability based upon historical data and experience, industry projections, forecasts of general economic conditions, and our own expectations. Our accounting for deferred tax consequences represents management's best estimate of future events that can be appropriately reflected in our accounting estimates. Changes in existing tax laws and rates, their related interpretations, as well as the uncertainty generated by the current economic environment may impact the amounts of deferred tax liabilities or the valuations of deferred tax assets.

Tax Contingencies

We are subject to regular review and audit by both domestic and foreign tax authorities. We apply a more-likely-than-not threshold for tax positions, under which we must conclude that a tax position is more likely than not to be sustained in order for us to continue to recognize the benefit. This assumes that the position will be examined by the appropriate taxing authority and that full knowledge of all relevant information is available. In determining the provision for income taxes, judgment is used, reflecting estimates and assumptions, in applying the more-likely-than-not threshold. A change in the assessment of the outcome of a tax review or audit could materially adversely affect our consolidated financial statements.

See Note 16, Income Taxes, in our consolidated financial statements included elsewhere in this Form 10-K for details of our deferred taxes and tax contingencies.

Indefinite Reinvestment of Foreign Earnings

We earn a significant portion of our income from subsidiaries located in countries outside the United States. Deferred tax liabilities have not been recognized for undistributed foreign earnings because management believes that the earnings will be indefinitely reinvested outside the United States

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under the Company's planned tax neutral methods. ASC 740, "Income Taxes," requires that we evaluate our circumstances to determine whether or not there is sufficient evidence to support the assertion that we will reinvest undistributed foreign earnings indefinitely. Our assertion that earnings from our foreign operations will be indefinitely reinvested is supported by projected working capital and long-term capital plans in each foreign subsidiary location in which the earnings are generated. Additionally, we believe that we have the ability to indefinitely reinvest foreign earnings based on our domestic operation's cash repatriation strategies, projected cash flows, projected working capital and liquidity, and the expected availability of capital within the debt or equity markets. As further described in Note 16, Income Taxes, in our consolidated financial statements included elsewhere in this Form 10-K, this assertion is provisional as of December 31, 2017. If our expectations change based on future developments such that some or all of the undistributed earnings of our foreign subsidiaries may be remitted to the United States in the foreseeable future, we will be required to recognize deferred tax expense and liabilities on those amounts. In addition, if applicable tax rules in the United States are modified to cause U.S. corporations to pay taxes on foreign earnings even if the earnings are not remitted to the United States, we may incur additional tax expense.

Revenue Recognition

Our revenues primarily consist of tuition and educational service revenues. We also generate revenues from student fees, dormitory/residency fees, and education-related activities. Revenues are reported net of scholarships and other discounts, refunds, waivers and the fair value of any guarantees made by us related to student financing programs. Our institutions have various billing and academic cycles. Collectibility is determined on a student-by-student basis at the time of enrollment. Generally, students cannot re-enroll for the next academic session without satisfactory resolution of any past-due amounts. Tuition revenues are recognized ratably on a weekly straight-line basis over each academic session. Deferred revenue and student deposits on our consolidated balance sheets consist of tuition paid prior to the start of academic sessions and unearned tuition amounts recorded as accounts receivable after an academic session begins. If a student withdraws from an institution, our obligation to issue a refund depends on the refund policy at that institution and the timing of the student's withdrawal. Generally, our refund obligations are reduced over the course of the academic term. We record refunds as a reduction of deferred revenue and student deposits, as applicable. Once a student withdraws, the Company recognizes revenue on a cash basis as collectibility is not reasonably assured. Dormitory revenues are recognized over the occupancy period. Revenues from the sale of educational products are generally recognized upon delivery and when collectibility is reasonably assured. Student fees and other revenues, which include revenues from contractual arrangements with unconsolidated institutions, are recognized as earned over the appropriate service period.

Allowance for Doubtful Accounts

Receivables are deemed to be uncollectible when they have been outstanding for two years, or earlier when collection efforts have ceased, at which time they are written off. Prior to that, we record an allowance for doubtful accounts to reduce our receivables to their net realizable value. Our allowance estimation methodology is based on the age of the receivables, the status of past-due amounts, historical collection trends, current economic conditions and student enrollment status. In the event that current collection trends differ from historical trends, an adjustment is made to the allowance account and bad debt expense.

Derivatives

In the normal course of business, our operations have significant exposure to fluctuations in foreign currency values and interest rate changes. Accordingly, we mitigate a portion of these risks through a risk-management program that includes the use of derivative financial instruments

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(derivatives). The interest and principal payments for our senior long-term debt arrangements are primarily paid in USD. Because the majority of our operating cash flow and revenues comes from business units located outside the United States with functional currencies other than the USD, our ability to make debt payments and our earnings are subject to fluctuations in the value of the USD relative to foreign currencies. In order to mitigate these foreign currency risks, we selectively enter into foreign exchange forward contracts. Additionally, borrowings under our Senior Secured Credit Facility and certain local credit facilities bear interest at variable rates. If market interest rates increase, variable-rate debt will create higher debt service requirements, which could adversely affect our cash flow. Therefore, we have entered into floating-to-fixed interest rate swap contracts for certain debt arrangements that are subject to fluctuations in interest rates. We do not engage in speculative or leveraged transactions, nor do we hold or issue derivatives for trading purposes.

We report all derivatives on the consolidated balance sheets at fair value. The values are derived using valuation models commonly used for derivatives. These valuation models require a variety of inputs, including contractual terms, market prices, forward-price yield curves, notional quantities, measures of volatility and correlations of such inputs. Our fair value models incorporate the measurement of our own nonperformance risk into our calculations. Our derivatives expose us to credit risk to the extent that the counterparty may possibly fail to perform its contractual obligation when we are in a net gain position. As a result, our valuation models reflect measurements for counterparty credit risk. We also actively monitor counterparty credit ratings for any significant changes that could impact the nonperformance risk calculation for our fair value. We value derivatives using management's best estimate of inputs we believe market participants would use in pricing the asset or liability at the measurement date. Derivative and hedge accounting requires judgment in the use of estimates that are inherently uncertain and that may change in subsequent periods. External factors, such as economic conditions, will impact the inputs to the valuation model over time. The effect of changes in assumptions and estimates could materially impact our financial statements. See Note 15, Derivative Instruments, in our consolidated financial statements included elsewhere in this Form 10-K for details of our derivatives.

Share-Based Compensation

We use the Black-Scholes-Merton option pricing model to calculate the fair value of stock options. This option valuation model requires the use of subjective assumptions, including the estimated fair value of the underlying common stock, the expected stock price volatility, and the expected term of the option. The estimated fair value of the underlying common stock is based on third-party valuations. Our volatility estimates are based on a peer group of companies. We estimate the expected term of awards to be the weighted average mid-point between the vesting date and the end of the contractual term. We use this method to estimate the expected term since we do not have sufficient historical exercise data.

We have granted restricted stock, restricted stock units, stock options, and performance awards for which the vesting is based on our annual performance metrics. For interim periods, we use our year-to-date actual results, financial forecasts, and other available information to estimate the probability of the award vesting based on the performance metrics. The related compensation expense recognized is affected by our estimates of the vesting potential of these performance awards. See Note 14, Share-based Compensation, in our consolidated financial statements included elsewhere in this Form 10-K for further discussion of these arrangements.

Recently Issued Accounting Standards

Refer to Note 2, Significant Accounting Policies, in our consolidated financial statements included elsewhere in this Form 10-K for recently issued accounting standards.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk primarily from fluctuations in interest rates and foreign currency exchange rates. We may seek to control a portion of these risks through a risk-management program that includes the use of derivatives to reduce earnings and cash flow volatility associated with changes in interest rates and foreign currency exchange rates. As a policy, we do not engage in speculative or leveraged transactions, nor do we hold or issue derivatives for trading purposes.

Interest Rate Risk

We are subject to risk from fluctuations in interest rates, primarily relating to our Senior Secured Credit Facility and certain local debt, which bear interest at variable rates. However, we mitigate this risk in part by entering into floating-to-fixed interest rate swap contracts in order to fix a portion of our floating-rate debt.

Based on our outstanding variable-rate debt as of December 31, 2017 and factoring in the impact of the derivatives, an increase of 100 basis points in our weighted-average interest rate would result in an increase in interest expense of \$13.4 million on an annual basis.

See Note 15, Derivative Instruments, in our consolidated financial statements included elsewhere in this Form 10-K for further discussion of our derivatives.

Foreign Currency Exchange Risk

We use the USD as our reporting currency. We derived approximately 83% of our revenues from students outside of the United States for the year ended December 31, 2017. Our business is transacted through a network of international and domestic subsidiaries, generally in the local currency, considered the functional currency for that subsidiary.

Our foreign currency exchange rate risk is related to the following items:

- Adjustments relating to the translation of our assets and liabilities from the subsidiaries' functional currencies to USD. These adjustments are recorded in accumulated other comprehensive income (loss) on our consolidated balance sheets.
- Gains and losses resulting from foreign currency exchange rate changes related to intercompany loans that are deemed to have the characteristics of a long-term investment. These gains and losses are recorded in accumulated other comprehensive income (loss) on our consolidated balance sheets.
- Gains and losses resulting from foreign currency exchange rate changes related to intercompany loans that are not deemed to have the characteristics of a long-term investment. These gains and losses are recorded in foreign currency exchange gain (loss) on our consolidated statements of operations.
- Gains and losses on foreign currency transactions. These gains and losses are recorded in foreign currency exchange gain (loss) on our consolidated statements of operations.

For the year ended December 31, 2017, a hypothetical 10% adverse change in average annual foreign currency exchange rates, excluding the impacts of our derivatives, would have decreased Operating income and Adjusted EBITDA by approximately \$28.6 million and \$80.2 million, respectively.

We monitor the impact of foreign currency movements related to differences between our subsidiaries' local currencies and the USD. Our U.S. debt facilities are primarily denominated in USD. We enter into foreign exchange forward contracts to protect the USD value of our assets and future cash flows, as well as to reduce the earnings impact of exchange rate fluctuations on receivables and payables denominated in currencies other than the functional currencies. See Note 15, Derivative Instruments, in our consolidated financial statements included elsewhere in this Form 10-K for additional discussion regarding our derivatives.

ITEM 8. FINANCIAL STATEMENTS

LAUREATE EDUCATION, INC.

INDEX TO FINANCIAL STATEMENTS
COVERED BY REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Laureate Education, Inc. and Subsidiaries:
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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Laureate Education, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Laureate Education, Inc. and its subsidiaries as of December 31, 2017 and 2016, and the related consolidated statements of operations, of comprehensive income, of stockholders' equity and of cash flows for each of the three years in the period ended December 31, 2017, including the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements 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 of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits 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. We believe that our audits provide a reasonable basis for our opinion.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for deferred income taxes in 2017.

/s/ PricewaterhouseCoopers LLP

Baltimore, MD
March 20, 2018

We have served as the Company's auditor since 2007, which includes periods before the Company became subject to SEC reporting requirements.

LAUREATE EDUCATION, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

IN THOUSANDS, except per share amounts

For the years ended December 31,	2017	2016	2015
Revenues	\$ 4,377,989	\$ 4,244,192	\$ 4,291,659
Costs and expenses:			
Direct costs	3,665,134	3,615,338	3,760,016
General and administrative expenses	315,471	222,496	194,686
Loss on impairment of assets	40,597	23,465	—
Operating income	356,787	382,893	336,957
Interest income	19,669	18,670	13,328
Interest expense	(362,904)	(421,936)	(398,042)
Loss on debt extinguishment	(8,392)	(17,363)	(1,263)
Gain (loss) on derivatives	28,656	(6,084)	(2,607)
Other (expense) income, net	(2,193)	910	195
Foreign currency exchange gain (loss), net	5,838	67,450	(149,178)
(Loss) gain on sales of subsidiaries, net	(10,662)	406,557	—
Income (loss) from continuing operations before income taxes and equity in net income of affiliates	26,799	431,097	(200,610)
Income tax benefit (expense)	66,813	(65,001)	(117,730)
Equity in net income of affiliates, net of tax	152	90	2,495
Net income (loss)	93,764	366,186	(315,845)
Net (income) loss attributable to noncontrolling interests	(2,299)	5,661	(403)
Net income (loss) attributable to Laureate Education, Inc.	\$ 91,465	\$ 371,847	\$ (316,248)
Accretion of Series A convertible redeemable preferred stock and other redeemable noncontrolling interests and equity	(298,497)	(1,537)	(6,173)
Net (loss) income available to common stockholders	\$ (207,032)	\$ 370,310	\$ (322,421)
Basic and diluted (loss) earnings per share:			
Basic (loss) earnings per share	\$ (1.20)	\$ 2.78	\$ (2.44)
Diluted (loss) earnings per share	\$ (1.20)	\$ 2.76	\$ (2.44)

The accompanying notes are an integral part of these consolidated financial statements.

LAUREATE EDUCATION, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

IN THOUSANDS

For the years ended December 31,	2017	2016	2015
Net income (loss)	\$ 93,764	\$ 366,186	\$ (315,845)
Other comprehensive income (loss):			
Foreign currency translation adjustment, net of tax of \$0 for all years	120,436	(115,685)	(386,310)
Unrealized gain on derivative instruments, net of tax of \$0 for all years	9,875	8,032	5,629
Minimum pension liability adjustment, net of tax of \$105, \$1,800 and \$982, respectively	(377)	8,391	2,966
Total other comprehensive income (loss)	129,934	(99,262)	(377,715)
Comprehensive income (loss)	223,698	266,924	(693,560)
Net comprehensive (income) loss attributable to noncontrolling interests	(4,570)	5,545	3,234
Comprehensive income (loss) attributable to Laureate Education, Inc.	<u>\$ 219,128</u>	<u>\$ 272,469</u>	<u>\$ (690,326)</u>

The accompanying notes are an integral part of these consolidated financial statements.

LAUREATE EDUCATION, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

IN THOUSANDS, except per share amounts

	December 31, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents (includes VIE amounts of \$231,940 and \$169,074, see Note 2)	\$ 468,733	\$ 464,965
Restricted cash and investments	224,934	189,319
Receivables:		
Accounts and notes receivable	535,176	494,646
Other receivables	20,676	23,758
Related party receivables	875	6,931
Allowance for doubtful accounts	(198,802)	(190,499)
Receivables, net	357,925	334,836
Income tax receivable	41,178	29,447
Prepaid expenses and other current assets	93,461	97,234
Current assets held for sale	102,623	—
Total current assets (includes VIE amounts of \$407,315 and \$322,210, see Note 2)	1,288,854	1,115,801
Notes receivable, net	4,116	61,157
Property and equipment:		
Land	397,153	396,821
Buildings	1,026,656	1,219,783
Furniture, equipment and software	1,188,211	1,160,350
Leasehold improvements	423,658	399,555
Construction in-progress	84,520	103,205
Accumulated depreciation and amortization	(1,185,294)	(1,128,081)
Property and equipment, net	1,934,904	2,151,633
Land use rights, net	2,713	45,275
Goodwill	1,954,666	1,934,464
Other intangible assets:		
Tradenames	1,295,614	1,307,633
Other intangible assets, net	35,927	46,700
Deferred costs, net	64,128	57,748
Deferred income taxes	156,006	142,130
Derivative instruments	48,186	4,464
Other assets	214,218	195,465
Long-term assets held for sale	392,391	—
Total assets (includes VIE amounts of \$1,419,579 and \$1,309,113, see Note 2)	<u>\$ 7,391,723</u>	<u>\$ 7,062,470</u>

The accompanying notes are an integral part of these consolidated financial statements.

LAUREATE EDUCATION, INC. AND SUBSIDIARIES

Consolidated Balance Sheets (Continued)

IN THOUSANDS, except per share amounts

	December 31, 2017	December 31, 2016
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 79,568	\$ 86,699
Accrued expenses	291,216	368,973
Accrued compensation and benefits	247,575	239,495
Deferred revenue and student deposits	312,422	362,891
Current portion of long-term debt	154,234	178,989
Current portion of due to shareholders of acquired companies	40,140	118,679
Income taxes payable	29,857	30,371
Derivative instruments	4,458	5,218
Other current liabilities	38,560	48,917
Current liabilities held for sale	176,719	—
Total current liabilities (includes VIE amounts of \$341,147 and \$320,922, see Note 2)	1,374,749	1,440,232
Long-term debt, less current portion	3,207,064	3,629,375
Due to shareholders of acquired companies, less current portion	39,429	92,269
Deferred compensation	14,470	14,128
Income taxes payable	112,576	135,140
Deferred income taxes	278,215	452,084
Derivative instruments	9,390	7,750
Other long-term liabilities	260,144	270,267
Long-term liabilities held for sale	94,407	—
Total liabilities (includes VIE amounts of \$449,561 and \$424,297, see Note 2)	5,390,444	6,041,245
Series A convertible redeemable preferred stock, par value \$0.001 per share—512 shares authorized, 401 and 343 shares issued and outstanding as of December 31, 2017 and December 31, 2016, respectively	400,276	332,957
Redeemable noncontrolling interests and equity	13,721	23,876
Stockholders' equity:		
Preferred stock, par value \$0.001 per share—49,488 shares authorized, no shares issued and outstanding as of December 31, 2017 and December 31, 2016	—	—
Class A common stock, par value \$0.004 per share—700,000 shares authorized, 55,052 shares issued and outstanding as of December 31, 2017 and no shares authorized, issued and outstanding as of December 31, 2016	220	—
Class B common stock, par value \$0.004 per share—175,000 shares authorized, 132,443 shares issued and outstanding as of December 31, 2017 and no shares authorized, issued and outstanding as of December 31, 2016	530	—
Common stock, par value \$0.004 per share—no shares authorized, issued and outstanding as of December 31, 2017 and 175,000 shares authorized, 133,376 shares issued and outstanding as of December 31, 2016	—	534
Additional paid-in capital	3,446,206	2,721,432
Accumulated deficit	(946,236)	(1,037,701)
Accumulated other comprehensive loss	(925,556)	(1,052,055)
Total Laureate Education, Inc. stockholders' equity	1,575,164	632,210
Noncontrolling interests	12,118	32,182
Total stockholders' equity	1,587,282	664,392
Total liabilities and stockholders' equity	<u>\$ 7,391,723</u>	<u>\$ 7,062,470</u>

The accompanying notes are an integral part of these consolidated financial statements.

LAUREATE EDUCATION, INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity

IN THOUSANDS

Laureate Education, Inc. Stockholders

	Class A Common Stock		Class B Common Stock		Common Stock		Additional paid-in capital	(Accumulated deficit) retained earnings	Accumulated other comprehensive (loss) income	Non- controlling interests	Total stockholders' equity
	Shares	Amount	Shares	Amount	Shares	Amount					
Balance at December 31, 2014	—	\$ —	—	\$ —	132,973	\$ 532	\$2,688,877	\$ (1,093,300)	\$ (579,041)	\$ 39,480	\$ 1,056,548
Non-cash stock compensation	—	—	—	—	8	—	34,120	—	—	—	34,120
Cash distributions to stockholders	—	—	—	—	—	—	(18,975)	—	—	—	(18,975)
Exercise of stock options	—	—	—	—	111	—	2,040	—	—	—	2,040
Vesting of restricted stock and exercise of stock options, net of shares withheld to satisfy minimum employee tax withholding	—	—	—	—	163	1	(3,869)	—	—	—	(3,868)
Changes in noncontrolling interests	—	—	—	—	—	—	(1,554)	—	442	(2,253)	(3,365)
Dividends to noncontrolling interests	—	—	—	—	—	—	(1,147)	—	—	(95)	(1,242)
Capital contributions from noncontrolling interest holders	—	—	—	—	—	—	—	—	—	1,382	1,382
Accretion of redeemable noncontrolling interests and equity	—	—	—	—	—	—	(13,041)	—	—	—	(13,041)
Reclassification of redeemable noncontrolling interests and equity	—	—	—	—	—	—	—	—	—	(4,613)	(4,613)
Net (loss) income	—	—	—	—	—	—	—	(316,248)	—	403	(315,845)
Foreign currency translation adjustment, net of tax of \$0	—	—	—	—	—	—	—	—	(382,673)	(3,637)	(386,310)
Unrealized gain on derivatives, net of tax of \$0	—	—	—	—	—	—	—	—	5,629	—	5,629
Minimum pension liability adjustment, net of tax of \$982	—	—	—	—	—	—	—	—	2,966	—	2,966
Balance at December 31, 2015	—	—	—	—	133,255	533	2,686,451	(1,409,548)	(952,677)	30,667	355,426
Non-cash stock compensation	—	—	—	—	—	—	38,071	—	—	—	38,071
Exercise of stock options	—	—	—	—	12	—	253	—	—	—	253
Vesting of restricted stock and exercise of stock options, net of shares withheld to satisfy minimum employee tax withholding	—	—	—	—	109	1	(1,726)	—	—	—	(1,725)
Changes in noncontrolling interests	—	—	—	—	—	—	1,003	—	—	2,101	3,104
Dividends to noncontrolling interests	—	—	—	—	—	—	(1,164)	—	—	—	(1,164)
Capital contributions from noncontrolling interest holders	—	—	—	—	—	—	—	—	—	5,572	5,572
Accretion of redeemable noncontrolling interests and equity	—	—	—	—	—	—	263	—	—	—	263
Accretion of Series A Convertible Redeemable Preferred Stock	—	—	—	—	—	—	(1,719)	—	—	—	(1,719)
Reclassification of redeemable noncontrolling interests and equity	—	—	—	—	—	—	—	—	—	(613)	(613)
Net income (loss)	—	—	—	—	—	—	—	371,847	—	(5,661)	366,186
Foreign currency translation adjustment, net of tax of \$0	—	—	—	—	—	—	—	—	(115,801)	116	(115,685)
Unrealized gain on derivatives, net of tax of \$0	—	—	—	—	—	—	—	—	8,032	—	8,032
Minimum pension liability adjustment, net of tax of \$1,800	—	—	—	—	—	—	—	—	8,391	—	8,391
Balance at December 31, 2016	—	\$ —	—	\$ —	133,376	\$ 534	\$2,721,432	\$ (1,037,701)	\$ (1,052,055)	\$ 32,182	\$ 664,392

The accompanying notes are an integral part of these consolidated financial statements.

LAUREATE EDUCATION, INC. AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity (Continued)
IN THOUSANDS

Laureate Education, Inc. Stockholders												
IN THOUSANDS	Class A Common Stock		Class B Common Stock		Common Stock		Additional paid-in capital	(Accumulated deficit) retained earnings	Accumulated other comprehensive (loss) income	Non- controlling interests	Total stockholders' equity	
	Shares	Amount	Shares	Amount	Shares	Amount						
Balance at December 31, 2016	—	\$ —	—	\$ —	133,376	\$ 534	\$ 2,721,432	\$ (1,037,701)	\$ (1,052,055)	\$ 32,182	\$ 664,392	
Non-cash stock compensation	—	—	—	—	—	—	64,788	—	—	—	64,788	
Reclassification of Common stock into Class B common stock on January 31, 2017	—	—	133,376	534	(133,376)	(534)	—	—	—	—	—	
Issuance of Class A common stock in initial public offering	35,000	140	—	—	—	—	456,219	—	—	—	456,359	
Conversion of Class B shares to Class A shares	1,229	5	(1,229)	(5)	—	—	—	—	—	—	—	
Note exchange transaction	18,683	75	—	—	—	—	245,672	—	—	—	245,747	
Vesting of restricted stock and restricted stock units, net of shares withheld to satisfy tax withholding	140	—	296	1	—	—	(2,152)	—	—	—	(2,151)	
Reclassification to equity upon expiration of put right on share-based awards	—	—	—	—	—	—	5,500	—	—	—	5,500	
Dividends to noncontrolling interests	—	—	—	—	—	—	(1,419)	—	—	—	(1,419)	
Distributions to noncontrolling interest holders	—	—	—	—	—	—	—	—	—	167	167	
Change in noncontrolling interests	—	—	—	—	—	—	(11,569)	—	(1,164)	(23,884)	(36,617)	
Accretion of redeemable noncontrolling interests and equity	—	—	—	—	—	—	(5,183)	—	—	—	(5,183)	
Accretion of Series A Convertible Redeemable Preferred Stock	—	—	—	—	—	—	(292,450)	—	—	—	(292,450)	
Beneficial conversion feature for Series A Convertible Redeemable Preferred Stock	—	—	—	—	—	—	265,368	—	—	—	265,368	
Reclassification of redeemable noncontrolling interests and equity	—	—	—	—	—	—	—	—	—	(917)	(917)	
Net income	—	—	—	—	—	—	—	91,465	—	2,299	93,764	
Foreign currency translation adjustment, net of tax of \$0	—	—	—	—	—	—	—	—	118,165	2,271	120,436	
Unrealized gain on derivatives, net of tax of \$0	—	—	—	—	—	—	—	—	9,875	—	9,875	
Minimum pension liability adjustment, net of tax of \$105	—	—	—	—	—	—	—	—	(377)	—	(377)	
Balance at December 31, 2017	<u>55,052</u>	<u>\$ 220</u>	<u>132,443</u>	<u>\$ 530</u>	<u>—</u>	<u>\$ —</u>	<u>\$ 3,446,206</u>	<u>\$ (946,236)</u>	<u>\$ (925,556)</u>	<u>\$ 12,118</u>	<u>\$ 1,587,282</u>	

The accompanying notes are an integral part of these consolidated financial statements.

LAUREATE EDUCATION, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

IN THOUSANDS

For the years ended December 31,	2017	2016	2015
Cash flows from operating activities			
Net income (loss)	\$ 93,764	\$ 366,186	\$ (315,845)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	264,742	264,879	282,946
Loss on impairment of assets	40,597	23,465	—
Gain on sale of subsidiary and disposal of property and equipment, net	(5,837)	(408,672)	(5,141)
(Gain) loss on derivative instruments	(29,278)	4,717	1,988
Loss on debt extinguishment	8,392	17,363	331
Payment of redemption and call premiums and fees on debt modification	(65,225)	—	—
Non-cash interest expense	49,582	46,195	55,786
Interest paid on deferred purchase price for acquisitions	(39,419)	—	—
Non-cash share-based compensation expense	64,788	38,809	39,021
Bad debt expense	124,308	108,019	107,162
Deferred income taxes	(164,785)	(30,150)	(15,563)
Unrealized foreign currency exchange loss (gain)	4,135	(67,946)	124,487
Non-cash (gain) loss from non-income tax contingencies	(2,883)	17,360	182
Other, net	3,463	5,949	2,583
Changes in operating assets and liabilities:			
Restricted cash	3,824	(7,686)	(932)
Receivables	(129,335)	(110,693)	(225,027)
Prepaid expenses and other assets	(60,051)	(17,594)	(15,533)
Accounts payable and accrued expenses	(30,407)	688	15,237
Income tax receivable/payable, net	(10,695)	(36,762)	13,673
Deferred revenue and other liabilities	11,076	(29,557)	105,131
Net cash provided by operating activities	<u>130,756</u>	<u>184,570</u>	<u>170,486</u>
Cash flows from investing activities			
Purchase of property and equipment	(274,063)	(240,258)	(344,056)
Expenditures for deferred costs	(19,717)	(16,436)	(22,802)
Receipts from sale of subsidiary and property and equipment, net	9,831	554,441	204,076
Settlement of derivatives related to sale of subsidiaries	—	(5,663)	—
Property insurance recoveries	370	3,623	2,198
Business acquisitions, net of cash acquired	(835)	—	(6,705)
Payment of contingent consideration for acquisitions	—	—	(1,275)
Payments (to) from related parties and affiliates	(268)	1,590	8,896
Change in restricted cash and investments	(39,848)	(28,063)	(15,452)
Proceeds from sale or maturity of available-for-sale securities, net	—	—	1,478
Net cash (used in) provided by investing activities	<u>(324,530)</u>	<u>269,234</u>	<u>(173,642)</u>
Cash flows from financing activities			
Proceeds from issuance of long-term debt, net of original issue discount	2,898,836	708,827	628,512
Payments on long-term debt	(3,038,946)	(1,421,379)	(528,025)
Payments of deferred purchase price for acquisitions	(94,891)	(22,236)	(25,582)
Payments to purchase noncontrolling interests	(17,443)	(25,665)	(5,351)
Proceeds from issuance of convertible redeemable preferred stock, net of issuance costs	55,290	329,142	—
Payment of dividends on Series A Preferred Stock and to noncontrolling interests	(19,371)	(1,505)	(20,472)
Proceeds from initial public offering, net of issuance costs	456,359	—	—
Proceeds from exercise of stock options	—	253	2,040
Withholding of shares to satisfy tax withholding for vested stock awards and exercised stock options	(2,151)	(1,725)	(3,868)
Payments of debt issuance costs	(16,017)	(11,582)	(13,020)
Noncontrolling interest holder's loan to subsidiaries	943	802	2,772
Distributions to noncontrolling interest holders	186	(654)	(2,582)
Net cash provided by (used in) financing activities	<u>222,795</u>	<u>(445,722)</u>	<u>34,424</u>
Effects of exchange rate changes on cash	23,974	(1,790)	(34,179)
Change in cash included in current assets held for sale	(49,227)	—	—
Net change in cash and cash equivalents	3,768	6,292	(2,911)
Cash and cash equivalents at beginning of period	464,965	458,673	461,584
Cash and cash equivalents at end of period	<u>\$ 468,733</u>	<u>\$ 464,965</u>	<u>\$ 458,673</u>

The accompanying notes are an integral part of these consolidated financial statements.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(Dollars and shares in thousands)

Note 1. Description of Business

Laureate Education, Inc. and subsidiaries (hereinafter Laureate, we, us, our, or the Company) provide higher education programs and services to students through an international network of licensed universities and higher education institutions (institutions). Laureate's programs are provided through institutions that are campus-based and internet-based, or through electronically distributed educational programs (online). On October 1, 2015, we redomiciled in Delaware as a public benefit corporation as a demonstration of our long-term commitment to our mission to benefit our students and society.

On February 6, 2017, the Company completed an initial public offering (IPO) of shares of its Class A common stock, a newly established class of the Company's common stock of which 700,000 shares were authorized and, as of February 1, 2017, the Company's shares became listed on the Nasdaq Global Select Market under the symbol "LAUR". The Company sold 35,000 shares of its Class A common stock in the IPO at a price of \$14.00 per share, resulting in net proceeds to the Company, after deducting underwriting discounts and commissions and offering expenses payable by us, of \$456,359. On January 31, 2017, in connection with our IPO, our Amended and Restated Certificate of Incorporation was accepted for filing by the Secretary of State of the State of Delaware, and effective upon such filing, a 4 to 1 reverse stock split for our common stock was consummated and each share of our common stock then outstanding was automatically reclassified into one fourth of one share of Class B Common Stock, a newly established class of the Company's common stock, with any resulting fractional shares rounded down to the next whole share. These financial statements reflect the reverse stock split.

As previously disclosed in our Quarterly Report on Form 10-Q for the period ended September 30, 2017, and as further discussed in Note 7, Business and Geographic Segment Information, effective August 1, 2017, we changed our operating segments in order to realign our segments according to how our chief operating decision maker allocates resources and assesses performance. The segment changes resulted in Laureate increasing its number of operating segments from three to six, and is consistent with our goal of flattening our organizational structure to improve decision speed and operating effectiveness.

The change includes the creation of three operating segments (Brazil, Mexico and Andean & Iberian) from the previous Latin America (LatAm) segment. Our institutions in Spain and Portugal (Iberian) have moved from the Europe, Middle East, Africa and Asia Pacific (EMEAA) segment and combined with our institutions in Chile and Peru to form the Andean & Iberian segment. In addition, our institutions in Central America, which were previously part of the LatAm segment, have combined with our campus-based institutions in the United States, which were previously part of the GPS segment, to form the Central America & U.S. Campuses segment. The Online & Partnerships segment consists of the online institutions that were previously part of the GPS segment. In summary, our six operating segments are as follows:

- Brazil;
- Mexico;
- Andean & Iberian;
- Central America & U.S. Campuses;

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 1. Description of Business (Continued)

- EMEAA; and
- Online & Partnerships.

This change has been reflected in the segment information for the year ended December 31, 2017. As required, the segment information presented for comparative purposes for the years ended December 31, 2016 and 2015 has also been revised to reflect this change.

Note 2. Significant Accounting Policies

The preparation of the Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States (GAAP) requires our management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

Principles of Consolidation and Investments in Affiliates

General

Our Consolidated Financial Statements include all accounts of Laureate, our majority-owned subsidiaries, and educational institutions that are part of our network and, although not owned by Laureate, are variable interest entities (VIEs) pursuant to ASC Topic 810-10, "Consolidation." As of December 31, 2017 the Laureate network includes 12 VIE institutions in eight countries. Laureate has determined it is the "primary beneficiary" of these VIEs, as such term is defined in ASC 810-10-20, and has consolidated the financial results of operations, assets and liabilities, and cash flows of these VIEs in the Company's Consolidated Financial Statements. Intercompany accounts and transactions have been eliminated in consolidation. As discussed further in Note 3, Assets Held for Sale, our number of VIE institutions was reduced by one in January 2018 following the sale of LEI Lie Ying Limited (LEILY).

Noncontrolling Interests

A noncontrolling interest is the portion of a subsidiary that is not attributable to us either directly or indirectly. A noncontrolling interest can also be referred to as a minority interest. We recognize noncontrolling interest holders' share of equity and net income or loss separately in Noncontrolling interests in the Consolidated Balance Sheets and Net (income) loss attributable to noncontrolling interests in the Consolidated Statements of Operations. For the VIEs in our network, we generally do not recognize a noncontrolling interest. A noncontrolling interest is only recognized when a VIE's economics are shared with a third party (e.g., when the transferor of the control of the VIE retained a portion of the economics associated with it).

The Variable Interest Entity (VIE) Arrangements

Laureate consolidates in its financial statements certain internationally based educational organizations that do not have shares or other equity ownership interests. Although these educational organizations may be considered not-for-profit entities in their home countries and they are operated in compliance with their respective not-for-profit legal regimes, we believe they do not meet the definition

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 2. Significant Accounting Policies (Continued)

of a not-for-profit entity under GAAP, and therefore we treat them as "for-profit" entities for accounting purposes. These entities generally cannot declare dividends or distribute their net assets to the entities that control them.

Under ASC 810-10, "Consolidation," we have determined that these institutions are VIEs and that Laureate is the primary beneficiary of these VIEs because we have, as further described herein: (1) the power to direct the activities of the VIEs that most significantly affect their educational and economic performance and (2) the right to receive economic benefits from contractual and other arrangements with the VIEs that could potentially be significant to the VIEs. We account for the acquisition of the right to control a VIE in accordance with ASC 805, "Business Combinations."

As with all of our educational institutions, the VIE institutions' primary source of income is tuition fees paid by students, for which the students receive educational services and goods that are proportionate to the prices charged. Laureate maintains control of these VIEs through our rights to designate a majority of the governing entities' board members, through which we have the legal ability to direct the activities of the entities. Laureate maintains a variable interest in these VIEs through mutual contractual arrangements at market rates and terms that provide them with necessary products and services, and/or intellectual property, and has the ability to enter into additional such contractual arrangements at market rates and terms. We also have the ability to transfer our rights to govern these VIEs, or the entities that possess those rights, to other parties, which could yield a return if and when these rights are transferred.

We generally do not have legal entitlement to distribute the net assets of the VIEs. Generally, in the event of liquidation or the sale of the net assets of the VIEs, the net proceeds can only be transferred either to another VIE institution with similar purposes or to the government. In the unlikely case of liquidation or a sale of the net assets of the VIE, we may be able to retain the residual value by naming another Laureate-controlled VIE resident in the same jurisdiction as the recipient, if one exists; however we generally cannot name a for-profit entity as the recipient. Moreover, because the institution generally would be required to provide for the continued education of its students, liquidation would not be a likely course of action and would be unlikely to result in significant residual assets available for distribution. However, we operate our VIEs as going concern enterprises, maintain control in perpetuity, and have the ability to provide additional contractual arrangements for educational and other services priced at up to market rates with Laureate-controlled service companies. Typically, we are not legally obligated to make additional investments in the VIE institutions.

Laureate for-profit entities provide necessary products and services, and/or intellectual property, to all institutions in the *Laureate International Universities* network, including the VIE institutions, through contractual arrangements at market rates and terms, which are accretive to Laureate. We periodically modify the rates we charge under these arrangements to ensure that they are priced at or below fair market value and to add additional services. If it is determined that contractual arrangements with any institution are not on market terms, it could have an adverse regulatory impact on such institution. We believe these arrangements improve the quality of the academic curriculum and the students' educational experience. There are currently four types of contractual arrangements: (i) intellectual

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 2. Significant Accounting Policies (Continued)

property (IP) royalty arrangements; (ii) network fee arrangements; (iii) management service arrangements; and (iv) lease arrangements.

- (i) Under the IP royalty arrangements, institutions in the *Laureate International Universities* network pay to Laureate royalty payments for the use of Laureate's tradename and best practice policies and procedures.
- (ii) Institutions in the *Laureate International Universities* network gain access to other network resources, including academic content, support with curriculum design, online programs, professional development, student exchange and access to dual degree programs, through network fee arrangements whereby the institutions pay stipulated fees to Laureate for such access.
- (iii) Institutions in the *Laureate International Universities* network contract with Laureate and pay fees under management services agreements for the provision of support and managerial services including access to management, legal, tax, finance, accounting, treasury and other services, which in some cases Laureate provides through shared service arrangements in certain jurisdictions.
- (iv) Laureate for-profit entities, including for-profit entities in which the VIEs are investors, own various campus real estate properties and have entered into long-term lease contracts with the respective institutions in the *Laureate International Universities* network, whereby they pay market-based rents for the use of the properties in the conduct of their educational operations.

Revenues recognized by Laureate's for-profit entities from these contractual arrangements with our consolidated VIEs were \$123,237, \$113,276 and \$106,005 for the years ended December 31, 2017, 2016 and 2015, respectively. These revenues are eliminated in consolidation.

Under our accounting policy, we allocate all of the income or losses of these VIEs to Laureate unless there is a noncontrolling interest where the economics of the VIE are shared with a third party. The income or losses of these VIEs allocated to Laureate represent the earnings after deducting charges related to contractual arrangements with our for-profit entities as described above. We believe that the income remaining at the VIEs after these charges accretes value to our rights to control these entities.

Laureate's VIEs are generally exempt from income taxes. As a result, the VIEs generally do not record deferred tax assets or liabilities or recognize any income tax expense in the Consolidated Financial Statements. No deferred taxes are recognized by the for-profit service companies for the remaining income in these VIEs as the legal status of these entities generally prevents them from declaring dividends or making distributions to their sponsors. However, these for-profit service companies record income taxes related to revenues from their contractual arrangements with these VIEs.

Risks in relation to the VIEs

We believe that all of the VIE institutions in the Laureate network are operated in full compliance with local law and that the contractual arrangements with the VIEs are legally enforceable; however,

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 2. Significant Accounting Policies (Continued)

these VIEs are subject to regulation by various agencies based on the requirements of local jurisdictions. These agencies, as well as local legislative bodies, review and update laws and regulations as they deem necessary or appropriate. We cannot predict the form of any laws that may be enacted, or regulations that ultimately may be adopted in the future, or what effects they might have on our business, financial condition, results of operations and cash flows. If local laws or regulations were to change, if the VIEs were found to be in violation of existing local laws or regulations, or if the regulators were to question the financial sustainability of the VIEs and/or whether the contractual arrangements were at fair value, local government agencies could, among other actions:

- revoke the business licenses and/or accreditations of the VIE institutions;
- void or restrict related-party transactions, such as the contractual arrangements between Laureate and the VIE institutions;
- impose fines that significantly impact business performance or other requirements with which the VIEs may not be able to comply;
- require Laureate to change the VIEs' governance structures, such that Laureate would no longer maintain control of the activities of the VIEs; or
- disallow a transfer of our rights to govern these VIEs, or the entities that possess those rights, to a third party for consideration.

Laureate's ability to conduct our business would be negatively affected if local governments were to carry out any of the aforementioned or other similar actions. In any such case, Laureate may no longer be able to consolidate the VIEs. As discussed in Note 25, Subsequent Events, in January 2018 a bill was passed by the Chilean Congress and, assuming that it passes review by the Constitutional Court, it is expected to be signed into law by the President of Chile. Once the bill becomes law, it will prohibit for-profit organizations, such as Laureate, from controlling the boards of universities in Chile. As a result, the Company currently expects that it will be required to deconsolidate its three Chilean non-profit universities, which are included in the Andean & Iberian segment, as early as the first quarter of 2018.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 2. Significant Accounting Policies (Continued)

The VIEs in Brazil and Mexico include several not-for-profit foundations that have insignificant revenues and operating expenses. Selected Consolidated Statements of Operations information for VIEs was as follows, net of the charges related to the above-described contractual arrangements:

For the years ended December 31,	2017	2016	2015
Selected Statements of Operations information:			
Revenues, by segment:			
Brazil	\$ 104	\$ —	\$ —
Mexico	—	—	9
Andean & Iberian	418,019	380,145	363,486
Central America & U.S. Campuses	61,919	57,838	54,333
EMEAA	265,776	273,065	264,539
Revenues	745,818	711,048	682,367
Depreciation and amortization	49,130	51,708	53,019
Operating (loss) income, by segment:			
Brazil	(1)	(80)	(18)
Mexico	(876)	(967)	(1,330)
Andean & Iberian	(4,900)	(17,166)	(12,849)
Central America & U.S. Campuses	274	390	(593)
EMEAA	32,960	29,002	22,852
Operating income	27,457	11,179	8,062
Net income	46,348	35,075	11,760
Net income attributable to Laureate Education, Inc.	<u>43,180</u>	<u>33,033</u>	<u>11,538</u>

Included in net income for the VIEs in the table above is non-operating investment income that was recorded by three of the Chilean institutions relating to investments that these institutions have in a for-profit, education-related real estate subsidiary of Laureate in Chile. This non-operating investment income, which eliminated in consolidation, totaled \$11,696, \$11,061 and \$10,297 for the years ended December 31, 2017, 2016 and 2015, respectively.

The following table reconciles the Net income (loss) attributable to Laureate Education, Inc. as presented in the table above, to the amounts in our Consolidated Statements of Operations:

For the years ended December 31,	2017	2016	2015
Net income (loss) attributable to Laureate Education, Inc.:			
Variable interest entities	\$ 43,180	\$ 33,033	\$ 11,538
Other operations	482,822	520,087	118,488
Corporate and eliminations	(434,537)	(181,273)	(446,274)
Net income (loss) attributable to Laureate Education, Inc.	<u>\$ 91,465</u>	<u>\$ 371,847</u>	<u>\$ (316,248)</u>

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 2. Significant Accounting Policies (Continued)

The following table presents selected assets and liabilities of the consolidated VIEs. Except for Goodwill, the assets in the table below include the assets that can be used only to settle the obligations for the VIEs. The liabilities in the table are liabilities for which the creditors of the VIEs do not have recourse to the general credit of Laureate.

Selected Consolidated Balance Sheet amounts for these VIEs were as follows:

	December 31, 2017		December 31, 2016	
	VIE	Consolidated	VIE	Consolidated
Balance Sheets data:				
Cash and cash equivalents	\$ 231,940	\$ 468,733	\$ 169,074	\$ 464,965
Current assets held for sale	22,246	102,623	—	—
Other current assets	153,129	717,498	153,136	650,836
Total current assets	407,315	1,288,854	322,210	1,115,801
Goodwill	192,230	1,954,666	181,669	1,934,464
Tradenames	110,577	1,295,614	104,117	1,307,633
Other intangible assets, net	—	35,927	—	46,700
Long-term assets held for sale	185,139	392,391	—	—
Other long-term assets	524,318	2,424,271	701,117	2,657,872
Total assets	1,419,579	7,391,723	1,309,113	7,062,470
Current liabilities held for sale	64,895	176,719	—	—
Other current liabilities	276,252	1,198,030	320,922	1,440,232
Long-term liabilities held for sale	41,732	94,407	—	—
Long-term debt and other long-term liabilities	66,682	3,921,288	103,375	4,601,013
Total liabilities	449,561	5,390,444	424,297	6,041,245
Total stockholders' equity	970,018	1,587,282	884,816	664,392
Total stockholders' equity attributable to Laureate Education, Inc.	948,966	1,575,164	866,997	632,210

Included in the December 31, 2017 VIE cash balance in the table above is approximately \$101,000 of cash held at the three Chilean VIEs. The amounts classified as held-for-sale assets and liabilities at December 31, 2017 in the table above relate to VIEs that are included in our EMEAA segment and are subject to finalization. Refer to Note 3, Assets Held for Sale, for further discussion. The VIEs' cash balances are generally required to be used only for the benefit of the operations of these VIEs.

Affiliates

When Laureate exercises significant influence over an affiliated entity, but does not control the entity, we account for our investments using the equity method of accounting. Significant influence occurs generally through ownership, directly or indirectly, of at least 20% and up to 50% of the voting interests. Under the equity method of accounting, Laureate records the proportionate share of these investments in Other assets in the Consolidated Balance Sheets. Our proportionate share of income or

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 2. Significant Accounting Policies (Continued)

loss related to these investments is recorded in Equity in net income of affiliates, net of tax, in the Consolidated Statements of Operations.

Equity investments in which we do not exercise significant influence, generally through ownership of less than 20% of the voting rights, are accounted for using the cost method of accounting. Under the cost method of accounting, the investment is carried at cost on the Consolidated Balance Sheets in Other assets and income is recognized when dividends are received.

Impairments are recognized for an equity or cost method investment when and if the investment suffers an other-than-temporary decline in value. At that time, the investment is adjusted to its new fair value and the difference is recognized as a loss in our Consolidated Statements of Operations. For equity method investments, this impairment loss is included in Equity in net income of affiliates, net of tax.

Business Combinations

Effective January 1, 2009, Laureate adopted the accounting guidance for business combinations as prescribed by ASC 805, "Business Combinations." When we complete a business combination, all tangible and identifiable intangible assets acquired and all liabilities assumed are recorded at fair value. Any excess purchase price is recorded as goodwill. Transaction costs associated with business combinations are expensed as incurred. If Laureate acquires less than 100% of an entity (a partial acquisition) and consolidates the entity upon acquisition, all assets and liabilities, including noncontrolling interests, are recorded at their estimated fair value. When a partial acquisition results in Laureate obtaining control of an entity, Laureate remeasures any previously existing investment in the entity at fair value and records a gain or loss. Partial acquisitions in which Laureate's control does not change are accounted for as equity transactions. Revenues and the results of operations of the acquired business are included in the accompanying Consolidated Financial Statements commencing on the date of acquisition.

Laureate accounts for acquired businesses using the acquisition method of accounting. Certain acquisitions require the payment of contingent amounts of purchase consideration if specified operating results are achieved in periods subsequent to the acquisition date. For acquisitions consummated on or after January 1, 2009, we record such contingent consideration at fair value on the acquisition date, with subsequent adjustments recognized in Direct costs in our Consolidated Statements of Operations. We classify the subsequent cash payments of contingencies that are recorded at the acquisition date within financing activities in the Consolidated Statements of Cash Flows. Contingent consideration arrangements related to acquisitions consummated prior to January 1, 2009 result in additional goodwill being recorded upon settlement of the underlying contingencies, with the settlement of these contingencies by transfer of cash classified within investing activities in the Consolidated Statements of Cash Flows.

Laureate generally obtains indemnification from the sellers of the higher education institutions upon acquisition for various contingent liabilities that may arise and are related to pre-acquisition events in order to protect itself from economic losses arising from such exposures. Prior to January 1, 2009, we did not record indemnification assets related to any liabilities recorded as part of the purchase price allocation. Instead, an indemnification asset was recorded when the seller was obligated to make

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 2. Significant Accounting Policies (Continued)

a payment under the indemnification and the amount was determined to be reasonably assured of collection. In cases in which the contingent liability was extinguished for an amount less than originally established or the related statute of limitations lapses such that the contingent amount was no longer required to be paid, the remaining liability was reversed, and any difference between the liability's carrying value and settlement amount was recognized in our Consolidated Statements of Operations.

For acquisitions consummated on or after January 1, 2009, we recognize an indemnification asset at the same time and on the same basis as the related indemnified item, subject to any contractual limitations and to the extent that collection is reasonably assured, in accordance with ASC 805. When indemnified, subsequent changes in the indemnified item are offset by changes in the indemnification asset. We assess the realizability of the indemnification assets each reporting period. The Company records changes in uncertain income tax positions as a component of Income tax benefit (expense), while related changes to the indemnification asset are included in Operating income in the Consolidated Statements of Operations. Changes in the principal portion of non-income tax contingencies, as well as changes in any related indemnification asset, are included in Operating income.

Redeemable Noncontrolling Interests and Equity

In certain cases, Laureate initially purchases a majority ownership interest in a company and uses various put and call arrangements with the noncontrolling interest holders that require or enable us to purchase all or a portion of the remaining minority ownership at a later date. The nature of these Minority Put Arrangements and our accounting for the redeemable noncontrolling interests are discussed below.

Minority Put Arrangements

Minority Put Arrangements give noncontrolling interest holders the right to require Laureate to purchase their shares (i.e., Put option). The Put option price is generally established by multiplying an agreed-upon earnings measurement of the acquired company by a negotiated factor within a specified time frame. The future earnings measurement is based on an agreed-upon set of rules that are not necessarily consistent with GAAP, which we refer to as "non-GAAP earnings."

Laureate accounts for all of these Minority Put Arrangements as temporary equity in an account presented between liabilities and equity called Redeemable noncontrolling interests and equity on the Consolidated Balance Sheets. This classification is appropriate because the instruments are contingently redeemable based on events outside Laureate's control. This accounting treatment is in accordance with ASC 480-10-S99, "Distinguishing Liabilities from Equity."

Redeemable noncontrolling interests are accreted to their redemption value (Put value) over the period from the date of issuance to the first date on which the Put option is exercisable. The change in Put value is recorded against Additional paid-in capital since Laureate has an Accumulated deficit. If Laureate had retained earnings, then the change in Put value would be recorded against retained earnings. In a computation of earnings per share, the accretion of redeemable noncontrolling interests to their redemption value would be a reduction of earnings available to common stockholders.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 2. Significant Accounting Policies (Continued)

Foreign Currency Translation and Transaction Gains and Losses

The United States Dollar (USD) is the functional currency of Laureate and our subsidiaries operating in the United States. Our subsidiaries' financial statements are maintained in their functional currencies. The functional currency of each of our foreign subsidiaries is the currency of the economic environment in which the subsidiary primarily does business. Our foreign subsidiaries' financial statements are translated into USD using the exchange rates applicable to the dates of the financial statements. Assets and liabilities are translated into USD using the period-end spot foreign exchange rates. Income and expenses are translated at the weighted-average exchange rates in effect during the period. Equity accounts are translated at historical exchange rates. The effects of these translation adjustments are reported as a component of Accumulated other comprehensive income (loss) included in the Consolidated Statements of Stockholders' Equity.

Laureate has certain intercompany loans that are deemed to have the characteristics of a long-term investment. That is, the settlement of the intercompany loan is not planned or anticipated in the foreseeable future. Transaction gains and losses related to these types of loans are recorded as a component of Accumulated other comprehensive income (loss) included in the Consolidated Statements of Stockholders' Equity. Transaction gains and losses related to all other intercompany loans are included in Foreign currency exchange gain (loss), net in the Consolidated Statements of Operations.

For any transaction that is in a currency different from the entity's functional currency, Laureate records a gain or loss based on the difference between the exchange rate at the transaction date and the exchange rate at the transaction settlement date (or rate at period end, if unsettled) as Foreign currency exchange gain (loss), net in the Consolidated Statements of Operations.

Cash and Cash Equivalents

Laureate considers all highly liquid investments that are purchased with an original maturity of three months or less to be cash equivalents.

Restricted Cash and Investments

Laureate's United States institutions participate in the United States Department of Education (DOE) Title IV student financing assistance lending programs (Title IV programs). Restricted cash and investments includes cash equivalents and short-term investments held to collateralize standby letters of credit in favor of the DOE. Letters of credit are required by the DOE in order to allow our United States institutions to participate in the Title IV program. In addition, Laureate may at times have restricted cash in escrow pending potential acquisition transactions, hold a United States deposit for a letter of credit in lieu of a surety bond, or otherwise have cash that is not immediately available for use in current operations.

Financial Instruments

Laureate's financial instruments consist of cash and cash equivalents, restricted cash and investments, accounts and notes receivable, other receivables, accounts payable, amounts due to shareholders of acquired companies, derivative instruments, debt, capital lease obligations, and

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 2. Significant Accounting Policies (Continued)

redeemable noncontrolling interests and equity. The fair value of these financial instruments approximates their carrying amounts reported in the Consolidated Balance Sheets with the exception of debt, as discussed in Note 10, Debt. Additional information about fair value is provided in Note 21, Fair Value Measurement.

Our cash accounts are maintained with high-quality financial institutions with no significant concentration in any one institution. Our accounts receivable are not concentrated with any one significant customer. Our United States institutions participate in the DOE Title IV program and certain Chilean institutions in the Laureate network participate in a government-sponsored student financing program known as the Crédito con Aval del Estado, the CAE Program. During the course of the year, Laureate could have material receivables related to Title IV and the CAE Program.

Accounts and Notes Receivable

We recognize student receivables when an academic session begins, although students generally enroll in courses prior to the start of the academic session. Receivables are recognized only to the extent that amounts are due and collection is reasonably assured.

Laureate offers long-term financing through note receivable agreements with students at certain of our institutions. These notes receivable generally are not collateralized. Non-interest bearing, long-term student receivables are recorded at present value using a discount rate approximating the unsecured borrowing rate for an individual. Differences between the present value and the principal amount of long-term student receivables are accreted through interest income over their terms. Occasionally, certain of our institutions have sold certain long-term student receivables to local financial institutions without recourse. These transactions were deemed sales of receivables and the receivables were derecognized from our Consolidated Balance Sheets.

Certain Chilean institutions in the Laureate network also participate in the CAE Program. In this program, these institutions provide guarantees to third-party financing institutions for tuition loans made to qualifying students. Refer to Note 12, Commitments and Contingencies, for further discussion of this program.

Allowance for Doubtful Accounts

Receivables are deemed to be uncollectible when they have been outstanding for two years, or earlier when collection efforts have ceased, at which time they are written off. Prior to that, Laureate records an allowance for doubtful accounts to reduce our receivables to their net realizable value. Our allowance estimation methodology is based on the age of the receivables, the status of past-due amounts, historical collection trends, current economic conditions and student enrollment status. In the event that current collection trends differ from historical trends, an adjustment is made to the allowance account and bad debt expense.

Laureate Education, Inc. and Subsidiaries**Notes to Consolidated Financial Statements (Continued)****(Dollars and shares in thousands)****Note 2. Significant Accounting Policies (Continued)**

The reconciliations of the beginning and ending balances of the Allowance for doubtful accounts were as follows:

<u>For the years ended December 31,</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Balance at beginning of period	\$ 196,270	\$ 161,658	\$ 170,140
Additions: charges to bad debt expense	124,308	108,019	107,162
Additions: charges to other accounts(a)	—	6,908	—
Deductions(b)	(116,326)	(80,315)	(115,644)
Balance at end of period	<u>\$ 204,252</u>	<u>\$ 196,270</u>	<u>\$ 161,658</u>

(a) Charges to other accounts includes reclassifications.

(b) Deductions includes accounts receivable written off against the allowance (net of recoveries), reclassifications, and foreign currency translation. The beginning and ending balances of the Allowance for doubtful accounts include the current portion, as shown on the face of Consolidated Balance Sheets, in addition to the noncurrent portion that is included in Notes receivable, net on the Consolidated Balance Sheets.

Property and Equipment, and Leased Assets

Property and equipment includes land, buildings, furniture, equipment, software, library books, leasehold improvements, and construction in-progress. We record property and equipment at cost less accumulated depreciation and amortization. Software that is developed for internal use is classified within the line item titled Furniture, equipment and software in our Consolidated Balance Sheets. Repairs and maintenance costs are expensed as incurred. Assets under construction are recorded in Construction in-progress until they are available for use. Interest is capitalized as a component of the cost of projects during the construction period.

We conduct a significant portion of our operations at leased facilities. Laureate analyzes each lease agreement to determine whether it should be classified as a capital or an operating lease. We recognize operating lease rent expense on a straight-line basis over the expected term of each lease. In some instances, we enter into arrangements in which the landlord will construct real estate assets to be used for our business operations. In some cases, we are responsible for construction cost overruns or nonstandard tenant improvements. Laureate reviews these leases to determine whether we bear substantially all of the construction period risks and, therefore, should be considered for accounting purposes to be the "owner" of the real estate project. If we are deemed to be the owner we are required to capitalize the construction costs on our Consolidated Balance Sheet. Upon completion of the project, we perform a sale-leaseback analysis pursuant to guidance on accounting for leases to determine if we can remove the assets from our Consolidated Balance Sheet. For some of these leases, we are considered to have "continuing involvement," which precludes us from derecognizing the assets from our Consolidated Balance Sheet when construction is complete (a failed sale-leaseback). In conjunction with these leases, we capitalize the construction costs on our Consolidated Balance Sheet and also record financing obligations representing payments owed to the landlord. We do not report rent expense for the properties which are owned for accounting purposes. For capital leases, we initially

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 2. Significant Accounting Policies (Continued)

record the assets at the lower of fair value or the present value of the future minimum lease payments, excluding executory costs. If the lease agreement includes a legal obligation that requires the leased premises to be returned in a predetermined condition, we recognize an asset retirement obligation and a corresponding depreciating asset, when such an asset exists.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements, including structural improvements, are amortized using the straight-line method over the lesser of the estimated useful life of the asset or the lease term, including reasonably-assured renewals or purchase options that are considered likely to be exercised. Laureate includes the amortization of assets recorded under capital leases within depreciation expense. Assets under capital leases are typically amortized over the related lease term using the straight-line method.

Depreciation and amortization periods are as follows:

Buildings	10 - 50 years
Furniture, equipment and software	2 - 10 years
Leasehold improvements	2 - 25 years

Land Use Rights

Certain of our institutions have obtained land use rights for certain time periods from government authorities. Land use rights allow us to use the land to build our campus facilities. Upon expiry of a land use right, it will either be renewed or the land will be returned to the government authority. Land use rights are stated at cost less accumulated amortization and any recognized impairment loss. Amortization is provided on a straight-line basis over the respective term of the land use right agreement, and is recorded as rent expense within Direct costs in our Consolidated Statements of Operations.

Direct and Deferred Costs

Direct costs reported on the Consolidated Statements of Operations represent the cost of operations, including selling and administrative expenses, which are directly attributable to specific business units.

Deferred costs on the Consolidated Balance Sheets consist primarily of direct costs associated with online course development and accreditation. Deferred costs associated with the development of online educational programs are capitalized after technological feasibility has been established. Deferred online course development costs are amortized to Direct costs on a straight-line basis over the estimated period that the associated products are expected to generate revenues. Deferred online course development costs are evaluated on a quarterly basis through review of the corresponding course catalog. If a course is no longer listed or offered in the current course catalog, then the costs associated with its development are written off. As of December 31, 2017 and 2016, the unamortized balances of online course development costs were \$60,949 and \$54,713, respectively. Laureate defers direct and incremental third-party costs incurred for obtaining initial accreditation and for the renewal of accreditations. These accreditation costs are amortized to Direct costs over the life of the

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 2. Significant Accounting Policies (Continued)

accreditation on a straight-line basis. As of December 31, 2017 and 2016, the unamortized balances of accreditation costs were \$3,179 and \$3,035, respectively.

At December 31, 2017 and 2016, Laureate's total Deferred costs were \$176,402 and \$160,554, respectively, with accumulated amortization of \$(112,274) and \$(102,806), respectively.

Debt Issuance Costs

Debt issuance costs were paid as a result of certain debt transactions and are presented as a deduction from debt. These debt issuance costs are amortized over the term of the associated debt instruments. The amortization expense is recognized as a component of Interest expense in the Consolidated Statements of Operations. As of December 31, 2017 and 2016, the unamortized balances of deferred financing costs were \$107,640 and \$44,648, respectively.

Goodwill, Other Intangible Assets and Long-lived Assets

Goodwill

Goodwill primarily represents the amounts paid by Wengen Alberta, Limited Partnership (Wengen) in excess of the fair value of the net assets acquired in the merger transaction (see Note 8, Goodwill and Other Intangible Assets), plus the excess purchase price over fair value of net assets for businesses acquired after the merger transaction.

Goodwill is evaluated annually as of October 1st each year for impairment at the reporting unit level, in accordance with ASC 350, "Intangibles—Goodwill and Other." We also evaluate goodwill for impairment on an interim basis if events or changes in circumstances between annual tests indicate that the asset may be impaired. Goodwill is impaired when the carrying amount of a reporting unit's goodwill exceeds its implied fair value. A reporting unit is defined as a component of an operating segment for which discrete financial information is available and regularly reviewed by management of the segment. We have not made material changes to the methodology used to assess impairment loss during the past three fiscal years.

We have the option of first performing a qualitative assessment (i.e., step zero) before calculating the fair value of the reporting unit (i.e., step one of the two-step fair value-based impairment test). If we determine on the basis of qualitative factors that the fair value of the reporting unit is more likely than not less than the carrying amount, the two-step impairment test is required.

If we do not perform the qualitative assessment for a reporting unit or determine that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, a quantitative two-step fair value-based test is performed. In the first step, we estimate the fair value of each reporting unit, utilizing a weighted combination of a discounted cash flow analysis and a market multiples analysis. If the recorded net assets of the reporting unit are less than the reporting unit's estimated fair value, then there is no goodwill deemed to be impaired. If the recorded net assets of the reporting unit exceed its estimated fair value, then goodwill is potentially impaired and Laureate calculates the implied fair value of goodwill, by deducting the estimated fair value of all tangible and identifiable intangible net assets of the reporting unit from the estimated fair value of the reporting

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 2. Significant Accounting Policies (Continued)

unit. If the recorded amount of goodwill exceeds this implied fair value, the difference is recognized as a Loss on impairment of assets in the Consolidated Statements of Operations.

Our valuation approach utilizes a weighted combination of a discounted cash flow analysis and a market multiples analysis, where available. The discounted cash flow analysis relies on historical data and internal estimates, which are developed as a part of our long-range plan process, and includes an estimate of terminal value based on these expected cash flows using the generally accepted Gordon Dividend Growth formula, which derives a valuation using an assumed perpetual annuity based on the reporting unit's residual cash flows. The discount rate is based on the generally accepted Weighted Average Cost of Capital methodology, and is derived using a cost of equity based on the generally accepted Capital Asset Pricing Model and a cost of debt based on the typical rate paid by market participants. The market multiples analysis utilizes multiples of business enterprise value to revenues, operating income and earnings before interest, taxes, depreciation and amortization of comparable publicly traded companies and multiples based on fair value transactions where public information is available. Significant assumptions used in estimating the fair value include: (1) discount and growth rates, and (2) our long-range plan which includes enrollment, pricing, planned capital expenditures and operating margins. Management reviews the sum of the estimated fair value of all Laureate's reporting units to Laureate's enterprise value to corroborate the results of its weighted combination approach to determining fair value.

Other Intangible Assets

Other intangible assets on the Consolidated Balance Sheets include acquired indefinite-lived Tradenames, which are valued using the relief-from-royalty method. This method estimates the amount of royalty expense that we would expect to incur if the assets were licensed from a third party. We use publicly available information and proprietary third-party arm's length agreements that Laureate has entered into with various licensors in determining certain assumptions to assist us in estimating fair value using market participant assumptions. Any costs incurred to internally develop new tradenames are expensed as incurred. Accreditations are not considered a separate unit of account and their values are embedded in the cash flows generated by the institution, which are used to value its tradename. The Company does not believe accreditations have significant value on their own due to the fact that they are neither exclusive nor scarce, and the direct costs associated with obtaining accreditations are not material.

Indefinite-lived intangibles are evaluated annually as of October 1st each year for impairment as well as on an interim basis if events or changes in circumstances between annual tests indicate that the asset may be impaired. The impairment test for indefinite-lived intangible assets generally requires a new determination of the fair value of the intangible asset using the relief-from-royalty method. If the fair value of the intangible asset is less than its carrying value, the intangible asset is adjusted to its new estimated fair value, and an impairment loss is recognized.

Other intangible assets on the Consolidated Balance Sheets also include intangible assets with finite useful lives such as acquired student rosters and non-compete agreements. We use the income approach to establish the asset values of these intangible assets. The cost of finite-lived intangible assets is amortized on a straight-line basis over the intangible assets' estimated useful lives.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 2. Significant Accounting Policies (Continued)

Long-lived Assets

Long-lived assets, including finite-lived intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be fully recoverable. These events or changes in circumstances may include, but are not limited to, a significant deterioration of operating results, a change in regulatory environment, changes in business plans, or adverse changes in anticipated future cash flows. If an impairment indicator is present, we evaluate recoverability by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to result from the use and eventual disposition of the assets. If the assets are determined to be impaired, the impairment recognized is the excess of the carrying amount over the fair value of the assets. Fair value is generally determined by the discounted cash flow method. The discount rate used in any estimate of discounted cash flows is the rate commensurate with a similar investment of similar risk.

Derivative Instruments

In the normal course of business, our operations have significant exposure to fluctuations in foreign currency values and interest rate changes. Accordingly, Laureate mitigates a portion of these risks through a risk-management program that includes the use of derivative financial instruments (derivatives). Laureate selectively enters into foreign exchange forward contracts to reduce the earnings impact related to receivables and payables that are denominated in foreign currencies. In addition, Laureate uses interest rate swaps to mitigate certain risks associated with floating-rate debt arrangements. We do not engage in speculative or leveraged transactions, nor do we hold or issue derivatives for trading purposes. Laureate reports all derivatives on our Consolidated Balance Sheets at fair value, including any identified embedded derivatives. Realized and unrealized gains and/or losses resulting from derivatives are recognized in our Consolidated Statements of Operations, unless designated and effective as a hedge.

For derivatives that are both designated and effective as cash flow hedges, gains or losses associated with the change in fair value of the derivatives are recognized on our Consolidated Balance Sheets as a component of Accumulated other comprehensive income (loss) and amortized over the term of the related hedged items. For derivatives that are both designated and effective as net investment hedges, gains or losses associated with the change in fair value of the derivatives are recognized on our Consolidated Balance Sheets as a component of Accumulated other comprehensive income (loss).

Revenue Recognition

Laureate's revenues primarily consist of tuition and educational service revenues. We also generate revenues from student fees, dormitory/residency fees, and education-related activities. Revenues are reported net of scholarships and other discounts, refunds, waivers and the fair value of any guarantees made by Laureate related to student financing programs. Laureate's institutions have various billing and academic cycles. Collectibility is determined on a student-by-student basis at the time of enrollment. Generally, students cannot re-enroll for the next academic session without satisfactory resolution of any past-due amounts. Tuition revenues are recognized ratably on a weekly straight-line basis over each academic session. Deferred revenue and student deposits on our Consolidated Balance

Laureate Education, Inc. and Subsidiaries**Notes to Consolidated Financial Statements (Continued)****(Dollars and shares in thousands)****Note 2. Significant Accounting Policies (Continued)**

Sheets consist of tuition paid prior to the start of academic sessions and unearned tuition amounts recorded as accounts receivable after an academic session begins. If a student withdraws from an institution, Laureate's obligation to issue a refund depends on the refund policy at that institution and the timing of the student's withdrawal. Generally, our refund obligations are reduced over the course of the academic term. We record refunds as a reduction of Deferred revenue and student deposits, as applicable. Once a student withdraws, the Company recognizes revenue on a cash basis as collectibility is not reasonably assured. Dormitory revenues are recognized over the occupancy period. Revenues from the sale of educational products are generally recognized upon delivery and when collectibility is reasonably assured. Student fees and other revenues, which include revenues from contractual arrangements with unconsolidated institutions, are recognized as earned over the appropriate service period.

The following table shows the components of Revenues as a percentage of total net revenue for the periods presented:

For the years ended December 31,	2017		2016		2015	
Tuition and educational services	\$ 4,915,415	112%	\$ 4,640,159	109%	\$ 4,562,704	106%
Student fees	137,525	3%	126,510	3%	129,521	3%
Dormitory / residency	29,481	1%	65,644	2%	75,759	2%
Other	225,537	5%	201,886	5%	225,785	5%
Gross revenue	5,307,958	121%	5,034,199	119%	4,993,769	116%
Less: Discounts / waivers / scholarships	(929,969)	(21)%	(790,007)	(19)%	(702,110)	(16)%
Total	<u>\$ 4,377,989</u>	<u>100%</u>	<u>\$ 4,244,192</u>	<u>100%</u>	<u>\$ 4,291,659</u>	<u>100%</u>

Advertising

Laureate expenses advertising costs as incurred. Advertising expenses were \$277,960, \$274,870 and \$278,296 for the years ended December 31, 2017, 2016 and 2015, respectively, and are recorded in Direct costs in our Consolidated Statements of Operations.

Share-based Compensation

Share-based compensation expense is based on the grant-date fair value estimated in accordance with the provisions of ASC 718, "Compensation—Stock Compensation." Laureate recognizes share-based compensation expense, less estimated forfeitures, on a straight-line basis over the requisite service period for time based awards and graded vesting basis for performance based awards. Laureate estimates forfeitures based on historical activity, expected employee turnover, and other qualitative factors which are adjusted for changes in estimates and award vesting. All expenses for an award will be recognized by the time it becomes fully vested.

We use the Black-Scholes-Merton option pricing model to calculate the fair value of stock options. This option valuation model requires the use of subjective assumptions, including the estimated fair value of the underlying common stock, the expected stock price volatility, and the expected term of the option. Prior to the IPO, the estimated fair value of the underlying common stock was based on third-party valuations. After our IPO, the estimated fair value of the underlying common stock is based on

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 2. Significant Accounting Policies (Continued)

the closing price of our Class A common stock on the grant date. Our volatility estimates are based on a peer group of companies. We estimate the expected term of awards to be the weighted average mid-point between the vesting date and the end of the contractual term. We use this method to estimate the expected term since we do not have sufficient historical exercise data.

Laureate has granted restricted stock, restricted stock units, stock options, and performance awards for which the vesting is based on annual performance metrics of the Company. For interim periods, we use our year-to-date actual results, financial forecasts, and other available information to estimate the probability of the award vesting based on the performance metrics. In one case, Laureate granted a small number of restricted stock units where vesting is based on the fulfillment of both a service condition and a market condition; a Monte Carlo simulation method was used to estimate the grant date fair value these awards.

Income Taxes

Laureate records the amount of taxes payable or refundable for the current year. Deferred income tax assets and liabilities are recorded with respect to temporary differences in the accounting treatment of items for GAAP financial reporting purposes and for income tax purposes. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period in which the new rate is enacted. Where, based on the weight of all available evidence, it is more likely than not that some portion of recorded deferred tax assets will not be realized, a valuation allowance is established for the amount that, in management's judgment, is sufficient to reduce the deferred tax asset to an amount that is more likely than not to be realized.

A tax position must meet a minimum probability threshold before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position and having full knowledge of all relevant information.

We earn a significant portion of our income from subsidiaries located in countries outside the United States. Deferred tax liabilities have not been recognized for undistributed foreign earnings because management believes that the earnings will be indefinitely reinvested outside the United States under the Company's planned tax neutral methods. Our assertion that earnings from our foreign operations will be indefinitely reinvested is supported by projected working capital and long-term capital plans in each foreign subsidiary location in which the earnings are generated. Additionally, we believe that we have the ability to indefinitely reinvest foreign earnings based on our domestic operation's cash repatriation strategies, projected cash flows, projected working capital and liquidity, and the expected availability of capital within the debt or equity markets. As described further in Note 16, Income Taxes, this assertion is provisional as of December 31, 2017. If our expectations change based on future developments, including further evaluation of the impacts of tax reform legislation, such that some or all of the undistributed earnings of our foreign subsidiaries may be remitted to the United States in the foreseeable future, we will be required to recognize deferred tax expense and liabilities on those amounts.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 2. Significant Accounting Policies (Continued)

For additional information regarding income taxes and deferred tax assets and liabilities, see Note 16, Income Taxes.

Contingencies

Laureate accrues for contingent obligations when it is probable that a liability is incurred and the amount or range of amounts is reasonably estimable. As new facts become known to management, the assumptions related to a contingency are reviewed and adjustments are made, as necessary. Any legal costs incurred related to contingencies are expensed as incurred.

Recently Issued Accounting Standards Not Yet Adopted

Accounting Standards Update (ASU) No. 2017-12 (ASU 2017-12), Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities

On August 28, 2017, the Financial Accounting Standards Board (FASB) issued ASU 2017-12, which contains significant amendments to the hedge accounting model. The new guidance is intended to simplify the application of hedge accounting and should allow for more hedging strategies to qualify for hedge accounting. ASU 2017-12 also amends the presentation and disclosure requirements and changes how companies assess effectiveness. Public business entities like Laureate will have until the end of the first quarter in which a hedge is designated to perform an initial assessment of a hedge's effectiveness. After initial qualification, the new guidance permits a qualitative effectiveness assessment for certain hedges instead of a quantitative test, such as a regression analysis, if the company can reasonably support an expectation of high effectiveness throughout the term of the hedge. An initial quantitative test to establish that the hedge relationship is highly effective is still required. The effective date of this ASU for Laureate is January 1, 2019. Early adoption is permitted in any interim period or fiscal year before the effective date. However, if the guidance is early adopted in an interim period, any adjustments would be reflected as of the beginning of the fiscal year that includes that interim period. Laureate is still evaluating whether to early adopt this ASU.

ASU No. 2017-07 (ASU 2017-07), Compensation—Retirement Benefits (Topic 715)

In March 2017, the FASB issued ASU 2017-07 in order to improve the presentation of net periodic pension cost and net period post retirement benefit cost. Under current GAAP, these costs comprise several components that reflect different aspects of an employer's financial arrangements as well as the cost of benefits provided to employees, and are aggregated for reporting purposes. Under the amendments in this Update, the service cost component of net period benefit cost is to be disaggregated and reported in the same line item(s) as other compensation costs arising from services rendered during the period, and the remaining components are to be presented on the income statement separately from the service cost component and outside a subtotal of income from operations, if presented. This ASU was effective for Laureate on January 1, 2018. We do not expect that this ASU will have a material effect on our Consolidated Financial Statements.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 2. Significant Accounting Policies (Continued)

ASU No. 2017-04 (ASU 2017-04), Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment

In January 2017, the FASB issued ASU 2017-04 in order to simplify the test for goodwill impairment by eliminating Step 2, which measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. Under the amendments in this ASU, an entity should perform its annual goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. However, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. This ASU is effective for Laureate beginning on January 1, 2020 and early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. We are still evaluating the impact of ASU 2017-04 on our Consolidated Financial Statements and whether we will early adopt this ASU for goodwill impairment tests performed on testing dates after January 1, 2018.

ASU No. 2016-18 (ASU 2016-18), Statement of Cash Flows (Topic 230): Restricted Cash

In November 2016, the FASB issued ASU 2016-18 in order to address the diversity that exists in the classification and presentation of changes in restricted cash on the statement of cash flows under Topic 230, Statement of Cash Flows. The amendments in this ASU require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this ASU apply to all entities that have restricted cash or restricted cash equivalents and are required to present a statement of cash flows under Topic 230. This ASU was effective for Laureate beginning January 1, 2018. The adoption of ASU 2016-18 will result in a change in presentation within the Consolidated Statements of Cash Flows. As required, Laureate will retrospectively apply the guidance in this ASU beginning with the Form 10-Q issued for the period ending March 31, 2018. During the years ended December 31, 2017, 2016 and 2015, our operating cash inflows (outflows) included \$3,824, \$(7,686) and \$(932), respectively, related to changes in restricted cash, and our investing cash outflows included \$(39,848), \$(28,063), and \$(15,452), respectively, related to changes in restricted cash.

ASU No. 2016-16 (ASU 2016-16), Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory

In October 2016, the FASB issued ASU 2016-16 in order to improve the accounting for income tax consequences for intra-entity transfers of assets other than inventory. Under current GAAP, the recognition of current and deferred income taxes for an intra-entity transfer is prohibited until the asset has been sold to a third party. The amendments in this ASU state that an entity should recognize income tax consequences of an intra-entity transfer when the transfer occurs. This aligns the recognition of income tax consequences for intra-entity transfers of assets with International Financing Reporting Standards (IFRS). ASU 2016-16 is effective for Laureate beginning on January 1, 2018. The amendments in this ASU should be applied on a modified retrospective basis through a cumulative-

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 2. Significant Accounting Policies (Continued)

effect adjustment directly to retained earnings as of the beginning of the period of adoption. The Company does not expect it to have a material effect on our Consolidated Financial Statements.

ASU No. 2016-15 (ASU 2016-15), Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments

In August 2016, the FASB issued ASU 2016-15 in order to address the diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows under Topic 230, Statement of Cash Flows, and other Topics. This standard addresses the following eight specific cash flow issues: Debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies (COLIs) (including bank-owned life insurance policies (BOLIs)); distributions received from equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows and application of the predominance principle. The amendments in this update apply to all entities, including both business entities and not-for-profit entities that are required to present a statement of cash flows under Topic 230. This ASU was effective for Laureate beginning January 1, 2018. We have evaluated the potential impact of this update and do not expect that it will have a material effect on our Consolidated Financial Statements.

ASU No. 2016-02 (ASU 2016-02), Leases (Topic 842)

On February 25, 2016, the FASB issued ASU 2016-02. Lessees will need to recognize on their balance sheet a right-of-use asset and a lease liability for virtually all of their leases (other than leases that meet the definition of a short-term lease). The liability will be equal to the present value of lease payments. The asset will be based on the liability, subject to adjustment, such as for initial direct costs and uneven rent payments. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating or finance. Operating leases will result in straight-line expense (similar to current operating leases) while finance leases will result in a front-loaded expense pattern (similar to current capital leases). Classification will be based on criteria that are largely similar to those applied in current lease accounting, but without explicit bright lines. The standard is effective for Laureate beginning January 1, 2019. The new standard must be adopted using a modified retrospective transition and provides for certain practical expedients. Transition will require application of the new guidance at the beginning of the earliest comparative period presented. We have completed our diagnostic assessment and have established a cross-functional implementation team which is in the process of identifying changes to our accounting policies, business processes, systems and internal controls in preparation for the implementation. We anticipate that ASU 2016-02 will have a material impact on our Consolidated Balance Sheets, as we will record significant asset and liability balances in connection with our leased properties. We are still evaluating the impact to our Consolidated Statements of Operations. We do not currently plan to early adopt this ASU.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 2. Significant Accounting Policies (Continued)

ASU No. 2014-09, (ASU 2014-09), Revenue from Contracts with Customers (Topic 606)

On May 28, 2014, the FASB issued ASU 2014-09, which supersedes the revenue recognition requirements in ASC 605, "Revenue Recognition" and most industry-specific guidance. The core principle of ASU 2014-09 is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The new revenue standard is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017 (January 1, 2018 for Laureate) and allows either a full retrospective adoption to all periods presented or a modified retrospective adoption approach with the cumulative effect of initial application of the revised guidance recognized at the date of initial application. We have completed our diagnostic assessment and our policies and processes relating to this ASU, which we adopted effective January 1, 2018. We do not expect the adoption of this ASU to result in a significant change to our method of recognizing tuition revenues. We adopted the new standard using the modified retrospective method, and the cumulative effect of adoption to retained earnings on January 1, 2018 was approximately \$2,000.

Recently Adopted Accounting Standards

ASU No. 2015-17 (ASU 2015-17), Income Taxes (Topic 740)

In November 2015, the FASB issued ASU 2015-17 as a part of the Simplification Initiative and in response to concerns that the current requirement that entities separate deferred income tax liabilities and assets into current and noncurrent amounts results in little or no benefit to users of the financial statements. The amendments in this ASU aim to simplify this presentation by requiring that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. ASU 2015-17 was effective for Laureate beginning January 1, 2017 and we adopted this guidance on a retrospective basis. Accordingly, as of December 31, 2017 all deferred tax assets and liabilities are classified as noncurrent and we reclassified current deferred tax assets and liabilities of approximately \$110,000 and \$6,000, respectively, as of December 31, 2016 to noncurrent.

ASU No. 2016-09 (ASU 2016-09), Compensation—Stock compensation (Topic 718): Improvements to Employee Share-based Payment Accounting

On March 30, 2016, the FASB issued ASU 2016-09 as part of its initiative to reduce complexity in accounting standards. The areas for simplification in this ASU involve several aspects of the accounting for employee share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The guidance was effective for Laureate beginning January 1, 2017. Laureate has elected to continue estimating forfeitures when determining the amount of share-based compensation expense to be recognized each period. The Company adopted this standard prospectively in the first quarter of 2017 and it did not have a material impact on our Consolidated Financial Statements.

Note 3. Assets Held for Sale

The Company has identified certain subsidiaries that may not reach a scale that will be meaningful for Laureate, and has undertaken a process to sell these entities. As of December 31, 2017, several

Laureate Education, Inc. and Subsidiaries**Notes to Consolidated Financial Statements (Continued)****(Dollars and shares in thousands)****Note 3. Assets Held for Sale (Continued)**

subsidiaries in our EMEAA and Central America & U.S. Campuses segments met the criteria for classification as held for sale under ASC 360-10-45-9, "Long-Lived Assets Classified as Held for Sale." Accordingly, as of December 31, 2017, the assets and liabilities of these disposal groups were classified as held for sale and recorded at the lower of their carrying values or their estimated 'fair values less costs to sell.' As discussed further below, the Company has begun entering into sale agreements for these entities and closing of the sale transactions began in the first quarter of 2018.

The amounts classified as held-for-sale assets and liabilities are subject to finalization. The carrying amounts of the major classes of long-lived assets and liabilities that were reclassified to held for sale as of December 31, 2017 are presented in the following tables:

Property and equipment, net	\$ 275,913
Goodwill	32,740
Tradenames	28,434
Other long-term assets	55,304
Long-term assets held for sale	<u>\$ 392,391</u>
Deferred revenue and student deposits	\$ 94,951
Long-term debt, including current portion	53,440
Other liabilities	122,735
Total liabilities held for sale	<u>\$ 271,126</u>

In the aggregate, revenues of the disposal groups represented approximately \$311,000, \$300,000, and \$302,000 of Laureate's total revenues during the years ended December 31, 2017, 2016, and 2015 respectively.

European University—Cyprus Ltd (EUC) and Laureate Italy S.r.L. (Laureate Italy)

On November 22, 2017, we signed a share purchase agreement with Galileo Global Education Midco S.à R.L., a Luxembourg limited liability company (Galileo), to sell our operations in Cyprus and Italy which are part of our EMEAA segment. Pursuant to the agreement, Galileo will purchase from LEI European Investments B.V., a Netherlands private limited company and wholly owned subsidiary of Laureate, all of the issued and outstanding shares in the capital of EUC and Laureate Italy. Under the sale agreement, Laureate International B.V., also a wholly owned subsidiary of Laureate, will guarantee the obligations of the selling entity. EUC is the corporate entity that operates European University Cyprus, a leading fully comprehensive university in Cyprus, and Laureate Italy is the parent company of Nuova Accademia, S.r.L., which operates Nuova Accademia di Belle Arti Milano (NABA) and Domus Academy, which collectively make up one of the largest private fine arts academies in Milan, Italy. The transaction value under the agreement was 225,000 Euros (EUR) (approximately US \$267,000 at December 31, 2017), subject to customary closing adjustments. As discussed in Note 25, Subsequent Events, we closed the sale on January 11, 2018. For the year ended December 31, 2017, EUC and Laureate Italy collectively had \$87,800 in revenue, \$18,200 in operating income and \$2,600 in depreciation and amortization and as of December 31, 2017 collectively had approximately 9,500 students.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 3. Assets Held for Sale (Continued)

Laureate Somed Education Holding S.A. (Laureate Somed)

On November 29, 2017, Laureate Middle East Holdings B.V. (LMEH), a Netherlands company and indirect wholly owned subsidiary of Laureate Education, Inc. (Laureate), and La Société Maroc Emirats Arabes Unis de Développement (SOMED), a Morocco company (LMEH and SOMED, together, the sellers of Laureate Somed), Laureate I.B.V. (the Guarantor), a Netherlands company and indirect wholly owned subsidiary of Laureate, and UPM Pédagogique, a Morocco company (UPM), entered into a share purchase agreement pursuant to which UPM will purchase all of the issued and outstanding shares in the capital of Laureate Somed, a Morocco company, for a total transaction value of 500,000 Moroccan Dirhams (MAD) (approximately US \$53,000 at December 31, 2017), subject to customary adjustments at closing, and the Guarantor will guarantee certain obligations of LMEH under the Agreement. Laureate Somed is the operator of Université Internationale de Casablanca, a comprehensive campus-based university in Casablanca, Morocco. LMEH owns approximately 60% of the share capital of Laureate Somed, while SOMED owns the remaining approximately 40% of the share capital of Laureate Somed. The parties expect that the transaction will close by the end of the first quarter of 2018, subject to customary closing conditions. For the year ended December 31, 2017, Laureate Somed had \$11,500 in revenue, an operating loss of \$(800) and \$1,100 in depreciation and amortization and as of December 31, 2017 had approximately 2,200 students.

Inti Education Holdings Sdn. Bhd. (Inti Holdings)

On December 11, 2017, Exeter Street Holdings Sdn. Bhd., a Malaysia corporation (Exeter Street), and Laureate Education Asia Limited, a Hong Kong corporation (Laureate Asia), both of which are indirect wholly owned subsidiaries of Laureate, entered into a sale purchase agreement with Comprehensive Education Pte. Ltd., a Singapore corporation (Comprehensive, the purchaser) that is an affiliate of Affinity Equity Partners, a private equity firm based in Hong Kong. Pursuant to the sale purchase agreement, Comprehensive will purchase from Exeter Street all of the issued and outstanding shares in the capital of Inti Holdings, and Laureate Asia will guarantee certain obligations of Exeter Street. Inti Holdings is the indirect owner of INTI University and Colleges, a higher education institution with five campuses in Malaysia (INTI). In connection with the sale purchase agreement, Exeter Street entered into a separate agreement with the current minority owner of the equity of Inti Holdings relating to the purchase by Exeter Street of the minority owner's 10.10% interest in Inti Holdings, the closing of which is a precondition to the closing of the transactions under the sale purchase agreement. The total purchase price, including the payment to the current minority owner, will be \$180,000. The net transaction value to Laureate under the agreement will be \$161,800, subject to customary closing adjustments, and the parties expect that the transaction will close by the end of the second quarter of 2018, subject to customary closing conditions. For the year ended December 31, 2017, INTI had \$69,900 in revenue, \$9,200 in operating income and \$4,800 in depreciation and amortization and as of December 31, 2017 had approximately 16,700 students.

LEI Lie Ying Limited (LEILY)

On December 27, 2017, LEI China Limited, a Hong Kong private limited company (LEI China), a wholly owned subsidiary of Laureate, entered into a share purchase agreement with China YuHua Education Investment Limited, a British Virgin Islands corporation (YuHua), a wholly owned subsidiary

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 3. Assets Held for Sale (Continued)

of China YuHua Education Corporation Limited. Pursuant to the sale purchase agreement, YuHua will purchase from LEI China all of the issued and outstanding shares in the capital of LEILY, a Hong Kong private limited company. LEILY is the legal and beneficial owner of a 70% equity interest in Hunan Lie Ying Industry Co., Ltd., a Sino-foreign equity joint venture organized under the laws of the People's Republic of China, which in turn owns 100% of the sponsorship or equity interests in the following entities: Hunan International Economics University (HIEU); Hunan Lie Ying Mechanic School; Hunan Lie Ying Property Management Co., Ltd.; and Hunan International Economics University Vocational Skills Training Center (collectively, the Entities). HIEU and Hunan Lie Ying Mechanic School are VIEs and are considered one institution for purposes of our institution count. The transaction value under the sale purchase agreement is the Hong Kong Dollar (HKD) equivalent of Chinese Renminbi (RMB) 1,430,000 (approximately US \$218,000 at December 31, 2017), subject to certain adjustments. As discussed in Note 25, Subsequent Events, we closed the sale on January 25, 2018. For the year ended December 31, 2017, the Entities, in which the Company has a 70% equity interest, collectively had \$64,500 in revenue, \$21,200 in operating income and \$6,100 in depreciation and amortization and as of December 31, 2017 collectively had approximately 29,100 students.

Kendall College, LLC (Kendall)

As discussed further in Note 25, Subsequent Events, we entered into an asset purchase agreement for Kendall on January 15, 2018.

Note 4. Acquisitions

2017 Acquisitions

During the year ended December 31, 2017, Laureate consummated the business acquisition outlined below, which is included in our Consolidated Financial Statements commencing from the date of acquisition.

Australia

In June 2017, our EMEAA segment acquired the assets and business of the nursing division of Careers Australia (CA Nursing), a vocational institution in Australia, for a cash purchase price of Australian Dollar (AUD) 1,107 (US \$835 at the date of acquisition) plus debt assumed of AUD 9,850 (US \$7,433 at the acquisition date). We accounted for this acquisition as a business combination. For this acquisition, Revenues, Operating income and Net income (loss) attributable to Laureate Education, Inc. were immaterial for the year ended December 31, 2017.

Laureate Education, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Dollars and shares in thousands)

Note 4. Acquisitions (Continued)

The following table summarizes the estimated fair value of all assets acquired and the liabilities assumed at the date of acquisition:

	<u>CA Nursing Australia</u>
Current assets	\$ 2,552
Property and equipment	9,581
Goodwill	3,584
Other intangible assets	3,293
Total assets acquired	19,010
Current portion of long-term debt	166
Other current liabilities	8,997
Long-term debt, less current portion	7,267
Other long-term liabilities	1,745
Total liabilities	18,175
Net assets acquired attributable to Laureate Education, Inc.	835
Debt assumed	7,433
Net assets acquired attributable to Laureate Education, Inc. plus debt assumed	\$ 8,268
Net assets acquired	\$ 835
Net cash paid at acquisition	\$ 835

2017 Summary

The amounts recorded for the 2017 acquisition are considered final. None of the goodwill related to the 2017 acquisition is expected to be deductible for income tax purposes. Pro forma results of operations for the acquisition completed during 2017 have not been presented because the effects of that acquisition were not material to the Company's financial results.

2016 Transactions*St. Augustine*

On March 24, 2016, the noncontrolling interest holders of St. Augustine notified Laureate of their election to exercise their put option, which required Laureate to purchase the remaining noncontrolling interest of 20%. Accordingly, this noncontrolling interest became a mandatorily redeemable financial instrument on the put option exercise date and was recognized as a liability at its estimated redemption value in accordance with ASC 480, "Distinguishing Liabilities from Equity." Under the terms of the agreement, the put option purchase price is based on 7.0 times Adjusted EBITDA of St. Augustine, as defined in the agreement, for the twelve months ended as of the last day of the fiscal quarter most recently ended prior to the date on which notice of exercise is given multiplied by the percentage interest being acquired. In June 2016, we acquired the remaining 20% noncontrolling interest in

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 4. Acquisitions (Continued)

St. Augustine for a purchase price of \$24,997. This payment was included in Payments to purchase noncontrolling interests in the Consolidated Statement of Cash Flows.

Uni IBMR

In 2015, we entered into a commitment to purchase the remaining 10% minority interest in Uni IBMR for a purchase price of BRL 2,500. The agreement closed on March 10, 2016 and we paid BRL 2,500 (US \$668 at the payment date), which was included in Payments to purchase noncontrolling interests in the Consolidated Statement of Cash Flows. Additional purchase price could be paid post closing if certain contingent sale conditions are met.

2015 Acquisitions

During the year ended December 31, 2015, Laureate consummated the business acquisitions outlined below, which are included in our Consolidated Financial Statements commencing from the dates of acquisition.

Australia

In July 2015, our EMEAA segment acquired the assets and the business of Chifley Business School (CBS) in Australia for a cash purchase price of AUD 600 (US \$464 at the acquisition date), plus debt assumed of AUD 1,000 (US \$772 at the acquisition date). We accounted for this as a business combination. Payment of the debt was made in two installments of AUD 500 (US \$386 at the acquisition date), in January 2016 and January 2017. For this acquisition, Revenues, Operating income and Net income attributable to Laureate Education, Inc. were immaterial for the year ended December 31, 2015.

Portugal

On March 27, 2015, we acquired a group of higher education institutions and other entities in Portugal that we collectively referred to as IADE Group. The total purchase price of IADE Group was \$10,403, which included an initial cash payment of \$6,476, a seller note of \$3,238 and a deferred payment of \$689 related to a working capital settlement. The purchase of IADE Group allowed Laureate to expand its existing presence in Portugal. The goodwill recorded for IADE Group was related to the incremental value this acquisition brings to the *Laureate International Universities* network and Laureate's existing operations in Portugal by expanding our presence and adding synergies to Laureate's operations. For this acquisition, Revenues of \$8,194, Operating income of \$971 and Net income of \$806 are included in the Consolidated Statement of Operations for the year ended December 31, 2015.

Laureate Education, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Dollars and shares in thousands)

Note 4. Acquisitions (Continued)

The Consolidated Financial Statements include the operating results of IADE Group and CBS from the dates of acquisition. The following table summarizes the estimated fair values of all assets acquired and liabilities assumed at the dates of acquisition:

	IADE Group Portugal	CBS Australia	Total
Current assets	\$ 1,476	\$ 4	\$ 1,480
Property and equipment	335	33	368
Goodwill	5,980	989	6,969
Tradenames	6,071	342	6,413
Other intangible assets	1,616	—	1,616
Long-term indemnification assets	2,084	—	2,084
Other long-term assets	518	—	518
Total assets acquired	18,080	1,368	19,448
Current portion of long-term debt	—	386	386
Other current liabilities	3,124	132	3,256
Long-term debt, less current portion	—	386	386
Other long-term liabilities	4,553	—	4,553
Total liabilities	7,677	904	8,581
Net assets acquired attributable to Laureate Education, Inc.	10,403	464	10,867
Debt assumed	—	772	772
Net assets acquired attributable to Laureate Education, Inc. plus debt assumed	\$ 10,403	\$ 1,236	\$ 11,639
Net assets acquired	\$ 10,403	\$ 464	\$ 10,867
Cash acquired	(235)	—	(235)
Seller notes and deferred payments	(3,927)	—	(3,927)
Net cash paid at acquisition	\$ 6,241	\$ 464	\$ 6,705

2015 Summary

For all of the 2015 acquisitions, the allocations of purchase price consideration are no longer subject to revision, as the measurement period has closed. No material adjustments were made during 2016 to complete the allocations of purchase price consideration. None of the goodwill related to the 2015 acquisitions is expected to be deductible for income tax purposes. As part of the purchase price allocations for the 2015 acquisitions, Laureate recorded liabilities for taxes other-than-income tax related contingencies of \$571 and labor contingencies of \$1,466. In addition, we recorded total long-term indemnification assets of \$2,084. Pro forma results of operations for the acquisitions completed during 2015 have not been presented because the effects of those acquisitions were not material to the Company's financial results.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 4. Acquisitions (Continued)

Other 2015 Transactions

India

In April 2015, the Company acquired the remaining 5% noncontrolling interest in M-Power for a purchase price of \$2,852. This payment was included in Payments to purchase noncontrolling interests in the Consolidated Statement of Cash Flows.

Malaysia

During the year ended December 31, 2015, we acquired an additional 2.7% noncontrolling interest in INTI Malaysia for \$2,499. This payment was included in Payments to purchase noncontrolling interests in the Consolidated Statement of Cash Flows. This transaction increased Laureate's ownership interest in INTI to approximately 90%.

Note 5. Dispositions and Asset Sales

2017 Asset Sale and Purchase Price Settlement Agreement

Ad Portas Asset Sale

In November 2017, we completed the sale of an asset group at Ad Portas, a for-profit real estate subsidiary in our Andean & Iberian segment, to UDLA Ecuador, a licensed institution in Ecuador that was formerly consolidated into Laureate. This asset group included property and equipment and was previously classified as assets held for sale in our Quarterly Report on Form 10-Q for the period ended September 30, 2017. We received total consideration of approximately \$55,000, which included cash proceeds of \$17,784, and recognized an operating gain on the sale of this property and equipment of approximately \$20,300. Contemporaneous with this transaction, we also repurchased UDLA Ecuador's noncontrolling interest in a Chilean real estate subsidiary of Laureate; see Note 18, Related Party Transactions.

Purchase Price Settlement Agreement for Swiss Hospitality Management Schools

In December 2017, we reached a final purchase price settlement agreement with Eurazeo, the buyer of our Swiss hospitality management schools in 2016 as described further below, and made a payment to Eurazeo of approximately \$9,300. This payment is included in Receipts from sale of subsidiary and property and equipment, net on the 2017 Consolidated Statements of Cash Flows. The total settlement amount was approximately \$10,300, which we recognized as (Loss) gain on sales of subsidiaries, net, in the Consolidated Statement of Operations for the year ended December 31, 2017, as it represented an adjustment of the sale purchase price.

2016 Dispositions and Asset Sales

Sale of Glion and Les Roches Hospitality Management Schools

On March 15, 2016, we signed an agreement with Eurazeo, a publicly traded French investment company, to sell Glion Institute of Higher Education (Glion) and Les Roches International School of Hotel Management (Les Roches) for a total transaction value of approximately CHF 380,000

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 5. Dispositions and Asset Sales (Continued)

(approximately \$385,000 at the signing date), subject to certain adjustments. The sale included the operations of Glion in Switzerland and the United Kingdom, the operations of Les Roches in Switzerland and the United States, Haute école spécialisée Les Roches-Gruyère SA (LRG) in Switzerland, Les Roches Jin Jiang in China, Royal Academy of Culinary Arts (RACA) in Jordan and Les Roches Marbella in Spain. Closing of the transaction was subject to regulatory approvals, including by the New England Association of Schools and Colleges, and other customary conditions and provisions. The transaction closed on June 14, 2016 and we received total net proceeds of approximately \$332,800, net of cash sold of \$14,500, and after adjustments for liabilities assumed by the buyer and transaction-related costs. In September 2016, Laureate received additional proceeds from the buyer of approximately \$5,800 after finalization of the working capital adjustment required by the purchase agreement, resulting in a total non-taxable gain on sale of approximately \$249,400. In addition, on the June 14, 2016 closing date, we settled the deal-contingent forward exchange swap agreement for a payment of \$10,297. We provided certain back-office services to Glion and Les Roches for a period of time. As noted above, in December 2017 we reached a final purchase price settlement agreement with Eurazeo of approximately \$10,300.

Sale of Institutions in France

On April 19, 2016, Laureate announced that it had signed an agreement for the transfer of control of LIUF SAS (LIUF), the French holding entity, to Apax Partners, a leading private equity firm in French-speaking European countries. Management obtained approval for this transaction on April 6, 2016. The French anti-trust authority also approved the transaction, and closing took place on July 20, 2016. LIUF comprised five institutions, including two VIE institutions, with a total student population of approximately 7,500:

- École Supérieure du Commerce Extérieur (ESCE);
- Institut Français de Gestion (IFG);
- European Business School (EBS);
- École Centrale d'Electronique (ECE); and
- Centre d'Études Politiques et de la Communication (CEPC).

The value of the transaction was EUR 201,000 (approximately \$228,000 at the signing date), subject to certain adjustments. At closing on July 20, 2016, we received total net proceeds of approximately \$207,000, net of cash sold of \$3,400, and after adjustments for liabilities assumed by the buyer and transaction-related costs, resulting in a non-taxable gain on sale of approximately \$148,700. In addition, in July 2016 we settled the forward exchange swap agreements related to this sale, resulting in total proceeds of \$4,634.

Sale of Tianyi

In December 2016, we completed the sale of our remaining 21% ownership interest in Sichuan Tianyi College (Tianyi) in China after receiving the required regulatory approvals. We received total cash consideration of approximately \$10,500, of which approximately \$7,300 was received in 2015 and recorded as deferred gain at that time, pending the regulatory approvals that were conditions precedent

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 5. Dispositions and Asset Sales (Continued)

to transferring the ownership interest. The regulatory approvals were received in December 2016, and the remaining cash consideration of approximately \$3,200 was collected in January 2017. Accordingly, the conditions precedent to complete the transaction were met in December 2016, resulting in a gain on sale of approximately \$8,500. This non-operating gain, along with the gain on the sales of the institutions described above, are recorded in Gain on sales of subsidiaries, net for the year ended December 31, 2016 in the Consolidated Statements of Operations.

2015 Dispositions and Asset Sales

Glion and Les Roches

During the fourth quarter of 2014, our EMEAA segment entered into a sale-leaseback agreement for a portion of the campuses of two of our former institutions in Switzerland, Glion and Les Roches. In the first quarter of 2015, the sale of the assets was completed and Laureate received net proceeds of approximately \$182,000, resulting in a gain on sale of approximately \$36,000, which was deferred and will be recognized into income over the lease term of 20 years from the sale date. A portion of the net proceeds was used to repay mortgage debt related to the asset group. During the year ended December 31, 2015, Laureate recorded a Loss on debt extinguishment of \$932 as a result of mortgage breakage fees that were paid in connection with the repayment of the mortgage debt. As discussed above, we sold Glion and Les Roches in 2016; as part of the sale agreement we are still a guarantor under this lease and therefore continue to recognize the gain that was deferred in 2015 into income over the lease term. However, the Company has certain indemnifications in the event that we are required to make payments under the guarantee.

Note 6. Due to Shareholders of Acquired Companies

The amounts due to shareholders of acquired companies generally arise in connection with Laureate's acquisition of a majority or all of the ownership interest of these companies. Promissory notes payable to the sellers of acquired companies, referred to as "seller notes," are commonly used as a means of payment for business acquisitions. Seller note payments are classified as Payments of deferred purchase price for acquisitions within financing activities in our Consolidated Statements of

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 6. Due to Shareholders of Acquired Companies (Continued)

Cash Flows. The amounts due to shareholders of acquired companies, currencies, and interest rates applied were as follows:

	December 31, 2017	December 31, 2016	Nominal Currency	Interest Rate %
Universidade Anhembi Morumbi (UAM Brazil)	\$ 45,206	\$ 52,043	BRL	CDI + 2%
University of St. Augustine for Health Sciences, LLC (St. Augustine)	11,550	11,550	USD	7%
Monash South Africa (MSA)	9,571	27,462	AUD	n/a, 6.75%
CH Holding Netherlands B.V. (CH Holding)	3,971	8,587	USD	n/a
Universidad Tecnologica Centroamericana (UNITEC Honduras)	3,813	5,196	HNL	IIBC
Faculdade Porto-Alegrense (FAPA)	3,084	2,973	BRL	IGP-M
IADe Group	2,374	2,755	EUR	3%
Faculdades Metropolitanas Unidas Educacionais (FMU)	—	100,382	BRL	CDI
Total due to shareholders of acquired companies	79,569	210,948		
Less: Current portion of due to shareholders of acquired companies	40,140	118,679		
Due to shareholders of acquired companies, less current portion	<u>\$ 39,429</u>	<u>\$ 92,269</u>		

AUD: Australian Dollar
 BRL: Brazilian Real
 EUR: European Euro
 HNL: Honduran Lempira
 USD: United States Dollar

CDI: Certificados de Depósitos Interbancários (Brazil)
 IIBC: Índice de Inflación del Banco Central (Honduras)
 IGP-M: General Index of Market Prices (Brazil)

The aggregate maturities of Due to shareholders of acquired companies as of December 31, 2017, were as follows:

2018	\$ 40,840
2019	36,978
2020	13,778
2021	11,752
2022	—
Aggregate maturities	103,348
Less: notes payable held for sale	(21,250)
Less: imputed interest discount	(2,529)
Total	<u>\$ 79,569</u>

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 6. Due to Shareholders of Acquired Companies (Continued)

UAM Brazil

A portion of the acquisition was financed with a seller note in the amount of BRL 200,808 (US \$60,479 at December 31, 2017), which is scheduled to be paid in nine equal installments of BRL 22,312 (US \$6,720 at December 31, 2017), adjusted for inflation based on CDI plus 200 basis points. The initial five installments were paid during the years ended December 31, 2013 through 2017. The remaining four installments are due annually on August 31st of each year. The eighth and ninth installments are subject to acceleration and will be paid on August 31, 2019, along with the seventh installment, if a certain financial performance target is achieved in 2018, as described in the purchase agreement. On the closing date we recorded the note payable at its discounted present value, which will be accreted over the term of the note. As of December 31, 2017, the carrying value of the note was \$45,206.

St. Augustine

On November 21, 2013, Laureate initially acquired 80% of the ownership and voting rights of the University of St. Augustine. A portion of the purchase price was financed with a five-year seller note in the amount of \$14,000. The promissory note incurs interest at an annual rate of 7%, which is payable quarterly beginning on January 1, 2014, and the entire principal balance is payable on November 21, 2018. During 2015 this note payable and a receivable from the former owner were reduced by \$2,450 following the resolution of certain pre-acquisition matters, leaving a remaining principal balance of \$11,550. In 2016, Laureate acquired the remaining 20% noncontrolling interest in St. Augustine, as discussed in Note 4, Acquisitions.

FMU

At the acquisition date of FMU on September 12, 2014, Laureate financed a portion of the purchase price with promissory notes payable to the seller of BRL 250,000. These seller notes matured on September 12, 2017 and the principal and interest were fully repaid in the amount of BRL 358,606 (US \$114,578 at the date of payment). The interest portion is classified in operating cash flows and included in the \$39.4 million of Interest paid on deferred purchase price for acquisitions on the Consolidated Statements of Cash Flows.

Note 7. Business and Geographic Segment Information

Laureate's educational services are offered through six operating segments: Brazil, Mexico, Andean & Iberian, Central America & U.S. Campuses, EMEAA and Online & Partnerships. Laureate determines its operating segments based on information utilized by the chief operating decision maker to allocate resources and assess performance.

As previously disclosed in our Quarterly Report on Form 10-Q for the period ended September 30, 2017, effective August 1, 2017, we changed our operating segments in order to realign our segments according to how our chief operating decision maker allocates resources and assesses performance. The change includes the creation of three operating segments (Brazil, Mexico and Andean & Iberian) from the previous Latin America (LatAm) segment. Our institutions in Spain and Portugal (Iberian) have moved from the Europe, Middle East, Africa and Asia Pacific (EMEAA) segment and combined with

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 7. Business and Geographic Segment Information (Continued)

our institutions in Chile and Peru to form the Andean & Iberian segment. In addition, our institutions in Central America, which were previously part of the LatAm segment, have combined with our campus-based institutions in the United States, which were previously part of the GPS segment, to form the Central America & U.S. Campuses segment. The Online & Partnerships segment consists of the online institutions that were previously part of the GPS segment. This change has been reflected in the segment information for the year ended December 31, 2017. As required, the segment information presented for comparative purposes for the years ended December 31, 2016 and 2015 has also been revised to reflect this change.

Our campus-based segments generate revenues by providing an education that emphasizes professional-oriented fields of study with undergraduate and graduate degrees in a wide range of disciplines. Our educational offerings are increasingly utilizing online and hybrid (a combination of online and in-classroom) courses and programs to deliver their curriculum. Many of our largest campus-based operations are in developing markets which are experiencing a growing demand for higher education based on favorable demographics and increasing secondary completion rates, driving increases in participation rates and resulting in continued growth in the number of higher education students. Traditional higher education students (defined as 18-24 year olds) have historically been served by public universities, which have limited capacity and are often underfunded, resulting in an inability to meet the growing student demand and employer requirements. This supply and demand imbalance has created a market opportunity for private sector participants. Most students finance their own education. However, there are some government-sponsored student financing programs which are discussed below. These campus-based segments include Brazil, Mexico, Andean & Iberian, Central America & U.S. Campuses and EMEAA. Specifics related to each of these campus-based segments and our Online & Partnerships segment are discussed below:

In Brazil, approximately 75% of post-secondary students are enrolled in private higher education institutions. While the federal government defines the national curricular guidelines, institutions are licensed to operate by city. Laureate owns 13 institutions in eight states throughout Brazil, with a particularly strong presence in the competitive São Paulo market. Many students finance their own education while others rely on the government-sponsored programs such as Prouni and FIES.

Public universities in Mexico enroll approximately two-thirds of students attending post-secondary education. However, many public institutions are faced with capacity constraints or the quality of the education is considered low. Laureate owns two institutions and is present throughout the country with a footprint of over 40 campuses. Each institution in Mexico has a national license. Students in our Mexican institutions typically finance their own education.

The Andean & Iberian segment includes institutions in Chile, Peru, Portugal and Spain. In Chile, private universities enroll approximately 80% of post-secondary students. In Peru, the public sector plays a significant role but private universities are increasingly providing the capacity to meet growing demand. In Spain and Portugal, the high demand for post-secondary education places capacity constraints on the public sector, pushing students to turn to the private sector for high-quality education. Chile has government-sponsored student financing programs, while in the other countries students generally finance their own education.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 7. Business and Geographic Segment Information (Continued)

The Central America & U.S. Campuses segment includes institutions in Costa Rica, Honduras, Panama and the United States. Students in Central America typically finance their own education while students in the United States finance their education in a variety of ways, including Title IV programs.

The EMEAA segment includes institutions in the European countries of Cyprus, Germany, Italy and Turkey, as well as locations in the Middle East, Africa and Asia Pacific consisting of campus-based institutions with operations in Australia, China, India, Malaysia, Morocco, New Zealand, South Africa and Thailand. Additionally, EMEAA manages nine licensed institutions in the Kingdom of Saudi Arabia and manages one additional institution in China through a joint venture arrangement.

The Online & Partnerships segment includes fully online institutions operating globally that offer professionally-oriented degree programs in the United States through Walden University, a U.S.-based accredited institution, and through the University of Liverpool and the University of Roehampton in the United Kingdom. These online institutions primarily serve working adults with undergraduate and graduate degree program offerings. Students in the United States finance their education in a variety of ways, including Title IV programs.

Intersegment transactions are accounted for in a similar manner as third-party transactions and are eliminated in consolidation. The "Corporate" amounts presented in the following tables includes corporate charges that were not allocated to our reportable segments and adjustments to eliminate intersegment items.

We evaluate segment performance based on Adjusted EBITDA, which is a non-GAAP performance measure defined as Income (loss) from continuing operations before income taxes and equity in net income of affiliates, adding back the following items: (Loss) gain on sales of subsidiaries, net, Foreign currency exchange gain (loss), net, Other (expense) income, net, Gain (loss) on derivatives, Loss on debt extinguishment, Interest expense, Interest income, Depreciation and amortization expense, Loss on impairment of assets, Share-based compensation expense and expenses related to our Excellence-in-Process (EiP) initiative. EiP is an enterprise-wide initiative to optimize and standardize Laureate's processes, creating vertical integration of procurement, information technology, finance, accounting and human resources. It includes the establishment of regional shared services organizations (SSOs) around the world, as well as improvements to the Company's system of internal controls over financial reporting. We have also expanded the EiP initiative into other back- and mid-office areas, as well as certain student-facing activities. Certain non-recurring costs incurred in connection with the planned dispositions described in Note 3, Assets Held for Sale, are also included in EiP. The increased EiP expenses during the year ended December 31, 2017 as compared to the year ended December 31, 2016 relates primarily to severance costs that are predominantly contractual termination benefits recognized in accordance with ASC 712, "Compensation—Nonretirement Postemployment Benefits."

When we review Adjusted EBITDA on a segment basis, we exclude intercompany revenues and expenses, related to network fees and royalties between our segments, which eliminate in consolidation. We use total assets as the measure of assets for reportable segments.

The following tables provide financial information for our reportable segments, including a reconciliation of Adjusted EBITDA to Income (loss) from continuing operations before income taxes

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 7. Business and Geographic Segment Information (Continued)

and equity in net income of affiliates, as reported in the Consolidated Statements of Operations, for the years ended December 31, 2017, 2016 and 2015:

	Brazil	Mexico	Andean & Iberian	Central America & U.S. Campuses	EMEA	Online & Partnerships	Corporate	Total
2017								
Revenues	\$ 765,746	\$ 646,154	\$1,313,872	\$ 291,877	\$ 697,244	\$ 690,374	\$ (27,278)	\$4,377,989
Adjusted EBITDA	134,205	147,171	360,135	48,298	125,083	204,543	(187,695)	831,740
Depreciation and amortization expense	35,715	27,990	81,644	15,723	51,558	35,440	16,672	264,742
Loss on impairment of assets	3,320	—	2,530	17,499	15,977	257	1,014	40,597
Total assets	1,256,364	969,400	2,117,317	376,070	1,022,569	1,294,147	355,856	7,391,723
Expenditures for long-lived assets	50,244	38,615	80,435	35,997	40,758	23,730	24,001	293,780
2016								
Revenues	\$ 690,804	\$ 626,011	\$1,188,599	\$ 274,860	\$ 788,683	\$ 704,976	\$ (29,741)	\$4,244,192
Adjusted EBITDA	95,442	143,741	283,397	43,464	127,710	208,237	(136,390)	765,601
Depreciation and amortization expense	35,695	26,273	82,982	17,360	54,543	38,452	9,574	264,879
Loss on impairment of assets	—	—	—	—	23,465	—	—	23,465
Total assets	1,245,264	972,171	1,951,864	345,238	958,883	1,297,798	291,252	7,062,470
Expenditures for long-lived assets	29,332	28,081	86,961	12,749	36,674	29,275	33,622	256,694
2015								
Revenues	\$ 672,917	\$ 678,193	\$1,121,408	\$ 263,283	\$ 881,664	\$ 707,998	\$ (33,804)	\$4,291,659
Adjusted EBITDA	81,322	150,136	255,115	31,637	109,574	191,019	(115,395)	703,408
Depreciation and amortization expense	34,261	35,156	80,556	22,935	65,069	37,161	7,808	282,946
Loss on impairment of assets	—	—	—	—	—	—	—	—
Total assets	1,054,870	1,157,814	1,841,239	378,023	1,407,909	1,225,140	338,450	7,403,445
Expenditures for long-lived assets	36,730	34,715	138,367	31,803	69,522	33,842	21,879	366,858

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 7. Business and Geographic Segment Information (Continued)

<u>For the years ended December 31,</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Adjusted EBITDA of reportable segments:			
Brazil	\$ 134,205	\$ 95,442	\$ 81,322
Mexico	147,171	143,741	150,136
Andean & Iberian	360,135	283,397	255,115
Central America & U.S. Campuses	48,298	43,464	31,637
EMEA	125,083	127,710	109,574
Online & Partnerships	204,543	208,237	191,019
Total Adjusted EBITDA of reportable segments	1,019,435	901,991	818,803
Reconciling items:			
Corporate	(187,695)	(136,390)	(115,395)
Depreciation and amortization expense	(264,742)	(264,879)	(282,946)
Loss on impairment of assets	(40,597)	(23,465)	—
Share-based compensation expense	(64,788)	(38,809)	(39,021)
EiP expenses	(104,826)	(55,555)	(44,484)
Operating income	356,787	382,893	336,957
Interest income	19,669	18,670	13,328
Interest expense	(362,904)	(421,936)	(398,042)
Loss on debt extinguishment	(8,392)	(17,363)	(1,263)
Gain (loss) on derivatives	28,656	(6,084)	(2,607)
Other (expense) income, net	(2,193)	910	195
Foreign currency exchange gain (loss), net	5,838	67,450	(149,178)
(Loss) gain on sales of subsidiaries, net	(10,662)	406,557	—
Income (loss) from continuing operations before income taxes and equity in net income of affiliates	<u>\$ 26,799</u>	<u>\$ 431,097</u>	<u>\$ (200,610)</u>

Geographic Information

No individual customer accounted for more than 10% of Laureate's consolidated revenues. Revenues from customers by geographic area, primarily generated by students enrolled at institutions in those areas, were as follows:

<u>For the years ended December 31,</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
External Revenues(1)			
Brazil	\$ 765,358	\$ 690,377	\$ 672,372
United States	760,455	743,712	737,460
Mexico	644,015	624,939	678,030
Chile	617,258	564,631	536,542
Peru	450,719	389,815	356,684
Spain	191,806	197,970	200,284
Other foreign countries	948,378	1,032,748	1,110,287
Consolidated total	<u>\$ 4,377,989</u>	<u>\$ 4,244,192</u>	<u>\$ 4,291,659</u>

(1) Excludes intercompany revenues and therefore does not agree to the table above

Laureate Education, Inc. and Subsidiaries**Notes to Consolidated Financial Statements (Continued)****(Dollars and shares in thousands)****Note 7. Business and Geographic Segment Information (Continued)**

Long-lived assets are composed of Property and equipment, net. Laureate's long-lived assets of continuing operations by geographic area were as follows:

<u>December 31,</u>	<u>2017</u>	<u>2016</u>
Long-lived assets		
Chile	\$ 450,224	\$ 432,499
Peru	327,908	299,014
Brazil	245,781	252,289
Mexico	237,109	218,531
United States	180,595	199,171
Spain	179,627	163,740
China(1)	—	125,697
Other foreign countries	313,660	460,692
Consolidated total	<u>\$ 1,934,904</u>	<u>\$ 2,151,633</u>

- (1) As discussed in Note 3, Assets Held for Sale, in December 2017 we entered into an agreement to sell LEILY, the entity that is the beneficial owner of a 70% equity interest in Hunan Lie Ying Industry Co, Ltd., which in turn owns 100% of the sponsorship or equity interest in the Entities, a group of entities that includes HIEU. As a result, Long-lived assets of \$128,797 have been included in Long-term assets held for sale.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 8. Goodwill and Other Intangible Assets

The change in the net carrying amount of Goodwill from December 31, 2015 through December 31, 2017 was composed of the following items:

	Brazil	Mexico	Andean & Iberian	Central America & U.S. Campuses	EMEA	Online & Partnerships	Total
Balance at December 31, 2015	\$ 417,938	\$ 578,350	\$ 292,219	\$ 53,138	\$ 314,466	\$ 459,786	\$ 2,115,897
Acquisitions	—	—	—	—	—	—	—
Dispositions	—	—	—	—	(148,264)	—	(148,264)
Re-allocation of goodwill for segment change	—	—	—	4,867	(4,867)	—	—
Impairments	—	—	—	—	(23,465)	—	(23,465)
Currency translation adjustments	83,117	(97,365)	5,300	—	(756)	—	(9,704)
Adjustments to prior acquisitions	—	—	—	—	—	—	—
Balance at December 31, 2016	\$ 501,055	\$ 480,985	\$ 297,519	\$ 58,005	\$ 137,114	\$ 459,786	\$ 1,934,464
Acquisitions	—	—	—	—	3,584	—	3,584
Dispositions	—	—	—	—	(488)	—	(488)
Reclassification to Long-term assets held for sale	—	—	—	—	(32,740)	—	(32,740)
Impairments	—	—	—	—	—	—	—
Currency translation adjustments	(7,682)	22,388	24,243	—	9,943	954	49,846
Adjustments to prior acquisitions	—	—	—	—	—	—	—
Balance at December 31, 2017	\$ 493,373	\$ 503,373	\$ 321,762	\$ 58,005	\$ 117,413	\$ 460,740	\$ 1,954,666

During 2016, the Company announced a change in its operating segments. Accordingly, goodwill was re-allocated among the operating segments based on the relative fair value of the affected reporting units at the time of the segment change. As discussed in Note 7, Business and Geographic Segment Information, the Company also changed its operating segments in 2017, but this change did not affect the reporting units within the operating segments.

As of both December 31, 2017 and December 31, 2016, accumulated goodwill impairment losses were \$159,895, with \$96,754 and \$63,141 relating to our Central America & U.S. Campuses and EMEA segments, respectively.

Other Intangible Assets

Amortization expense for intangible assets subject to amortization was \$12,079, \$12,526 and \$20,430 for the years ended December 31, 2017, 2016 and 2015, respectively. The estimated future amortization expense for intangible assets for the years ending December 31, 2018, 2019, 2020, 2021, 2022 and beyond is \$6,200, \$3,744, \$3,124, \$2,877, \$2,562 and \$17,420, respectively.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 8. Goodwill and Other Intangible Assets (Continued)

The following table summarizes our identifiable intangible assets as of December 31, 2017:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Amortization Period (Yrs)
<i>Subject to amortization:</i>				
Student rosters	\$ 98,266	\$ (96,558)	\$ 1,708	1.8
Other	82,790	(48,571)	34,219	11.4
<i>Not subject to amortization:</i>				
Tradenames	1,295,614	—	1,295,614	—
Total	<u>\$ 1,476,670</u>	<u>\$ (145,129)</u>	<u>\$ 1,331,541</u>	<u> </u>

The following table summarizes our identifiable intangible assets as of December 31, 2016:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Amortization Period (Yrs)
<i>Subject to amortization:</i>				
Student rosters	\$ 96,712	\$ (92,567)	\$ 4,145	2.7
Other	82,000	(39,445)	42,555	11.8
<i>Not subject to amortization:</i>				
Tradenames	1,307,633	—	1,307,633	—
Total	<u>\$ 1,486,345</u>	<u>\$ (132,012)</u>	<u>\$ 1,354,333</u>	<u> </u>

Laureate Education, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Dollars and shares in thousands)

Note 8. Goodwill and Other Intangible Assets (Continued)**Impairment Tests**

The following table summarizes the Loss on impairment of assets:

<u>For the years ended December 31,</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Impairments of Tradenames, by segment:			
Brazil	\$ —	\$ —	\$ —
Mexico	—	—	—
Andean & Iberian	—	—	—
Central America & U.S. Campuses	5,443	—	—
EMEA	3,089	—	—
Online & Partnerships	—	—	—
Total Impairments of Tradenames	<u>8,532</u>	<u>—</u>	<u>—</u>
Impairments of Goodwill, by segment:			
Brazil	—	—	—
Mexico	—	—	—
Andean & Iberian	—	—	—
Central America & U.S. Campuses	—	—	—
EMEA	—	23,465	—
Online & Partnerships	—	—	—
Total Impairments of Goodwill	<u>—</u>	<u>23,465</u>	<u>—</u>
Impairments of Deferred costs and Other intangible assets, net	3,073	—	—
Impairments of long-lived assets	28,992	—	—
Total	<u>\$ 40,597</u>	<u>\$ 23,465</u>	<u>\$ —</u>

We perform annual impairment tests of our non-amortizable intangible assets, which consist of Goodwill and Tradenames, in the fourth quarter of each year. The impairment charges discussed below were recorded to reduce the assets' carrying values to fair value.

For the purposes of our annual impairment testing of the Company's goodwill, fair value measurements were determined primarily using the income approach, based largely on inputs that are not observable to active markets, which would be deemed "Level 3" fair value measurements as defined in Note 21, Fair Value Measurement. These inputs include our expectations about future revenue growth and profitability, marginal income tax rates by jurisdiction, and the rate at which the cash flows should be discounted in order to determine this fair value estimate. Where a market approach is used, the inputs also include publicly available data about our competitors' financial ratios and transactions.

For purposes of our annual impairment testing of the Company's indefinite-lived tradename assets, fair value measurements were determined using the income approach, based largely on inputs that are not observable to active markets, which would be deemed "Level 3" fair value measurements as defined in Note 21, Fair Value Measurement. These inputs include our expectations about future

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 8. Goodwill and Other Intangible Assets (Continued)

revenue growth and profitability, marginal income tax rates by jurisdiction, and the rate at which the cash flows should be discounted in order to determine the fair value estimate for indefinite-lived tradenames using a relief-from-royalty method. We use publicly available information and proprietary third-party arm's length agreements that Laureate has entered into with various licensors in determining certain assumptions to assist us in estimating fair value using market participant assumptions.

2017 Loss on Impairment of Assets

The impairment charges recorded in 2017 relate almost entirely to the disposal groups described in Note 3, Assets Held for Sale, which, under ASC 360-10, are required to be recorded at the lower of their carrying values or their estimated 'fair values less costs to sell'. The Tradenames impairment for the Central America & U.S. Campuses segment of \$5,443, as well as approximately \$12,000 of the total \$28,992 of impairments of long-lived assets, are attributable to two subsidiaries in our Central America & U.S. Campuses segment that met the held-for-sale criteria during the fourth quarter of 2017 and whose estimated 'fair values less costs to sell' were less than their carrying values. The amount of the difference resulted in the long-lived assets of these subsidiaries, which primarily included Tradenames and Property and equipment, net, being written down to a carrying value of \$0.

The Tradenames impairment for the EMEAA segment of \$3,089, as well as approximately \$13,000 of the total \$28,992 of impairments of long-lived assets, are attributable to several subsidiaries that are classified as held for sale at December 31, 2017. The Company began receiving bids for these entities during the fourth quarter of 2017, and determined that the range of bids received provided a reasonable estimate of fair value. Based on the estimated fair value of the disposal group as compared to its carrying value, we recorded an impairment on the long-lived assets and wrote the assets down to a carrying value of \$0. The long-lived assets consisted primarily of Tradenames and Property and equipment, net.

The remaining portion of the impairment charges recorded in 2017 related to impairments of certain Property and equipment, net as well as impairments of Deferred costs and Other intangible assets, which were not associated with the assets held for sale. These included the impairment of a lease intangible, certain modular buildings and software development costs.

2016 Loss on Impairment of Assets

Upon completion of our impairment testing for 2016, we recorded a total impairment loss of \$23,465 in our EMEAA segment. We recorded goodwill impairment charges of \$4,163 related to our institutions in Germany and \$19,302 at MSA. The weakness of the South African Rand and challenging economic conditions resulted in a change to our capital allocation strategy for this business, resulting in the impairment charge in the fourth quarter of 2016. We determined the fair value of the reporting units using an income approach based primarily on discounted cash flow projections.

Note 9. Land Use Rights

The Company has acquired rights to use certain properties for periods ranging from 20 to 29 years. The land use rights recorded for EMEAA have a combined net carrying value of \$1,141 and

Laureate Education, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Dollars and shares in thousands)

Note 9. Land Use Rights (Continued)

\$43,766 at December 31, 2017 and 2016, respectively. The land use rights recorded for Mexico have a net carrying value of \$1,572 and \$1,509 at December 31, 2017 and 2016, respectively.

The land use rights recorded at net carrying value on the Company's Consolidated Balance Sheets are summarized as follows:

<u>December 31,</u>	<u>2017</u>	<u>2016</u>
Cost	\$ 3,453	\$ 48,733
Less: Accumulated amortization	(740)	(3,458)
Land use rights, net	<u>\$ 2,713</u>	<u>\$ 45,275</u>

Approximately \$43,600 of land use rights is included in the held-for-sale assets recorded on the Consolidated Balance Sheets as of December 31, 2017. For further description of the held-for-sale amounts, see Note 3, Assets Held for Sale; the carrying value of the land use rights is included within "Other long-term assets" in the table in that footnote.

Amortization expense of land use rights was \$1,460, \$1,460 and \$1,496 for the years ended December 31, 2017, 2016 and 2015, respectively.

As of December 31, 2017, amortization expense related to land use rights for the next five years and thereafter is as follows:

2018	\$ 201
2019	194
2020	194
2021	194
2022	194
Thereafter	1,736
Total	<u>\$ 2,713</u>

Laureate Education, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Dollars and shares in thousands)

Note 10. Debt

Outstanding long-term debt was as follows:

	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Senior long-term debt:		
Senior Secured Credit Facility (stated maturity dates April 2022 and April 2024 as of December 31, 2017; stated maturity dates June 2018, June 2019 and March 2021 as of December 31, 2016), net of discount	\$ 1,625,344	\$ 1,497,869
Senior Notes (stated maturity dates May 2025 as of December 31, 2017 and September 2019 as of December 31, 2016), net of discount	800,000	1,388,036
Total senior long-term debt	<u>2,425,344</u>	<u>2,885,905</u>
Other debt:		
Lines of credit	55,799	66,081
Notes payable and other debt	<u>753,439</u>	<u>650,184</u>
Total senior and other debt	3,234,582	3,602,170
Capital lease obligations and sale-leaseback financings	<u>234,356</u>	<u>250,842</u>
Total long-term debt	3,468,938	3,853,012
Less: total unamortized deferred financing costs	107,640	44,648
Less: current portion of long-term debt	154,234	178,989
Long-term debt, less current portion	<u>\$ 3,207,064</u>	<u>\$ 3,629,375</u>

Approximately \$53,440 of long-term debt, including the current portion, is included in the held-for-sale liabilities recorded on the Consolidated Balance Sheet as of December 31, 2017. For further description of the held-for-sale amounts see Note 3, Assets Held for Sale.

As of December 31, 2017, aggregate annual maturities of the senior and other debt, excluding capital lease obligations and sale-leaseback financings, were as follows:

<u>December 31,</u>	<u>Senior and</u> <u>Other Debt</u>
2018	\$ 146,584
2019	121,990
2020	147,975
2021	156,894
2022	198,424
Thereafter	<u>2,477,371</u>
Total	3,249,238
Less: discount, net	<u>(14,656)</u>
Total senior and other debt	<u>\$ 3,234,582</u>

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 10. Debt (Continued)

Debt Refinancing

During the second quarter of 2017, the Company completed refinancing transactions that resulted in repayment of the previous senior credit facility and the redemption of the 9.250% Senior Notes due 2019 (the Senior Notes due 2019) (other than \$250,000 in aggregate principal amount of the Senior Notes due 2019 that the Company exchanged on April 21, 2017 for substantially identical but non-redeemable notes issued under a new indenture (the Exchanged Notes)).

Senior Notes

On April 26, 2017, we completed an offering of \$800,000 aggregate principal amount of 8.250% Senior Notes due 2025 (the Senior Notes due 2025). The Senior Notes due 2025 were issued at par and will mature on May 1, 2025. Interest on the Senior Notes due 2025 is payable semi-annually on May 1 and November 1, and the first interest payment date was November 1, 2017. We may redeem the Senior Notes due 2025, in whole or in part, at any time on or after May 1, 2020, at redemption prices starting at 106.188% of the principal amount thereof and decreasing from there each year thereafter until May 1, 2023, plus accrued and unpaid interest. From and after May 1, 2023, we may redeem all or part of the Senior Notes due 2025 at a redemption price of 100%, plus accrued and unpaid interest. We may also redeem up to 40% of the Senior Notes due 2025 using the proceeds of certain equity offerings completed before May 1, 2020, at a redemption price equal to 108.250% of the principal amount thereof, plus accrued and unpaid interest. In addition, at any time prior to May 1, 2020, we may redeem the Senior Notes due 2025, in whole or in part, at a price equal to 100% of the principal amount, plus a "make-whole" premium, plus accrued and unpaid interest.

On April 28, 2017, the Company elected to redeem all of its outstanding Senior Notes due 2019 (other than the Exchanged Notes) and on May 31, 2017 (the Redemption Date), the Senior Notes due 2019 (other than the Exchanged Notes) were redeemed. As described further below, the Exchanged Notes were redeemed on August 11, 2017. The aggregate principal amount outstanding of the Senior Notes due 2019 (excluding the Exchanged Notes) was \$1,125,443. The redemption price for the Senior Notes due 2019 that were redeemed was equal to 104.625% of the principal amount thereof, for a total redemption price of \$1,177,495, plus accrued and unpaid interest and special interest to the Redemption Date, for an aggregate payment to holders of the Senior Notes of \$1,205,630. As of December 31, 2017, the outstanding balance of our senior notes was \$800,000, which consisted entirely of the Senior Notes due 2025. As of December 31, 2016, the outstanding balance under our Senior Notes due 2019 was \$1,388,036, net of a debt discount.

Senior Secured Credit Facility

Substantially concurrently with the issuance of the Senior Notes due 2025, we consummated a refinancing of our Senior Secured Credit Facility by means of an amendment and restatement of the existing amended and restated credit agreement (the Second Amended and Restated Credit Agreement) to provide a new revolving credit facility of \$385,000 maturing in April 2022 (the Revolving Credit Facility) and a new syndicated term loan of \$1,600,000 maturing in April 2024 (the 2024 Term Loan). The old senior credit facility was fully repaid, and that repayment amount is included in Payments on long-term debt in the Consolidated Statement of Cash Flows for the year ended December 31, 2017, with the exception of approximately \$283,000 of loan principal related to the old

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 10. Debt (Continued)

term loan that was rolled over by certain lenders into the 2024 Term Loan. Accordingly, that rollover amount was a non-cash transaction.

As a subfacility under the Revolving Credit Facility, the Second Amended and Restated Credit Agreement provides for letter of credit commitments in the aggregate amount of \$141,000. The Second Amended and Restated Credit Agreement also provides, subject to the satisfaction of certain conditions, for incremental revolving and term loan facilities, at the request of the Company, not to exceed \$300,000 plus additional amounts so long as both immediately before and after giving effect to such incremental facilities the Company's Consolidated Senior Secured Debt to Consolidated EBITDA ratio, as defined in the Second Amended and Restated Credit Agreement, on a pro forma basis, does not exceed 2.75x.

The maturity date for the Revolving Credit Facility is April 26, 2022 and the maturity date for the 2024 Term Loan is April 26, 2024. The Revolving Credit Facility bears interest at a per annum interest rate, at the option of the Borrower, at either the LIBOR rate or the Alternate Base Rate (ABR) rate plus an applicable margin of 3.75% per annum or 3.50% per annum for LIBOR rate loans, and 2.75% per annum or 2.50% per annum for ABR rate loans, in each case, based on the Company's Consolidated Total Debt to Consolidated EBITDA ratio, as defined in the Second Amended and Restated Credit Agreement. As of December 31, 2017, the Revolving Credit Facility had an outstanding balance of \$52,000.

The 2024 Term Loan bears interest at a per annum rate, at the option of the Borrower, at either the LIBOR rate or the ABR rate plus an applicable margin of 4.50% per annum or 4.25% per annum for LIBOR rate loans, and 3.50% per annum or 3.25% per annum for ABR rate loans, in each case, based on the Company's Consolidated Total Debt to Consolidated EBITDA ratio. As of December 31, 2017, all loans outstanding under the 2024 Term Loan were LIBOR loans and had a total interest rate of 6.07%. A discount equal to 1% of the 2024 Term Loan's original principal amount, or \$16,000, was paid at issuance and will be amortized to interest expense over the term of the loan. The 2024 Term Loan amortizes at an annual amount equal to 1% of the original principal amount of the 2024 Term Loan, which annual amount is payable in quarterly payments, with the remaining unpaid principal amount payable on the maturity date. Quarterly principal payments on the 2024 Term Loan commenced June 30, 2017. On or prior to October 26, 2017, except for prepayments made from transactions expressly permitted, the 2024 Term Loan could have been prepaid at price equal to 101% of the principal amount prepaid. After October 26, 2017, the 2024 Term Loan can be prepaid at price equal to 100% of the principal amount prepaid. As of December 31, 2017, the 2024 Term Loan had an outstanding balance of \$1,573,344. As discussed in Note 25, Subsequent Events, on February 1, 2018 we amended our Senior Secured Credit Facility to reduce the interest rate on the 2024 Term Loan by 100 basis points, from 4.50% to 3.50% for LIBOR term loans, and 3.50% to 2.50% for ABR term loans.

Laureate Education, Inc. is the borrower under our Senior Secured Credit Facility. All of Laureate's required United States legal entities, excluding Walden University, LLC (Walden), Kendall, NewSchool of Architecture and Design (NewSchool), National Hispanic University (NHU) and St. Augustine, are guarantors of the Senior Secured Credit Facility, and all of the guarantors' assets, both real and intangible, are pledged as collateral. Certain Walden assets are also pledged as collateral, including all of Walden's United States receivables other than Title IV student loans, all of its copyrights, patents, and trademarks. As of December 31, 2017 and 2016, the carrying value of the

Laureate Education, Inc. and Subsidiaries**Notes to Consolidated Financial Statements (Continued)****(Dollars and shares in thousands)****Note 10. Debt (Continued)**

Walden receivables and intangibles pledged as collateral was \$411,411 and \$409,971, respectively. Additionally, not more than 65% of the shares held directly by United States guarantors in non-domestic subsidiaries are pledged as collateral.

Estimated Fair Value of Debt

The estimated fair value of our debt was determined using observable market prices, as the majority of our securities, including the Senior Secured Credit Facility and the Senior Notes due 2025, are traded in a brokered market, as were the Senior Notes due 2019 prior to their redemption. The fair value of our remaining debt instruments approximates carrying value based on their terms. As of December 31, 2017 and December 31, 2016, our long-term debt was classified as Level 2 within the fair value hierarchy, based on the frequency and volume of trading in the brokered market. The estimated fair value of our debt was as follows:

	December 31, 2017		December 31, 2016	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Total senior and other debt	<u>\$ 3,234,582</u>	<u>\$ 3,293,258</u>	<u>\$ 3,602,170</u>	<u>\$ 3,632,853</u>

Senior Notes due 2019—Note Exchange Transaction

On April 15, 2016, Laureate entered into separate, privately negotiated note exchange agreements (the Note Exchange Agreements) with certain existing holders (the Existing Holders) of the Senior Notes due 2019 pursuant to which we agreed to exchange (the Note Exchange) \$250,000 in aggregate principal amount of Senior Notes due 2019 for shares of the Company's Class A common stock. The exchange was to be completed within one year and one day after the consummation of an initial public offering of our common stock that generates gross proceeds of at least \$400,000 or 10% of the equity value of the Company (a Qualified Public Offering). As discussed in Note 1, Description of Business, on February 6, 2017, the Company completed an initial public offering of its Class A common stock at a price per share of \$14.00 that qualified as a Qualified Public Offering.

On August 2, 2017, we sent notices to the holders of these notes indicating that the closing of the exchange contemplated by the Note Exchange Agreements would be consummated on Friday, August 11, 2017. On August 11, 2017, Laureate issued 18,683 shares of Class A common stock, which was equal to 104.625% of the aggregate principal amount of Senior Notes due 2019 to be exchanged, or \$261,600, divided by \$14.00, the initial public offering price per share of Class A common stock in the Qualified Public Offering. Upon completion of the Note Exchange, the Company also paid approximately \$11,100 to the exchanging holders, an amount equal to the interest and special interest accrued with respect to the Exchanged Notes to, but excluding, the date of consummation of the Note Exchange. Shares of our Class A common stock issued in the Note Exchange are listed on the Nasdaq Global Select Market.

The Note Exchange Agreements also provided that, within 60 days after the consummation of a Qualified Public Offering, at the option of the Existing Holders or their transferees, we would repurchase up to an additional \$62,500 aggregate principal amount of Senior Notes due 2019 at the

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 10. Debt (Continued)

redemption price set forth in Section 3.07 of the indenture governing the Senior Notes due 2019 that is applicable as of the date of pricing of the Qualified Public Offering, plus accrued and unpaid interest and special interest. On March 1, 2017, in accordance with the terms of the Note Exchange Agreements, we repurchased Senior Notes due 2019 with an aggregate principal amount of \$22,556 at a repurchase price of 104.625% of the aggregate principal amount, for a total payment of \$23,599; the difference was recognized as Loss on debt extinguishment along with the portion of unamortized debt issuance costs that were written off.

Certain Covenants

As of December 31, 2017, our senior long-term debt contained certain negative covenants including, among others: (1) limitations on additional indebtedness; (2) limitations on dividends; (3) limitations on asset sales, including the sale of ownership interests in subsidiaries and sale-leaseback transactions; and (4) limitations on liens, guarantees, loans or investments. The Second Amended and Restated Credit Agreement provides, solely with respect to the Revolving Credit Facility, that the Company shall not permit its Consolidated Senior Secured Debt to Consolidated EBITDA ratio, as defined in the Second Amended and Restated Credit Agreement, to exceed 4.50x as of the last day of each quarter ending June 30, 2017 through September 30, 2017, 3.75x as of the last day of each quarter ending December 31, 2017 through March 31, 2018, and 3.50x as of the last day of each quarter ending June 30, 2018 and thereafter. However, the agreement also provides that if (i) the Company's Consolidated Total Debt to Consolidated EBITDA ratio, as defined in the Second Amended and Restated Credit Agreement, is not greater than 4.75x as of such date and (ii) less than 25% of the Revolving Credit Facility is utilized as of that date, then such financial covenant shall not apply. As of December 31, 2017, these conditions were satisfied and, therefore, we were not subject to the leverage ratio covenant. In addition, notes payable at some of our locations contain financial maintenance covenants.

Debt Modification and Loss on Debt Extinguishment

As a result of the refinancing transactions and the note exchange transaction described above, Laureate recorded a Loss on debt extinguishment of \$8,392 during the year ended December 31, 2017 related primarily to the write off of unamortized deferred financing costs associated with certain lenders that did not participate in the new debt instruments. In addition, approximately \$22,800 was charged to General and administrative expenses related to new third-party costs paid in connection with the portion of the refinancing transactions that was deemed to be a modification. Also in connection with the refinancing transactions, approximately \$70,800 of new deferred financing costs were capitalized, which related primarily to the excess of the redemption price over the principal amount of the Senior Notes due 2019 that were redeemed and the call premium that applied to a portion of the repaid senior credit facilities.

During the year ended December 31, 2016, Laureate recorded a Loss on debt extinguishment of \$17,363. In connection with the Note Exchange Agreements in the second quarter of 2016, we recorded a Loss on debt extinguishment of \$1,681 related to the write off of unamortized deferred financing costs and discount. In connection with the Fifth Amendment to the Amended and Restated Credit

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 10. Debt (Continued)

Agreement, in the third quarter of 2016 we recorded a Loss on debt extinguishment of \$15,682 related to the write off of unamortized deferred financing costs.

During the year ended December 31, 2015, Laureate recorded a Loss on debt extinguishment of \$1,263, of which \$932 was related to mortgage breakage fees paid as a part of the Swiss sale-leaseback transaction discussed in Note 5, Dispositions and Asset Sales, and \$331 which was related to the July 2015 extension of the maturity date for the revolving line of credit facility under the Senior Secured Credit Facility, as discussed above.

Debt Issuance Costs

Amortization of debt issuance costs and accretion of debt discounts that are recorded in Interest expense in the Consolidated Statements of Operations totaled approximately \$14,700, \$23,200 and \$26,100 for the years ended December 31, 2017, 2016 and 2015, respectively. During the years ended December 31, 2017, 2016 and 2015, we paid and capitalized a total of \$81,242, \$11,582 and \$13,020, respectively, in debt issuance costs. Certain unamortized debt issuance costs were written off in 2017, 2016 and 2015 in connection with debt agreement amendments as discussed above. As of December 31, 2017 and 2016, our unamortized debt issuance costs were \$107,640 and \$44,648, respectively.

Currency and Interest Rate Swaps

The interest and principal payments for Laureate's senior long-term debt arrangements are to be paid primarily in USD. Our ability to make debt service payments is subject to fluctuations in the value of the USD relative to foreign currencies, because a majority of our operating cash used to make these payments is generated by subsidiaries with functional currencies other than USD. As part of our overall risk management policies, Laureate has entered into foreign currency swap contracts and interest rate swap contracts. See also Note 15, Derivative Instruments.

Other Debt

Lines of Credit

Individual Laureate subsidiaries have the ability to borrow pursuant to unsecured lines of credit and similar short-term borrowing arrangements (collectively, lines of credit). The lines of credit are available for working capital purposes and enable us to borrow for and repay until those lines mature.

Interest rates on our lines of credit ranged from 2.50% to 9.51% at December 31, 2017, and 1.75% to 20.00% at December 31, 2016. Our weighted-average short-term borrowing rate was 6.68% and 6.49% at December 31, 2017 and 2016, respectively.

Laureate's aggregate lines of credit (outstanding balances plus available borrowing capacity) were \$136,683 and \$125,681 as of December 31, 2017 and 2016, respectively. At December 31, 2017 and 2016, the aggregate outstanding balances on our lines of credit were \$55,799 and \$66,081, respectively. Accordingly, the available borrowing capacity under our lines of credit was \$80,884 and \$59,600 at December 31, 2017 and 2016, respectively.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 10. Debt (Continued)

Notes Payable

Notes payable include mortgages payable that are secured by certain fixed assets. The notes payable have varying maturity dates and repayment terms through 2030. These loans contain certain financial maintenance covenants and Laureate is in compliance with these covenants. Interest rates on notes payable ranged from 2.20% to 12.50% and 3.00% to 18.53% at December 31, 2017 and 2016, respectively.

On May 12, 2016, two outstanding loans at Universidad del Valle de México (UVM Mexico) that originated in 2007 and 2012 and were both scheduled to mature in May 2021 were refinanced and combined into one loan. The maturity date of the combined loan was extended to May 15, 2023. Principal repayments were suspended until May 15, 2018. The new refinanced loan carries a variable interest rate based on the 28-day Mexican Interbanking Offer Rate (TIIE), plus the applicable margin. The applicable margin for the interest calculation is established based on the ratio of debt to EBITDA, as defined in the agreement. Interest is paid monthly commencing on May 15, 2016. The outstanding balance of the loan on May 12, 2016 was MXN 2,224,600 (US \$120,527 at that date). As of December 31, 2017, the interest rate on the loan was 10.72% and the outstanding balance on the loan was \$112,625. As of December 31, 2016, the interest rate on the loan was 8.94% and the outstanding balance on the loan was \$107,793.

In addition to the loans above, in August 2015, UVM Mexico entered into an agreement with a bank for a loan of MXN 1,300,000 (approximately US \$79,000 at the time of the loan). The loan carried a variable interest rate based on TIIE plus an applicable margin (8.09% at December 31, 2016) and was scheduled to mature in August 2020. As of December 31, 2016 the outstanding balance of this loan was \$62,992. During December 2017, this loan was paid in full and a new loan in the amount of MXN 1,700,000 (approximately US \$89,000 at the time of the loan) was obtained. The new loan matures in December 2023 and carries a variable interest rate based on TIIE, plus an applicable margin, which is established based on the ratio of debt to EBITDA, as defined in the agreement (10.02% as of December 31, 2017). Payments on the loan are deferred until December 2018, at which time quarterly principal payments are due, beginning at MXN 42,500 (US \$2,152 at December 31, 2017) and increasing over the term of the loan to MXN 76,500 (US \$3,873 at December 31, 2017), with a balloon payment of MXN 425,000 (US \$21,516 at December 31, 2017) due at maturity. As of December 31, 2017, the outstanding balance of this loan was \$86,065.

The Company has also obtained financing to fund the construction of two new campuses at one of our institutions in Peru, Universidad Peruana de Ciencias Aplicadas. As of December 31, 2017 and 2016, the loans had an outstanding balance of \$42,195 and \$47,833, respectively, and a weighted average interest rate of 7.97% and 7.97%, respectively. These loans have varying maturity dates with the final payment due in October 2022. As of December 31, 2017 and 2016, \$19,162 and \$22,365, respectively, of the outstanding balances on the loans were payable to an institutional investor that is a minority shareholder of Laureate.

Laureate has outstanding notes payable at Universidad Privada del Norte (UPN), one of our institutions in Peru. These loans all have interest rates ranging from 7.85% to 8.70% and varying maturity dates through December 2024. As of December 31, 2017 and 2016, these loans had a balance of \$38,641 and \$44,452, respectively.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 10. Debt (Continued)

On December 22, 2017, a Laureate subsidiary in Peru entered into an agreement to borrow PEN 247,500 (approximately US \$76,000 at the agreement date). The loan bears interest at a fixed rate of 6.62% per annum and matures in December 2022. Quarterly payments in the amount of PEN 9,281 (US \$2,864 at December 31, 2017) are due from March 2018 through December 2019. The quarterly payments increase to PEN 14,438 (US \$4,455 at December 31, 2017) in March 2020 through the loan's maturity in December 2022. As of December 31, 2017, no payments have been made on this loan and it had a balance of \$76,365.

In May 2014, the Company obtained financing to fund the construction of a new campus at one of our institutions in Panama. As of December 31, 2017 and 2016, the outstanding balance on this loan was \$21,429 and \$25,000, respectively. This loan is payable to an institutional investor that is a minority shareholder of Laureate. It has a fixed interest rate of 8.11% and matures in 2023.

Laureate has outstanding notes payable at HIEU in China. As of December 31, 2017 and 2016, the outstanding balance on the loans was \$21,351 and \$61,862, respectively. The interest rates on each of these loans was 4.99% per annum as of December 31, 2017 and ranged from 4.75% to 4.99% per annum as of December 31, 2016. These notes are repayable in installments with the final installment due in November 2019. As discussed in Note 3, Assets Held for Sale, Laureate entered into an agreement to sell LEILY, the entity that indirectly holds the sponsorship interests in HIEU, and as a result these outstanding notes payable have been included in liabilities held for sale as of December 31, 2017. As discussed in Note 25, Subsequent Events, we closed the sale of LEILY in January 2018.

Laureate has outstanding notes payable at a real estate subsidiary in Chile. As of December 31, 2017 and 2016, the outstanding balance on the loans was \$67,120 and \$62,695, respectively. The interest rates on these loans range from 3.96% to 6.89% per annum as of December 31, 2017 and from 4.80% to 8.08% per annum as of December 31, 2016. These notes are repayable in installments with the final installment due in August 2028.

On December 20, 2013, Laureate acquired THINK and financed a portion of the purchase price by borrowing AUD 45,000 (US \$34,749 at December 31, 2017) under a syndicated facility agreement in the form of two term loans of AUD 22,500 each. The syndicated facility agreement also provided for additional borrowings of up to AUD 20,000 (US \$15,444 at December 31, 2017) under a capital expenditure facility and a working capital facility. The first term loan (Facility A) had a term of five years and principal was payable in quarterly installments of AUD 1,125 (US \$869 at December 31, 2017) beginning on March 31, 2014. The second term loan (Facility B) had a term of five years and the total principal balance of AUD 22,500 was payable at its maturity date of December 20, 2018. In June 2016, these loan facilities were amended and restated. As a result of this amendment and a repayment of AUD 11,000 (approximately US \$8,100 at the date of payment), Facility A was amended to be a term loan of AUD 10,000 (US \$7,722 at December 31, 2017), and principal is repayable in quarterly installments of AUD 833 (US \$643 at December 31, 2017) beginning on September 30, 2016. Facility A bears interest at a variable rate plus a margin of 2.50%, and the final balance is payable at its maturity date of December 20, 2018. Facility B was amended to be a revolving facility of up to AUD 15,000 (US \$11,583 at December 31, 2017) and any balance outstanding is repayable at its maturity date of December 20, 2018. Facility B bears interest at a variable rate plus a margin of 2.75%. The capital expenditure facility and working capital facility provided for total additional borrowings of up to AUD 15,000 (US \$11,583 at December 31, 2017). In October 2017, these loan facilities were further

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 10. Debt (Continued)

amended to provide the lender a security interest in all of the assets of Laureate's Australian operations. In addition, Facility A was converted from a term loan to a loan with a balloon payment due at maturity. As of December 31, 2017, the interest rates on Facility A and Facility B were 4.25% and 4.50%, respectively, and as of December 31, 2016, the interest rates on Facility A and Facility B were 4.29% and 4.55%, respectively. As of December 31, 2017 and 2016, \$16,087 and \$16,753, respectively, was outstanding under these loan facilities.

Laureate acquired FMU on September 12, 2014 and financed a portion of the purchase price by borrowing amounts under two loans that totaled BRL 259,139 (approximately US \$110,310 at the borrowing date). The loans require semi-annual principal payments beginning at BRL 6,478 in October 2014 and increasing to a maximum of BRL 22,027 beginning in October 2017 and continuing through their maturity dates in April 2021. As of December 31, 2017 and 2016, the outstanding balance of these loans was \$46,438 and \$59,841, respectively. Both loans mature on April 15, 2021 and bear interest at an annual variable rate of CDI plus 3.7% (approximately 10.6% and 17% at December 31, 2017 and 2016, respectively).

On November 18, 2015, the Company entered into an agreement with two banks to borrow a total of EUR 100,000 (approximately US \$106,500 at the agreement date) for a term of 10 years at a fixed annual interest rate of 3%. The loan is collateralized by real estate at one of our campuses in Spain and requires 40 quarterly principal payments of EUR 1,875 beginning in February 2016, and a final principal payment of EUR 25,000 upon maturity of the loan, in November 2025. As of December 31, 2017 and 2016, the outstanding balance on this loan was \$100,895 and \$96,570, respectively.

On December 20, 2017, a Laureate subsidiary in Brazil entered into an agreement to borrow BRL 360,000 (approximately US \$110,000 at the time of the loan). The loan is collateralized by real estate and certain trade receivables in Brazil. The loan bears interest at an annual variable rate of CDI plus 2.55% per annum (9.44% at December 31, 2017) and matures on December 25, 2022. Quarterly payments in the amount of BRL 13,500 (US \$4,065 at December 31, 2017) are due from March 2019 through December 2019, at which point the quarterly payments increase to BRL 22,500 (US \$6,777 at December 31, 2017) from March 2020 through December 2020, then to BRL 27,000 (US \$8,132 at December 31, 2017) from March 2021 through maturity in December 2022. As of December 31, 2017, no payments have been made on this loan and it had a balance of \$108,424.

Capital Lease Obligations and Sale-Leaseback Financings

Capital leases and sale-leaseback financings, primarily relating to real estate obligations, are included in debt and have been recorded using interest rates ranging from 1.00% to 42.87%. During 2017 and 2016, we had additions to assets and liabilities recorded as sale-leaseback financings and build-to-suit arrangements of \$15,673 and \$10,333, respectively. We had assets under capital leases and sale-leaseback financings, net of accumulated amortization, of \$170,918 and \$193,767 at December 31, 2017 and 2016, respectively. As of December 31, 2017 a portion of the capital lease assets are recorded in assets held for sale; see Note 3, Assets Held for Sale. The amortization expense for capital lease assets is recorded in Depreciation and amortization expense.

Laureate Education, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Dollars and shares in thousands)

Note 10. Debt (Continued)

The aggregate maturities of our total future value and present value of the minimum capital lease payments and payments related to sale-leaseback financings at December 31, 2017 were as follows:

	Future Value of Payments	Interest	Present Value of Payments
2018	\$ 36,699	\$ 29,049	\$ 7,650
2019	59,128	28,082	31,046
2020	36,201	26,780	9,421
2021	41,314	24,900	16,414
2022	45,332	22,558	22,774
Thereafter	211,670	64,619	147,051
Total	<u>\$ 430,344</u>	<u>\$ 195,988</u>	<u>\$ 234,356</u>

Note 11. Leases

Laureate conducts a significant portion of its operations from leased facilities. These facilities include our corporate headquarters, other office locations, and many of Laureate's higher education facilities. The terms of these operating leases vary and generally contain renewal options. Some of the operating leases provide for increasing rents over the terms of the leases. Laureate also leases certain equipment under noncancellable operating leases, which are typically for terms of 60 months or less. Total rent expense under these leases is recognized ratably over the initial term of each lease. Any difference between the rent payment and the straight-line expense is recorded as an adjustment to the liability or as a prepaid asset.

Laureate has entered into sublease agreements for certain leased office space. These agreements allow us to annually adjust rental income to be received for increases in gross operating rent and related expenses.

Future minimum lease payments and sublease income at December 31, 2017, by year and in the aggregate, under all noncancellable operating leases and subleases are as follows:

	Lease Payments	Sublease Income
2018	\$ 201,905	\$ 121
2019	185,498	81
2020	172,386	—
2021	158,789	—
2022	146,960	—
Thereafter	632,169	—
Total	<u>\$ 1,497,707</u>	<u>\$ 202</u>

Included in the table above are approximately \$101,000 and \$50 of future minimum lease payments and sublease income, respectively, related to subsidiaries that are classified as assets held for sale as of December 31, 2017.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 11. Leases (Continued)

Rent expense, net of sublease income, for all cancellable and noncancellable leases was \$219,432, \$216,309 and \$234,003 for the years ended December 31, 2017, 2016 and 2015, respectively.

Note 12. Commitments and Contingencies

Noncontrolling Interest Holder Put Arrangements and Company Call Arrangements

The following section provides a summary table and description of the various noncontrolling interest holder put arrangements that Laureate had outstanding as of December 31, 2017. Laureate has elected to accrete changes in the arrangements' redemption values over the period from the date of issuance to the earliest redemption date. The redeemable noncontrolling interests are recorded at the greater of the accreted redemption value or the traditional noncontrolling interest. Until the first exercise date, the put instruments' reported values may be lower than the final amounts that will be required to settle the minority put arrangements. As of December 31, 2017, the carrying value of all noncontrolling interest holder put arrangements was \$11,435, which includes accreted incremental value of \$12,748 in excess of traditional noncontrolling interests.

If the minority put arrangements were all exercised at December 31, 2017, Laureate would be obligated to pay the noncontrolling interest holders an estimated amount of \$11,435, as summarized in the following table:

	Nominal Currency	First Exercisable Date	Estimated Value as of December 31, 2017 redeemable within 12-months:	Reported Value
Noncontrolling interest holder put arrangements				
INTI Education Holdings Sdn Bhd (Inti Holdings)—10.10%	MYR	Current	\$ 9,436	\$ 9,436
Pearl Retail Solutions Private Limited (Pearl)—10%	INR	Current	1,938	1,938
Stamford International University (STIU)—Puttable preferred stock of TEDCO	THB	Current	61	61
Total noncontrolling interest holder put arrangements			11,435	11,435
Puttable common stock—not currently redeemable	USD	*	—	2,286
Total redeemable noncontrolling interests and equity			\$ 11,435	\$ 13,721

* Contingently redeemable

MYR: Malaysian Ringgit

INR: Indian Rupee

THB: Thai Baht

Laureate's noncontrolling interest put arrangements are specified in agreements with each noncontrolling interest holder. The terms of these agreements determine the measurement of the redemption value of the put options based on a non-GAAP measure of earnings before interest, taxes,

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 12. Commitments and Contingencies (Continued)

depreciation and amortization (EBITDA, or recurring EBITDA), the definition of which varies for each particular contract.

Commitments and contingencies are generally denominated in foreign currencies.

Inti Holdings

As part of the acquisition of INTI, formerly known as Future Perspective, Sdn Bhd, a higher education institution with five campuses in Malaysia, the noncontrolling interest holders of INTI had put options denominated in MYR to require the Company to purchase the remaining noncontrolling interest. As of December 31, 2017, there is one put option remaining for the holder of the 10.10% minority interest. The put option for the 10.10% noncontrolling interest holder is exercisable for the 30-day period commencing after issuance of the audited financial statements for each of the years ending December 31, 2012 through December 31, 2025. The holder may exercise his option to sell all of his equity interest to the Company for a purchase price that is equal to defined multiples of recurring EBITDA. Purchase price multiples have been defined as eight times up to the first MYR 40,000 (approximately \$9,800 at December 31, 2017) of EBITDA plus six times EBITDA above this amount. This put option expires after the 30-day period related to delivery of the 2025 audited financial statements. As of December 31, 2017, the Company recorded \$9,436 for this arrangement in Redeemable noncontrolling interests and equity on its Consolidated Balance Sheet.

As discussed in Note 3, Assets Held for Sale, on December 11, 2017 we signed a sale purchase agreement to sell Inti Holdings, the indirect owner of INTI. In connection with the sale purchase agreement, we entered into a separate agreement with the current minority owner of the equity of Inti Holdings relating to the purchase of the minority owner's 10.10% interest in Inti Holdings, the closing of which is a precondition to the closing of the transactions under the sale purchase agreement. The purchase of the minority owner's 10.10% interest is contingent on the sale purchase agreement being completed.

Pearl

As part of the acquisition of Pearl, the minority owners had a put option to require Laureate to purchase the remaining 45% noncontrolling interest, and Laureate has a call option to require the minority owners to sell to Laureate up to 35% of the total equity of Pearl that is still owned by the noncontrolling interest holders (i.e. approximately 78% of the remaining 45% noncontrolling interest). On June 19, 2017, Laureate and the noncontrolling interest holders of Pearl amended the put and call option agreements in order to clarify certain aspects of the formula for determining the purchase price of the noncontrolling interests. The modifications to the agreement resulted in the exclusion of certain campus costs and liabilities in the purchase price calculation.

On July 11, 2017, the noncontrolling interest holders of Pearl notified Laureate of their election to exercise their put option for a portion of their total noncontrolling interest, which required Laureate to purchase an additional 35% equity interest in Pearl. The purchase price for the 35% equity interest, which was agreed to by the parties, was approximately \$11,400 and was paid in October 2017. The remaining 10% puttable equity interest that is still held by the minority owners is recorded at its

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 12. Commitments and Contingencies (Continued)

estimated redemption value of \$1,938. The call option had no impact on the Company's financial statements as of December 31, 2017.

Puttable Common Stock—Director Stockholder Put (Not Currently Redeemable)

Each of the individual director stockholders of Laureate has entered into a stockholder's agreement with Laureate and Wengen. The director stockholder's agreement makes all shares of common stock subject to a stockholder put option at the fair market value of the stock. The stockholder put option is only exercisable upon the loss of capacity to serve as a director due to death or disability (as defined in the stockholder's agreement). The director stockholder put option expires only upon a change in control of Laureate.

Since the put option can only be exercised upon death or disability, we account for the common stock as contingently redeemable equity instruments that are not currently redeemable and for which redemption is not probable. Accordingly, the redeemable equity instruments are presented in temporary equity based on their initial measurement amount, as required by ASC 480-10-S99, "Distinguishing Liabilities from Equity—SEC Materials." No subsequent adjustment of the initial measurement amounts for these contingently redeemable securities is necessary unless the redemption of these securities becomes probable. Accordingly, the amount presented as temporary equity for the contingently redeemable common stock outstanding is its issuance-date fair value.

As of December 31, 2017 and 2016, \$2,286 and \$3,125, respectively, of contingently redeemable common stock attributable to director stockholder puts was included in Redeemable noncontrolling interests and equity on the Consolidated Balance Sheets.

Series A Convertible Redeemable Preferred Stock Offering

On December 4, 2016, we signed a subscription agreement with six investors, including Kohlberg, Kravis and Roberts Co. L.P. (KKR) and Snow Phipps Group LLC (Snow Phipps), both of which are affiliates of ours, pursuant to which we agreed to issue and sell to those investors an aggregate of 400 shares of a new series of our convertible redeemable preferred stock (the Series A Preferred Stock), consisting of 23 shares of Series A-1 Preferred Stock and 377 shares of Series A-2 Preferred Stock, in a private offering for total net proceeds of approximately \$383,000. The closing of this transaction, for 343 shares, occurred on December 20, 2016 and we received net proceeds, after issuance costs, of approximately \$328,000. One investor funded a portion of its purchase price for 57 shares, equal to \$57,000 (approximately \$55,000 net of issuance costs), in January 2017. The issuance costs are being accreted to the carrying value of the Series A Preferred Stock over the five-year redemption period.

Dividends on the Series A Preferred Stock compound quarterly and, if not paid in shares of Series A Preferred Stock on a quarterly basis or in cash accrue, as and if declared by the board of directors of the Company, on each share of Series A Preferred Stock as follows: (i) from the issue date and continuing through and including the second anniversary of the issue date, 10.0% per year; (ii) from the second anniversary of the issue date and continuing through and including the third anniversary of the issue date, 13.0% per year; and (iii) from the third anniversary of the issue date and thereafter, 16.0% per year. Unless we elect to pay the dividend in cash, dividends are automatically paid to the holder thereof in shares of Series A Preferred Stock or accrue. For any period in which

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 12. Commitments and Contingencies (Continued)

dividends on the Series A Preferred Stock are paid in cash, the dividend rate is reduced by 75 basis points. The 400 total shares of Series A Preferred Stock comprises 23 shares of Series A-1 and 377 shares of Series A-2. The Certificate of Designations prohibits the Company from declaring dividends (other than stock dividends to junior securities that are subordinated in all respects to the dividends payable to shares of Series A Preferred Stock, all in accordance the Certificate of Designations) on any other class or series of its capital stock as long as the Series A Preferred Stock is outstanding. The defined dividend rate in the Certificate of Designations for the Series A-2 includes a provision that requires the Company to pay a higher rate than the dividend rates described above if any dividends greater than those rates are paid on the Company's Class A common stock. However, in the calculation of earnings per share, while the Series A-2 are deemed for accounting purposes only to be participating securities, we do not expect any impact on diluted earnings per share since the possibility of these shares receiving the higher rate dividend is considered remote.

Each holder of shares of Series A Preferred Stock may elect to convert all of its shares of Series A Preferred Stock into shares of our Class A common stock upon the closing of a sale of the Company or Wengen and in the event Wengen no longer exclusively controls the Company, in each case at a 15% discount to the implied equity value of the Company at the closing of the applicable transaction. In addition, both the Company and each holder of shares of Series A Preferred Stock may elect to convert all of the shares of Series A Preferred Stock into shares of our Class A common stock at any time after our initial public offering commencing on the earlier to occur of one day following the first anniversary of the closing of our initial public offering and the Follow-on Conversion Date (as defined in the Certificate of Designations). The shares of Series A Preferred Stock shall generally convert at a 15% discount to the lesser of the price per share at which the Company's shares of Class A common stock were sold to the public in the Company's initial public offering or the 30 day trailing price per share of our Class A common stock, but in no case shall the conversion price be less than 75% of the price at which the shares of our Class A common stock are sold to the public. The number of shares of Class A Common Stock expected to be issued upon the conversion of all the outstanding Series A Preferred Stock is between approximately 35,300 and 40,000 shares. As described in Note 1, Description of Business, the Company consummated a qualified initial public offering (QIPO) on February 6, 2017. The Certificate of Designations defined a QIPO as an initial underwritten public offering of common stock by the Company on or prior to August 15, 2017 with net cash proceeds to the Company of not less than \$450,000. In certain circumstances, the Company and the holders of the Series A Preferred Stock have the right to delay a conversion for a period of 90 days following a proposed conversion date. We are not permitted to convert any shares of Series A Preferred Stock until there is an effective registration statement available to the holders of the Series A Preferred Stock which provide the holders the opportunity to register at least an amount of shares of our Class A common stock equal to the Priority Amount, as defined in the Certificate of Designations. The QIPO generated net cash proceeds of approximately \$456,500.

The shares of Series A Preferred Stock are redeemable at our option at any time (subject to certain limitations involving the price of our Class A common stock) and by the holders after the fifth anniversary of the issue date at a redemption price per share equal to 1.15 multiplied by the sum of the issue amount per share plus any accrued and unpaid dividends. If we fail to redeem the shares of Series A Preferred Stock when required after the fifth anniversary of the issue date, the holders of the Series A Preferred Stock are entitled to certain remedies, including the ability to take control of a

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 12. Commitments and Contingencies (Continued)

majority of our Board of Directors and cause a sale of the Company and/or cause us to raise debt or equity capital in an amount sufficient to redeem the remaining outstanding shares of Series A Preferred Stock. The Series A Preferred Stock will be accreted up to its stated redemption value using a constant yield approach. The Series A Preferred Stock includes a Beneficial Conversion Feature (BCF) that was contingent on a QIPO, as defined above, which was consummated on February 6, 2017. Accordingly, during the first quarter of 2017, the Company recorded the BCF at its estimated fair value of \$261,794 as a reduction of the carrying value of the Series A Preferred Stock and an increase to Additional Paid-In Capital. Beginning in the first quarter of 2017, the accretion of this BCF reduces net income available to common stockholders in the calculation of earnings per share, as shown in Note 17, Earnings (Loss) Per Share. During the year ended December 31, 2017, the Company recorded additional BCF of \$3,574 related to the paid-in-kind dividends. The total BCF of \$265,368 will be accreted using a constant yield approach over a one-year period. For the year ended December 31, 2017, we have recorded total accretion on the Series A Preferred Stock of \$292,450, and as of December 31, 2017 the Series A Preferred Stock had a carrying value of \$400,276. As of December 31, 2016, prior to the January 2017 funding of purchase price for the additional 57 shares of Series A Preferred Stock, and prior to the IPO and the recording of the IPO-contingent BCF, the Series A Preferred Stock had a carrying value of \$332,957.

Other Loss Contingencies

Laureate is subject to legal actions arising in the ordinary course of its business. In management's opinion, we have adequate legal defenses, insurance coverage and/or accrued liabilities with respect to the eventuality of such actions. We do not believe that any settlement would have a material impact on our Consolidated Financial Statements. Refer to Note 20, Legal and Regulatory Matters, for a discussion of certain matters.

Contingent Liabilities for Taxes

As of December 31, 2017 and 2016, Laureate has recorded cumulative liabilities totaling \$74,318 and \$67,192, respectively, for taxes other-than-income tax, principally payroll-tax-related uncertainties recorded at the time of an acquisition. The changes in this recorded liability are related to acquisitions, interest and penalty accruals, changes in tax laws, expirations of statutes of limitations, settlements and changes in foreign currency exchange rates. The terms of the statutes of limitations on these contingencies vary but can be up to 10 years. This liability is included in Other long-term liabilities on the Consolidated Balance Sheets. We have also recorded current liabilities for taxes other-than-income tax of \$138 and \$1,896, respectively, as of December 31, 2017 and 2016, in Other current liabilities on the Consolidated Balance Sheets. Changes in the recorded values of non-income tax contingencies impact operating income and interest expense, while changes in the related indemnification assets impact only operating income. The total increases/(decreases) to operating income for adjustments to non-income tax contingencies and indemnification assets were \$2,883, \$(17,360) and \$(182) for the years ended December 31, 2017, 2016 and 2015, respectively.

In addition, as of December 31, 2017 and 2016, Laureate has recorded cumulative liabilities for income tax contingencies of \$100,404 and \$103,471, respectively. As of December 31, 2017 and 2016, indemnification assets primarily related to acquisition contingencies were \$98,493 and \$97,607,

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 12. Commitments and Contingencies (Continued)

respectively. These indemnification assets primarily covered contingencies for income taxes and taxes other-than-income taxes. In addition, we have identified certain contingencies, primarily tax-related, that we have assessed as being reasonably possible of loss, but not probable of loss, and could have an adverse effect on the Company's results of operations if the outcomes are unfavorable. In most cases, Laureate has received indemnifications from the former owners and/or noncontrolling interest holders of the acquired businesses for contingencies, and therefore, we do not believe we will sustain an economic loss even if we are required to pay these additional amounts. In cases where we are not indemnified, the unrecorded contingencies are not individually material and are primarily in Brazil. In the aggregate, we estimate that the reasonably possible loss for these unrecorded contingencies in Brazil could be up to approximately \$55,000 if the outcomes were unfavorable in all cases.

Income tax contingencies are disclosed and discussed further in Note 16, Income Taxes.

Other Loss Contingencies

Laureate has accrued liabilities for certain civil actions against our institutions, a portion of which existed prior to our acquisition of these entities. As of December 31, 2017 and 2016, approximately \$22,000 and \$18,000, respectively, of loss contingencies were included in Other long-term liabilities and Other current liabilities on the Consolidated Balance Sheets. Laureate intends to vigorously defend against these lawsuits.

HIEU, our institution in China, is named as one of five defendants in a civil case involving a loan transaction that was entered into by certain former noncontrolling interest holders of HIEU as borrowers, and was allegedly guaranteed by HIEU. The amount of the loan is approximately \$29,000, including interest and penalties. The former noncontrolling interest holders are the primary defendants in this civil case, with HIEU added in its alleged role as guarantor. Due to developments in the case that occurred during the second quarter of 2017, we determined that the probability of incurring a loss in this legal matter is reasonably possible as of December 31, 2017, but not probable, and therefore a liability has not been recorded. The Changsha Intermediate Court issued judgment on October 25, 2017 which dismissed this claim. The plaintiffs have appealed to the Higher People's Court of Hainan Province. As discussed in Note 3, Assets Held for Sale, in December 2017 we entered into an agreement to sell LEILY, the entity that is the beneficial owner of a 70% equity interest in Hunan Lie Ying Industry Co., Ltd., which in turn owns 100% of the sponsorship or equity interests in the Entities, a group of entities that includes HIEU. As discussed in Note 25, Subsequent Events, we completed the sale of LEILY in January 2018.

Material Guarantees—Student Financing

Chile

The accredited Chilean institutions in the Laureate network also participate in a government-sponsored student financing program known as Crédito con Aval del Estado (the CAE Program). The CAE Program was formally implemented by the Chilean government in 2006 to promote higher education in Chile for lower socio-economic level students in good academic standing. The CAE Program involves tuition financing and guarantees that are provided by our institutions and the government. As part of the CAE Program, these institutions provide guarantees which result in

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 12. Commitments and Contingencies (Continued)

contingent liabilities to third-party financing institutions, beginning at 90% of the tuition loans made directly to qualified students enrolled through the CAE Program and declining to 60% over time. The guarantees by these institutions are in effect during the period in which the student is enrolled, and the guarantees are assumed entirely by the government upon the student's graduation. When a student leaves one of Laureate's institutions and enrolls in another CAE-qualified institution, the Laureate institution will remain guarantor of the tuition loans that have been granted up to the date of transfer, and until the student's graduation from a CAE-qualified institution. The maximum potential amount of payments our institutions could be required to make under the CAE Program was approximately \$527,000 and \$479,000 at December 31, 2017 and 2016, respectively. This maximum potential amount assumes that all students in the CAE Program do not graduate, so that our guarantee would not be assigned to the government, and that all students default on the full amount of the CAE-qualified loan balances. As of December 31, 2017 and 2016, we recorded \$27,073 and \$20,636, respectively, as estimated long-term guarantee liabilities for these obligations.

Material Guarantees—Other

In conjunction with the purchase of UNP, Laureate pledged all of the acquired shares as a guarantee of our payments of rents as they become due. In the event that we default on any payment, the pledge agreement provides for a forfeiture of the relevant pledged shares. In the event of forfeiture, Laureate may be required to transfer the books and management of UNP to the former owners.

Laureate acquired the remaining 49% ownership interest in UAM Brazil in April 2013. As part of the agreement to purchase the 49% ownership interest, Laureate pledged 49% of its total shares in UAM Brazil as a guarantee of our payment obligations under the purchase agreement. In the event that we default on any payment, the agreement provides for a forfeiture of the pledged shares.

In connection with the purchase of FMU on September 12, 2014, Laureate pledged 75% of the acquired shares to third-party lenders as a guarantee of our payment obligations under the loans that financed a portion of the purchase price. Laureate pledged the remaining 25% of the acquired shares to the sellers as a guarantee of our payment obligations under the purchase agreement for the seller notes. In the event that we default on any payment of the loans or seller notes, the purchase agreement provides for a forfeiture of the relevant pledged shares. After the payment of the seller notes in September 2017, as discussed in Note 6, Due to Shareholders of Acquired Companies, the shares pledged to the sellers were pledged to the third-party lenders until full payment of the loans, which mature in April 2021.

Standby Letters of Credit, Surety Bonds and Other Commitments

As of December 31, 2017 and 2016, Laureate's outstanding letters of credit (LOCs) and surety bonds primarily consisted of the items discussed below.

As of December 31, 2017 and 2016, we had approximately \$136,900 and \$105,600, respectively, posted as LOCs in favor of the DOE. These LOCs were required to allow Walden, Kendall, NewSchool, and St. Augustine to continue participating in the DOE Title IV program. These LOCs are fully collateralized with cash equivalents and certificates of deposit, which are classified as Restricted cash and investments on our December 31, 2017 and 2016 Consolidated Balance Sheets.

Laureate Education, Inc. and Subsidiaries**Notes to Consolidated Financial Statements (Continued)****(Dollars and shares in thousands)****Note 12. Commitments and Contingencies (Continued)**

As of December 31, 2017 and 2016, we had \$39,505 and \$34,746, respectively, posted as cash-collateral for LOCs related to the Spain Tax Audits. See Note 16, Income Taxes, for further detail. The cash collateral for these LOCs was classified as Restricted cash and investments on our December 31, 2017 Consolidated Balance Sheet.

As part of our normal operations, our insurers issue surety bonds on our behalf, as required by various state education authorities in the United States. We are obligated to reimburse our insurers for any payments made by the insurers under the surety bonds. As of December 31, 2017 and 2016, the total face amount of these surety bonds was \$13,980 and \$12,162, respectively. These bonds are fully collateralized with cash, which is classified as Restricted cash and investments on our December 31, 2017 Consolidated Balance Sheet.

In November 2016, in order to continue participating in Prouni, a federal program that offers tax benefits designed to increase higher education participation rates in Brazil, UAM Brazil posted a guarantee in the amount of \$15,300. In connection with the issuance of the guarantee, UAM Brazil obtained a non-collateralized surety bond from a third party in order to secure the guarantee. The cost of the surety bond was \$1,400, of which half was reimbursed by the former owner of UAM Brazil, and is being amortized over the five-year term. The Company believes that this matter will not have a material impact on our Consolidated Financial Statements.

Note 13. Financing Receivables

Laureate's financing receivables consist primarily of trade receivables related to student tuition financing programs with an initial term in excess of one year. We have offered long-term financing through the execution of note receivable agreements with students at some of our institutions. Our disclosures include financing receivables that are classified in our Consolidated Balance Sheets as both current and long-term, reported in accordance with ASC 310, "Receivables."

Laureate's financing receivables balances were as follows:

	December 31, 2017	December 31, 2016
Financing receivables	\$ 22,977	\$ 29,776
Allowance for doubtful accounts	(8,411)	(9,175)
Financing receivables, net of allowances	<u>\$ 14,566</u>	<u>\$ 20,601</u>

We do not purchase financing receivables in the ordinary course of our business. We may sell certain receivables that are significantly past due. No material amounts of financing receivables were sold during the periods reported herein.

Delinquency is the primary indicator of credit quality for our financing receivables. Receivable balances are considered delinquent when contractual payments on the loan become past due. Delinquent financing receivables are placed on non-accrual status for interest income. The accrual of interest is resumed when the financing receivable becomes contractually current and when collection of all remaining amounts due is reasonably assured. We record an Allowance for doubtful accounts to reduce our financing receivables to their net realizable value. The Allowance for doubtful accounts is

Laureate Education, Inc. and Subsidiaries**Notes to Consolidated Financial Statements (Continued)****(Dollars and shares in thousands)****Note 13. Financing Receivables (Continued)**

based on the age of the receivables, the status of past-due amounts, historical collection trends, current economic conditions, and student enrollment status. Each of our institutions evaluates its balances for potential impairment. We consider impaired loans to be those that are past due one year or greater, and those that are modified as a troubled debt restructuring (TDR). The aging of financing receivables grouped by country portfolio was as follows:

	<u>Chile</u>	<u>Other</u>	<u>Total</u>
As of December 31, 2017			
Amounts past due less than one year	\$ 6,800	\$ 1,300	\$ 8,100
Amounts past due one year or greater	<u>3,551</u>	<u>1,335</u>	<u>4,886</u>
Total past due (on non-accrual status)	10,351	2,635	12,986
Not past due	<u>8,494</u>	<u>1,497</u>	<u>9,991</u>
Total financing receivables	<u>\$ 18,845</u>	<u>\$ 4,132</u>	<u>\$ 22,977</u>
As of December 31, 2016			
Amounts past due less than one year	\$ 8,711	\$ 834	\$ 9,545
Amounts past due one year or greater	<u>3,899</u>	<u>1,482</u>	<u>5,381</u>
Total past due (on non-accrual status)	12,610	2,316	14,926
Not past due	<u>11,758</u>	<u>3,092</u>	<u>14,850</u>
Total financing receivables	<u>\$ 24,368</u>	<u>\$ 5,408</u>	<u>\$ 29,776</u>

Laureate Education, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Dollars and shares in thousands)

Note 13. Financing Receivables (Continued)

The following is a rollforward of the Allowance for doubtful accounts related to financing receivables for the years ended December 31, 2017, 2016, and 2015, grouped by country portfolio:

	Chile	Other	Total
Balance at December 31, 2014	\$ (11,063)	\$ (4,177)	\$ (15,240)
Charge-offs	3,648	232	3,880
Recoveries	—	4	4
Reclassifications	—	(16)	(16)
Provision	(1,105)	(46)	(1,151)
Currency adjustments	1,280	667	1,947
Balance at December 31, 2015	<u>\$ (7,240)</u>	<u>\$ (3,336)</u>	<u>\$ (10,576)</u>
Charge-offs	4,631	660	5,291
Recoveries	—	(175)	(175)
Reclassifications	—	—	—
Provision	(3,304)	(60)	(3,364)
Currency adjustments	(296)	(55)	(351)
Balance at December 31, 2016	<u>\$ (6,209)</u>	<u>\$ (2,966)</u>	<u>\$ (9,175)</u>
Charge-offs	1,910	589	2,499
Recoveries	(24)	(72)	(96)
Reclassifications	—	75	75
Provision	(1,309)	91	(1,218)
Currency adjustments	(475)	(21)	(496)
Balance at December 31, 2017	<u>\$ (6,107)</u>	<u>\$ (2,304)</u>	<u>\$ (8,411)</u>

Restructured Receivables

A TDR is a financing receivable in which the borrower is experiencing financial difficulty and Laureate has granted an economic concession to the student debtor that we would not otherwise consider. When we modify financing receivables in a TDR, Laureate typically offers the student debtor an extension of the loan maturity and/or a reduction in the accrued interest balance. In certain situations, we may offer to restructure a financing receivable in a manner that ultimately results in the forgiveness of contractually specified principal balances. Our only TDRs are in Chile.

The number of financing receivable accounts and the pre- and post-modification account balances modified under the terms of a TDR during the years ended December 31, 2017, 2016 and 2015 were as follows:

	Number of Financing Receivable Accounts	Pre-Modification Balance Outstanding	Post-Modification Balance Outstanding
2017	446	\$ 2,319	\$ 2,109
2016	676	\$ 3,665	\$ 3,165
2015	<u>1044</u>	<u>\$ 5,251</u>	<u>\$ 4,796</u>

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 13. Financing Receivables (Continued)

The preceding table represents accounts modified under the terms of a TDR during the year ended December 31, 2017, whereas the following table represents accounts modified as a TDR between January 1, 2016 and December 31, 2017 that subsequently defaulted during the year ended December 31, 2017:

	<u>Number of Financing Receivable Accounts</u>	<u>Balance at Default</u>
Total	<u>200</u>	<u>\$ 890</u>

The following table represents accounts modified as a TDR between January 1, 2015 and December 31, 2016 that subsequently defaulted during the year ended December 31, 2016:

	<u>Number of Financing Receivable Accounts</u>	<u>Balance at Default</u>
Total	<u>360</u>	<u>\$ 1,352</u>

The following table represents accounts modified as a TDR between January 1, 2014 and December 31, 2015 that subsequently defaulted during the year ended December 31, 2015:

	<u>Number of Financing Receivable Accounts</u>	<u>Balance at Default</u>
Total	<u>705</u>	<u>\$ 2,864</u>

Note 14. Share-based Compensation

Share-based compensation expense was as follows:

<u>For the years ended December 31,</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Stock options, net of estimated forfeitures	<u>\$ 50,753</u>	<u>\$ 27,543</u>	<u>\$ 23,120</u>
Restricted stock awards	<u>14,035</u>	<u>10,528</u>	<u>11,000</u>
Total non-cash stock compensation	<u>64,788</u>	<u>38,071</u>	<u>34,120</u>
Deferred compensation arrangement	<u>—</u>	<u>738</u>	<u>4,901</u>
Total	<u>\$ 64,788</u>	<u>\$ 38,809</u>	<u>\$ 39,021</u>

Share-based Deferred Compensation Arrangement

Immediately prior to August 17, 2007 (the LBO), Laureate's then-Chief Executive Officer and another then-member of the Board of Directors held vested equity-based awards which they exchanged on the LBO for unfunded, nonqualified share-based deferred compensation arrangements. For the years ended December 31, 2017, 2016 and 2015, Laureate recorded share-based compensation expense for this deferred compensation arrangement of \$0, \$738, and \$4,901, respectively. On December 29, 2015, we paid the participants a total amount of \$87,117, including \$6,117 in interest. The payment consisted of \$37,071 in cash and \$50,046 in aggregate principal amount of Senior Notes due 2019. As of December 31, 2015, the total liability recorded for the deferred compensation arrangement was

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 14. Share-based Compensation (Continued)

\$17,463, which was payable on September 17, 2016. The participants in the deferred compensation arrangement agreed to extend the payment that was due on September 17, 2016 (the 2016 Executive DCP Obligation), until December 30, 2016. On December 30, 2016, we satisfied the 2016 Executive DCP Obligation by paying the participants a total amount of approximately \$18,200, including interest. The payment consisted of approximately \$7,749 in cash and \$10,453 aggregate principal amount of Senior Notes due 2019. As discussed in Note 10, Debt, all Senior Notes due 2019 were redeemed during 2017. Following the satisfaction of the 2016 Executive DCP Obligation, the Company's obligations under the DCPs were satisfied in full.

2007 Stock Incentive Plan

In August 2007, the Board of Directors approved the Laureate Education, Inc. 2007 Stock Incentive Plan (2007 Plan). The total shares authorized under the 2007 Plan were 9,232. Shares that were forfeited, terminated, canceled, allowed to expire unexercised, withheld to satisfy tax withholding, or repurchased were available for re-issuance. Any awards that were not vested upon termination of employment for any reason were forfeited. Upon voluntary or involuntary termination without cause (including death or disability), the grantee (or the estate) has a specified period of time after termination to exercise options vested on or prior to termination. The 2007 Plan's restricted stock awards have a claw-back feature whereby all vested shares, or the gross proceeds from the sale of those shares, must be returned to Laureate for no consideration if the employee does not abide by the agreed-upon restrictive covenants such as covenants not to compete and covenants not to solicit. As of December 31, 2017, all outstanding awards that were granted under the 2007 Plan are fully vested.

Stock Options Under 2007 Plan

Stock option awards under the 2007 Plan have a contractual life of 10 years and were granted with an exercise price equal to the fair market value of Laureate's stock at the date of grant. Our option agreements generally divided each option grant equally into options that were subject to time-based vesting (Time Options) and options that were eligible for vesting based on achieving pre-determined performance targets (Performance Options). The Time Options generally vested ratably on the first through fifth grant date anniversary. The Performance Options were divided into tranches and were eligible to vest annually upon the Board of Directors' determination that Laureate has attained the performance targets.

Compensation expense was recognized over the period during which the employee was required to provide service in exchange for the award, which was usually the vesting period. For Time Options, expense was recognized ratably over the five-year vesting period. For Performance Options, expense was recognized under a graded expense attribution method, to the extent that it was probable that the stated annual performance target would be achieved and options would vest for any year.

2013 Long-Term Incentive Plan

On June 13, 2013, Laureate's Board of Directors approved the Laureate Education, Inc. 2013 Long-Term Incentive Plan (2013 Plan), as a successor plan to Laureate's 2007 Plan. The 2013 Plan became effective in June 2013, following approval by the stockholders of Laureate. No awards have been made under the 2007 Plan since the 2013 Plan has been effective. Under the 2013 Plan, the

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 14. Share-based Compensation (Continued)

Company may grant stock options, stock appreciation rights, unrestricted common stock or restricted stock (collectively, "stock awards"), unrestricted stock units or restricted stock units, and other stock-based awards, to eligible individuals on the terms and subject to the conditions set forth in the 2013 Plan. As of the effective date, the total number of shares of common stock issuable under the 2013 Plan were 7,521, which is equal to the sum of (i) 7,074 shares plus (ii) 447 shares of common stock that were still available for issuance under Laureate's 2007 Plan. In September 2015, the Board of Directors approved an amendment to increase the total number of shares of common stock issuable under the 2013 Plan by 1,219. Shares that are forfeited, terminated, canceled, allowed to expire unexercised, withheld to satisfy tax withholding, or repurchased are available for re-issuance. Any awards that have not vested upon termination of employment for any reason are forfeited. Holders of restricted stock shall have all of the rights of a stockholder of common stock including, without limitation, the right to vote and the right to receive dividends. However, dividends declared payable on performance-based restricted stock shall be subjected to forfeiture at least until achievement of the applicable performance target related to such shares of restricted stock. Any accrued but unpaid dividends on unvested restricted stock shall be forfeited upon termination of employment. Holders of stock units do not have any rights of a stockholder of common stock and are not entitled to receive dividends. All awards outstanding under the 2013 Plan terminate upon the liquidation, dissolution or winding up of Laureate. The 2013 Plan will remain in effect until the earlier of (a) the earliest date as of which all awards granted under the Plan have been satisfied in full or terminated and no shares of common stock are available to be granted or (b) June 12, 2023.

Stock options, stock appreciation rights and restricted stock units granted under the 2013 Plan have provisions for accelerated vesting if there is a change in control of Laureate. As defined in the 2013 Plan, a change in control means the first of the following to occur: i) a change in ownership of Laureate or Wengen or ii) a change in the ownership of assets of Laureate. A change in ownership of Laureate or Wengen shall occur on the date that more than 50% of the total voting power of the capital stock of Laureate is sold or more than 50% of the partnership interests of Wengen is sold in a single or a series of related transactions. A change in the ownership of assets of Laureate would occur if 80% or more of the total gross fair market value of all of the assets of Laureate are sold during a 12-month period. The gross fair market value of Laureate is determined without regard to any liabilities associated with such assets. Upon consummation of the change in control and an employee's "qualifying termination" (as defined in the employee's award agreement): a) those time-based stock options and stock appreciation rights that would have vested and become exercisable on or prior to the third anniversary of the effective time of change in control would become fully vested and immediately exercisable; b) those performance-based stock options and stock appreciation rights that would have vested and become exercisable had Laureate achieved the performance targets in the three fiscal years ending coincident with or immediately subsequent to the effective time of such change in control, excluding the portion of awards that would have vested only pursuant to any catch-up provisions, would become fully vested and immediately exercisable; c) those time-based restricted stock awards that would have become vested and free of forfeiture risk and lapse restriction on or prior to the third anniversary of the effective time of such change in control would become fully vested and immediately exercisable; d) those performance-based restricted stock awards that would have vested and become free of forfeiture risk and lapse restrictions had Laureate achieved the target performance in the three fiscal years ending coincident with or immediately subsequent to the effective time of such change in control

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 14. Share-based Compensation (Continued)

would become fully vested and immediately exercisable; e) those time-based restricted stock units that would have become vested or earned on or prior to the third anniversary of the effective time of such change in control would become vested and earned and be settled in cash or shares of common stock as promptly as practicable; and f) those performance-based restricted stock units, performance shares and performance units that would have become vested or earned had Laureate achieved the target performance in the three fiscal years ending coincident with or immediately subsequent to the effective time of such change in control would become vested and earned and be settled in cash or shares of common stock as promptly as practicable. After giving effect to the foregoing change in control acceleration, any remaining unvested time-based and performance-based stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares and performance share units shall be forfeited for no consideration.

Share Increase for 2013 Plan

In December 2016, the Board of Directors and Shareholders approved an amendment to increase the total number of shares of common stock issuable under the 2013 Plan by 3,884.

Stock Options Under 2013 Plan

Stock option awards under the 2013 Plan generally have a contractual term of 10 years and are granted with an exercise price equal to or greater than the fair market value of Laureate's stock at the date of grant. These options typically vest over a period of five or three years. Of the options granted in 2017, 2016 and 2015, 4,038, 254 and 1,073, respectively, are Time Options and the remainder are Performance Options. The Performance Options granted under the 2013 Plan are eligible for vesting based on achieving annual pre-determined Equity Value performance targets or Adjusted EBITDA targets, as defined in the plan, and the continued service of the employee. Some of the performance based awards include a catch-up provision, allowing the grantee to vest in any year in which a target is missed if a following year's target is achieved as long as the following year is within eight years from the grant date.

Compensation expense is recognized over the period during which an employee is required to provide service in exchange for the award, which is usually the vesting period. For Time Options, expense is recognized ratably over the five-year or three-year vesting period. For Performance Options, expense is recognized under a graded expense attribution method, to the extent that it is probable that the stated annual earnings target will be achieved and options will vest for any year. We assess the probability of each option tranche vesting throughout the life of each grant.

Executive Profits Interests—Stock Option Grant

On January 31, 2017, in connection with the Executive Profits Interests (EPI) agreement, we granted our then-CEO options (the EPI Options) to purchase 2,773 shares of our Class B common stock. The EPI Options vested upon consummation of the IPO on February 6, 2017. The exercise price of the EPI Options is equal to (i) \$17.00 with respect to 50% of the shares of Class B common stock subject to the EPI Option and (ii) \$21.32 with respect to 50% of the shares of Class B common stock subject to the EPI Option. The EPI Options are exercisable until December 31, 2019. The Company

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 14. Share-based Compensation (Continued)

recorded approximately \$14,600 of share-based compensation expense for the EPI Options in the first quarter of 2017.

Amendment to 2013 Long-Term Incentive Plan

On June 19, 2017, the Company's Board of Directors (the Board) approved, subject to stockholder approval, an amendment and restatement of the Laureate Education, Inc. 2013 Long-Term Incentive Plan (as amended and restated, the 2013 Plan). Among other things, the amendment (i) increases the number of shares of Class A common stock that may be issued pursuant to awards under the 2013 Plan to 14,714; (ii) adds performance metrics, the ability to grant cash awards, and annual limits on grants, intended to qualify awards as performance-based awards that are not subject to certain limits on tax deductibility of compensation payable to certain executives; and (iii) extends the term of the 2013 Plan to June 18, 2027, the day before the 10th anniversary of the date of adoption of the amendment. On June 19, 2017, the holder of the majority of the voting power of the Company's outstanding stock (the Majority Holder) approved by written consent the amended and restated 2013 Plan and it became effective.

Equity Award Modifications

Stock Option Repricings

In June 2016, we modified all outstanding stock options that were granted under the 2013 Plan, except for stock options that were granted during 2016. The exercise price of the modified options was adjusted to \$23.20, the estimated fair market value of our stock at the date of modification. As a result, we modified the exercise price of approximately 5,338 stock options that were granted under the 2013 Plan. This modification resulted in incremental stock compensation expense during the second quarter of approximately \$6,000 for options that were vested at the modification date. Additionally, approximately \$5,000 of incremental stock compensation expense related to options that were not yet vested at the modification date will be recognized over the remaining vesting period.

On June 19, 2017, the Board and the Majority Holder approved a stock option repricing (the Option Repricing). Pursuant to the Option Repricing, the exercise price of each Relevant Option (as defined below) was amended to reduce such exercise price to the average closing price of a share of the Company's Class A common stock as reported on the Nasdaq Global Select Market over the 20 calendar-day period following the mailing of the Notice and Information Statement to our stockholders. The average closing price of the Company's Class A common stock over such 20-day period was \$17.44; accordingly, the exercise price of the Relevant Options was adjusted to \$17.44.

Relevant Options were all outstanding stock options as of June 19, 2017 (vested or unvested) to acquire shares of Class B common stock granted under the 2013 Plan during calendar years 2013 through 2016, and totaled approximately 5,300 options. Since the modification of the terms of the awards occurred on June 19, 2017, the Company recorded incremental stock compensation expense during the second quarter of 2017 of approximately \$5,100 for options that were vested at the modification date. Additionally, approximately \$2,500 of incremental stock compensation expense related to options that were not yet vested at the modification date is being recognized over the remaining vesting period.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 14. Share-based Compensation (Continued)

Stock Option Modifications

During the third and fourth quarters of 2017, we extended the post-employment exercise periods of vested stock options for several executives in connection with their separation from the Company. We accounted for the extension as a modification of an equity award under ASC 718. Accordingly, we recognized incremental stock compensation expense of approximately \$15,000 in 2017.

Stock Option Activity for 2007 and 2013 Plans

The following tables summarize the stock option activity and the assumptions used to record the related share-based compensation expense for the years ended December 31, 2017, 2016 and 2015:

	2017			2016			2015		
	Options	Weighted Average Exercise Price	Aggregate Intrinsic Value	Options	Weighted Average Exercise Price	Aggregate Intrinsic Value	Options	Weighted Average Exercise Price	Aggregate Intrinsic Value
Outstanding at January 1	10,928	\$ 21.81	\$ 4,350	11,427	\$ 26.12	\$ 20,339	10,919	\$ 25.84	\$ 48,851
Granted	4,283	\$ 19.01	—	303	\$ 23.29	—	1,447	\$ 26.72	—
Exercised	—	\$ —	\$ —	(245)	\$ 19.57	\$ 899	(460)	\$ 18.76	\$ 3,365
Forfeited or expired	(5,308)	\$ 18.34	—	(557)	\$ 23.78	—	(479)	\$ 28.52	—
Outstanding at December 31	9,903	\$ 19.30	\$ —	10,928	\$ 21.81	\$ 4,350	11,427	\$ 26.12	\$ 20,339
Exercisable at December 31	8,606	\$ 19.38	\$ —	9,004	\$ 21.48	\$ 4,350	8,293	\$ 24.32	\$ 20,328
Vested and expected to vest	<u>9,847</u>	<u>\$ 19.31</u>	<u>\$ —</u>	<u>10,790</u>	<u>\$ 21.79</u>	<u>\$ 4,350</u>	<u>11,110</u>	<u>\$ 26.08</u>	<u>\$ 20,339</u>

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 14. Share-based Compensation (Continued)

Exercise Prices	Options Outstanding		Options Exercisable		Assumption Range*		
	Number of Shares	Weighted Average Remaining Contractual Terms (Years)	Number of Shares	Weighted Average Remaining Contractual Terms (Years)	Risk-Free Interest Rate	Expected Terms in Years	Expected Volatility
Year Ended December 31, 2017							
\$14.58 - \$19.56	6,500	4.58	5,549	4.22	0.33% - 3.31%	2.03 - 10.00	32.18% - 69.74%
\$21.00 - \$21.28	693	2.18	347	0.66	0.43% - 3.60%	2.11 - 6.67	33.24% - 57.79%
\$21.32 - \$21.52	1,776	2.14	1,776	2.14	0.68% - 2.61%	3.38 - 6.55	38.16% - 69.74%
\$21.68 - \$22.32	221	1.94	221	1.94	0.57% - 3.03%	2.18 - 6.52	36.78% - 52.47%
\$22.88 - \$31.92	713	3.76	713	3.76	0.73% - 2.86%	4.00 - 6.52	39.03% - 53.80%
Year Ended December 31, 2016							
\$18.36 - \$19.56	3,601	0.80	3,601	0.80	0.32% - 4.20%	1.90 - 6.95	26.85% - 52.47%
\$20.16 - \$21.28	353	1.66	353	1.66	0.42% - 3.60%	2.11 - 6.52	33.24% - 52.47%
\$21.48 - \$21.52	438	3.81	438	3.81	0.68% - 2.63%	3.38 - 6.58	38.16% - 52.47%
\$21.68 - \$22.32	320	3.10	320	3.10	0.57% - 3.03%	2.18 - 6.52	36.78% - 52.47%
\$22.40 - \$31.92	6,216	7.07	4,291	6.71	0.73% - 2.86%	4.00 - 7.12	39.03% - 58.84%
Year Ended December 31, 2015							
\$18.36 - \$19.56	3,790	1.80	3,790	1.80	0.32% - 4.20%	1.90 - 6.95	26.85% - 52.47%
\$20.16 - \$21.28	353	2.70	353	2.70	0.42% - 3.60%	2.11 - 6.52	33.24% - 52.47%
\$21.48 - \$21.52	516	4.80	512	4.80	0.68% - 2.63%	3.38 - 6.58	38.16% - 52.47%
\$21.68 - \$22.32	344	4.10	344	4.10	0.57% - 3.03%	2.18 - 6.52	36.78% - 52.47%
\$22.88 - \$31.92	2,634	8.20	1,108	7.14	0.73% - 2.86%	4.00 - 6.52	39.03% - 58.84%
\$34.52	3,788	7.80	2,184	7.80	1.76% - 2.07%	6.02 - 7.12	51.51% - 53.51%

* The expected dividend yield is zero for all options in all years.

The weighted-average estimated fair value of stock options granted was \$7.84, \$12.03, and \$13.80 per share for the years ended December 31, 2017, 2016 and 2015, respectively.

As of December 31, 2017, Laureate had \$8,914 of unrecognized share-based compensation costs related to stock options outstanding. Of the total unrecognized cost, \$7,149 relates to Time Options and \$1,765 relates to Performance Options. The unrecognized Time Options expense is expected to be recognized over a weighted-average expense period of 1.4 years.

Laureate Education, Inc. and Subsidiaries**Notes to Consolidated Financial Statements (Continued)****(Dollars and shares in thousands)****Note 14. Share-based Compensation (Continued)***Non-Vested Restricted Stock and Restricted Stock Units*

The following table summarizes the non-vested restricted stock and restricted stock units activity for the years ended December 31, 2017, 2016 and 2015:

	2017		2016		2015	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Non-vested at January 1	1,038	\$ 25.97	865	\$ 29.6	694	\$ 32.48
Granted	1,337	\$ 16.65	655	\$ 23.27	449	\$ 26.28
Vested	(328)	\$ 22.35	(386)	\$ 29.36	(215)	\$ 31.48
Forfeited	(397)	\$ 23.33	(96)	\$ 26.51	(63)	\$ 31.08
Non-vested at December 31	1,650	\$ 19.74	1,038	\$ 25.97	865	\$ 29.6

Restricted stock units granted under the 2013 Plan consist of time-based restricted stock units (RSU), performance-based restricted stock units (PSU) and market condition-based restricted stock units with various vesting periods over the next three to five years. PSUs are eligible to vest annually upon the Board of Directors' determination that the annual performance targets are met. The performance targets are the same as for Performance Options, as defined in the 2013 Plan except for targets set for certain PSUs granted in 2016. The vesting percentage for those PSUs is based on LEI's attainment of a performance level: threshold, target, maximum or a percentage between the "Threshold" and "Target; Maximum" which is determined by linear interpolation, provided that continued employment is required through the date the attainment of target is approved by the Compensation Committee. The PSUs granted from 2013 to February 2016 include a catch-up provision, allowing the grantee to vest in any year in which a target is missed if a following year's target is obtained as long as the following year is within eight years from the grant date. During the fourth quarter of 2017, Laureate granted a small number of restricted stock units where vesting is based on the fulfillment of both a service condition and the achievement of a Laureate stock price hurdle during the performance period, which is considered to be a market condition.

The fair value of the non-vested restricted stock awards in the table above is measured using the fair value of Laureate's common stock on the date of grant or the most recent modification date whichever is later.

As of December 31, 2017, unrecognized share-based compensation expense related to non-vested restricted stock and restricted stock unit awards was \$17,249. Of the total unrecognized cost, \$6,505 relates to time-based restricted stock and RSUs, \$9,701 relates to PSUs and \$1,043 related to market-condition-based restricted stock units. This unrecognized expense for time-based restricted stock and restricted stock units will be recognized over a weighted-average expense period of 1.3 years.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 15. Derivative Instruments

In the normal course of business, our operations are exposed to fluctuations in foreign currency values and interest rate changes. We may seek to control a portion of these risks through a risk management program that includes the use of derivative instruments.

The interest and principal payments for Laureate's senior long-term debt arrangements are to be paid primarily in USD. Our ability to make debt payments is subject to fluctuations in the value of the USD against foreign currencies, since a majority of our operating cash used to make these payments is generated by subsidiaries with functional currencies other than USD. As part of our overall risk management policies, Laureate has at times entered into foreign currency swap contracts and floating-to-fixed interest rate swap contracts. In addition, we occasionally enter into foreign exchange forward contracts to reduce the impact of other non-functional currency-denominated receivables and payables.

We do not enter into speculative or leveraged transactions, nor do we hold or issue derivatives for trading purposes. We generally intend to hold our derivatives until maturity.

Laureate reports all derivatives at fair value. These contracts are recognized as either assets or liabilities, depending upon the derivative's fair value. Gains or losses associated with the change in the fair value of these swaps are recognized in our Consolidated Statements of Operations on a current basis over the term of the contracts, unless designated and effective as a hedge. For swaps that are designated and effective as cash flow hedges, gains or losses associated with the change in fair value of the swaps are recognized in our Consolidated Balance Sheets as a component of Accumulated Other Comprehensive Income (AOCI) and amortized into earnings as a component of Interest expense over the term of the related hedged items. For derivatives that are both designated and effective as net investment hedges, gains or losses associated with the change in fair value of the derivatives are recognized on our Consolidated Balance Sheets as a component of AOCI.

Laureate Education, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Dollars and shares in thousands)

Note 15. Derivative Instruments (Continued)

The reported fair values of our derivatives, which are classified in Derivative instruments on our Consolidated Balance Sheets, were as follows:

	December 31, 2017	December 31, 2016
Derivatives designated as hedging instruments:		
Long-term assets:		
Interest rate swaps	\$ 6,046	\$ —
Current liabilities:		
Interest rate swaps	—	5,218
Long-term liabilities:		
Net investment cross currency swaps	1,451	—
Derivatives not designated as hedging instruments:		
Long-term assets:		
Contingent redemption features—Series A Preferred Stock	42,140	4,464
Current liabilities:		
Interest rate swaps	179	—
Cross currency and interest rate swaps	4,279	—
Long-term liabilities:		
Cross currency and interest rate swaps	7,939	7,420
Interest rate swaps	—	330
Total derivative instrument assets	<u>\$ 48,186</u>	<u>\$ 4,464</u>
Total derivative instrument liabilities	<u>\$ 13,848</u>	<u>\$ 12,968</u>

Derivatives Designated as Hedging Instruments

Cash Flow Hedge—2024 Term Loan Interest Rate Swaps

In May 2017, Laureate entered into, and designated as cash flow hedges, four pay-fixed, receive-floating amortizing interest rate swaps with notional amounts of \$100,000, \$100,000, \$200,000 and \$300,000, respectively. These notional amounts match the corresponding principal of the 2024 Term Loan borrowings of which these swaps are effectively hedging the interest payments. As such, the notional values amortize annually based on the terms of the agreements to match the principal borrowings as they are repaid. Refer to Note 10, Debt, for further information regarding the underlying borrowings. These swaps effectively fix the floating interest rate on the term loan to reduce exposure to variability in cash flows attributable to changes in the USD-LIBOR-BBA swap rate. All four swaps have an effective date of May 31, 2017 and mature on May 31, 2022. The terms of the swaps require Laureate to pay interest on the basis of fixed rates of 1.756%, 1.796%, 1.796% and 1.763% on the \$100,000, \$100,000, \$200,000 and \$300,000 notional values, respectively. Laureate will receive interest for all four swaps on the basis of one-month USD-LIBOR-BBA, with a floor of 1%. The swaps are determined to be 100% effective; therefore, the amount of gain or loss recognized in income on the ineffective portion of derivative instruments designated as hedging instruments was \$0. During the next 12 months, an immaterial amount is expected to be reclassified from AOCI into income. As of

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 15. Derivative Instruments (Continued)

December 31, 2017, these interest rate swaps had an estimated fair value of \$6,046, which was recorded in Derivative instruments as a long-term asset.

Cash Flow Hedge—Interest Rate Swaps

In September 2011, Laureate entered into two forward interest rate swap agreements that were designated as cash flow hedges. The swaps effectively fixed interest rates on existing variable-rate borrowings in order to manage our exposure to future interest rate volatility. Both swaps had an effective date of June 30, 2014 and matured on June 30, 2017. The gain or loss on these swaps was deferred in AOCI and then reclassified into earnings as a component of Interest expense in the same periods during which the hedged forecasted transactions affected earnings. During the second quarter of 2017, all of the gain or loss previously deferred in AOCI had been recognized in earnings since the swaps had matured. As of December 31, 2016, these interest rate swaps had an estimated fair value of \$5,218.

Net Investment Hedge—Cross Currency Swaps

In December 2017, Laureate entered into two EUR-USD cross currency swaps to hedge the foreign currency exchange volatility on operations of our Euro functional currency subsidiaries and better match our cash flows with the currencies in which our debt obligations are denominated. Both swaps have an effective date of December 22, 2017 and a maturity date of November 2, 2020, and were designated at inception as effective net investment hedges. At maturity on the first swap Laureate will deliver the notional amount of EUR 50,000 and receive USD \$59,210 at an implied exchange rate of 1.1842. At maturity on the second swap Laureate will deliver the notional amount of EUR 50,000 and receive USD \$59,360 at an implied exchange rate of 1.1872. Semiannually until maturity, Laureate is obligated to pay 5.63% and receive 8.25% on EUR 50,000 and USD \$59,210, respectively, on the first swap and pay 5.6675% and receive 8.25% on EUR 50,000 and USD \$59,360, respectively, on the second swap. The swaps are determined to be 100% effective; therefore, the amount of gain or loss recognized in income on the ineffective portion of derivative instruments designated as hedging instruments was \$0. As of December 31, 2017, these swaps had an estimated fair value of \$1,451, which was recorded in Derivative Instruments as a long-term liability.

The table below shows the total recorded unrealized gain (loss) in Comprehensive income (loss) for the derivatives designated as hedging instruments. The impact of these derivative instruments on Comprehensive income (loss), Interest expense and AOCI for the years ended December 31, 2017, 2016 and 2015 were as follows:

	Gain (Loss) Recognized in Comprehensive Income (Effective Portion)			Income Statement Location	Loss Reclassified from AOCI to Income (Effective Portion)		
	2017	2016	2015		2017	2016	2015
Interest rate swaps	\$ 11,264	\$ 8,032	\$ 5,629	Interest expense	\$ (7,584)	\$ (10,660)	\$ (10,660)
Net investment cross currency swaps	(1,389)	—	—	N/A	—	—	—
Total	\$ 9,875	\$ 8,032	\$ 5,629		\$ (7,584)	\$ (10,660)	\$ (10,660)

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 15. Derivative Instruments (Continued)

Derivatives Not Designated as Hedging Instruments

Derivatives related to Series A Preferred Stock Offering

The Company identified several embedded derivatives associated with the issuance of the Series A Preferred Stock as discussed in Note 12, Commitments and Contingencies. The embedded derivatives are related to certain contingent redemption features of the Series A Preferred Stock. As of December 31, 2017 and December 31, 2016, the estimated fair values of these derivatives were assets of \$42,140 and \$4,464, respectively, and were recorded in Derivative Instruments as long-term assets on the Consolidated Balance Sheets. During the first quarter of 2017, \$4,382 was bifurcated from the carrying value of the Series A Preferred Stock and recorded as derivative assets. The increase in estimated fair value during the year ended December 31, 2017 of \$33,294 was recorded as an unrealized gain on derivatives in the Consolidated Statement of Operations. These derivatives are not designated as hedges for accounting purposes thus the changes in estimated fair value are recognized as a component of earnings.

THINK Interest Rate Swaps

Laureate acquired THINK on December 20, 2013, and financed a portion of the purchase price by borrowing AUD 45,000 (US \$34,749 at December 31, 2017) under a syndicated facility agreement in the form of two term loans of AUD 22,500 each. The terms of the syndicated facility agreement required THINK to enter into an interest rate swap within 45 days from the agreement's December 20, 2013 effective date, in order to convert at least 50% of the AUD 45,000 of term loan debt from a variable interest rate based on the BBSY bid rate, an Australia bank rate, to a fixed interest rate. Accordingly, on January 31, 2014, THINK executed an interest rate swap agreement with an original notional amount of AUD 22,500 to satisfy this requirement and converted AUD 22,500 (US \$17,375 at December 31, 2017) of the variable rate component of the term loan debt to a fixed interest rate of 3.86%. The notional amount of the swap decreases quarterly based on the terms of the agreement, and the swap matures on December 20, 2018. This interest rate swap was not designated as a hedge for accounting purposes, and had an estimated fair value of \$179 and \$330 at December 31, 2017 and December 31, 2016, respectively, which was recorded in Derivative Instruments as a current liability at December 31, 2017 and a long-term liability at December 31, 2016.

EUR to USD Foreign Currency Swaps

In December 2017, the Company entered into a total of six EUR to USD forward exchange swap agreements in connection with the sale of EUC and Laureate Italy, as discussed in Note 3, Assets Held for Sale. The purpose of the swaps was to mitigate the risk of foreign currency exposure on the sale proceeds. The swaps had an aggregate notional amount of EUR 200,000 and matured on January 16, 2018. The swaps were not designated as hedges for accounting purposes. As of December 31, 2017, these swaps had an estimated fair value of \$4,279, which was recorded in Derivative Instruments as a current liability.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 15. Derivative Instruments (Continued)

CLP to Unidad de Fomento (UF) Cross Currency and Interest Rate Swaps

The cross currency and interest rate swap agreements are intended to provide a better correlation between our debt obligations and operating currencies. In 2010, one of our subsidiaries in Chile entered into four cross currency and interest rate swap agreements. One of the swaps matures on December 1, 2024, and the remaining three mature on July 1, 2025 (the CLP to UF cross currency and interest rate swaps). The UF is a Chilean inflation-adjusted unit of account. The four swaps have an aggregate notional amount of approximately \$31,000, and convert CLP-denominated, floating-rate debt to fixed-rate UF-denominated debt. The CLP to UF cross currency and interest rate swaps were not designated as hedges for accounting purposes. As of December 31, 2017 and December 31, 2016, these swaps had an estimated fair value of \$7,939 and \$7,420, respectively, which was recorded in Derivative instruments as a long-term liability.

Components of the reported Gain (loss) on derivatives not designated as hedging instruments in the Consolidated Statements of Operations were as follows:

<u>For the years ended December 31,</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<i>Unrealized Gain (Loss)</i>			
Contingent redemption features—Series A Preferred	\$ 33,294	\$ 1,735	\$ —
Cross currency and interest rate swaps	(4,191)	(873)	(2,133)
Interest rate swaps	175	84	145
	<u>29,278</u>	<u>946</u>	<u>(1,988)</u>
<i>Realized Loss</i>			
Cross currency and interest rate swaps	(622)	(6,811)	(407)
Interest rate swaps	—	(219)	(212)
	<u>(622)</u>	<u>(7,030)</u>	<u>(619)</u>
<i>Total Gain (Loss)</i>			
Contingent redemption features—Series A Preferred	33,294	1,735	—
Cross currency and interest rate swaps	(4,813)	(7,684)	(2,540)
Interest rate swaps	175	(135)	(67)
Gain (loss) on derivatives, net	<u>\$ 28,656</u>	<u>\$ (6,084)</u>	<u>\$ (2,607)</u>

The realized loss on derivatives for the year ended December 31, 2016 was primarily from a deal-contingent forward exchange swap agreement related to the sale of our Swiss and associated institutions, partially offset by a realized gain from foreign exchange forward contracts related to the sale of institutions in France that matured in July 2016.

Credit Risk and Credit-Risk-Related Contingent Features

Laureate's derivatives expose us to credit risk to the extent that the counterparty may possibly fail to perform its contractual obligation. The amount of our credit risk exposure is equal to the fair value of the derivative when any of the derivatives are in a net gain position. As of December 31, 2017 and December 31, 2016, the estimated fair values of derivatives in a gain position were \$48,186 and \$4,464, respectively; however, this carrying value relates mostly to the redemption rights of the holders of the

Laureate Education, Inc. and Subsidiaries**Notes to Consolidated Financial Statements (Continued)****(Dollars and shares in thousands)****Note 15. Derivative Instruments (Continued)**

Series A Preferred Stock, which do not expose us to credit risk. Our counterparty credit risk is currently limited to the 2024 Term Loan Interest Rate Swaps with aggregate fair values in a gain position of \$6,046 as of December 31, 2017.

Laureate has limited its credit risk by only entering into derivative transactions with highly rated major financial institutions. We have not entered into collateral agreements with our derivatives' counterparties. At December 31, 2017, one institution which was rated Aa3, four institutions which were rated A1 and one institution which was rated A3 by the global rating agency of Moody's Investors Service accounted for all of Laureate's derivative credit risk exposure.

Laureate's agreements with its derivative counterparties contain a provision under which we could be declared in default on our derivative obligations if repayment of the underlying indebtedness is accelerated by the lender due to a default on the indebtedness. As of December 31, 2017 and December 31, 2016, we had not breached any default provisions and had not posted any collateral related to these agreements. If we had breached any of these provisions, we could have been required to settle the obligations under the derivative agreements for an amount that we believe would approximate their estimated fair value of \$13,848 as of December 31, 2017 and \$12,968 as of December 31, 2016.

Note 16. Income Taxes

Significant components of the Income tax benefit (expense) on earnings from continuing operations were as follows:

<u>For the years ended December 31,</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Current:			
United States	\$ 28,091	\$ (3,414)	\$ (6,304)
Foreign	(125,663)	(91,571)	(126,597)
State	(400)	(166)	(392)
Total current	(97,972)	(95,151)	(133,293)
Deferred:			
United States	127,457	(3,323)	(4,629)
Foreign	27,473	32,300	19,319
State	9,855	1,173	873
Total deferred	164,785	30,150	15,563
Total income tax benefit (expense)	<u>\$ 66,813</u>	<u>\$ (65,001)</u>	<u>\$ (117,730)</u>

For the years ended December 31, 2017, 2016 and 2015, foreign income from continuing operations before income taxes was \$347,297, \$923,636 and \$105,919, respectively. For the years ended December 31, 2017, 2016 and 2015, domestic loss from continuing operations before income taxes was \$320,498, \$492,536 and \$306,528, respectively.

Laureate Education, Inc. and Subsidiaries**Notes to Consolidated Financial Statements (Continued)****(Dollars and shares in thousands)****Note 16. Income Taxes (Continued)**

Significant components of deferred tax assets and liabilities arising from continuing operations were as follows:

<u>December 31,</u>	<u>2017</u>	<u>2016</u>
Deferred tax assets:		
Net operating loss carryforwards	\$ 705,560	\$ 983,202
Depreciation	105,868	72,159
Deferred revenue	57,541	52,693
Allowance for doubtful accounts	26,193	30,379
Deferred compensation	43,440	61,837
Unrealized loss	56,871	71,587
Nondeductible reserves	43,176	40,690
Interest	17,279	10,728
Total deferred tax assets	<u>1,055,928</u>	<u>1,323,275</u>
Deferred tax liabilities:		
Investment in subsidiaries	115,886	107,400
Amortization of intangible assets	314,390	371,668
Other	1,026	153
Total deferred tax liabilities	<u>431,302</u>	<u>479,221</u>
Net deferred tax assets	624,626	844,054
Valuation allowance for net deferred tax assets	(746,835)	(1,154,008)
Net deferred tax liabilities	<u>\$ (122,209)</u>	<u>\$ (309,954)</u>

The Tax Cuts & Jobs Act (TCJA) was enacted in December 2017. Among other things, the TCJA reduces the U.S. federal corporate tax rate from 35% to 21% beginning in 2018, requires companies to pay a one-time transition tax on previously unremitted earnings of non-U.S. subsidiaries that were previously tax deferred and creates new taxes on certain foreign-sourced earnings. The SEC staff issued Staff Accounting Bulletin (SAB) 118, which provides guidance on accounting for enactment effects of the TCJA. SAB 118 provides a measurement period of up to one year from the TCJA's enactment date for companies to complete their accounting under ASC 740. In accordance with SAB 118, to the extent that a company's accounting for certain income tax effects of the TCJA is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in its financial statements. If a company cannot determine a provisional estimate to be included in its financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the TCJA.

In connection with Laureate's initial analysis of the impact of the enactment of the TCJA, the Company recorded a net tax benefit of \$137,600 in the fourth quarter of 2017. Of this amount, \$66,900 relates to the rate change and \$70,700 relates to the valuation allowance release, net of rate adjustment, on the deferred tax assets other than net operating loss carryforwards (NOLs) that, when realized, will become indefinite-lived NOLs. For various reasons that are discussed more fully below, including the issuance of additional technical and interpretive guidance, Laureate has not completed its accounting for the income tax effects of certain elements of the TCJA, such as Global low-taxed

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 16. Income Taxes (Continued)

income (GILTI) and permanent reinvestment. However, with respect to the transition tax and remeasurement of deferred taxes, Laureate was able to make reasonable estimates of the TCJA's effects and, recorded provisional amounts.

Transition tax: The transition tax is a tax on previously untaxed accumulated and current earnings and profits (E&P) of certain of the Company's non-U.S. subsidiaries. To determine the amount of the transition tax, Laureate must determine, in addition to other factors, the amount of post-1986 E&P of the relevant subsidiaries, as well as the amount of non-U.S. income taxes paid on such earnings. Further, the transition tax is based in part on the amount of those earnings held in cash and other specified assets. Laureate was able to make a reasonable estimate of the transition tax and recorded a provisional obligation resulting in additional tax expense of \$149,800 in the fourth quarter of 2017. However, Laureate is able to offset this liability with current year losses and, under alternative minimum tax, up to 90% of the remaining liability, with existing net operating losses, resulting in a net liability of \$3,200. Additionally, the TCJA repeals the corporate alternative minimum tax prospectively. Thus, Laureate will also record a deferred tax asset for an amount equal to the payable under the alternative minimum tax, resulting in no net income tax expense related to the transition tax. The Company is continuing to gather additional information and will consider additional technical guidance to more precisely compute and account for the amount of the transition tax. This amount may change when Laureate finalizes the calculation of post-1986 foreign E&P previously deferred from U.S. federal taxation and finalizes the amounts held in cash or other specified assets.

Remeasurement of deferred tax assets/liabilities: Laureate remeasured certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21% under the TCJA and recorded a tax benefit in the amount of \$66,900. Additionally, Laureate recorded a tax benefit related to the valuation allowance release, net of rate adjustment, on the deferred tax assets other than NOLs that, when realized, will become indefinite-lived NOLs in the amount of \$70,700. Laureate is still analyzing certain aspects of the TCJA, including state conformity, considering additional technical guidance, and refining its calculations, which could potentially affect the measurement of these balances or potentially give rise to new deferred tax amounts.

Permanent Reinvestment: Laureate also is considering other impacts of the 2017 enactment of the TCJA including, but not limited to, effects on the Company's indefinite-reinvestment assertion. As discussed further below, Laureate previously has not provided deferred taxes on unremitted earnings attributable to international companies that have been considered to be reinvested indefinitely. Laureate is still analyzing the full effects of the TCJA, which may cause some reassessment of previous indefinite-reinvestment assertions with respect to certain jurisdictions.

GILTI: Laureate is considering the potential impacts of the GILTI provision within the TCJA on deferred tax assets/liabilities. Currently, Laureate has not yet elected a policy as to whether it will recognize deferred taxes for basis differences expected to reverse as GILTI or whether Laureate will account for GILTI as period costs if and when incurred. Laureate is not aware of other elements of the TCJA for which the Company was not yet able to make reasonable estimates of the enactment impact and for which it would continue accounting for them in accordance with ASC 740 on the basis of the tax laws in effect before the TCJA.

Laureate Education, Inc. and Subsidiaries**Notes to Consolidated Financial Statements (Continued)****(Dollars and shares in thousands)****Note 16. Income Taxes (Continued)**

At December 31, 2017, and 2016, undistributed earnings from foreign subsidiaries totaled \$2,081,927 and \$1,827,228, respectively. We have not recognized deferred tax liabilities for these undistributed earnings because we believe that they will be indefinitely reinvested outside of the United States. These earnings could become subject to additional taxes if they are remitted as dividends, loaned to us or to one of our United States affiliates, or if we sold our interests in the subsidiaries. It is not practicable for us to determine the amount of additional taxes that might be payable on the unremitted earnings. As noted above the impact of the enactment of the TCJA on the indefinite-reinvestment assertion has not been finalized and the position is therefore provisional as of December 31, 2017.

Approximately 68.66% (49.44% federal and 19.22% states) of our worldwide NOLs as of December 31, 2017 originated in the United States, derived from both federal and various state jurisdictions. The United States federal NOLs will begin to expire in 2027.

The valuation allowance relates to the uncertainty surrounding the realization of tax benefits primarily attributable to NOLs of the parent company and of certain foreign subsidiaries, and future deductible temporary differences that are available only to offset future taxable income of subsidiaries in certain jurisdictions.

The Company assesses the realizability of deferred tax assets by examining all available evidence, both positive and negative. A valuation allowance is recorded if negative evidence outweighs positive evidence. A company's three-year cumulative loss position is significant negative evidence in considering whether deferred tax assets are realizable. Accounting guidance restricts the amount of reliance the Company can place on projected taxable income to support the recovery of the deferred tax assets. In 2017, the Company's valuation allowance was changed due to the impact of the TCJA. The major drivers of the change in balance are: impact of the US rate change in the amount of \$231,100, utilization of the prior year NOLs in the amount of \$53,600 and valuation allowance release, net of rate adjustment, on the deferred tax assets other than NOLs that when realized will become indefinite-lived NOLs in the amount of \$70,700.

The reconciliations of the beginning and ending balances of the valuation allowance on deferred tax assets were as follows:

For the years ended December 31,	2017	2016	2015
Balance at beginning of period	\$ 1,154,008	\$ 1,092,951	\$ 994,434
(Deductions) additions to costs and expenses	(33,044)	45,972	157,960
Additions: charges to other accounts(a)	—	15,085	—
Deductions(b)	(374,129)	—	(59,443)
Balance at end of period	<u>\$ 746,835</u>	<u>\$ 1,154,008</u>	<u>\$ 1,092,951</u>

(a) Charges to other accounts includes reclassifications and foreign currency translation.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 16. Income Taxes (Continued)

- (b) Deductions include reclassifications and foreign currency translation, TCJA-related adjustments described in the paragraph above and reclassifications related to held-for-sale entities.

The reconciliations of the reported Income tax expense to the amount that would result by applying the United States federal statutory tax rate of 35% to income from continuing operations before income taxes were as follows:

<u>For the years ended December 31,</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Tax (expense) benefit at the United States statutory rate	\$ (9,380)	\$ (150,885)	\$ 70,213
Permanent differences	(14,927)	(29,345)	(23,483)
State income tax benefit, net of federal tax effect	(702)	654	312
Tax effect of foreign income taxed at lower rate	46,956	87,161	29,267
Change in valuation allowance	(114,119)	(52,758)	(148,912)
Effect of tax contingencies	9,066	28,536	(34,572)
Tax credits	19,833	19,414	25,557
Withholding taxes	(6,355)	(33,791)	(35,332)
U.S. tax on repatriated earnings	(875)	(64,316)	(1,451)
Impairments	—	(8,230)	(36)
Sale of subsidiaries	—	139,335	—
Impact of Tax Cuts and Jobs Act:			
Transition tax on unremitted earnings	(149,800)	—	—
Tax effect of rate changes	66,943	—	—
Change in valuation allowance	213,609	—	—
State income tax benefit, net of federal tax effect	6,848	—	—
Other	(284)	(776)	707
Total income tax benefit (expense)	<u>\$ 66,813</u>	<u>\$ (65,001)</u>	<u>\$ (117,730)</u>

The reconciliations of the beginning and ending amount of unrecognized tax benefits were as follows:

<u>For the years ended December 31,</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Beginning of the period	\$ 86,385	\$ 82,522	\$ 67,804
Additions for tax positions related to prior years	6,266	12,865	32,388
Decreases for tax positions related to prior years	(11,121)	(3,474)	(12,640)
Additions for tax positions related to current year	12,494	15,231	233
Decreases for unrecognized tax benefits as a result of a lapse in the statute of limitations	(7,592)	(11,389)	(4,919)
Settlements for tax positions related to prior years	(49)	(9,370)	(344)
End of the period	<u>\$ 86,383</u>	<u>\$ 86,385</u>	<u>\$ 82,522</u>

Laureate records interest and penalties related to uncertain tax positions as a component of Income tax expense. During the years ended December 31, 2017, 2016 and 2015, Laureate recognized

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 16. Income Taxes (Continued)

interest and penalties related to income taxes of \$7,592, \$9,245 and \$16,270, respectively. Laureate had \$42,133 and \$42,444 of accrued interest and penalties at December 31, 2017 and 2016, respectively. During the years ended December 31, 2017, 2016 and 2015, Laureate derecognized \$8,697, \$25,911 and \$8,090, respectively, of previously accrued interest and penalties. Approximately \$58,300 of unrecognized tax benefits, if recognized, will affect the effective income tax rate. It is reasonably possible that Laureate's unrecognized tax benefits may decrease within the next 12 months by up to approximately \$14,300 as a result of the lapse of statutes of limitations and as a result of the final settlement and resolution of outstanding tax matters in various jurisdictions.

Laureate and various subsidiaries file income tax returns in the United States federal jurisdiction, and in various states and foreign jurisdictions. With few exceptions, Laureate is no longer subject to United States federal, state and local, or foreign income tax examinations by tax authorities for years before 2011. United States federal and state statutes are generally open back to 2014; however, the Internal Revenue Service (the IRS) has the ability to challenge 2005 through 2013 net operating loss carryforwards. Statutes of other major jurisdictions, such as Brazil, Chile and Spain are open back to 2013, and Mexico is open back to 2008.

ICE Audit

During 2010 and 2013, Laureate was notified by the Spain Tax Authorities (STA) that two tax audits of our Spanish subsidiaries were being initiated for 2006 through 2007, and for 2008 through 2010, respectively. On June 29, 2012, the STA issued a final assessment to Iniciativas Culturales de España, S.L. (ICE), our Spanish holding company, for EUR 11,051 (US \$13,118 at December 31, 2017), including interest, for the 2006 through 2007 period. Laureate has appealed this final assessment related to the 2006 through 2007 period and issued a cash-collateralized letter of credit in July 2012, in order to continue the appeal process. In October 2015, the STA issued a final assessment to ICE for the 2008 through 2010 period for approximately EUR 17,187 (approximately US \$20,401 at December 31, 2017), including interest, for those three years. In order to continue the appeals process, we have issued cash-collateralized letters of credit for the 2008 to 2010 period assessment amount, plus interest and surcharges. In total, as of December 31, 2017 we have issued cash-collateralized letters of credit for the ICE tax audit matters of EUR 33,282 (US \$39,505 at December 31, 2017), as also described in Note 12, Commitments and Contingencies.

During the quarter ended June 30, 2015, the Company reassessed its position regarding the ICE tax audit matters as a result of recent adverse decisions from the Spanish Supreme Court and the Spanish National Court on cases for taxpayers with similar facts and determined that it could no longer support a more-likely-than-not position. As a result, during 2015, the Company has recorded a provision totaling EUR 37,610 (approximately US \$42,100) for the period January 1, 2006 through December 31, 2016. The Company plans to continue the appeals process for the periods already audited and assessed. During the second quarter of 2016, we were notified by the STA that tax audits of the Spanish subsidiaries were also being initiated for 2011 and 2012, and in July 2017 the tax audit was extended to include 2013; no assessments have yet been issued for these years. Also, during the second quarter of 2016, the Regional Administrative Court issued a decision against the Company on its appeal. The Company has further appealed at the Highest Administrative Court level, which appeal was rejected on January 23, 2018. The Company has appealed both decisions to the National Court. In

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 16. Income Taxes (Continued)

the first quarter of 2018, the Company made payments to the STA totaling approximately EUR 29,600 (approximately US \$35,100 at December 31, 2017) in order to reduce the amount of future interest that could be incurred as the appeals process continues. The payments were made using cash that collateralized the letters of credit discussed above.

Chile Tax Reform

On September 29, 2014, Chile enacted major income tax law changes. The significant change affecting the Company was the increase in income tax rates, which were retroactive to January 2014. The tax rates are increasing from 21% to 22.5% in 2015, 24% in 2016, 25.5% in 2017 and 27% in 2018 and beyond. Deferred taxes were revalued and a benefit of approximately \$2,967, \$850, \$2,700 and \$6,100 was recorded in 2017, 2016, 2015 and 2014, respectively. Prior to 2015, the law also included two alternative methods for computing shareholder-level income taxation. During 2015, the law changed to include one method for computing shareholder-level income taxation.

Note 17. Earnings (Loss) Per Share

As discussed in Note 1, Description of Business, on January 31, 2017 our common stock was reclassified into shares of Class B common stock and, on February 6, 2017, we completed our IPO of Class A common stock. Other than voting rights, the Class B common stock has the same rights as the Class A common stock and therefore both are treated as the same class of stock for purposes of the earnings per share calculation. Laureate computes basic earnings per share (EPS) by dividing income available to common shareholders by the weighted average number of common shares outstanding for the reporting period. Diluted EPS reflects the potential dilution that would occur if share-based compensation awards or contingently issuable shares were exercised or converted into common stock. To calculate the diluted EPS, the basic weighted average number of shares is increased by the dilutive effect of stock options, restricted stock, and other share-based compensation arrangements determined using the treasury stock method.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 17. Earnings (Loss) Per Share (Continued)

The following tables summarize the computations of basic and diluted earnings per share:

<u>For the years ended December 31,</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Numerator used in basic and diluted (loss) earnings per common share:			
Income (loss) from continuing operations attributable to Laureate Education, Inc.	\$ 91,465	\$ 371,847	\$ (316,248)
Accretion of redemption value of redeemable noncontrolling interests and equity	317	263	(13,041)
Adjusted for: accretion related to noncontrolling interests and equity redeemable at fair value	(6,358)	33	6,879
Accretion of redemption value of Series A Preferred Stock	(292,450)	(1,719)	—
Distributed and undistributed earnings to participating securities	(6)	(114)	(11)
Accretion of Series A convertible redeemable preferred stock and other redeemable noncontrolling interests and equity	(298,497)	(1,537)	(6,173)
Net (loss) income available to common stockholders	<u>\$ (207,032)</u>	<u>\$ 370,310</u>	<u>\$ (322,421)</u>
Denominator used in basic and diluted (loss) earnings per common share:			
Basic weighted average shares outstanding	172,409	133,295	132,950
Effect of dilutive stock options	—	833	—
Effect of dilutive restricted stock units	—	278	—
Dilutive weighted average shares outstanding	<u>172,409</u>	<u>134,406</u>	<u>132,950</u>
Basic and diluted (loss) earnings per share:			
Basic (loss) earnings per share	\$ (1.20)	\$ 2.78	\$ (2.44)
Diluted (loss) earnings per share	<u>\$ (1.20)</u>	<u>\$ 2.76</u>	<u>\$ (2.44)</u>

The shares of Class A common stock that would be issued upon completion of the conversion of the Series A Preferred Stock are not included in the calculation of diluted EPS as the effect would have been antidilutive. The following table summarizes the number of stock options and shares of restricted stock that were excluded from the diluted EPS calculations because the effect would have been antidilutive:

<u>For the years ended December 31,</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Stock options	12,497	5,773	10,743
Restricted stock	<u>986</u>	<u>181</u>	<u>430</u>

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 18. Related Party Transactions

Corporate

Santa Fe University of Arts and Design (SFUAD)

SFUAD is owned by Wengen, our controlling stockholder. Laureate is affiliated with SFUAD, but does not own or control it and, accordingly, SFUAD is not included in the financial results of Laureate. On May 18, 2016, SFUAD announced that it had signed an agreement to be acquired by a private education provider with a global network of colleges and universities that focus on art and design education. This agreement was terminated by the parties thereto on March 29, 2017. On April 12, 2017, SFUAD announced that it plans to close after the end of the 2017-2018 academic year and will work with its students on a phased teach-out and transfer process for students who are eligible to complete their degrees by May 2018 and appropriate transfer opportunities for other students. The teach-out plan has been approved by the Higher Learning Commission (HLC).

As of December 31, 2017, Laureate had a payable to SFUAD of approximately \$1,250 related to a surety bond issued to the New Mexico Higher Education Department that Laureate is maintaining on SFUAD's behalf. The cash collateral for the bond, which is recorded in Restricted cash and investments on our December 31, 2017 Consolidated Balance Sheet, was funded by SFUAD and therefore is recorded as a payable to SFUAD.

Transactions between Laureate and Affiliates, Wengen, Directors and a Former Executive

During the first quarter of 2017, Laureate made a charitable contribution of \$2,000 to the Sylvan Laureate Foundation, a non-profit foundation that supports programs designed to promote education and best practices and principles in teaching. The payment was accrued in prior periods.

An affiliate of one of the Wengen investors acted as a financial adviser in connection with our IPO and our 2017 debt refinancing; we paid this affiliate \$2,768 for its services during the year ended December 31, 2017. During the years ended December 31, 2016 and 2015, we paid this affiliate \$185 and \$700, respectively for services rendered in connection with the Company's refinancing of its debt and new debt issuances.

During the first quarter of 2017, the Company paid in full a note payable to a former executive of approximately \$4,280, which represented the original note payable of \$3,771 plus accrued interest. As previously disclosed in our 2016 Form 10-K, the note payable was issued in 2014 in exchange for vested share-based compensation and was payable upon consummation of the IPO.

We have agreements in place with I/O Data Centers, LLC and affiliates (I/O) pursuant to which I/O provides modular data center solutions to the Company. One of our directors is also a director of the parent of I/O. Additionally, this director, our former CEO, and Sterling Partners (a private equity firm co-founded by the director, our former CEO, and others) maintain an ownership interest in I/O. During the years ended December 31, 2017, 2016, and 2015, we incurred costs for these agreements of approximately \$500, \$900, and \$500, respectively.

During the years ended December 31, 2015, we made payments of \$196 to a consulting firm that works with one of the Wengen investors and its portfolio companies, for consulting services provided in connection with our EiP initiative. No payments were made in 2016 or 2017.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 18. Related Party Transactions (Continued)

As part of our initial public offering in February 2017, an affiliate of one of the Wengen investors purchased from the underwriters 3,571 shares of Class A common stock at the initial public offering price.

As part of the issuance and sale of shares of the Company's Series A Preferred Stock in December 2016, KKR and Snow Phipps, affiliates of Wengen, purchased from the Company 60 and 15 shares of Series A-2 Preferred Stock, respectively. During the year ended December 31, 2017, the Company paid cash dividends on the Series A Preferred Stock totaling \$18,052, of which \$3,644 was paid to KKR and Snow Phipps.

On December 16, 2015, Laureate entered into a term loan agreement with Wengen, its controlling stockholder, for approximately \$11,000. The note payable accrued interest at an annual rate of LIBOR plus 4.25%, with a 1.25% floor on the LIBOR, and interest was payable quarterly. The term of the loan was three years, with the last payment due on December 31, 2018. Early repayment was permitted under the loan agreement, and the loan was fully repaid during the year ended December 31, 2016.

Andean & Iberian

Transactions between Laureate and Entities Affiliated with a Former Executive

For the years ended December 31, 2017, 2016 and 2015, Laureate made payments of \$639, \$617 and \$497, respectively, for clinical studies and \$0, \$0 and \$158, respectively, for consulting and market research to companies that are affiliated with an individual who served as one of our executives until the third quarter of 2014.

Ecuador

Transactions between Laureate and a VIE formerly consolidated

UDLA Ecuador is an institution in Ecuador that was formerly consolidated into Laureate. In the fourth quarter of 2012, Laureate deconsolidated UDLA Ecuador as a result of a law that caused us to lose the ability to control that institution. In prior years, UDLA Ecuador made capital contributions to an education-related real estate subsidiary of Laureate in Chile. As of December 31, 2016, UDLA Ecuador's noncontrolling interest in this Chilean real estate subsidiary was approximately \$22,000. As discussed in Note 5, Dispositions and Asset Sales, in November 2017 we completed the sale of certain property and equipment to UDLA Ecuador. Contemporaneous with that transaction, we also repurchased UDLA Ecuador's noncontrolling interest in the Chilean real estate subsidiary for a purchase price of \$36,247, which included a cash payment of \$6,085. The payment is included in Payments to purchase noncontrolling interests in the Consolidated Statement of Cash Flows. During the years ended December 31, 2017, 2016 and 2015, the Chilean real estate subsidiary made dividend payments to UDLA Ecuador of \$1,242, \$955 and \$1,047, respectively, related to this investment.

Certain for-profit entities of Laureate continue to provide services and/or intellectual property to UDLA Ecuador through contractual arrangements at market rates. However, only earnings that are realized through these various contractual arrangements are being recognized by the Company. During the years ended December 31, 2017, 2016 and 2015, the total amounts recognized through these contractual arrangements, primarily as other revenues, were \$13,927, \$13,970 and \$13,879, respectively.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 18. Related Party Transactions (Continued)

As of December 31, 2016, we had payables to UDLA Ecuador of \$9,190 and receivables from UDLA Ecuador of \$3,273. In connection with the November 2017 transactions described above, we extended certain of the aforementioned contractual arrangements with UDLA Ecuador. However, any future revenues from these contractual arrangements will only be recognized if received.

EMEA

Morocco

Transactions between Laureate and Noncontrolling Interest Holder of Laureate Somed Education Holding SA (Laureate Somed)

Laureate Somed is 60% owned and consolidated by Laureate and is the entity that operates Université Internationale de Casablanca, our institution in Morocco. The 40% noncontrolling interest holder of Laureate Somed has made loans to Laureate Somed, and as of December 31, 2016, we had a related party payable of \$7,936 to the noncontrolling interest holder for the outstanding balance of and accrued interest on these loans, all of which was recorded as current.

During the year ended December 31, 2017, the maturity dates of five loans made by the noncontrolling interest holder were extended. The first loan was made by the noncontrolling interest holder in December 2013 and the maturity date was extended from December 2016 to December 2018. The second loan was made by the noncontrolling interest holder in March 2015 and the maturity date was extended from September 2016 to September 2019. The third loan was made by the noncontrolling interest holder in June 2015 and the maturity date was extended from December 2016 to December 2018. The fourth loan was made by the noncontrolling interest holder in April 2014 and the maturity date was extended from April 2017 to April 2019. The fifth loan was made by the noncontrolling interest holder in October 2015 and the maturity date was extended from April 2017 to October 2019. The total outstanding balance of these five loans, including accrued interest, at the extension dates was MAD 74,262 (US \$7,885 at December 31, 2017). Each of these loans bears an interest rate of 4.5% per annum.

As of December 31, 2017, we had total related party payables of \$8,953 to the noncontrolling interest holder of Laureate Somed for the outstanding balance on these loans plus accrued interest, of which \$3,016 and \$5,937 was recorded as current and noncurrent, respectively.

As discussed in Note 3, Assets Held for Sale, on November 29, 2017, the Company, along with the noncontrolling interest holder, entered into an agreement to sell Laureate Somed. The sale is expected to close during the first half of 2018, subject to customary closing conditions.

China

Transactions between China businesses and Noncontrolling Interest Holders of HIEU

A portion of real property that HIEU had paid for, including land and buildings, was mortgaged as collateral for corporate loans that an entity controlled by certain noncontrolling interest holders of HIEU had entered into with third-party banks. In December 2013, the noncontrolling interest holders of HIEU signed an agreement with Laureate and committed to: (1) remove all encumbrances on HIEU's real property no later than September 30, 2014 and (2) cause the entity to complete the

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 18. Related Party Transactions (Continued)

transfer of title relating to the encumbered real property to HIEU no later than December 31, 2014. Under the terms of this agreement, the noncontrolling interest holders also agreed to pay any and all transfer taxes, fees and other costs that are required in connection with the removal of the encumbrances and the transfer of titles, which are estimated to be approximately \$2,000. As collateral for their performance under the agreement, the noncontrolling interest holders pledged to Laureate their 30% equity interest in the sponsoring entity of HIEU. The noncontrolling interest holders of HIEU did not complete their commitment to remove the encumbrances over the real property or complete the transfer of the real property. Under the terms of the agreement, Laureate had the right to receive the sale proceeds of the noncontrolling interest holders' 30% equity interest, up to the amount owing to it under the equity pledge, in priority to other creditors of the noncontrolling interest holders.

On February 22, 2016, certain creditors of the noncontrolling interest holders initiated an enforcement process against the noncontrolling interest holders and requested the court to auction a portion of the equity interest of the noncontrolling interest holders (being a 22.8% interest in the sponsoring entity of HIEU). A court auction process was held on August 21, 2017. At that auction, Guangdong Nanbo Education Investment Co. Ltd successfully bid approximately RMB 508,000 (approximately \$77,000 as of December 31, 2017) for the shares being auctioned. As the registered pledgee, Laureate had the right to receive the sale proceeds of the noncontrolling interest holders' equity interest, up to the amount owing to it under the equity pledge, in priority to other creditors of the noncontrolling interest holders. However, as of December 31, 2017, no formal judgment had been given by the court as to whether they would recognize Laureate's right to receive these sale proceeds. As of both December 31, 2017 and December 31, 2016, Laureate's net carrying value of the encumbered real property was approximately \$12,000.

As discussed in Note 3, Assets Held for Sale, in December 2017 we entered into an agreement to sell LEILY, the entity that is the beneficial owner of a 70% equity interest in Hunan Lie Ying Industry Co., Ltd., which in turn owns 100% of the sponsorship or equity interests in the Entities, a group of entities that includes HIEU. As discussed in Note 25, Subsequent Events, we completed the sale of LEILY in January 2018 and, as a result, we do not expect to receive any of the sale proceeds resulting from the court auction of the noncontrolling interest holders' equity interest discussed above.

Dubai

Transactions between Laureate and Laureate-Obeikan Ltd.

Laureate-Obeikan Ltd., is a joint venture in Dubai that is 50% owned by Laureate and consolidated. During the first quarter of 2016, we entered into an agreement for the assignment of amounts due to Laureate-Obeikan Ltd. from Higher Institute for Paper and Industrial Technologies (HIPIT), a third party, to Obeikan Paper Industries (OPI), a related-party subsidiary of the noncontrolling interest holder of Laureate-Obeikan Ltd., in the amount of Saudi Riyals (SAR) 14,279 (US \$3,807 at December 31, 2017) as a settlement of amounts owed from OPI to an affiliate of HIPIT. As of December 31, 2016, the amount receivable was \$2,245. During 2017, installments totaling SAR 6,000 (approximately US \$1,600 at December 31, 2017) were paid and amounts totaling SAR 2,500 (approximately US \$645 at December 31, 2017) were written off. In December 2017, management agreed to reduce the outstanding amounts due from OPI by offsetting against amounts

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 18. Related Party Transactions (Continued)

owed by the Company to Obeikan subsidiaries, which resulted in no remaining net receivable as of December 31, 2017.

Malaysia

Dividends to Noncontrolling Interest Holders

During the years ended December 31, 2017, 2016 and 2015, INTI made contractual dividend payments to its noncontrolling interest holders of \$77, \$550 and \$450, respectively, which were included within Payments of dividends in the financing activities section of the Consolidated Statements of Cash Flows. As discussed in Note 3, Assets Held for Sale, on December 11, 2017 we signed a sale purchase agreement to sell Inti Holdings, the indirect owner of INTI.

South Africa

Transactions between Laureate and Noncontrolling Interest Holder of Monash South Africa (MSA)

As of December 31, 2016, Laureate had a related party payable recorded that was owed to the noncontrolling interest holder of MSA in the amount of \$2,020. During the first quarter of 2017, we received an additional loan from the noncontrolling interest holder in the amount of \$943. The loan matures in January 2026 and bears interest at a rate of 10.5% per annum. As of December 31, 2017, the total related party payable due to the noncontrolling interest holder was \$3,371.

Central America & U.S. Campuses

United States

Transactions between Laureate and Noncontrolling Interest Holder of St. Augustine

During the year ended December 31, 2015, St. Augustine made tax distributions to its 20% noncontrolling interest holder of \$3,952, as provided for in St. Augustine's operating agreement, which were included in Distributions to noncontrolling interest holders in the financing activities section of the Consolidated Statement of Cash Flows. No tax distributions were made in 2016 or 2017. As discussed in Note 4, Acquisitions, in June 2016 we acquired the remaining 20% noncontrolling interest in St. Augustine for a purchase price of \$24,997. In December 2017, Laureate agreed to pay additional purchase price of \$370 to the former minority owner of St. Augustine as a final settlement of certain matters; the payment was made in January 2018.

Note 19. Benefit Plans

Domestic Defined Contribution Retirement Plan

Laureate sponsors a defined contribution retirement plan in the United States under section 401(k) of the Internal Revenue Code. The plan offers employees a traditional "pre-tax" 401(k) option and an "after-tax" Roth 401(k) option, providing the employees with choices and flexibility for their retirement savings. All employees are eligible to participate in the plan after meeting certain service requirements. Participants may contribute up to a maximum of 80% of their annual compensation and 100% of their annual cash bonus, as defined and subject to certain annual

Laureate Education, Inc. and Subsidiaries**Notes to Consolidated Financial Statements (Continued)****(Dollars and shares in thousands)****Note 19. Benefit Plans (Continued)**

limitations. Laureate may, at its discretion, make matching contributions that are allocated to eligible participants. The matching on the "after-tax" Roth contributions is the same as the matching on the traditional "pre-tax" contributions. Laureate made discretionary contributions in cash to this plan of \$5,638, \$4,737 and \$4,501 for the years ended December 31, 2017, 2016 and 2015, respectively.

Non-United States Pension Benefit Plans

Laureate has defined benefit (pension) plans at several non-United States institutions. The projected benefit obligation (PBO) is determined as the actuarial present value as of the measurement date of all benefits calculated by the pension benefit formula for employee service rendered. The amount of benefits to be paid depends on a number of future events incorporated into the pension benefit formula, including estimates of the average life expectancy of employees/survivors and average years of service rendered. The PBO is measured based on assumptions concerning future interest rates and future employee compensation levels. The expected net periodic benefit cost for Laureate in each year can vary from the subsequent year's actual net periodic benefit cost due to the acquisition of entities with plans, plan amendments, and the impacts of foreign currency translation. The combined unfunded status of these plans is reported as a component of Other current liabilities and Other long-term liabilities.

The net periodic benefit cost for those entities with pension plans was as follows:

<u>For the years ended December 31,</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Service cost	\$ 3,233	\$ 3,921	\$ 6,021
Interest	953	1,036	1,387
Expected return on assets	(6)	(144)	(400)
Amortization of prior service costs	22	279	903
Recognition of actuarial items	963	673	(27)
Curtailement gain	(228)	—	—
Net periodic benefit cost	<u>\$ 4,937</u>	<u>\$ 5,765</u>	<u>\$ 7,884</u>

The estimated net periodic benefit cost for the year ending December 31, 2018 is approximately \$4,485.

The weighted average assumptions were as follows:

<u>For the years ended December 31,</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Discount rate for obligations	3.00 - 11.60%	2.50 - 11.60%	0.75 - 10.10%
Discount rate for net periodic benefit costs	2.50 - 11.60%	0.75 - 10.10%	1.00 - 9.75%
Rate of compensation increases	2.50 - 14.00%	2.50 - 13.00%	2.00 - 13.00%
Expected return in plan assets	<u>2.50%</u>	<u>2.50%</u>	<u>0.75%</u>

Laureate Education, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Dollars and shares in thousands)

Note 19. Benefit Plans (Continued)

The change in PBO, change in plan assets and funded (unfunded) status for those entities with pension plans were as follows:

<u>For the years ended December 31,</u>	<u>2017</u>	<u>2016</u>
Change in PBO:		
PBO at beginning of year	\$ 12,207	\$ 70,417
Service cost	3,233	3,921
Interest	953	1,036
Actuarial loss	1,307	1,361
Benefits paid by plan	(1,389)	(2,045)
Participants contributions	—	1,024
Curtailement gain	(228)	(18,474)
Settlements	—	(44,234)
Administrative expenses	—	—
Foreign exchange	196	(799)
PBO at end of year	<u>\$ 16,279</u>	<u>\$ 12,207</u>
Change in plan assets:		
Fair value of assets at beginning of year	243	42,000
Actual return on assets	20	359
Employer contributions	103	1,369
Participant contributions	—	1,025
Benefits paid by plan	(69)	(449)
Administrative expenses	—	—
Settlements	—	(44,234)
Foreign exchange	—	173
Fair value of assets at end of year	<u>\$ 297</u>	<u>\$ 243</u>
Unfunded status	\$ 15,982	\$ 11,964
Actuarial loss	\$ 871	\$ 849
Prior service cost	—	20
Amount recognized in AOCI, pre-tax	\$ 871	\$ 869
Accumulated benefit obligation	<u>\$ 8,161</u>	<u>\$ 7,266</u>

As discussed in Note 5, Dispositions and Asset Sales, we completed the sale of our hospitality management school entities in June 2016 and the sale of our French entities in July 2016. Certain institutions that were a part of these sales had pension plans and the 2016 curtailment gain and settlement lines presented in the table above relate to the removal of these plans as a result of the sales. The pension plans related to the hospitality management schools also represented substantially all of the pension plan assets as of the beginning of 2016.

Laureate Education, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Dollars and shares in thousands)

Note 19. Benefit Plans (Continued)

The Company estimates that employer contributions to plan assets during 2018 will be approximately the same as during the year ended December 31, 2017. The estimated future benefit payments for the next 10 fiscal years are as follows:

<u>For the year ending December 31,</u>	
2018	\$ 1,907
2019	1,852
2020	943
2021	1,120
2022	1,162
2023 through 2027	<u>7,603</u>

Laureate Education, Inc. Deferred Compensation Plan

Laureate maintains a deferred compensation plan to provide certain executive employees and members of our Board of Directors with the opportunity to defer their salaries, bonuses, and Board of Directors retainers and fees in order to accumulate funds for retirement on a pre-tax basis. Participants are 100% vested in their respective deferrals and the earnings thereon. Laureate does not make contributions to the plan or guarantee returns on the investments. Although plan investments and participant deferrals are kept in a separate trust account, the assets remain Laureate's property and are subject to claims of general creditors.

The plan assets are recorded at fair value with the earnings (losses) on those assets recorded in Other income (expense). The plan liabilities are recorded at the contractual value, with the changes in value recorded in operating expenses. As of December 31, 2017 and 2016, plan assets included in Other assets in our Consolidated Balance Sheets were \$11,568 and \$10,449, respectively. As of December 31, 2017 and 2016, the plan liabilities reported in our Consolidated Balance Sheets were \$18,746 and \$16,036, respectively. As of December 31, 2017 and 2016, \$11,896 and \$943, respectively, of the total plan liability was classified as a current liability; the remainder was noncurrent and recorded in Other long-term liabilities. The increase in the current liability in 2017 relates to several participants who retired during the fourth quarter of 2017 and are required to receive distributions of their plan balances in 2018. The Company plans to fund at least approximately \$5,200 of the 2018 plan distributions with operating cash, rather than using the plan assets.

Supplemental Employment Retention Agreement

In November 2007, Laureate established a Supplemental Employment Retention Agreement (SERA) for one of its executive officers. Since Laureate achieved certain Pro-rata EBITDA targets, as defined in the SERA, from 2007 to 2011 and this officer remained employed through December 31, 2012, this individual receives an annual SERA payment of \$1,500. The SERA provides annuity payments to the executive over the course of his lifetime, and annuity payments would be made to his spouse for the course of her life in the event of the executive's death on or prior to December 31, 2026. The SERA is administered through a Rabbi Trust, and its assets are subject to the claims of creditors. Laureate has purchased annuities to provide funds for our future SERA obligations.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 19. Benefit Plans (Continued)

As of December 31, 2017 and 2016, the total SERA assets were \$6,898 and \$8,621, respectively, which were recorded in Other assets in our Consolidated Balance Sheets. As of December 31, 2017 and 2016, the total SERA liability recorded in our Consolidated Balance Sheets was \$15,970 and \$15,628, respectively, of which \$1,500 and \$1,500, respectively, was recorded in Accrued compensation and benefits, and \$14,470 and \$14,128, respectively, was recorded in Deferred compensation.

Mexico Profit-Sharing

The Fiscal Reform that was enacted in Mexico in December 2013 subjects Laureate's Mexico entities to corporate income tax and also requires them to comply with profit-sharing legislation, whereby 10% of the taxable income of Laureate's Mexican entities will be set aside as employee compensation.

Note 20. Legal and Regulatory Matters

Laureate is subject to legal proceedings arising in the ordinary course of business. In management's opinion, we have adequate legal defenses, insurance coverage, and/or accrued liabilities with respect to the eventuality of these actions. Management believes that any settlement would not have a material impact on Laureate's financial position, results of operations, or cash flows.

United States Postsecondary Education Regulation

Through our Online & Partnerships and Central America & U.S. Campuses segments, as of December 31, 2017 we operate four postsecondary educational institutions in the United States (U.S. Institutions) and provide contractual services to another. The U.S. Institutions are subject to extensive regulation by federal and state governmental entities as well as accrediting bodies. The Higher Education Act (HEA), and the regulations promulgated thereunder by the DOE, subject the U.S. Institutions to ongoing regulatory review and scrutiny. The U.S. Institutions must also comply with a myriad of requirements in order to participate in Title IV federal financial aid programs under the HEA (Title IV programs).

In particular, to participate in the Title IV programs under currently effective DOE regulations, an institution must be authorized to offer its educational programs by the relevant state agencies in the states in which it is located, accredited by an accrediting agency that is recognized by the DOE, and also certified by the DOE. In determining whether to certify an institution, the DOE closely examines an institution's administrative and financial capability to administer Title IV program funds. Based on Laureate's consolidated audited financial statements for its fiscal year ended December 31, 2016, the DOE required us to increase our letter of credit to approximately \$136,900 (an amount equal to 15% of the Title IV program funds received by Laureate in the fiscal year ended December 31, 2016) and remain subject to heightened cash monitoring. The DOE also required us to comply with additional notification and reporting requirements. We have provided the DOE with a letter of credit in the amount of approximately \$136,900, and we are complying with the additional requirements. See Note 12, Commitments and Contingencies, for further description of the outstanding DOE letters of credit as of December 31, 2017 and 2016.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 20. Legal and Regulatory Matters (Continued)

Under the HEA, proprietary schools generally are eligible to participate in Title IV programs in respect of educational programs that lead to "gainful employment in a recognized occupation." On October 30, 2014, the DOE published regulations to define "gainful employment," which became effective on July 1, 2015. Continued compliance with the gainful employment regulations could increase our cost of doing business, reduce our enrollments and have a material adverse effect on our business, financial condition, results of operations and cash flows. Historically, the concept of "gainful employment" has not been defined in detail. The regulations require each educational program offered by a proprietary institution to achieve threshold rates in two debt measure categories: an annual debt-to-annual earnings (DTE) ratio and an annual debt-to-discretionary income (DTI) ratio.

An educational program must achieve a DTE ratio at or below 8% or a DTI ratio at or below 20% to be considered "passing." An educational program with a DTE ratio greater than 8% but less than or equal to 12% or a DTI ratio greater than 20% but less than or equal to 30% is considered to be "in the zone." An educational program with a DTE ratio greater than 12% and a DTI ratio greater than 30% is considered "failing." An educational program will cease to be eligible for students to receive Title IV program funds if its DTE and DTI ratios are failing in two out of any three consecutive award years or if both of those rates are failing or in the zone for four consecutive award years.

In January 2017, the DOE issued final DTE rates to institutions. Among the Classification of Instructional Programs reported within NewSchool of Architecture and Design, Kendall College and Walden University, the DOE has indicated that we had one that failed and five in the zone. St. Augustine had no programs that failed or were in the zone. The percentage of students enrolled in the educational program that failed represents approximately 1% of the students currently enrolled in our U.S. Institutions. The percentage of students enrolled in the educational programs that were in the zone represents approximately 5%. We are currently examining and implementing options for each of these programs and their students. We are discontinuing the program that failed. For one of the programs in the zone, we conducted an alternate salary survey and are appealing the zone score to the DOE. The failure of any program or programs offered by any of our U.S. Institutions to satisfy any gainful employment regulations could render that program or programs ineligible for Title IV program funds. If a particular educational program ceased to become eligible for Title IV program funds, either because it fails to prepare students for gainful employment in a recognized occupation or due to other factors, we may choose to cease offering that program. It is possible that several programs offered by our schools may be adversely affected by the regulations due to lack of specialized program accreditation or certification in the states in which such institutions are based. We also could be required to make changes to certain programs at our U.S. Institutions or to increase student loan repayment efforts in order to comply with the rule or to avoid the uncertainty associated with such compliance.

On June 16, 2017, the DOE published a notice of intent to establish a negotiated rulemaking committee to develop proposed revisions to the gainful employment regulations. The DOE held negotiated rulemaking sessions on the gainful employment rule in December 2017 and February 2018, and will hold another negotiated rulemaking session in March 2018. If issued, any new gainful employment regulations would be effective July 1, 2019. We cannot predict with any certainty the

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 20. Legal and Regulatory Matters (Continued)

outcome of the negotiated rulemaking or the extent to which revised gainful employment regulations may differ from the current regulations.

On November 1, 2016, as part of its defense to repayment (DTR) rulemaking, the DOE issued a rule to revise its general standards of financial responsibility to include various actions and events that would require institutions to provide the DOE with irrevocable letters of credit upon the occurrence of certain triggering events. In June 2017, however, the DOE announced an indefinite delay in implementing the rule and its intent to establish a negotiated rulemaking committee to develop proposed revisions to these regulations. The DOE held negotiated rulemaking sessions in November 2017, January 2018 and February 2018 regarding the DTR regulations. The DOE and negotiators failed to reach consensus on revised DTR regulations, and the DOE is now expected to issue revised DTR regulations for comment by the summer of 2018, with the rules becoming final by November 1, 2018. If issued, any new DTR regulations would be effective July 1, 2019. If we are required to repay the DOE for any successful DTR claims by students who attended our U.S. Institutions, or we are required to obtain additional letters of credit or increase our current letter of credit, it could materially affect our business, financial conditions and results of operations.

Changes in or new interpretations of applicable laws, DOE rules, or regulations could have a material adverse effect on the U.S. Institutions' eligibility to participate in the Title IV programs.

State Higher Education Agency Program Review for Walden University

On September 8, 2016, as part of a program review that the Minnesota Office of Higher Education (MOHE) is conducting of Walden University's doctoral programs, MOHE sent to Walden University an information request regarding its doctoral programs and complaints filed by doctoral students. We have been informed by MOHE that, in an effort to better understand the context, background and issues related to doctoral student complaints in Minnesota, MOHE is initiating a full review of doctoral programs for certain institutions registered in Minnesota. MOHE has informed us that it expects to issue a report regarding its program review in 2018. We cannot predict the outcome of this matter. However, if MOHE makes an adverse determination, it could have a material adverse effect on our business, financial condition and results of operations.

Brazilian Regulation

We operate 13 post-secondary education institutions in Brazil. The responsibility of the federal government in regulating, monitoring and evaluating higher education institutions and undergraduate programs is exercised by the Brazilian Ministry of Education (the MEC), along with a number of related federal agencies and offices. The MEC is the highest authority of the higher education system in Brazil and has the power to: regulate and monitor the federal system of higher education in terms of its quality and standards, confirm decisions regarding the accreditation and reaccreditation of institutions of higher education; confirm evaluation criteria; confirm regulatory proposals; and issue and implement rules that govern the delivery of higher education services, including aspects like adherence by higher education institutions to the rules for federal education subsidy programs like Pronatec, Prouni and the Fundo de Financiamento ao Estudante do Ensino Superior (the FIES program, or FIES), through one or more of which all of our institutions enroll students. Additionally, Brazilian law requires that almost all change-of-control transactions by Laureate receive the prior approval of the

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 20. Legal and Regulatory Matters (Continued)

Brazilian antitrust authority, the Conselho Administrativo de Defesa Econ^omica (CADE). As noted, Laureate's institutions in Brazil participate in the FIES program, which targets students from low socio-economic backgrounds enrolled at private post-secondary institutions.

In December 2017, a new FIES reform was implemented by the Provisional Presidential Decree (*Medida Provisória*) n. 785/2017, which amended the FIES legal statute (Law n. 10.260/2001). The current FIES offer conditions were consolidated for the selection rules for the first half of 2018. The traditional FIES financing program continues to be offered to about one third of vacancies announced for the program in the first half of 2018. For the traditional offering, the candidate should have family income of up to three times the minimum wage and, although the previous 18-month grace period was eliminated, financing will have an interest rate of zero and will be adjusted by inflation only. The risk is borne by a new guarantee fund—called *FG-FIES*—which may have public contributions of up to BRL 3,000,000, and contributions from Higher Education Institutions (HEIs), which range from 13% of the program-funded tuition revenue for the first year, between 10% and 25% for the second to fifth year (according to delinquency-related variances), and at least 10% from the sixth year on. The second financing offer—called *P-FIES*—has two variables, according to the funding sources (a. Constitutional/Regional Development Funds or b. the BNDES). The distribution of vacancies for this modality favors programs offered in corresponding regional limits. This FIES offer will be operated strictly by financial agents, who will also bear the risks of the operation.

As of December 31, 2017, approximately 16% of our total students in Brazil participate in FIES, representing approximately 24% of our 2017 Brazil net revenue.

All of our Brazil HEIs adhere to Prouni. Prouni is a federal program of tax benefits designed to increase higher education participation rates by making college more affordable. HEI may join Prouni by signing a term of membership valid for ten years and renewable for the same period. This term of membership shall include the number of scholarships to be offered in each program, unit and class, and a percentage of scholarships for degree programs to be given to indigenous and Afro-Brazilians. To join Prouni, an educational institution must maintain a certain relationship between the number of scholarships granted to regular paying students. The relationship between the number of scholarships and regular paying students is tested annually. If this relationship is not observed during a given academic year due to the departure of students, the institution must adjust the number of scholarships in a proportional manner the following academic year. Prouni provides private HEI with an exemption from certain federal taxes in exchange for granting partial and full scholarships to low-income students enrolled in traditional and technology undergraduate programs. For the years ended December 31, 2017, 2016 and 2015, our HEI granted Prouni scholarships of approximately \$115,200, \$83,900 and \$55,000, respectively, that resulted in tax credits.

Turkish Regulation and Internal Investigation

Through our EMEAA segment, we operate Istanbul Bilgi University (Bilgi), a network institution located in Turkey that consolidates under the variable interest entity model. Bilgi is established as a Foundation University under the Turkish higher education law, sponsored by the Bilgi Foundation. As such, it is subject to regulation, supervision and inspection by Turkish Higher Education Council (the YÖK). Under the "Ordinance Concerned with Amendment to Foundation High Education Institutions" (the Ordinance), the YÖK has authority to inspect accounts, transactions, activities and assets of

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 20. Legal and Regulatory Matters (Continued)

Foundation Universities, as well as their academic units, programs, projects and subjects. The Ordinance establishes a progressive series of five remedies that the YÖK can take in the event it finds a violation of the Ordinance, ranging from (1) a warning and request for correction to (2) the suspension of the Foundation University's ability to establish new academic units or programs to (3) limiting the number of students the Foundation University can admit, including ceasing new admissions, to (4) provisional suspension of the Foundation University's license to (5) cancellation of the Foundation University's license. Since the promulgation of the Ordinance, the YÖK has canceled the licenses of 15 Foundation Universities.

The Ordinance specifies that Foundation Universities cannot be established by foundations in order to gain profit for themselves, and prohibits specified types of fund transfers from Foundation Universities to their sponsoring foundation, with certain exceptions for payments made under contractual arrangements for various goods and services that are provided at or below current market rates. Bilgi has entered into contractual arrangements with a subsidiary of the Company to provide Bilgi with management, operational and student services and certain intellectual property at fair market rates, and certain affiliates of the Company are members of the board of trustees of the Bilgi Foundation. The YÖK conducts annual audits of the operations of Bilgi.

During the fourth quarter of 2014, we recorded an operating expense of \$18,000 (the value of 40,000 Turkish Liras at the date of donation) for a donation by our network institution in Turkey to a charitable foundation. We believed the donation was encouraged by the Turkish government to further a public project supported by the government and expected that it would enhance the position and ongoing operations of our institution in Turkey. The Company has learned that the charitable foundation which received the donation disbursed the funds at the direction of a former senior executive at our network institution in Turkey and other external individuals to a third party without our knowledge or approval.

In June 2016, the Audit Committee of the Board of Directors initiated an internal investigation into this matter with the assistance of external counsel. The investigation concerns the facts surrounding the donation, violations of the Company's policies, and possible violations of the U.S. Foreign Corrupt Practices Act (FCPA) and other applicable laws in what appears to be a fraud perpetrated by the former senior executive at our network institution in Turkey and other external individuals. This includes an investigation to determine if the diversion was part of a scheme to misappropriate the funds and whether any portion of the funds was paid to government officials. We have not identified that any other officers or employees outside of Turkey were involved in the diversion of the intended donation. Although we are pursuing efforts to recover the diverted funds, including through legal proceedings, there is no assurance that we will be successful.

We have been advised by Turkish counsel that, under Turkish law, a Foundation University may not make payments that cause a decrease in the university's wealth or do not otherwise benefit the university. Given the uncertainty of recovery of the diverted donation and to mitigate any potential regulatory issues in Turkey relating to the donation, certain Laureate-owned entities that are members of the foundation that controls our network institution in Turkey have contributed an amount of approximately \$13,000 (the value of 40,000 Turkish Liras on November 4, 2016, the date of contribution) to our network institution in Turkey to reimburse it for the donation. As a result of the investigation, which is ongoing, in 2016 we took steps to remove the former senior executive at our

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 20. Legal and Regulatory Matters (Continued)

network institution in Turkey. Because of the complex organizational structure in Turkey, this took approximately one month and during that period our access to certain aspects of the business including the financial and other records of the university was interrupted. The former senior executive is now no longer affiliated with our network institution and we again have access to the financial and other records of the university.

In September 2016, we voluntarily disclosed the investigation to the DOJ and the SEC. The Company is fully cooperating with these agencies in their investigations and inquiries relating to this matter. The Company has internal controls and compliance policies and procedures that are designed to prevent misconduct of this nature and support compliance with laws and best practices throughout its global operations. The Company is taking steps to enhance these internal controls and compliance policies and procedures. The investigations relating to the donation are ongoing, and we cannot predict the outcome at this time, or the impact, if any, to the Company's consolidated financial statements or predict how the resulting consequences, if any, may impact our internal controls and compliance policies and procedures, business, ability or right to operate in Turkey, results of operations or financial position. If we are found to have violated the FCPA or other laws applicable to us, we may be subject to criminal and civil penalties and other remedial measures, which could materially adversely affect our business, financial condition, results of operations and liquidity.

On April 18, 2017, Bilgi received from the YÖK the results of the 2015-2016 annual audit (the 2015-2016 Annual Audit). The 2015-2016 Annual Audit report requires, among other things, that (i) with respect to the 2017-2018 academic year, there be a reduction in the quota for the number of new students permitted to be admitted into Bilgi's degree programs and (ii) Bilgi be reimbursed, not later than October 18, 2017, approximately \$29,000 for payments previously made by Bilgi to a subsidiary of the Company for certain management, operational and student services, and intellectual property. The Company and Bilgi believe the charges to Bilgi for these services were at fair value and Bilgi has contested the findings of the 2015-2016 Annual Audit that they constituted an improper wealth transfer. Demands also were made in the 2015-2016 Annual Audit for the return or payment to Bilgi, by October 18, 2017, of other amounts involving approximately \$8,000. These deadlines have been extended to April 16, 2018. In the meantime, the YÖK has been conducting a supplemental audit, the results of which have not been released.

Bilgi has appealed the YÖK's decision to the Turkish court system and has not been reimbursed for any of the payments made to the Company's subsidiary for the services described above. As the Company currently consolidates Bilgi under the variable interest entity model, if the Company is unable to provide services under its contracts with Bilgi and receive the economic benefits from those contracts as a result of the determinations in the 2015-2016 Annual Audit, deconsolidation of Bilgi could be required. Deconsolidation, if required, could have a material adverse effect on the Company's business, financial condition and results of operations, including possible write-off of all or a portion of the Company's investment in Bilgi and a reduction in operating income. At December 31, 2017 and December 31, 2016, Bilgi had total assets of approximately \$112,000 and \$83,000, respectively, and total liabilities of \$84,000 and \$63,000, respectively. Total liabilities include approximately \$37,000 and \$19,000 of net intercompany liabilities as of December 31, 2017 and December 31, 2016, respectively. During the years ended December 31, 2017 and 2016, Bilgi generated approximately \$101,000 and \$106,000, respectively, of the Company's consolidated revenue and approximately \$28,000 and \$26,000,

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 20. Legal and Regulatory Matters (Continued)

respectively, of the Company's consolidated operating income and incurred approximately \$6,000 and \$6,000, respectively, of depreciation and amortization expense.

If the YÖK were to determine that any administrators of Bilgi have directly taken any actions or supported any activities that are intended to harm the integrity of the state, the license of the university could be canceled. Political instability in Turkey could lead to changes in laws affecting Bilgi or result in modifications to the current interpretations and enforcement of the Ordinance or other laws and regulations by the YÖK. Any such actions by the YÖK, including the actions in relation to the conduct of the 2015-2016 Annual Audit, or the 2016-2017 annual audit, which is currently taking place, or any supplemental audit, and the reimbursement of amounts described above, could have a material adverse impact on Bilgi's future growth or its ability to remain in operation, and could have a material adverse effect on our business, financial condition and results of operations.

Chilean Regulation—Higher Education Bill

On January 24, 2018, a new Higher Education Law (the New Law) was passed by the Chilean Congress and, assuming that it passes review by the Constitutional Court, it is expected to be signed into law by the President of Chile as early as the first quarter of 2018. See Note 25, Subsequent Events, for further discussion about the New Law and its impact to Laureate.

Note 21. Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to settle a liability in an orderly transaction between market participants at the measurement date. Accounting standards utilize a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels, which are described below:

- Level 1—Quoted prices (unadjusted) for identical assets or liabilities in active markets;
- Level 2—Observable inputs other than quoted prices that are either directly or indirectly observable for the asset or liability;
- Level 3—Unobservable inputs that are supported by little or no market activity.

These levels are not necessarily an indication of the risk of liquidity associated with the financial assets or liabilities disclosed. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement, as required under ASC 820-10, "Fair Value Measurement."

Derivative instruments—Laureate uses derivative instruments as economic hedges for bank debt and interest rate risk. Their values are derived using valuation models commonly used for derivatives. These valuation models require a variety of inputs, including contractual terms, market prices, forward-price yield curves, notional quantities, measures of volatility and correlations of such inputs. Our valuation models also reflect measurements for credit risk. Laureate concluded that the fair values of our derivatives are based on unobservable inputs, or Level 3 assumptions. The significant unobservable input used in the fair value measurement of the Company's derivative instruments is our own credit risk. Holding other inputs constant, a significant increase (decrease) in our own credit risk would result in a significantly lower (higher) fair value measurement for the Company's derivative instruments.

Laureate Education, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Dollars and shares in thousands)

Note 21. Fair Value Measurement (Continued)

Laureate's financial assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2017 were as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets				
Derivative instruments	\$ 48,186	\$ —	\$ —	\$ 48,186
Liabilities				
Derivative instruments	<u>\$ 13,848</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 13,848</u>

Laureate's financial assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2016 were as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets				
Derivative instruments	\$ 4,464	\$ —	\$ —	\$ 4,464
Liabilities				
Derivative instruments	<u>\$ 12,968</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 12,968</u>

The changes in our Level 3 Derivative instruments measured at fair value on a recurring basis for the year ended December 31, 2017 were as follows:

	<u>Total Assets (Liabilities)</u>
Balance December 31, 2016	\$ (8,504)
Gain (loss) included in earnings:	
Unrealized gains, net	29,278
Realized losses, net	(622)
Included in other comprehensive income	9,875
Included in issuance of Series A convertible redeemable Preferred Stock	4,382
Settlements	622
Currency translation adjustment	(693)
Balance December 31, 2017	<u>\$ 34,338</u>
Unrealized gain, net relating to derivatives held at December 31, 2017	<u>\$ 29,278</u>

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 21. Fair Value Measurement (Continued)

The changes in our Level 3 Derivative instruments measured at fair value on a recurring basis for the year ended December 31, 2016 were as follows:

	<u>Total Assets (Liabilities)</u>
Balance December 31, 2015	\$ (19,776)
Gain (loss) included in earnings:	
Unrealized gains, net	946
Realized losses, net	(7,030)
Included in other comprehensive income	8,032
Included in issuance of Series A convertible redeemable Preferred Stock	2,729
Settlements	7,030
Currency translation adjustment	(435)
Balance December 31, 2016	<u>\$ (8,504)</u>
Unrealized gain, net relating to derivatives held at December 31, 2016	<u>\$ 946</u>

The following table presents quantitative information regarding the significant unobservable inputs utilized in the fair value measurements of the Company's assets/(liabilities) classified as Level 3 as of December 31, 2017:

	<u>Fair Value at December 31, 2017</u>	<u>Valuation Technique</u>	<u>Unobservable Input</u>	<u>Range/Input Value</u>
Contingent redemption features— Series A Preferred Stock	\$ 42,140	Monte Carlo Simulation Method	Credit Risk	5.07%
Derivative instruments—cross currency and interest rate swaps	\$ (7,802)	Discounted Cash Flow	Credit Risk	4.37%

Note 22. Quarterly Financial Data (Unaudited)

The following quarterly financial information reflects all normal recurring adjustments that are, in the opinion of management, necessary for a fair statement of the results of the interim periods.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 22. Quarterly Financial Data (Unaudited) (Continued)

Earnings per share are computed independently for each of the quarters presented. Per share amounts may not sum due to rounding. Summarized quarterly operating data were as follows:

<u>Per share amounts in whole dollars</u>	<u>2017 Quarters Ended</u>			
	<u>December 31</u>	<u>September 30</u>	<u>June 30</u>	<u>March 31</u>
Revenues	\$ 1,261,223	\$ 983,394	\$ 1,277,439	\$ 855,933
Operating costs and expenses	1,079,724	989,090	1,033,589	918,799
Operating income (loss)	181,499	(5,696)	243,850	(62,866)
Income (loss) from continuing operations	200,509	(103,490)	117,098	(120,353)
Net (income) loss attributable to noncontrolling interests	(4,664)	5,531	(712)	(2,454)
Net income (loss) attributable to Laureate Education, Inc.	195,845	(97,959)	116,386	(122,807)
Accretion of Series A convertible redeemable preferred stock and other redeemable noncontrolling interests and equity	(106,349)	(84,060)	(69,212)	(38,876)
Net income (loss) available to common stockholders	89,496	(182,019)	47,174	(161,683)

Earnings (loss) per share:

Basic net income (loss) per share attributable to common stockholders	\$ 0.48	\$ (1.02)	\$ 0.28	\$ (1.05)
Diluted net income (loss) per share attributable to common stockholders	\$ 0.48	\$ (1.02)	\$ 0.28	\$ (1.05)

<u>Per share amounts in whole dollars</u>	<u>2016 Quarters Ended</u>			
	<u>December 31</u>	<u>September 30</u>	<u>June 30</u>	<u>March 31</u>
Revenues	\$ 1,175,893	\$ 929,855	\$ 1,231,910	\$ 906,534
Operating costs and expenses	1,004,913	917,353	1,021,342	917,691
Operating income (loss)	170,980	12,502	210,568	(11,157)
Income (loss) from continuing operations	38,464	80,930	349,238	(102,446)
Net loss (income) attributable to noncontrolling interests	2,844	5,387	(1,849)	(721)
Net income (loss) attributable to Laureate Education, Inc.	41,308	86,317	347,389	(103,167)

Earnings (loss) per share:

Basic net income (loss) per share attributable to common stockholders	\$ 0.27	\$ 0.66	\$ 2.60	\$ (0.76)
Diluted net income (loss) per share attributable to common stockholders	\$ 0.27	\$ 0.66	\$ 2.59	\$ (0.76)

Laureate Education, Inc. and Subsidiaries**Notes to Consolidated Financial Statements (Continued)****(Dollars and shares in thousands)****Note 23. Other Financial Information****Accumulated Other Comprehensive Income**

AOCI in our Consolidated Balance Sheets includes the accumulated translation adjustments arising from translation of foreign subsidiaries' financial statements, the unrealized losses on derivatives designated as effective hedges, and the accumulated net gains or losses that are not recognized as components of net periodic benefit cost for our minimum pension liability. The components of these balances were as follows:

December 31,	2017			2016		
	Laureate Education, Inc.	Noncontrolling Interests	Total	Laureate Education, Inc.	Noncontrolling Interests	Total
Foreign currency translation loss	\$ (927,221)	\$ (33)	\$ (927,254)	\$ (1,044,222)	\$ (2,304)	\$ (1,046,526)
Unrealized gains (losses) on derivatives	4,657	—	4,657	(5,218)	—	(5,218)
Minimum pension liability adjustment	(2,992)	—	(2,992)	(2,615)	—	(2,615)
Accumulated other comprehensive loss	<u>\$ (925,556)</u>	<u>\$ (33)</u>	<u>\$ (925,589)</u>	<u>\$ (1,052,055)</u>	<u>\$ (2,304)</u>	<u>\$ (1,054,359)</u>

Laureate reports changes in AOCI in our Consolidated Statements of Stockholders' Equity. See also Note 15, Derivative Instruments, and Note 19, Benefit Plans, for the effects of reclassifications out of AOCI into net income.

Foreign Currency Exchange of Certain Intercompany Loans

Laureate periodically reviews its investment and cash repatriation strategies to ensure that we meet our liquidity requirements in the United States. Laureate recognized currency exchange adjustments attributable to intercompany loans that are not designated as indefinitely invested as Foreign currency exchange gain (loss), net, of \$3,556, \$42,592 and \$(119,473) in the Consolidated Statements of Operations for the years ended December 31, 2017, 2016 and 2015, respectively.

Laureate Education, Inc. and Subsidiaries**Notes to Consolidated Financial Statements (Continued)****(Dollars and shares in thousands)****Note 23. Other Financial Information (Continued)****Supplemental Schedule for Transactions with Noncontrolling Interest Holders**

Transactions with noncontrolling interest holders had the following effects on the equity attributable to Laureate:

<u>For the years ended December 31,</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net income (loss) attributable to Laureate Education, Inc.	\$ 91,465	\$ 371,847	\$ (316,248)
(Decrease) increase in equity for purchases of noncontrolling interests	(11,569)	1,003	(1,554)
Change from net income (loss) attributable to Laureate Education, Inc. and net transfers to the noncontrolling interests	<u>\$ 79,896</u>	<u>\$ 372,850</u>	<u>\$ (317,802)</u>

Write Off of Accounts and Notes Receivable

During the years ended December 31, 2017, 2016 and 2015, Laureate wrote off approximately \$100,000, \$88,000 and \$83,000, respectively, of fully reserved accounts and notes receivable that were deemed uncollectible.

Note 24. Supplemental Cash Flow Information

Cash interest payments were \$384,290, \$367,334 and \$351,430 for the years ended December 31, 2017, 2016 and 2015, respectively. Net income tax cash payments were \$130,469, \$128,709 and \$108,295 for the years ended December 31, 2017, 2016 and 2015, respectively.

During the year ended December 31, 2017, the Company paid cash dividends on the Series A Preferred Stock in the amount of \$18,052.

On November 6, 2015, Laureate's Board of Directors declared a cash distribution totaling \$18,975, which represented approximately \$0.14264 per share of common stock. The cash distribution was paid from capital in excess of par value, following shareholders' approval.

Note 25. Subsequent Events**Sale of Cyprus and Italy**

On January 11, 2018, we completed the sale of EUC and Laureate Italy. See also Note 3, Assets Held for Sale, for description of the sale agreement. Upon closing, we received gross proceeds of approximately EUR 232,000 (approximately \$275,000 at December 31, 2017). As discussed further below, the Company used the proceeds from this transaction, along with borrowings on our revolving credit facility, to repay \$350,000 of principal balance on the 2024 Term Loan.

Sale of China Operations

On January 25, 2018, the sale of LEILY was completed; see also Note 3, Assets Held for Sale, for description of the sale agreement. Of the total transaction value of RMB 1,430,000 (approximately

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 25. Subsequent Events (Continued)

HKD 1,706,000, or US \$218,000 at December 31, 2017), RMB 50,000 (approximately HKD 60,000, or US \$7,600) will not be paid since certain conditions were not satisfied by the closing date.

At closing, the Company received initial proceeds of HKD 745,000 (approximately US \$95,000 at December 31, 2017 or approximately RMB 625,000), net of banker transaction fees paid of approximately HKD 23,000 (approximately RMB 20,000 or US \$3,000). Also at closing, payment of RMB 214,840 (approximately HKD 256,000, or US \$33,000) was paid by an affiliate of the buyer to Laureate Investment Consulting Co., Ltd. (Laureate Shanghai), a wholly owned subsidiary of Laureate, for assignment of Laureate Shanghai's creditor's right over a debt owed by HIEU. This payment was net of certain taxes and duties totaling approximately RMB 86,000 (approximately HKD 102,000, or US \$13,000).

Six months after the closing date, the buyer is required to pay to the Company the Hong Kong Dollar (HKD) equivalent of RMB 120,000 (the First Holdback Payment, approximately US \$18,300 at December 31, 2017). Twelve months after the closing date, the buyer is required to pay to the Company the HKD equivalent of RMB 60,000 (the Second Holdback Payment, approximately US \$9,150 at December 31, 2017). Both the First Holdback Payment and the Second Holdback Payment are subject to deduction of any indemnifiable losses payable by the Company to the buyer pursuant to the sale purchase agreement. The remainder of the transaction value was paid into an escrow account and will be distributed to the Company pursuant to the terms and conditions of the escrow agreement.

Signing of Asset Purchase Agreement for Kendall

On January 15, 2018, Kendall, an Illinois limited liability company and indirect wholly owned subsidiary of Laureate, The Dining Room at Kendall NFP, an Illinois not for profit corporation, National Louis University, an Illinois not for profit corporation (NLU), and Laureate, solely as guarantor of certain of Kendall's obligations thereunder, entered into an asset purchase agreement. Pursuant to the asset purchase agreement at the closing of the transaction, Kendall will transfer to NLU certain assets, including all of Kendall's educational programs, subject to certain conditions, in exchange for consideration of one dollar. As part of the agreement, at the closing Laureate will pay to NLU up to \$14,000 to support NLU's construction of facilities for the acquired culinary program on Kendall's campus, subject to possible partial recoupment under specified conditions during the 10 year post-closing period. In addition, following the signing of the asset purchase agreement, in January 2018 Laureate paid NLU \$500 to reimburse NLU for its expenses in connection with the transactions contemplated by the sale purchase agreement.

Closing of the transaction is subject to prior receipt of regulatory consents, including those of the U.S. Department of Education and the Higher Learning Commission, which consents do not contain certain conditions that would not be acceptable to NLU or to Kendall, and the Company anticipates that the closing will occur during the second half of 2018. For the year ended December 31, 2017, Kendall had approximately \$23,300 in revenue, an operating loss of approximately \$23,000 and approximately \$1,700 in depreciation and amortization, and as of December 31, 2017, had approximately 1,100 students.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 25. Subsequent Events (Continued)

Chile—Higher Education Bill

On January 24, 2018, a new Higher Education Law (the New Law) was passed by the Chilean Congress and, assuming that it passes review by the Constitutional Court, it is expected to be signed into law by the President of Chile as early as the first quarter of 2018. Among other things, the New Law will prohibit for-profit organizations, such as Laureate, from controlling the boards of universities in Chile. The New Law also prohibits conflicts of interests and related party transactions with notable exceptions, including the provision of services that are educational in nature or essential for the university's purposes. The New Law provides for a transition period of one year for related party transactions and two years for control. The incoming Chilean presidential administration will have the responsibility to both interpret the legislative mandates and implement new compliance processes.

The Company is currently reviewing the impact the New Law will have on its Chilean operations, including the extent to which it will affect existing contractual relationships that the Company maintains with its Chilean non-profit universities. As a result of the New Law, the Company currently expects that it will be required to deconsolidate its three Chilean non-profit universities, which are accounted for as variable interest entities, and its Chilean real estate subsidiary, although the Company expects it will retain an approximately 30% equity ownership interest in the real estate subsidiary. The deconsolidation could happen as early as the first quarter of 2018. The Company currently expects that the deconsolidation will result in a one-time write-off of the carrying value of the net assets between approximately \$600,000 and \$850,000 and a decrease between approximately \$410,000 and \$430,000 in revenues on an annualized basis.

The Company's continuing evaluation of the impact of the New Law may result in changes to its expectations due to changes in the Company's interpretations of the law, assumptions used, and additional guidance that may be issued. There is no assurance that the New Law will not have additional material adverse effects on the business, financial condition or results of operations of the Company.

While we believe that all of our institutions in Chile are operating in full compliance with Chilean law, we cannot predict the extent or outcome of any educational reforms that may be implemented in Chile. The Company does not believe the New Law will change its relationship with its two tech/voc institutions in Chile that are for-profit entities. However, it is possible that the Chilean government will adopt additional laws that affect for-profit tech/voc institutions and their relationships with their owners. Depending upon how these reforms are defined and implemented, there could be a material adverse effect on our financial condition and results of operations. Any additional disruption to our operations in Chile would have a material adverse effect on our financial condition and results of operations. Similar reforms in other countries in which we operate could also have a material adverse effect on our financial condition and results of operations.

Amendment to Senior Secured Credit Facility—2024 Term Loan

On February 1, 2018, we amended our Senior Secured Credit Facility to reduce the interest rate on the 2024 Term Loan. In connection with this transaction, we also repaid \$350,000 of the principal balance of the 2024 Term Loan in addition to \$1,239 of accrued interest using the proceeds from the sale of our Cyprus and Italy operations, along with borrowings on our revolving credit facility that were

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 25. Subsequent Events (Continued)

subsequently repaid with the China sale proceeds. As a result of the \$350,000 repayment, there will be no further quarterly principal payments required and the remaining balance will be due at maturity.

Pursuant to this amendment, the interest rate margins applicable to the 2024 Term Loan were amended to 3.50% for LIBOR term loans and 2.50% for ABR term loans and such interest rate margins will no longer be based upon the Company's consolidated total debt to consolidated EBITDA ratio. The amendment effectively reduces the current interest rate margins applicable to the outstanding term loans, which prior to the amendment was based on the Company's consolidated total debt to consolidated EBITDA ratio as discussed in Note 10, Debt, by 100 basis points, from 4.50% to 3.50% for LIBOR term loans, and 3.50% to 2.50% for ABR term loans. The amended credit agreement also provides for a prepayment premium with respect to the outstanding term loans. The prepayment premium equals one percent (1%) of the amount of the term loans that are subject to certain repricing transactions occurring on or prior to August 1, 2018.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time period specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including to our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As required by Rule 13a-15 under the Exchange Act, our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2017. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2017, our disclosure controls and procedures were not effective due to the material weaknesses in our internal control over financial reporting discussed below.

Management's Report on Internal Control Over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The 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. 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.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

The management of the Company assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2017, and this assessment identified the following material weaknesses in the Company's internal control over financial reporting.

We identified a material weakness in our risk assessment process, which we determined was not operating adequately to identify and address the risks to our business and to establish appropriate control objectives given the environment in which we operate and the decentralized structure used to manage our operating activities. This material weakness in our risk assessment process was a factor contributing to two additional material weaknesses which we have further described below.

We identified a material weakness in that we did not appropriately assess the risks relating to our contracting processes and did not have controls that were properly designed or operating effectively to detect and prevent fraud (referred to as the Contract Legal Compliance material weakness). Specifically, our controls over contracting processes were not designed or operating effectively to incorporate appropriate levels of due diligence, requisite management approvals, segregation of duties or ongoing monitoring. This material weakness allowed for the occurrence of the incident in our network institution in Turkey as discussed in "Item 1—Business—Industry Regulation—Turkish

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Regulation and Internal Investigation," as well as certain other contracting irregularities at other network institutions that also necessitated an internal investigation. This control deficiency could result in material misstatements of the accounts and disclosures that would result in a material misstatement of our consolidated financial statements that would not be prevented or detected.

We identified a material weakness in that we did not maintain effective controls over the operating effectiveness of information technology ("IT") general controls for information systems that are relevant to the preparation of our financial statements. Specifically we did not:

- (i) maintain program change management controls to ensure that IT program and data changes affecting financial IT applications and underlying accounting records are identified, tested, authorized and implemented appropriately;
- (ii) maintain user access controls to ensure appropriate segregation of duties and that access to financial applications and data is adequately restricted to appropriate personnel; and
- (iii) maintain computer operations controls to ensure that privileges are appropriately granted, and data backups are authorized and monitored.

These IT deficiencies did not result in a material misstatement to the financial statements; however, the deficiencies, when aggregated, could impact the effectiveness of IT-dependent controls (such as automated controls that address the risk of material misstatement to one or more assertions, along with the IT controls and underlying data that support the effectiveness of system-generated data and reports) that could result in misstatements potentially affecting all financial statement accounts and disclosures that would not be prevented or detected in a timely manner.

In 2013, we identified a material weakness in that we had inadequate controls over key reports and spreadsheets. Specifically, we did not design adequate controls to address the completeness and accuracy of key reports and key spreadsheets. This material weakness, in combination with other prior material weaknesses, contributed to a revision to our audited financial statements for the year ended December 31, 2013. This material weakness could result in additional misstatements to accounts and disclosures that would result in a material misstatement of our consolidated financial statements that would not be prevented or detected.

In making its assessment of internal control over financial reporting management used the criteria issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control—Integrated Framework* (2013). Because of the material weaknesses described in the preceding paragraphs, management concluded that, as of December 31, 2017, the Company's internal control over financial reporting was not effective based on those criteria.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the SEC that permit the Company to provide only management's report in this annual report.

Remediation Plan

As of December 31, 2017, the material weaknesses had not yet been fully remediated; however, significant progress has been made during the year. Remediation activities for each of the four previously identified material weaknesses include:

- *Risk Assessment.* We are in the process of designing and implementing an improved enterprise wide risk management process that follows the COSO 2013 framework and one aspect of this process will focus on identifying and mitigating risks to our business that could have an impact on our internal control over financial reporting. Our process includes periodic updates of the enterprise risk universe through the consideration of current and historical risks, periodic input

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from Corporate, segment and local management as well as other stakeholders. Each time a new risk is identified, we will evaluate if any additional controls are required to mitigate risks to our internal control over financial reporting. As this material weakness contributed to the Contract Legal Compliance and IT general control material weaknesses as well, we are also making progress towards the remediation of each of those material weaknesses.

- *Contract Legal Compliance.* We have designed and implemented a process to track and monitor significant contracts on a global basis. As part of our design, we have implemented an IT solution in several segments, and the other segment implementations are scheduled for completion during 2018. This will further enhance the process as a central repository for contracts, ensure segregation of duties, and facilitate contract review and approval. In addition, the Company created a contract management office that has been staffed with employees located across our global footprint. The current remediation activities, once completed, will result in a contract management process that incorporates appropriate levels of due diligence, requisite management approvals, segregation of duties and ongoing monitoring.
- *IT General Controls.* Currently, there are numerous IT systems across our institutions which inherently creates complexities in our IT general control environment. However, during 2017, we made significant progress towards the remediation of this material weakness. This includes: identifying a global list of in-scope systems, designing and implementing a global monitoring control over the performance of IT general controls, providing targeted training to our IT control owners to further assist in correcting control deficiencies and walking through and testing our IT general controls. Also, the Company has created an IT Compliance group within the Global IT department whose mission is to identify and monitor the general IT control environment. These resources are located across our global footprint. Therefore, we have made meaningful progress in reducing the number of control deficiencies within our IT general control environment. We are in the process of assessing the implementation of the design of the controls and the testing of operating effectiveness.
- *Key Reports and Spreadsheets.* We have designed and are in the process of implementing a process to ensure the completeness and accuracy of key reports and key spreadsheets used in our internal controls over financial reporting. During 2017, we completed the process of creating an inventory of these reports and spreadsheets across our significant locations and provided training to employees responsible for the relevant controls that involve these reports and spreadsheets.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the fiscal quarter ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE**

Certain of this information will be contained in our definitive proxy statement for the 2018 Annual Meeting of Stockholders, to be filed within 120 days following the end of our fiscal year, and is incorporated herein by reference.

Executive Officers

The following table sets forth information regarding our current executive officers, including their ages. Executive officers serve at the request of the board of directors. There are no family relationships among any of our executive officers.

Name	Age	Position
Eilif Serck-Hanssen	52	Director, Chief Executive Officer
Ricardo Berckemeyer	48	President, Chief Operating Officer
Jean-Jacques Charhon	52	Executive Vice President and Chief Financial Officer
Neel Broker	42	Chief Executive Officer, Europe, Middle East, Asia and Africa
Juan José Hurtado	53	Senior Vice President, Operations and Chief of Learning and Innovation
Jose Roberto Loureiro	54	Chief Executive Officer, Brazil
Victoria E. Silbey	54	Senior Vice President, Secretary, and Chief Legal Officer
Paula Singer	63	CEO Walden and Laureate Online Partners

Eilif Serck-Hanssen serves as our Chief Executive Officer, a position he has held since January 2018. From March 2017 to December 2017, Mr. Serck-Hanssen served as our President and Chief Administrative Officer as well as our Chief Financial Officer. From July 2008 through March 2017, Mr. Serck-Hanssen served as our Executive Vice President and Chief Financial Officer. From February 2008 until July 2008, Mr. Serck-Hanssen served as chief financial officer and president of international operations at XOJET, Inc. In January 2005, Mr. Serck-Hanssen was part of the team that founded Eos Airlines, Inc., a premium airline, and until February 2008, Mr. Serck-Hanssen served as its executive vice president and chief financial officer. Prior to starting Eos Airlines, Mr. Serck-Hanssen served in several financial executive positions at US Airways, Inc. (now American Airlines, Inc.) and Northwest Airlines, Inc. (now Delta Airlines, Inc.), including serving as a senior vice president and Treasurer of US Airways, Inc. Prior to joining the airline industry, Mr. Serck-Hanssen spent over five years with PepsiCo, Inc., in various international locations and three years with PricewaterhouseCoopers LLP (formerly Coopers & Lybrand Deloitte) in London. Mr. Serck-Hanssen earned his M.B.A. in finance at the University of Chicago Booth School of Business, a B.A. in management science from the University of Kent at Canterbury (United Kingdom), and a B.S. in civil engineering from the Bergen University College (Norway). He is an Associate Chartered Accountant (ACA) and a member of the Institute of Chartered Accountants in England and Wales.

Ricardo Berckemeyer serves as our President and Chief Operating Officer, a position he has held since January 2018. Previously, Mr. Berckemeyer served as our Chief Operating Officer from March 2017 to December 2017. From May 2012 through March 2017, Mr. Berckemeyer served as our Chief Executive Officer, Latin America. From January 2011 through April 2012, Mr. Berckemeyer served as Chief Executive Officer of Laureate's Andean Region. From 2002, when Mr. Berckemeyer joined the Company, through December 2010, he served as Senior Vice President—South America within Laureate's Latin American operations, where he had responsibility for business development in South America. Mr. Berckemeyer received a bachelor's degree in economics from Universidad del Pacifico (Peru) and an M.B.A. from the University of North Carolina at Chapel Hill.

Jean-Jacques Charhon was appointed Executive Vice President and Chief Financial Officer effective January 1, 2018. Prior to joining the Company, Mr. Charhon served as a special advisor to the board of

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directors of Purdue Pharma. Mr. Charhon served as Chief Financial Officer of Purdue Pharma from June 2015 until August 2017. From July 2014 until December 2014, Mr. Charhon served as Chief Financial Officer of Cnova, and thereafter served as counsel to the chairman of the board of directors from January 2015 to June 2015. Prior to joining Cnova, Mr. Charhon worked for four years at Hewlett Packard, where he joined as Chief Financial Officer of the PC division before becoming Chief Operating Officer of Enterprise Services. This role followed eight years at General Electric, where he most recently served as Chief Financial Officer of GE Healthcare for the Americas, and four years at Novartis, where he held various global financial leadership roles of increasing responsibility. Mr. Charhon earned his Baccalaureate in Math, Physics & Chemistry at the French Lycée of Brussels, and holds a Commercial Engineer degree from the Université Libre de Bruxelles—Solvay School of Management.

Neel Broker serves as CEO of our EMEAA segment (Europe, Middle East, Asia Pacific, Africa), a position he has held since January 2018. Over the past 10 years at Laureate, Mr. Broker has served as CEO of our Asia Pacific business, Head of Global Strategy, CEO India, and SVP Asia Pacific Business Development. Mr. Broker has over 20 years of experience in international markets. He started his career with Deutsche Bank's Investment Banking Unit in New York and London, served with McKinsey's management consulting practice in SE Asia and the US, and was a Director at Merrill Lynch's Private Equity investing arm in Hong Kong. Mr. Broker holds a Master of Science degree from BITS Pilani in India, and an M.B.A. from The University of Pennsylvania, Wharton School of Finance.

Juan José Hurtado is Senior Vice President with responsibility for Global Operations and Learning and Innovation. Mr. Hurtado was Laureate's CEO for Central America from 2014 to 2017, and served as Vice President for Human Resources for the Latin America Region from 2012 to 2014. He was Vice President for Human Resources and Corporate Affairs at Unilever in Mexico, the Caribbean, and Central America from 2003 to 2012. Mr. Hurtado holds a bachelor's degree in industrial engineering from Lima University (Peru), and an M.B.A. from IESE (University of Navarra) in Barcelona, Spain.

Jose Roberto Loureiro has served as Laureate Brazil's CEO since 2012. Previously, Mr. Loureiro served as COO at Laureate Brazil from 2010 to 2012. He has 30 years of experience in leadership positions in companies such as Metlife Brasil from 2005 to 2010 and CitiInsurance Brasil (Citigroup) from 2001 to 2005. He has a bachelor's degree in Business Administration from Universidade São Marcos (Brazil).

Victoria E. Silbey has served as our Senior Vice President, Secretary, and Chief Legal Officer since September 2017. Prior to joining the Company, Ms. Silbey spent nearly 20 years at SunGard Data Systems Inc., a global software and services company, where she was the Chief Legal Officer and Senior Vice President. Previously, she was an attorney with Morgan, Lewis & Bockius LLP. Ms. Silbey holds a Juris Doctor and a Bachelor of Arts degree from Cornell University, as well as a Master of Philosophy degree from Oxford University.

Paula Singer joined Laureate in 1993. Ms. Singer has served as CEO of Walden and Laureate Online Partners since January 2018. She served as Chief of Learning and Innovation from July 2017 to January 2018 and served as Chief Network Officer from January 2015 until July 2017. From 2011 to December 2015, she served as Chief Executive Officer of Global Products and Services. From July 2001 to January 2011, Ms. Singer served as President of the Laureate Higher Education Group. Ms. Singer earned a B.S. in education from the University of Connecticut.

During the past ten years, none of Laureate or its executive officers has (i) been convicted in a criminal proceeding (excluding traffic violations and similar misdemeanors) or (ii) been a party to any judicial or administrative proceeding (except for matters that were dismissed without sanction or settlement) that resulted in a judgment, decree or final order enjoining such person from future violations of, or prohibiting activities subject to, federal or state securities laws, or a finding of any violation of federal or state securities laws.

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Except as described below, during the past ten years (i) no petition has been filed under federal bankruptcy laws or any state insolvency laws by or against any of our executive officers, (ii) no receiver, fiscal agent or similar officer was appointed by a court for the business or property of any of our executive officers and (iii) none of our executive officers was an executive officer of any business entity or a general partner of any partnership at or within two years before the filing of a petition under the federal bankruptcy laws or any state insolvency laws by or against such entity.

In January 2005, Mr. Serck-Hanssen joined the team that founded Eos Airlines, Inc. Eos Airlines was an all first-class shuttle between New York and London. Mr. Serck-Hanssen left Eos in February 2008, and Eos filed for protection under Chapter 11 of the U.S. Bankruptcy Code in late April 2008, after the collapse of Bear Stearns & Co., its largest single client, and the start of the U.S. economic downturn, which caused funding commitments from its financial sponsors to be withdrawn.

With the exception of Mr. Serck-Hanssen, who is a Norwegian citizen and a permanent resident of the United States, Mr. Berckemeyer, who holds dual citizenship in Peru and the United States, Mr. Charhon, who holds French citizenship and is a permanent resident of the United States, Mr. Loureiro, who holds Brazilian citizenship, and Mr. Hurtado, who holds Mexican citizenship, all of the executive officers listed above are U.S. citizens.

ITEM 11. EXECUTIVE COMPENSATION

This information will be contained in our definitive proxy statement for the 2018 Annual Meeting of Stockholders, to be filed within 120 days following the end of our fiscal year, and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

This information will be contained in our definitive proxy statement for the 2018 Annual Meeting of Stockholders, to be filed within 120 days following the end of our fiscal year, and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

This information will be contained in our definitive proxy statement for the 2018 Annual Meeting of Stockholders, to be filed within 120 days following the end of our fiscal year, and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

This information will be contained in our definitive proxy statement for the 2018 Annual Meeting of Stockholders, to be filed within 120 days following the end of our fiscal year, and is incorporated herein by reference.

PART IV**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

(a) The following documents are filed as part of this report:

(1) Financial Statements

See Index to Financial Statements

(2) Those exhibits required by Item 601 of Regulation S-K and by paragraph (b) below.

(b) The following exhibits are filed as part of this Annual Report or, where indicated, were filed and are incorporated by reference:

<u>Exhibit No.</u>	<u>Exhibit Description</u>	<u>Form</u>	<u>File Number</u>	<u>Exhibit Number</u>	<u>Filing Date</u>
2.5#	Sale and Purchase Agreement, dated as of March 15, 2016, by and between Laureate International B.V. and Graduate S.A.	S-1/A	333-207243	2.5	05/20/2016
2.6#	Share Purchase Agreement, dated as of April 15, 2016, by and between Laureate I B.V. and Insignis	S-1/A	333-207243	2.6	05/20/2016
2.7*#	Amended and Restated Sale and Purchase Agreement, dated as of November 22, 2017 and amended and restated on January 11, 2018, by and among LEI European Investments B.V., Laureate International B.V. and Galileo Global Education Luxco S.À R.L.				
3.1	Amended and Restated Certificate of Incorporation	S-1/A	333-207243	3.1	01/31/2017
3.2	Amended and Restated Bylaws	S-1/A	333-207243	3.2	01/31/2017
3.3	Certificate of Designations of Convertible Redeemable Preferred Stock, Series A of Laureate Education, Inc.	S-1/A	333-207243	3.3	12/15/2016
4.6	Indenture, dated as of April 21, 2017, between Laureate Education, Inc., the guarantors party thereto and Wells Fargo Bank, National Association, as trustee, governing the 9.250% Replacement Senior Notes due 2019	8-K	001-38002	4.1	04/27/2017
4.7	Form of Global Note governing the 9.250% Replacement Senior Notes due 2019 (included as Exhibit A to Exhibit 4.6)	8-K	001-38002	4.1	04/27/2017
4.8	Indenture, dated as of April 26, 2017, by and among the Company, the guarantors named therein and Wells Fargo Bank, National Association, as trustee, governing the 8.250% Senior Notes due 2025	8-K	001-38002	4.3	04/27/2017

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<u>Exhibit No.</u>	<u>Exhibit Description</u>	<u>Form</u>	<u>File Number</u>	<u>Exhibit Number</u>	<u>Filing Date</u>
4.9	Form of 8.250% Senior Note due 2025 (included as Exhibit A to Exhibit 4.8)	8-K	001-38002	4.3	04/27/2017
10.1†	2007 Stock Incentive Plan for Key Employees of Laureate Education, Inc. and its Subsidiaries	S-1/A	333-207243	10.31	11/20/2015
10.2†	2007 Stock Incentive Plan Form of Stock Option Agreement, as amended on August 31, 2010	S-1/A	333-207243	10.32	11/20/2015
10.3†	2013 Long-Term Incentive Plan Form of Stock Option Agreement effective as of September 11, 2013	S-1/A	333-207243	10.34	11/20/2015
10.4†	Laureate Education, Inc. Deferred Compensation Plan, as amended and restated effective January 1, 2009	S-1/A	333-207243	10.35	11/20/2015
10.5†	Form of Management Stockholder's Agreement for equityholders	S-1/A	333-207243	10.36	11/20/2015
10.6†	Deferred Compensation Letter Agreement, dated August 16, 2007, by and among L Curve Sub Inc., Laureate Education, Inc. and Douglas L. Becker	S-1/A	333-207243	10.38	12/23/2015
10.7†	Deferred Compensation Letter Agreement, dated December 24, 2015, between Laureate Education, Inc. and Douglas L. Becker	S-4/A	333-208758	10.37	01/20/2016
10.8†	2nd Amended and Restated Executive Interest Subscription Agreement, dated August 31, 2010, between Wengen Alberta, Limited Partnership and Douglas L. Becker	S-1/A	333-207243	10.39	11/20/2015
10.9†	Employment Offer Letter, dated July 21, 2008, between Laureate Education, Inc. and Eilif Serck-Hanssen	S-1/A	333-207243	10.40	11/20/2015
10.10†	Amendment to Employment Offer Letter, dated December 9, 2010, between Laureate Education, Inc. and Eilif Serck-Hanssen	S-1/A	333-207243	10.41	11/20/2015
10.11†	Time-Based Restricted Stock Agreement, effective August 5, 2008, between Laureate Education, Inc. and Eilif Serck-Hanssen	S-1/A	333-207243	10.42	11/20/2015
10.12†	Form of Time-Based Restricted Stock Units Agreement, for grants from and after September 11, 2013	S-1/A	333-207243	10.43	11/20/2015

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<u>Exhibit No.</u>	<u>Exhibit Description</u>	<u>Form</u>	<u>File Number</u>	<u>Exhibit Number</u>	<u>Filing Date</u>
10.13	Support Services Agreement between Santa Fe University of Art and Design, LLC and Laureate Education, Inc. dated October 1, 2014	S-1/A	333-207243	10.44	11/20/2015
10.14	Master Service and Confidentiality Agreement, dated April 28, 2014, by and between Laureate Education, Inc. and Accenture LLP	S-1/A	333-207243	10.45	11/20/2015
10.15‡	System Wide Master Agreement, dated April 10, 2015, between Blackboard Inc. and Laureate Education, Inc.	S-1/A	333-207243	10.46	11/20/2015
10.16†	Form of Stockholders' Agreement for Entity-Appointed Directors	S-1/A	333-207243	10.47	11/20/2015
10.17†	Form of Stockholders' Agreement for Individual Directors	S-1/A	333-207243	10.48	11/20/2015
10.18†	2013 Long-Term Incentive Plan Form of Restricted Stock Units Agreement	S-1/A	333-207243	10.49	11/20/2015
10.19†	2013 Long-Term Incentive Plan Form of Performance Share Units Agreement	S-1/A	333-207243	10.50	11/20/2015
10.20	Form of Laureate Education, Inc. Note Exchange Agreement dated as of April 15, 2016	S-1/A	333-207243	10.53	05/20/2016
10.21†	Executive Retention Agreement, dated February 25, 2016, by and between Ricardo Berckemeyer and Laureate Education, Inc., effective as of September 1, 2015	S-1/A	333-207243	10.54	05/20/2016
10.22†	2013 Long-Term Incentive Plan Form of Performance Share Units Agreement for 2016 for Named Executive Officers	S-1/A	333-207243	10.55	05/20/2016
10.23†	2013 Long-Term Incentive Plan Form of Performance Share Units Agreement for 2016	S-1/A	333-207243	10.56	05/20/2016
10.24†	2013 Long-Term Incentive Plan Form of Stock Option Agreement for 2016 for Named Executive Officers	S-1/A	333-207243	10.57	05/20/2016
10.25†	2013 Long-Term Incentive Plan Form of Stock Option Agreement for 2016	S-1/A	333-207243	10.58	05/20/2016
10.26†	2013 Long-Term Incentive Plan Form of Restricted Stock Units Agreement for 2016 for Named Executive Officers	S-1/A	333-207243	10.59	05/20/2016
10.27†	2013 Long-Term Incentive Plan Form of Restricted Stock Units Agreement for 2016	S-1/A	333-207243	10.60	05/20/2016

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<u>Exhibit No.</u>	<u>Exhibit Description</u>	<u>Form</u>	<u>File Number</u>	<u>Exhibit Number</u>	<u>Filing Date</u>
10.28	Subscription Agreement, dated as of December 4, 2016, by and among Laureate Education, Inc., Macquarie Sierra Investment Holdings Inc., and each of the other Persons listed on Schedule A and Schedule B thereto	S-1/A	333-207243	10.63	12/15/2016
10.29*Δ	Registration Rights Agreement by and among Laureate Education, Inc., each of the Investors set forth on Schedule A thereto, Douglas L. Becker and Wengen Alberta, Limited Partnership				
10.30*ΔΔ	Investors' Stockholders Agreement by and among Laureate Education, Inc., Wengen Alberta, Limited Partnership and the Investors set forth on Schedule A thereto				
10.31†	Deferred Compensation Letter Agreement, dated December 30, 2016, between Laureate Education, Inc. and Douglas L. Becker	S-1/A	333-207243	10.68	01/10/2017
10.32	Exchange and Registration Rights Agreement, dated as of December 30, 2016, among Laureate Education, Inc., the guarantors listed on the signature pages thereto and the initial holders listed on the signature pages thereto	S-1/A	333-207243	10.69	01/10/2017
10.33†	2013 Long-Term Incentive Plan Form of Restricted Stock Units Agreement for October 2016	S-1/A	333-207243	10.70	01/10/2017
10.34†	2013 Long-Term Incentive Plan Form of Performance Share Units Agreement for Named Executive Officers for October 2016	S-1/A	333-207243	10.71	01/10/2017
10.35†	2013 Long-Term Incentive Plan Form of Performance Share Units Agreement for October 2016	S-1/A	333-207243	10.72	01/10/2017
10.36†	Form of Cash Long-Term Incentive Plan Agreement	S-1/A	333-207243	10.73	01/10/2017
10.37	Amended and Restated Securityholders Agreement by and among Wengen Alberta, Limited Partnership, Laureate Education, Inc. and the other parties thereto	8-K	001-38002	10.1	02/06/2017

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<u>Exhibit No.</u>	<u>Exhibit Description</u>	<u>Form</u>	<u>File Number</u>	<u>Exhibit Number</u>	<u>Filing Date</u>
10.38	<u>Amended and Restated Registration Rights Agreement by and among Wengen Alberta, Limited Partnership, Wengen Investments Limited, Laureate Education, Inc. and the other parties thereto</u>	8-K	001-38002	10.2	02/06/2017
10.39†	<u>Amendment to the 2007 Stock Incentive Plan for Key Employees of Laureate Education, Inc. and its Subsidiaries</u>	10-K	001-38002	10.76	03/29/2017
10.40†	<u>CEO Option Award Agreement, \$17.00 per share exercise price</u>	8-K	001-38002	10.3	02/06/2017
10.41†	<u>CEO Option Award Agreement, \$21.32 per share exercise price</u>	8-K	001-38002	10.4	02/06/2017
10.42	<u>Form of Confirmation Letter, dated April 21, 2017, between Laureate Education, Inc. and the other party thereto</u>	8-K	001-38002	10.1	04/27/2017
10.43†	<u>Separation Agreement and General Release, dated March 28, 2017, between Enderson Guimarães and Laureate Education, Inc., effective as of March 23, 2017</u>	10-Q	001-38002	10.80	05/11/2017
10.44	<u>Seventh Amendment to Amended and Restated Credit Agreement, Amendment to Security Documents, and Release of Foreign Obligations and Certain Credit Parties, dated April 26, 2017, among Laureate Education, Inc., Iniciativas Culturales de España S.L., as the foreign subsidiary borrower, certain domestic subsidiaries of Laureate Education, Inc., Citibank, N.A., as administrative agent and collateral agent, certain financial institutions, and others party thereto</u>	10-Q	001-38002	10.81	05/11/2017
10.45	<u>Second Amended and Restated Credit Agreement, dated as of April 26, 2017, among Laureate Education, Inc., the lending institutions party thereto from time to time, and Citibank, N.A., as administrative agent and collateral agent</u>	10-Q	001-38002	10.82	05/11/2017
10.46	<u>Amended and Restated Guarantee, dated as of April 26, 2017, by Laureate Education, Inc. and certain domestic subsidiaries of Laureate Education, Inc. party thereto from time to time, as guarantors, in favor of Citibank, N.A., as collateral agent</u>	10-Q	001-38002	10.83	05/11/2017

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<u>Exhibit No.</u>	<u>Exhibit Description</u>	<u>Form</u>	<u>File Number</u>	<u>Exhibit Number</u>	<u>Filing Date</u>
10.47	<u>Amended and Restated Pledge Agreement, dated as of April 26, 2017, among Laureate Education, Inc. and certain domestic subsidiaries of Laureate Education, Inc. party thereto from time to time, as pledgors, and Citibank, N.A., as collateral agent</u>	10-Q	001-38002	10.84	05/11/2017
10.48	<u>Amended and Restated Security Agreement, dated as of April 26, 2017, among Laureate Education, Inc. and certain domestic subsidiaries of Laureate Education, Inc. party thereto from time to time, as grantors, and Citibank, N.A., as collateral agent</u>	10-Q	001-38002	10.85	05/11/2017
10.49	<u>Second Amended and Restated Collateral Agreement, dated as of April 26, 2017, between Walden University, LLC, certain other domestic subsidiaries of Laureate Education, Inc. from time to time, and Citibank, N.A., as collateral agent</u>	10-Q	001-38002	10.86	05/11/2017
10.50†	<u>Laureate Education, Inc. Amended and Restated 2013 Long-Term Incentive Plan</u>	8-K	001-38002	10.1	06/20/2017
10.51†	<u>Amended and Restated 2013 Long-Term Incentive Plan Form of Annual Performance Share Units Notice and Agreement for 2017</u>	10-Q	001-38002	10.51	08/08/2017
10.52†	<u>Amended and Restated 2013 Long-Term Incentive Plan Form of Performance-based Stock Option Agreement for 2017</u>	10-Q	001-38002	10.52	08/08/2017
10.53†	<u>Amended and Restated 2013 Long-Term Incentive Plan Form of Time-based Stock Option Agreement for 2017</u>	10-Q	001-38002	10.53	08/08/2017
10.54†	<u>Amended and Restated 2013 Long-Term Incentive Plan Form of Restricted Stock Units Notice and Agreement for 2017</u>	10-Q	001-38002	10.54	08/08/2017
10.55†	<u>Amended and Restated 2013 Long-Term Incentive Plan Form of Performance Share Units Notice and Agreement for 2017</u>	10-Q	001-38002	10.55	08/08/2017
10.56†	<u>Amended and Restated 2013 Long-Term Incentive Plan Form of Performance-based Stock Option Agreement for 2017 for Certain Executives</u>	10-Q	001-38002	10.56	08/08/2017

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<u>Exhibit No.</u>	<u>Exhibit Description</u>	<u>Form</u>	<u>File Number</u>	<u>Exhibit Number</u>	<u>Filing Date</u>
10.57†	Amended and Restated 2013 Long-Term Incentive Plan Form of Time-based Stock Option Agreement for 2017 for Certain Executives	10-Q	001-38002	10.57	08/08/2017
10.58†	Amended and Restated 2013 Long-Term Incentive Plan Form of Restricted Stock Units Notice and Agreement for 2017 for Certain Executives	10-Q	001-38002	10.58	08/08/2017
10.59†	Form of 2017-2018 Laureate Executive Cash Long-Term Bonus Plan for Certain Executives	10-Q	001-38002	10.59	08/08/2017
10.60†	Separation Agreement and General Release, dated May 30, 2017, between Alfonso Martinez and Laureate Education, Inc., effective as of May 31, 2017	10-Q	001-38002	10.60	08/08/2017
10.61†	Employment Offer Letter, dated August 15, 2017, between Laureate Education, Inc. and Victoria Silbey	10-Q	001-38002	10.61	11/08/2017
10.62†	Separation Agreement and General Release, dated July 11, 2017, between Timothy F. Daniels and Laureate Education, Inc., effective December 31, 2017	10-Q	001-38002	10.62	11/08/2017
10.63†	Separation Agreement and General Release, dated August 28, 2017, between Robert W. Zentz and Laureate Education, Inc., effective December 31, 2017	10-Q	001-38002	10.63	11/08/2017
10.64†	Form of Stock Option Agreement with exercise price of \$18.36 for certain executives	10-Q	001-38002	10.64	11/08/2017
10.65†	Form of Stock Option Agreement with exercise price of \$21.00 for certain executives	10-Q	001-38002	10.65	11/08/2017
10.66	First Amendment to Second Amended and Restated Credit Agreement, dated as of February 1, 2018 among Laureate Education, Inc., Citibank, N.A., as administrative agent and collateral agent, the other parties and financial institutions party thereto	8-K	001-38002	10.1	02/01/2018

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<u>Exhibit No.</u>	<u>Exhibit Description</u>	<u>Form</u>	<u>File Number</u>	<u>Exhibit Number</u>	<u>Filing Date</u>
10.67*†	Employment Offer Letter, dated November 6, 2017, between Laureate Education, Inc. and Jean-Jacques Charhon				
10.68*†	Transitional Employment Agreement, effective as of November 9, 2017, between Paula Singer and Laureate Education, Inc.				
10.69*†	Release Agreement, dated November 9, 2017, between Enderson Guimarães and Laureate Education, Inc.				
10.70*†	Chairman Compensation Agreement, dated December 29, 2017, between Douglas Becker and Laureate Education, Inc.				
10.71*†	Form of Stock Option Agreement for Jean-Jacques Charhon				
21.1*	List of Subsidiaries of the Registrant				
23.1*	Consent of PricewaterhouseCoopers LLP				
31.1*	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
31.2*	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
32*	Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
Ex. 101.INS*	XBRL Instance Document				
Ex. 101.SCH*	XBRL Taxonomy Extension Schema Document				
Ex. 101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document				
Ex. 101.LAB*	XBRL Taxonomy Extension Label Linkbase Document				
Ex. 101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document				
Ex. 101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document				

* Filed herewith.

Laureate Education, Inc. hereby undertakes to furnish supplementally a copy of any omitted schedule or exhibit to such agreement to the U.S. Securities and Exchange Commission upon request.

† Indicates a management contract or compensatory plan or arrangement.

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- ‡ Confidential treatment has been granted with respect to certain portions of this exhibit. Omitted portions have been filed separately with the U.S. Securities and Exchange Commission.
- Δ A form of such agreement was previously filed as Exhibit 10.64 to Amendment No. 4 to the Company's Registration Statement on Form S-1 (File No. 333-207243) filed on December 15, 2016.
- ΔΔ A form of such agreement was previously filed as Exhibit 10.65 to Amendment No. 4 to the Company's Registration Statement on Form S-1 (File No. 333-207243) filed on December 15, 2016.

ITEM 16. FORM 10-K SUMMARY.

None.

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.

LAUREATE EDUCATION, INC.

By: /s/ JEAN-JACQUES CHARHON

Name: Jean-Jacques Charhon
Title: *Executive Vice President and 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 and on the dates indicated.

<u>Name</u>	<u>Title</u>	<u>Date</u>
<hr/> /s/ EILIF SERCK-HANSEN Eilif Serck-Hanssen	Chief Executive Officer and Director (Principal Executive Officer)	March 20, 2018
<hr/> /s/ JEAN-JACQUES CHARHON Jean-Jacques Charhon	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	March 20, 2018
<hr/> /s/ TAL DARMON Tal Darmon	Chief Accounting Officer, Senior Vice President and Global Corporate Controller (Principal Accounting Officer)	March 20, 2018
<hr/> /s/ DOUGLAS L. BECKER Douglas L. Becker	Chairman of the Board	March 20, 2018
<hr/> /s/ BRIAN F. CARROLL Brian F. Carroll	Director	March 20, 2018
<hr/> /s/ ANDREW B. COHEN Andrew B. Cohen	Director	March 20, 2018
<hr/> /s/ WILLIAM L. CORNOG William L. Comog	Director	March 20, 2018

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<u>Name</u>	<u>Title</u>	<u>Date</u>
<hr/> <i>/s/ PEDRO DEL CORRO</i> Pedro del Corro	Director	March 20, 2018
<hr/> <i>/s/ MICHAEL J. DURHAM</i> Michael J. Durham	Director	March 20, 2018
<hr/> <i>/s/ KENNETH W. FREEMAN</i> Kenneth W. Freeman	Director	March 20, 2018
<hr/> <i>/s/ GEORGE MUÑOZ</i> George Muñoz	Director	March 20, 2018
<hr/> <i>/s/ DR. JUDITH RODIN</i> Dr. Judith Rodin	Director	March 20, 2018
<hr/> <i>/s/ IAN K. SNOW</i> Ian K. Snow	Director	March 20, 2018
<hr/> <i>/s/ STEVEN M. TASLITZ</i> Steven M. Taslitz	Director	March 20, 2018
<hr/> <i>/s/ QUENTIN VAN DOOSSELAERE</i> Quentin Van Doosselaere	Director	March 20, 2018

AGREED FORM

AMENDED AND RESTATED SALE AND PURCHASE AGREEMENT

**DATED 22 NOVEMBER 2017
AMENDED AND RESTATED ON 11 JANUARY 2018**

LEI EUROPEAN INVESTMENTS B.V.

AND

LAUREATE INTERNATIONAL B.V.

AND

GALILEO GLOBAL EDUCATION LUXCO S.À R.L.

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THIS AGREEMENT is dated 22 November 2017, as amended and restated on 11 January 2018, and made

BETWEEN:

- (1) **LEI EUROPEAN INVESTMENTS B.V.**, a private limited liability company (*besloten vennootschap*) incorporated under the laws of the Netherlands (registered at the Dutch commercial register with number 67499201), whose registered office is at Barbara Strozziilaan 201, 1083 HN Amsterdam, the Netherlands (the **Seller**);
- (2) **LAUREATE INTERNATIONAL B.V.**, a private limited liability company (*besloten vennootschap*) incorporated under the laws of the Netherlands (registered at the Dutch commercial register with number 27122275), whose registered office is at Barbara Strozziilaan 201, 1083 HN Amsterdam, the Netherlands (the **Guarantor**); and
- (3) **GALILEO GLOBAL EDUCATION LUXCO S.À R.L.** a limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg whose registered office is at 11, avenue de la Gare, L-1611 Luxembourg, Grand Duchy of Luxembourg and registered with the *Registre du Commerce et des Sociétés*, Luxembourg under number B 149466 (the **Purchaser**).

BACKGROUND:

- (A) The Seller owns all the issued and outstanding shares in the capital of European University — Cyprus Ltd (**EU-Cyprus**) and Laureate Italy S.r.l. (**Laureate Italy** and, together with EU-Cyprus, the **Companies** and each a **Company**), further details of which are set out in Schedule 1.
- (B) On 22 November 2017, the Seller, the Guarantor and Galileo Global Education Midco S.à r.l. (the **Original Purchaser**) entered into a sale and purchase agreement (the **Original SPA**) for the sale and purchase of all the issued and outstanding shares in the capital of each Company (the **Transaction**) on the terms set out in the Original SPA.
- (C) Pursuant to a deed of novation and amendment and restatement between the Seller, the Guarantor, the Purchaser and the Original Purchaser (the **Novation Deed**), the Original Purchaser has novated all of its rights and obligations under the Original SPA, as amended and restated pursuant to the Novation Deed, to the Purchaser.
- (D) On Completion, the Laureate Italy Shares and the EU-Cyprus Shares shall be transferred directly to, respectively, Istituto Marangoni and GGE Cyprus.
- (E) The Guarantor is the holding company of the Seller and is willing to guarantee the obligations of the Seller under this agreement.

IT IS AGREED as follows:

1. INTERPRETATION

1.1 In this agreement:

Accounts means the audited statutory financial statements for the year ended on the Accounts Date of each Group Company (other than A.S. Cyprus College Lamaca Limited), a copy of each of which has been disclosed in the Data Room;

Accounts Date means 31 December 2016;

Actual Net Debt means the Net Debt at the Effective Time, as set out in the Completion Statement. This amount can be a positive or a negative number;

Actual Working Capital means the Working Capital at the Effective Time, as set out in the Completion Statement. This amount can be a positive or a negative number;

Adjusted Purchase Price has the meaning given in subclause 3.2;

Agreed Form means, in relation to any document, the form of that document which has either been (a) initialled or (b) encrypted on a DVD labelled "Project Harbor — Agreed Form Documents" on the Signing Date, in each case, for the purpose of identification by or on behalf of the Seller and the Purchaser or the Original Purchaser on or prior to the Signing Date or, otherwise, agreed between the parties prior to Completion on customary terms (acting reasonably and in good faith);

Applicable Accounting Standards means Italian GAAP in respect of each Italian Group Company and IFRS in respect of each Cyprus Group Company;

Assignment means an Italian law assignment of the Guarantee from the Seller to Istituto Marangoni to be entered into at Completion by the Seller, Istituto Marangoni and Nuova Accademia, in the Agreed Form;

Associated Person means, in relation to a company, a person (including any director, officer, employee, agent or subsidiary) who performs (or has performed) services for or on behalf of that company;

Bid Amount has the meaning given in subclause 3.1(a);

Business Day means a day (other than a Saturday or Sunday) on which banks are generally open in Amsterdam (the Netherlands), Luxembourg (Grand Duchy of Luxembourg), Limassol (Cyprus), Milan (Italy) and London (United Kingdom) for normal business;

Business IT has the meaning given in paragraph 9 of Schedule 4;

Claim means a Warranty Claim or any other claim against the Seller for any breach or alleged breach of this agreement or in respect of any matter arising under or out of this agreement (including a Tax Covenant Claim) or any other Transaction Document;

Company and **Companies** have the meaning given in Recital (A);

Completion has the meaning given in subclause 7.1;

Completion Date means: (a) 11 January 2018; or (b) such other date as may be agreed in writing between the Purchaser and the Seller;

Completion Statement means the statement of Net Debt and Working Capital to be prepared in accordance with, and in the form set out in, Schedule 8;

Continuing Arrangements means: (a) the intercompany revenue arrangements in Part 1 of Schedule 14; and (b) the intercompany revenue arrangements pursuant to the agreements available in the Data Room and set out in Part 2 of Schedule 14;

Cyprus Group Company means EU-Cyprus and its subsidiaries;

Damages Payment has the meaning given in paragraph 12(a) of Schedule 5;

Data Protection Legislation has the meaning given in paragraph 10 of Schedule 4;

Data Room means the information and the documents in the virtual data rooms operated by Merrill Corporation respectively entitled “Project Laureate - Harbor — Cyprus” and “Project Laureate - Harbor — Italy” each of which is encrypted on a USB stick and the indexes of which are in the Agreed Form;

Disclosed Information has the meaning given in subparagraph 2.1 of Schedule 5;

Disclosure Letter means the letter of the Signing Date from the Seller to the Original Purchaser;

Due Diligence Investigation has the meaning given in subparagraph 1(a) of Schedule 5;

Effective Time means 11:59:59 pm on 31 December 2017;

Encumbrances has the meaning given in subclause 2.2;

Estimated Intra-Group Payables means the Seller’s reasonable estimate of Intra-Group Payables at the Effective Time and as set out in the Indebtedness Schedule;

Estimated Intra-Group Receivables means the Seller’s reasonable estimate of Intra-Group Receivables at the Effective Time and as set out in the Indebtedness Schedule;

Estimated Net Debt means the Seller’s reasonable estimate of Net Debt at the Effective Time and as set out in the Indebtedness Schedule. This amount can be a positive or negative number;

Estimated Purchase Price has the meaning given in subclause 3.1 and as set out in the Indebtedness Schedule;

Estimated Working Capital means the Seller’s reasonable estimate of Working Capital at the Effective Time and as set out in the Indebtedness Schedule. This amount can be a positive or negative number;

Estimated Working Capital Adjustment means the amount by which the Estimated Working Capital is greater than the Target Working Capital (in which case it will be added to the Bid Amount for the purposes of subclause 3.1) or by which it is less than the Target Working Capital (in which case it will be deducted from the Bid Amount for the purposes of subclause 3.1) and as set out in the Indebtedness Schedule;

Estimated Withholding Tax means EUR 934,207.38;

EU-Cyprus has the meaning given in Recital (A);

EU-Cyprus Shares has the meaning given in subclause 2.1(a);

Excess Recovery has the meaning given in paragraph 12(d) of Schedule 5;

Exchange Rate means the closing mid-rate of exchange for the relevant currency published in the London edition of The Financial Times on the Business Day immediately preceding the Relevant Date or, where no such rate of exchange is published, the rate quoted by National Westminster Bank plc at the close of business in London on Completion. For the purposes of this definition, **Relevant Date** shall mean, save as otherwise provided in this agreement, the date on which a payment or an assessment is to be made, save that, for the following purposes, it shall mean: (i) for the purposes of clause 4, the date of the Seller's notification to the Purchaser pursuant to subclause 4.1; (ii) for the purposes of subclause 3.2 to 3.4, clause 10 and Schedule 8, the Effective Time; and (iii) for the purposes of clause 11 and Schedule 4, the date at which the relevant Seller's Warranty is expressed to be true and accurate;

Fairly Disclosed means fairly disclosed in sufficient detail to enable a reasonable purchaser to identify the nature and scope of the matter disclosed;

GGE Cyprus means Ridak Trading Limited;

Group means the Companies and each of the other Group Companies, taken as a whole;

Group Companies means the Companies and the Subsidiaries and **Group Company** means any of them;

Guarantee means an Italian law guarantee from the Seller to Nuova Accademia entered into as part of the Intercompany Loan Cleanup in Italy, in the Agreed Form;

IFRS means International Financial Reporting Standards or International Accounting Standards issued or adopted by the International Accounting Standards Board (or a predecessor body) and interpretations issued by the IFRS Interpretations Committee (or a predecessor body), each as and to the extent from time to time adopted by the European Union in accordance with EC Regulation No. 1606/2002;

Indebtedness Schedule has the meaning given in subclause 4.1;

Independent Accountants means such independent firm of internationally recognised chartered accountants as may be appointed under Schedule 9;

Information Memorandum means the information memorandum, in the Agreed Form, describing the Group Companies and their business;

Information Technology has the meaning given in paragraph 9 of Schedule 4;

Istituto Marangoni means Istituto Marangoni S.r.l.;

Intellectual Property Rights has the meaning given in paragraph 8 of Schedule 4;

Intercompany Loan Cleanup in Italy means the clean-up of intra-group payables and intra-group receivables in accordance with the document titled "Project Harbor — Italy Intercompany Loan Cleanup" dated January 2018 in the Agreed Form;

Intra-Group Payables means any amounts or obligations (other than Trade Debts) payable or owing, as at the Effective Time, by the Group Companies to members of the Seller's Group together with any VAT on such amounts or obligations;

Intra-Group Receivables means any amounts or obligations (other than Trade Debts) payable or owing, as at the Effective Time, by members of the Seller's Group to the Group Companies together with any VAT on such amounts or obligations;

Italian GAAP means the generally accepted accounting principles as set forth under the Italian Civil Code and further detailed, interpreted and implemented by the generally accepted accounting principles issued by the "Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili" and as modified by "Organismo Italiano Di Contabilita" as amended, supplemented or reinstated from time to time;

Italian Group Company means Laureate Italy and its subsidiaries;

Italian Loan Offset has the meaning given in paragraph (e) of the definition of Permitted Leakage;

Laureate Italy has the meaning given in Recital (A);

Laureate Italy Shares has the meaning given in subclause 2.1(b);

Leakage means (without double counting):

- (a) any dividend or distribution declared, paid or made or agreed to be paid or made by any Group Company (whether by way of interest, redemption, repayment, conversion, distribution, return of capital or otherwise) to the Seller or any member of the Seller's Group (other than a Group Company);
- (b) any payments made or agreed to be made (including any loan repayments) or any assets, rights or benefits transferred or agreed to be transferred by or on behalf of any Group Company to or for the benefit of the Seller or any member of the Seller's Group (other than a Group Company);
- (c) any liabilities assumed, indemnified or incurred (including management or similar fees) or agreed to be assumed, indemnified or incurred (including under any guarantee, indemnity, additional borrowing or other security) by or on behalf of any Group Company to or for the benefit of the Seller or any member of the Seller's Group (other than a Group Company);
- (d) the waiver or agreement to waive by or on behalf of any Group Company of any amount owed to that Group Company by the Seller or any member of the Seller's Group (other than a Group Company);
- (e) any bonus or other payment paid or made or agreed to be paid or made by or on behalf of any Group Company in connection with the sale of the Sale Shares to any employee, director, officer or senior executive, or any educational counsellor (each an **Employee**) or any person connected (as defined by applicable law) with an Employee;

- (f) any fees, costs or expenses paid or incurred by any Group Company in connection with the Transaction (excluding, for the avoidance of doubt, bonus or other payments referred to in paragraph (e) above);
- (g) any commitment to do any of the matters referred to in paragraphs (a) to (f) above; and
- (h) any Taxation payable by any Group Company (or which would have been payable by a Group Company but for the use of a relief) as a consequence of any of the matters referred to in (a) to (g) above,

in each case other than any Permitted Leakage;

Lease has the meaning given in subparagraph 6(c) of Schedule 4;

Leasehold Properties has the meaning given in subparagraph 6(a) of Schedule 4;

Locked Box Period means from (and excluding) the Effective Time until Completion;

Management Accounts means the unaudited management accounts relating to each of the Cyprus Group Companies and the Italian Group Companies in each case for the nine months ended on the Management Accounts Date and prepared in accordance with US GAAP, in the Agreed Form;

Management Accounts Date means 30 September 2017;

Material Agreement has the meaning given in subparagraph 5.1 of Schedule 4;

Merger means the reverse merger of Laureate Italy into Nuova Accademia;

Net Debt means the aggregate net indebtedness of the Group Companies as at the Effective Time (whether or not then presently payable), including interest accrued thereon, being:

- (a) the aggregate amount of all **Debt** being: outstanding indebtedness (other than Trade Debts) owing by the Group Companies to any person and including bank debt and amounts owing under finance leases and capital leases and including the Intra-Group Payables; less
- (b) the aggregate amount of all **Cash** being: cash in hand or at bank and the Intra-Group Receivables,

and including (or excluding, as the case may be) those items required to be included in (or excluded from, as the case may be) Net Debt in accordance with Schedule 8 and excluding any item or amount to the extent that it is taken into account in calculating Working Capital. This amount can be a positive or negative number;

Nuova Accademia means Nuova Accademia S.r.l.;

Permitted Leakage means:

- (a) any payment made or agreed to be made or liability incurred in respect of any matter undertaken by or on behalf of any Group Company provided that it has been confirmed in writing on or after the Signing Date by the Purchaser or the Original

Purchaser that it constitutes a Permitted Leakage (including any Tax payable by any Group Company as a consequence of such);

- (b) any payment of Trade Debts made by any Group Company in respect of services provided to the Group Companies by the Seller's Group on an arm's length basis in accordance with the provisions of written agreements in force as at the Signing Date, not exceeding EUR 80,000 in aggregate;
- (c) any payment made or agreed to be made or liability incurred: (i) in connection with the settlement of the Intra-Group Payables and Intra-Group Receivables in accordance with subclause 7.2(a) and clause 10 (other than in connection with the Intercompany Loan Cleanup in Italy); or (ii) by a Group Company pursuant to the TSA as from the Completion Date; or (iii) by or on behalf of a Group Company pursuant to a Continuing Arrangement as from the Completion Date, and including in each case any Tax payable by any Group Company as a consequence of such;
- (d) the transfer of the entire contractual relationship relating to Loan #371 and Loan #372 (each as defined in the document referred to in the definition of the Intercompany Loan Cleanup in Italy) by Laureate IBV to Education Trademark BV as part of the Intercompany Loan Cleanup in Italy; and
- (e) the loan repayment made by Laureate Italy to the Seller's Group in connection with Loan #371 and Loan #372 by way of offset in satisfaction of a portion of Loan IT001XB (each as defined in the document referred to in the definition of the Intercompany Loan Cleanup in Italy) (the **Italian Loan Offset**), not exceeding an amount equal to the aggregate amount of Loan #371 and Loan #372 as at the Effective Time (as reflected as part of Actual Net Debt in the Completion Statement) less the Estimated Withholding Tax;

Provider has the meaning given in paragraph 10 of Schedule 5;

Purchase Price means:

- (a) until such time as the Completion Statement is agreed or determined in accordance with Schedule 8, the Estimated Purchase Price; and
- (b) once the Completion Statement has been agreed or determined in accordance with Schedule 8, the Adjusted Purchase Price,

Purchaser's Group means the Purchaser and all its subsidiaries, all companies of which the Purchaser is a subsidiary and all subsidiaries of such companies, but excluding (a) prior to Completion, any Group Company and (b) any portfolio company, other than Galileo Global Education Investment S.C.SP. and its subsidiaries, of funds managed by any member of the Sponsor Group;

Recipient has the meaning given in paragraph 10 of Schedule 5;

Reference Accounts means the unaudited management accounts relating to each of the Cyprus Group Companies and the Italian Group Companies in each case for the year ended on 31 December 2016 and prepared in accordance with US GAAP, in the Agreed Form;

Related Party Arrangements means any agreements (whether on written or unwritten terms) between any Group Company and any member of the Seller's Group, details of which are set out in Schedule 13, and **Related Party Arrangement** shall mean any one of them;

Replacement Director means, in respect of a Group Company, each person specified in the table in Schedule 7 as being a person to be appointed as a director of that Group Company at Completion;

Resigning Director means, in respect of a Group Company, each person specified in the table in Schedule 7 as being a director of that Group Company that will resign at Completion;

Sale Shares has the meaning given in subclause 2.1;

Seller's Group means the Seller, all companies of which the Seller is a subsidiary and all subsidiaries of such companies, but excluding each Group Company;

Seller's Warranties has the meaning given in subclause 11.1;

Senior Employees has the meaning given in subparagraph 11(a)(i) of Schedule 4;

Services Agreements means the agreements, and any other arrangements, for the provision of services, and employment, of the chief executive officer of each of Laureate Germany Holding GmbH and Laureate Italy;

Signing Date means 22 November 2017;

Sponsor Group means: (a) Providence Equity Partners L.L.C. and its affiliates; (b) any funds managed and/or advised by any of their respective advisers or managers or any investor in or director, employee or partner of any of them; and (c) any general partner, limited partner, trustee, nominee, operator, arranger or, manager of, or investment adviser to, any such fund;

Subsidiaries means all the companies mentioned in Parts A and B of Schedule 2 and **Subsidiary** means any of them;

Surviving Clauses means clauses 1, 15, 17 and 19 to 25 and **Surviving Clause** means any one of them;

Target Working Capital means minus EUR 14,790,915.00 (being the aggregate of minus EUR 18,268,501 for the Italian Group Companies and plus EUR 3,477,586 for the Cyprus Group Companies);

Tax, Taxes or Taxation means:

- (a) any tax or duty, or any levy, impost, charge or withholding of any country or jurisdiction having the character of taxation, wherever chargeable, imposed for support of national, state, federal, cantonal, municipal or local government or any other governmental or regulatory authority, body or instrumentality including but not limited to tax on gross or net income, profits or gains, taxes on receipts, sales, use, occupation, franchise, transfer, value added and personal property and social security taxes whenever imposed and whether chargeable directly or primarily against or attributable directly or primarily to a Group Company or any other person; and

(b) any penalty, fine, surcharge, interest, charges or additions to taxation payable in relation to any taxation within paragraph (a);

Tax Covenant Claim means a claim under Schedule 6;

Tax Warranties means the Seller's Warranties contained in paragraph 13 of Schedule 4;

Taxation Authority means any taxing or other authority competent to impose, administer or collect any Taxation;

Third Party Claim has the meaning given in paragraph 9 of Schedule 5;

Third Party Sum has the meaning given in paragraph 12 of Schedule 5;

Title and Capacity Warranties means the Seller's Warranties contained in subparagraphs 1.1, 1.2, 2.1 to 2.5 (inclusive) and 2.8 of Schedule 4;

Trade Debts means amounts owing or accrued liabilities or obligations in the ordinary course of trading, and including interest accrued and VAT on such amounts, as a result of intra-group trading activity and the provision of goods or services supplied by a Group Company to a member of the Seller's Group or vice versa, pursuant to the Related Party Arrangements and Continuing Arrangements. For reference purposes only, the amount of the Trade Debts as at 31 September 2017 is set out in Schedule 11;

Transaction has the meaning given in Recital (B);

Transaction Documents means this agreement, the Disclosure Letter and the TSA;

TSA means the transitional services agreement, substantially similar to the document of that name in the Agreed Form;

US GAAP means the generally accepted accounting principles in the United States of America, including standards and interpretation issued or adopted by the Financial Accounting Standards Board;

VAT means value added tax as provided for in Council Directive 2006/112/EC (or as implemented by a Member State) and any other tax of a similar nature (including sales tax or a tax instead of or in addition to value added tax), whether imposed in the United Kingdom, the Netherlands or elsewhere;

VDD Reports means:

- (a) the financial due diligence report titled Project Harbor (Cyprus) produced by Ernst & Young, LLP dated 9 August 2017; and
- (b) the financial due diligence report titled Project Harbor (Italy) produced by Ernst & Young, LLP dated 9 August 2017;

Warranty Claim means a claim for breach or alleged breach of the Seller's Warranties; and

Working Capital means the aggregate working capital of the Group Companies as at the Effective Time, being:

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- (a) inventories; plus
 - (b) current accounts receivable, including amounts due from trade debtors, accreditation deposits, prepayments and accrued income and other current accounts receivable (including Trade Debts receivable); less
 - (c) payables and accruals including trade creditors, deferred revenue and student deposits, social security contributions and other current liabilities (including Trade Debts payable),

and including (or excluding, as the case may be) those items required to be included in (or excluded from, as the case may be) Working Capital in accordance with Schedule 8 and excluding any item or amount to the extent that it is taken into account in calculating Net Debt. This amount can be a positive or negative number.

1.2 In this agreement, unless the contrary intention appears, a reference to a clause, subclause or Schedule is a reference to a clause, subclause or schedule of or to this agreement. The Schedules form part of this agreement.

1.3 The headings in this agreement do not affect its interpretation.

1.4 In this agreement any reference, express or implied, to an enactment (which includes any legislation in any jurisdiction) includes:

- (a) that enactment as amended, extended or applied by or under any other enactment (before or after signature of this agreement);
- (b) any enactment which that enactment re-enacts (with or without modification); and
- (c) any subordinate legislation made (before or after the Signing Date) under that enactment, including (where applicable) that enactment as amended, extended or applied as described in subparagraph (a), or under any enactment which it re-enacts as described in subparagraph (b);

except to the extent that any legislation or subordinate legislation made or enacted after the Signing Date would create or increase the liability of the Seller under this agreement.

1.5 In this agreement:

- (a) words denoting persons include bodies corporate and unincorporated associations of persons;
- (b) references to an individual or a natural person include his estate and personal representatives;
- (c) subject to clause 19, references to a party to this agreement include the successors or assigns (immediate or otherwise) of that party;
- (d) the words **including** and **include** shall mean including without limitation and include without limitation, respectively;
- (e) any reference to **shares** or **share capital** includes, in the case of the Italian Group Companies, a reference to **corporate capital**; and

- (f) any reference to **€**, **EUR** or **Euro** is to the single currency of the participating member states as defined in Council Regulation EC No. 1103/97 of 17th June, 1997 made under Article 235 of the Treaty on European Union.

1.6 For the purposes of this agreement, a company is a **subsidiary** of another company, its **holding company**, if that other company:

- (a) holds a majority of the voting rights in it; or
- (b) has the right, either alone or pursuant to an agreement with other shareholders or members, to appoint or remove a majority of its management board or its supervisory board (if any); or
- (c) is a shareholder or member of it and controls alone or together with other persons, pursuant to an agreement with other shareholders or members, a majority of the voting rights in it,

or if it is a subsidiary of a company which is itself, directly or indirectly, a subsidiary of that other company.

1.7 For the purposes of this agreement, a company is a **wholly-owned subsidiary** of another company if it has no members except that other and that other's wholly-owned subsidiaries or persons acting on behalf of that other or its wholly-owned subsidiaries.

1.8 General words used in this agreement shall not be given a restrictive meaning by reason of the fact that they are followed by particular examples intended to be embraced by the general words.

2. SALE AND PURCHASE OF THE SALE SHARES

2.1 The Seller is the owner of:

- (a) all of the 5,000 issued ordinary shares of EUR 1.71 each in the capital of EU-Cyprus representing the entire issued share capital of EU-Cyprus (the **EU-Cyprus Shares**); and
- (b) a quota having a nominal value of EUR 10,000 representing 100% of the corporate capital of Laureate Italy (the **Laureate Italy Shares**).

On the terms of this agreement the Seller shall sell and the Purchaser shall procure that GGE Cyprus and Istituto Marangoni (in each case for and on behalf of the Purchaser) shall purchase the EU-Cyprus Shares and the Laureate Italy Shares (the **Sale Shares**) respectively.

2.2 On Completion, the Sale Shares shall be transferred free and clear from any and all options, rights to acquire (including rights of pre-emption or rights of first refusal), mortgages, charges, pledges, liens, claims, equitable rights, powers of sale, hypothecations, usufructs, retentions of title, or other forms of security or any agreement, arrangement or obligation to create any of the foregoing (together, **Encumbrances**) and together with all rights attaching to them on or after Completion.

2.3 The Seller waives all rights of pre-emption which it may have (whether under the relevant Company's constitutional documents or otherwise) in respect of the transfer to the Purchaser of the Sale Shares or any of them.

3. PURCHASE PRICE AND ADJUSTMENTS FOR NET DEBT AND TARGET WORKING CAPITAL

3.1 The purchase price for the Sale Shares shall be the aggregate of:

- (a) EUR 115,000,000 in connection with the Cyprus Group Companies and EUR 110,000,000 in connection with the Italian Group Companies (the aggregate amount of EUR 225,000,000.00 being the **Bid Amount**);
- (b) less the Estimated Net Debt (if positive) or plus the Estimated Net Debt (if negative, i.e. the Group Companies, as a whole, are in a net Cash position);
- (c) plus or minus the Estimated Working Capital Adjustment,

(the **Estimated Purchase Price**), subject to adjustment as provided in this clause 3.

3.2 The amount of the Estimated Purchase Price shall be adjusted upon the Completion Statement being agreed or determined in accordance with Schedule 8 as follows (the Estimated Purchase Price, as so adjusted, being the **Adjusted Purchase Price**):

- (a) if the Actual Net Debt exceeds the Estimated Net Debt, it shall be reduced by the amount by which the Actual Net Debt exceeds the Estimated Net Debt;
- (b) if the Actual Net Debt is less than the Estimated Net Debt, it shall be increased by the amount by which the Actual Net Debt is less than the Estimated Net Debt;
- (c) if the Actual Working Capital is less than the Estimated Working Capital, it shall be reduced by the amount by which the Actual Working Capital is less than the Estimated Working Capital; and
- (d) if the Actual Working Capital exceeds the Estimated Working Capital, it shall be increased by the amount by which the Actual Working Capital exceeds the Estimated Working Capital.

3.3 If:

- (a) the Adjusted Purchase Price exceeds the Estimated Purchase Price, the Purchaser shall make a payment to the Seller of a sum equal to that excess; or
- (b) the Estimated Purchase Price exceeds the Adjusted Purchase Price, the Seller shall make a payment to the Purchaser of a sum equal to that excess.

- 3.4 Any such payment shall be made within five Business Days following the day on which the Completion Statement is agreed or determined in accordance with Schedule 8.
- 3.5 If any Leakage during the Locked Box Period is notified pursuant to subclauses 4.3 and/or 6.3 or comes to the attention of the Purchaser on or prior to Completion, subject to the Seller agreeing in writing that Leakage has occurred and agreeing in writing the amount of the particular Leakage, the Estimated Purchase Price shall be reduced by such amount such that the payment of the reduced Estimated Purchase Price shall be an absolute discharge of the Purchaser's obligation to pay the Estimated Purchase Price to the Seller on Completion.
- 3.6 For the purposes of the allocation of the Purchase Price (as between the Italian Group Companies and the Cyprus Group Companies), the parties:
- (a) shall use all reasonable endeavours to agree, in good faith, an allocation of:
 - (i) the Estimated Purchase Price by no later than the Completion Date; and
 - (ii) the Adjusted Purchase Price at the same time as the Adjusted Purchase Price is agreed or determined in accordance with subclause 3.2 and Schedule 8,and, to the extent there is any transfer of value from the Italian Group Companies to the Cyprus Group Companies or vice versa during the Locked Box Period, the parties will in good faith take such transfer of value into account in agreeing the allocation of the Purchase Price as between the Cyprus Group Companies and the Italian Group Companies; and
 - (b) agree and acknowledge that any deduction from the Purchase Price under subclause 3.5 in connection with a Leakage during the Locked Box Period or any other payment or repayment under this agreement by way of adjustment to the Purchase Price (including a repayment of Leakage to the Purchaser under subclause 6.2 or a payment in respect of a Claim under this agreement) that is primarily in connection to a matter relating to the Italian Group Companies or the Cyprus Group Companies shall be deemed to be an adjustment to the portion of the Purchase Price allocated to the Italian Group Companies or the Cyprus Group Companies, as applicable, it being understood that nothing in this subclause 3.6 shall be construed as creating any additional limitation on any party's rights under this agreement, and in particular pursuant to clauses 6 and 11 of this agreement.

4. NOTIFICATIONS TO DETERMINE PAYMENTS ON COMPLETION

- 4.1 Not less than five Business Days prior to the Completion Date, the Seller shall provide the Original Purchaser with a schedule (the **Indebtedness Schedule**), prepared in good faith and in consultation with the Original Purchaser, setting out:
- (a) the amount of the Estimated Purchase Price due to the Seller;
 - (b) the Estimated Net Debt;
 - (c) the Estimated Intra-Group Payables;
 - (d) the Estimated Intra-Group Receivables;

- (e) the Estimated Working Capital; and
- (f) the Estimated Working Capital Adjustment,

and including, for the purposes of subclause 3.6, in each case, the allocation of such amount to the Cyprus Group Companies and the Italian Group Companies.

- 4.2 If Completion is deferred beyond the intended Completion Date in accordance with the terms of this agreement and an Indebtedness Schedule has been delivered by the Seller to the Original Purchaser prior to such deferral occurring, the Seller may deliver a revised Indebtedness Schedule to the Purchaser in accordance with subclause 4.1 and the Indebtedness Schedule previously submitted shall cease to apply for all purposes.
- 4.3 Five Business Days prior to Completion, the Seller shall notify the Original Purchaser of the amount of any known Leakage (if any), specifying, for the purposes of subclause 3.6, whether such Leakage is attributable to the Cyprus Group Companies or the Italian Group Companies.

5. PRE-COMPLETION

- 5.1 The Seller undertakes to procure that between the Signing Date and Completion each Group Company shall carry on its business as a going concern and in the ordinary and usual course as carried on in the 12 months prior to the Signing Date, save insofar as agreed in writing by the Original Purchaser or the Purchaser and subject to subclauses 5.2 and 5.3.
- 5.2 Without prejudice to the generality of subclause 5.1 and subject to subclause 5.3, the Seller undertakes to procure that, between the Signing Date and Completion:
 - (a) each Group Company shall manage its working capital in the ordinary course of business consistent with the Group's standard practices in the 12 month period prior to the Signing Date;
 - (b) each Group Company shall maintain in place all insurance policies that such Group Company maintains as at the Signing Date, in all material respects on the same terms and with a similar level of cover to that prevailing at the Signing Date; and
 - (c) no Group Company shall undertake any of the actions set out in Schedule 10 without the prior written consent of the Original Purchaser or the Purchaser, such consent not to be unreasonably withheld or delayed.
- 5.3 Subclauses 5.1 and 5.2 shall not operate so as to prevent or restrict:
 - (a) any matter reasonably undertaken by any Group Company in an emergency or disaster situation with the intention of, and to the extent only of those matters required with a view to, minimising any adverse effect of such situation in relation to the Group; or
 - (b) any action required to be undertaken, or not undertaken, to comply with applicable legal or regulatory requirements; or
 - (c) any matter expressly permitted by this agreement or required to give effect to and comply with this agreement; or

- (d) any matter undertaken to give effect to the Intercompany Loan Cleanup in Italy prior to the Completion Date; or
- (e) any matter undertaken at the written request or with the written consent of the Original Purchaser or the Purchaser,

provided, in the case of paragraphs (a) to (c), that the Seller shall (i) notify the Purchaser as soon as reasonably practicable of any action taken or proposed to be taken as described in this subclause 5.3, (ii) provide to the Purchaser all such information as the Purchaser may reasonably request subject to applicable antitrust laws and (iii) use reasonable endeavours to consult with the Purchaser in respect of any such action.

5.4 The Seller undertakes to notify in writing the Purchaser as soon as reasonably practicable if it becomes aware prior to Completion: (a) that any of the Seller's Warranties was untrue or inaccurate in any material respect as of the Signing Date; and/or (b) of any fact, matter or circumstance which constitutes a material breach of the undertakings contained in subclauses 5.1 and 5.2.

5.5 The Seller undertakes to procure that, other than:

- (a) as permitted by or required to give effect to the Intercompany Loan Cleanup in Italy (including the consideration that will be owing by Laureate Italy to Nuova Academia as a result of Nuova Academia taking over the contractual relationship relating to Loan IT001XB (as defined in the document referred to in the definition of the Intercompany Loan Cleanup in Italy)); or
- (b) in relation to Trade Debts or the Continuing Arrangements,

in the period from the Signing Date to Completion: (i) Laureate Italy shall not owe any debt to any member of the Seller's Group or any Group Company other than Loan #371 and Loan #372 (each as defined in the document referred to in the definition of the Intercompany Loan Cleanup in Italy); and (ii) Nuova Academia shall not hold any receivable from any member of the Seller's Group or any Group Company other than Loan IT001XB (as defined in the document referred to in the definition of the Intercompany Loan Cleanup in Italy). The Purchaser undertakes to use commercially reasonable endeavours to procure completion of the Merger without undue delay following Completion.

5.6 The liability of the Seller under subclause 5.5 shall terminate on the date on which the Merger is completed, except in respect of any Claim under subclause 5.5 of which notice is given to the Seller, specifying the relevant facts (including, to the extent reasonably practicable, the Purchaser's estimate, on a without prejudice basis, of the amount of such Claim) prior to the date on which the Merger is completed. The liability of the Seller in respect of any such Claim shall in any event terminate if proceedings in respect of it have not been commenced within twelve months after the giving of notice of that Claim.

5.7 The Seller covenants to pay to the Purchaser, to the extent possible by way of repayment of the Purchase Price for the Sale Shares (but not so as to limit the amount payable where not wholly possible), an amount equal to any and all costs and losses of a Group Company (other than Taxes, which shall be dealt with pursuant to Schedule 6) which may arise as a result of any matter undertaken to give effect to the Intercompany Loan Cleanup in Italy: (a) not being performed in accordance with all applicable laws and regulations; and/or (b) not being completed before the Effective Time.

- 5.8 The Seller shall procure that the Services Agreements shall be terminated with effect from the Completion Date and the Seller covenants to pay to the Purchaser, to the extent possible by way of repayment of the Purchase Price for the Sale Shares (but not so as to limit the amount payable where not wholly possible), an amount equal to any and all costs and losses of a Group Company which may arise as a result of the abovementioned termination and/or as a result of the Services Agreements not being terminated with effect from the Completion Date (including any salary, benefits and severance payments (including Tax thereon)). Subject to the Purchaser being reimbursed (on a monthly basis) and kept indemnified by the Seller in accordance with the foregoing, in relation to the Services Agreement for the chief executive officer of Laureate Germany Holding GmbH the effective termination date of such person shall be postponed by six months from the Completion Date and the Purchaser shall procure that:
- (a) unless otherwise requested to do so by the Seller in writing, no Group Company will terminate such Services Agreement before the expiry of the period requested by the Seller; and
 - (b) such chief executive officer will not provide any services to a Group Company, it being acknowledged and agreed that the intention is that he will provide services exclusively to the Seller's Group.
- 5.9 On or prior to Completion, the Seller shall procure that EU-Cyprus: (a) validly resigns from the board of directors of Laureate SOMED Education Holding SA (**Laureate SOMED**); and (b) transfers any share capital held in Laureate SOMED to the Seller's Group, in each case at no cost to a Group Company and with no residual liability for the Group Companies.
- 5.10 Prior to Completion, the Seller shall use commercially reasonable endeavours to obtain the change of control consent, in connection with the Transaction, of:
- (a) the Cyprus Energy Regulatory Authority under the terms of a permit exemption granted to EU-Cyprus; and
 - (b) Training Qualifications UK Ltd, under the terms of a recognised centre agreement between Training Qualifications UK Ltd. and EU-Cyprus.
- 5.11 Prior to Completion and subject to applicable anti-trust laws, the Seller shall, and shall procure that the Group Companies shall, allow the Purchaser and its agents, upon reasonable notice:
- (a) access to, and to take copies of, the books, records and documents of or relating in whole or in part to the Group;
 - (b) reasonable access to the directors and employees of the Group (who shall be instructed to give all such information, assistance and explanations as the Purchaser or any person acting on the Purchaser's behalf may reasonably request); and
 - (c) reasonable access to the auditors of the Group involved in preparing the Group Companies' accounts (who shall be instructed to give all such information, assistance and explanations as the Purchaser or any person acting on the Purchaser's behalf may reasonably request),
- in each case, to the extent reasonably required to facilitate (i) the integration of the Group into the Purchaser's Group (including, without limitation, in connection to audits of the Group

Companies), (ii) the understanding by the Purchaser of the audit scope and activities carried out as part of any audit of the Group Companies, (iii) the raising of new indebtedness for the Purchaser's Group or the Group or the syndication or marketing of indebtedness or equity and (iv) any roll out of a management incentive plan to take effect from Completion, provided that the above shall not give the Purchaser or its agents any right to give instructions or otherwise interfere with the management and conduct of any Group Company.

- 5.12 Prior to Completion, the Seller shall, and shall procure that the Group Companies and/or the relevant members of the Seller's Group shall, to the extent legally permitted, provide promptly to the Purchaser all reasonably necessary information and assistance reasonably requested in writing by the Purchaser and/or the relevant members of the Purchaser's Group in order for the Group Companies to implement the merger of Laureate Italy and Istituto Marangoni as soon as reasonably practicable following Completion.
- 5.13 Where, after Completion, the business of Laureate Italy is transferred by way of merger, demerger, absorption or other similar mechanism to Istituto Marangoni, and by operation of law a liability or asset that would otherwise have been a liability or asset of Laureate Italy becomes a liability or asset of Istituto Marangoni, Laureate Italy and Istituto Marangoni shall be treated for the purposes of this agreement as the same company (being a Group Company) in relation to any such liability or asset as is referable to Laureate Italy's business, provided that if a transfer is made which falls within the scope of this subclause 5.13, the liability of the Seller to the Purchaser under this agreement shall be no greater than such liability would have been if the transfer had not occurred.
- 5.14 The Seller shall procure that the draft lease agreement between Nuova Academia S.r.l. (as tenant) and IDEA Fimit SGR S.p.A. (as landlord) concerning the ground-to-roof level real estate located in Rome, Via C. Segre no. 4/6 and provided in the Data Room is not executed on or prior to Completion without the prior written consent of the Purchaser.
- 5.15 Prior to Completion, the Seller shall procure that ownership of the "Domus Academy" trademark in the United States of America is validly transferred to an Italian Group Company and shall provide reasonable evidence of such transfer of ownership to the Purchaser. The Seller shall use commercially reasonable endeavours (if necessary, after Completion) to ensure that the transfer of ownership of the "Domus Academy" trademark in the United States of America to the applicable Italian Group Company is registered by the relevant trademark authority in the United States of America as soon as reasonably practicable after the transfer of the ownership.
- 5.16 The Seller has disclosed to the Original Purchaser and the Purchaser the possibility that one or more of the Companies or the Subsidiaries may enter into a public-private partnership transaction (the **PPP Matter**). The parties agree to negotiate in good faith during the period prior to the Effective Time to seek to finalize mutually satisfactory terms and conditions for the PPP Matter.

6. LEAKAGE

- 6.1 The Seller undertakes to procure that there will be no Leakage during the Locked Box Period, provided that the Seller shall have no liability under this clause 6 if Completion does not occur.
- 6.2 In the event of any Leakage during the Locked Box Period which has not been deducted from the Purchase Price under subclause 3.5, the Seller shall on demand by the Purchaser pay to

the Purchaser by way of adjustment to the Purchase Price an amount in cash equal to such Leakage. Notwithstanding any other provision of this Agreement (and in particular any provision of Schedule 5), Schedule 5 shall not apply to this clause 6.

- 6.3 Without prejudice to clause 4, the Seller shall notify the Purchaser as soon as practicable upon becoming aware that any Leakage has occurred or is likely to occur during the Locked Box Period.
- 6.4 The Seller shall not be liable to make a payment under subclause 6.2 in respect of any Leakage unless the Purchaser has made a written demand of the Seller under subclause 6.2, identifying the transaction or payment that comprises the Leakage and the amount of such Leakage, within six months after the Completion Date. The liability of the Seller in respect of a demand for a Leakage payment under subclause 6.2 shall in any event terminate if proceedings in respect of such Leakage payment have not been commenced within six months following the making of such demand (unless such claim has previously been settled or withdrawn).
- 6.5 A claim against the Seller in accordance with subclause 6.2 shall be the sole remedy of the Purchaser in respect of any breach by the Seller of the undertaking in subclause 6.1.
- 6.6 The aggregate liability of the Seller in respect of this clause 6 shall not exceed an amount equal to the Leakages and, in any event, shall not exceed the amount of the Purchase Price.

7. COMPLETION

- 7.1 Completion of the sale and purchase of the Sale Shares in accordance with this agreement (the **Completion**) shall take place at the offices of Allen & Overy LLP (in London, England), Kaimakliotis LLC (in Lamaca, Cyprus) and Linklaters LLP (in Milan, Italy) on the Completion Date.
- 7.2 On Completion the Purchaser shall do or procure the performance of the following actions:
- (a) pay or procure payment of the Estimated Purchase Price and the Estimated Intra-Group Payables (the payment of the Estimated Intra-Group Payables to be made as contemplated in subclause 10.1) to the Seller;
 - (b) deliver or make available to the Seller an instrument of transfer in the Agreed Form in respect of the EU-Cyprus Shares duly executed by GGE Cyprus; and
 - (c) procure the delivery to the Seller of the Assignment duly executed by Istituto Marangoni.
- 7.3 On or before Completion the Seller shall do or procure the performance of the following actions:
- (a) pay or procure payment of the Estimated Intra-Group Receivables to the Purchaser as contemplated in subclause 10.3;
 - (b) deliver or make available the corporate books and records, duly written up-to-date, including the shareholders' register in respect of the Group Companies, and all other books and records, all to the extent required to be kept by each Group Company under the law of its jurisdiction of incorporation;

- (c) procure the delivery to the Purchaser of the TSA duly executed on behalf of the Seller, EU-Cyprus and Laureate Italy;
- (d) procure the delivery to the Purchaser of original resignation letters, in the Agreed Form and effective on or before Completion, for each Resigning Director of each Group Company;

Cyprus Group Companies

- (e) deliver or make available to the Purchaser:
 - (i) an instrument of transfer in the Agreed Form in respect of the EU-Cyprus Shares duly executed by the Seller (as registered holder) in favour of GGE Cyprus accompanied by the corresponding share certificate in the name of the Seller, such certificate being duly cancelled (or an express indemnity in the Agreed Form, in the case of any missing certificate);
 - (ii) a share certificate in the name of GGE Cyprus in the Agreed Form in respect of the EU-Cyprus Shares; and
 - (iii) a print-out of the original register of members of EU-Cyprus in the Agreed Form updated to record the registration therein, as at Completion, of: (x) the transfer of the EU-Cyprus Shares from the Seller to GGE Cyprus; and (y) GGE Cyprus as the registered holder of the EU-Cyprus Shares free from any Encumbrances, and which print-out shall be duly certified by the secretary of EU-Cyprus;
 - (iv) an original or certified copy of the minutes of a meeting (or a written resolution) of the board of directors of each Cyprus Group Company, in the Agreed Form, at which it has been resolved to:
 - (A) accept the resignation of each Resigning Director of that Cyprus Group Company;
 - (B) appoint as a director of that Cyprus Group Company, in each case subject to such person having consented to act, each Replacement Director of that Cyprus Group Company;
 - (C) revoke any existing powers of attorney issued by that Cyprus Group Company with respect to bank accounts, including the powers of attorney issued on 5 May 2017 by each of: (i) EU — Cyprus; (ii) A.S. Cyprus College (Lamaca) Ltd, (iii) EUC Health Services Limited; (iv) ERMIS Research & Incubator Center (ERIC) Ltd.; and (v) E.U.C. Research Centre Ltd;
 - (D) instruct the register of directors of that Cyprus Group Company to be updated to reflect the changes with respect to the resignation of each Resigning Director of that Cyprus Group Company and the appointment of each Replacement Director of that Cyprus Group Company; and
 - (E) instruct the secretary of that Cyprus Group Company to make the necessary filings and registrations with the Cyprus Registrar of

Companies with respect to the resignation of each Resigning Director of that Cyprus Group Company and the appointment of each Replacement Director of that Cyprus Group Company;

- (v) procure the delivery to the Purchaser of original or certified true copy of the secretary's certificate of each Cyprus Group Company, in the Agreed Form, dated at the date of Completion, certifying, inter alia, that the details set out under the name of that Cyprus Group Company in Schedule 1 or Schedule 2, as applicable, are true and accurate and that no resolutions have been passed by that Cyprus Group Company for its winding up;
- (f) cause the shareholder(s) of each Cyprus Group Company (other than ERMIS Research & Incubator Center (Eric) Limited) to adopt a resolution, in the Agreed Form, to release each Resigning Director of that Cyprus Group Company from any liability based on such persons' actions in the role as director and waiving any claim based thereon;
- (g) procure the delivery to the Purchaser of an original or certified copy of the resolutions contemplated by subclause 7.3(f);

Italian Group Companies

- (h) use their reasonable endeavours to cause the members of the supervisory body appointed according to D. Lgs. 231/2001 of the Italian Group Companies to submit resignation letters, in the Agreed Form, effective on Completion;
- (i) cause a board of directors' meeting of each of the Italian Group Companies to be held to (i) make confirmations as to its financial situation on the Completion Date (including with respect to the absence of undisclosed or contingent liabilities, and that it is not engaged in any pending or threatened litigation (including pertaining to Tax)) and (ii) approve the merger plan relating to the Merger, with the minutes of each meeting being in the Agreed Form;
- (j) procure that prior to the board of directors meetings of the Italian Group Companies referred to under subclause 7.3(i) above, each of the Seller, as sole shareholder of Laureate Italy, and Laureate Italy, as sole shareholder of Nuova Accademia, waive and renounce the preparation and filing for the purposes of the Merger of the interim financial statements (*situazione patrimoniale*) pursuant to art. 2501-quarter of the Italian Civil Code;
- (k) cause each Italian Group Company to hold a shareholders' meeting, the minutes of which shall be in the Agreed Form, at which the shareholders of that Italian Group Company shall resolve to:
 - (i) accept the resignations of each Resigning Director of that Italian Group Company in each case releasing them from any liability based on their actions in such roles and waiving any claim based thereon, excluding any conduct carried out with fraud (*dolo*) or gross negligence (*colpa grave*); and
 - (ii) appoint as a director of that Italian Group Company, in each case subject to such person having consented to act, each Replacement Director of that Italian Group Company;

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- (l) procure the delivery to the Purchaser (or the representative of the Purchaser who attends the execution of the Italian Deed of Transfer (as defined below) of an original or certified copy of the minutes or resolutions contemplated by subclause 7.3(k), including through delivery of the corporate books and records pursuant to subclause 7.3(b);
 - (m) procure the delivery to Nuova Accademia of an opinion from DLA Piper Studio Legale Tributario Associato, confirming that the Intercompany Loan Cleanup in Italy does not raise any issues relating to financial assistance pursuant to applicable law, in the Agreed Form;
 - (n) procure the delivery to the Purchaser of evidence reasonably satisfactory to the Purchaser that the Intercompany Loan Cleanup in Italy has been completed prior to Completion in accordance with the document referred to in the definition of the Intercompany Loan Cleanup in Italy, including copies of the documentation settling the relevant loans, copies of bank statements of the Italian Group Companies showing that funds have been transferred in accordance with such documentation and a copy of the Guarantee duly executed on behalf of the Seller; and
 - (o) procure the delivery to the Purchaser of the Assignment duly executed by the Seller and Nuova Accademia.

7.4 On Completion, immediately after the actions referred to under subclauses 7.2 and 7.3 above have been performed, the Seller shall and the Purchaser shall procure that Istituto Marangoni shall execute, before an Italian public Notary chosen by the Purchaser and notified in writing by the Original Purchaser or the Purchaser to the Seller at least five Business Days prior to Completion, only for purposes of article 2470 of the Italian Civil Code, the deed of transfer of the Laureate Italy Shares (the **Italian Deed of Transfer**), which shall be in the Agreed Form, it being agreed and understood that the execution the Italian Deed of Transfer shall not cause or imply any novation or modification of this agreement, which will remain in full force and effect, and thus supersedes the Italian Deed of Transfer after such execution.

7.5 No party shall be obliged to complete the sale and purchase of the Sale Shares unless all of the obligations of the respective parties which are to be performed on Completion are performed on the same date and in accordance with the terms of this agreement. The Purchaser (in the case of a default by the Seller) or the Seller (in the case of a default by the Purchaser) shall be entitled (in addition to and without prejudice to all other rights or remedies available, including the right to claim damages) by written notice to the Purchaser or the Seller, as the case may be:

- (a) to fix a new date for Completion (being not more than ten Business Days after the initial Completion Date) (and the provisions of this clause 7 shall apply to Completion as so deferred) provided that such deferral can only occur once); or

(b) to effect Completion, as far as practicable, having regard to the defaults which have occurred.

7.6 Subject to Completion having first been deferred for a period of up to ten Business Days under subclause 7.5(a) and the parties having used reasonable endeavours to effect Completion during that period, the Purchaser (in the case of a default by the Seller) or the Seller (in the case of a default by the Purchaser) shall be entitled (in addition to and without prejudice to all other rights or remedies available, including the right to claim damages) by

written notice to the Purchaser or the Seller, as the case may be, to terminate this agreement (other than the Surviving Clauses). If for any reason Completion does not occur any action taken shall be deemed not to have occurred and the parties shall take all action necessary to restore them to their respective positions prior to such actions being taken.

8. POST-COMPLETION COVENANTS

- 8.1 As soon as reasonably practicable (and, in any event, within 60 days) after Completion, the Purchaser shall use all reasonable endeavours to procure that the name of any Group Company whose name includes the word “Laureate” (whether in English or translated in to any other language) is changed so that it no longer contains the word “Laureate” and shall provide evidence to the Seller that Laureate Italy has so changed its name.
- 8.2 As soon as reasonably practicable (and, in any event, within 180 days) after Completion, the Purchaser shall procure that no Group Company:
- (a) uses or displays (including on or in its business stationery, documents, signs, promotional materials or website) any name, mark or logo which is the same as or similar to, or is likely to be confused or associated with, any name, mark or logo of a member of the Seller’s Group; or
 - (b) otherwise represents that the Seller or any other member of the Seller’s Group retains any connection with the Group Companies.
- 8.3 The Seller shall, and shall procure that any relevant member of the Seller’s Group shall, no later than the date falling three months immediately following the Completion Date, have submitted an application to withdraw European Union trade mark registration no. 016445942 “ue Ευρωπαϊκό Πανεπιστήμιο Κύπρου”.
- 8.4 The Seller shall not, and shall procure that no member of the Seller’s Group shall, take any steps to prevent any member of the Purchaser’s Group’s use, or registration as a trade mark, of the name: (a) “European University Cyprus”; or (b) other than in relation to Spain, Portugal and Germany, “European University”, in each case, in any language, by itself or in combination with other word or words or devices (provided that any device shall not be confusingly similar to the “UE” device that forms the logo element of European Union trade mark registration no. 016445942 “ue Ευρωπαϊκό Πανεπιστήμιο Κύπρου” or any other registered mark).
- 8.5 The Purchaser shall not, and shall procure that no member of the Purchaser’s Group shall, take any steps to prevent any member of the Seller’s Group’s use, or registration as a trade mark, of the name: (a) “*University of Europe*”; or (b) other than in relation to Cyprus, “European University”, in each case, in any language, by itself or in combination with other word or words or devices (provided that any device shall not be confusingly similar to any device adopted by the Purchaser in connection with the name “*European University*”).
- 8.6 With effect from Completion, the Purchaser undertakes:
- (a) to procure, insofar as it is lawfully able, that each Italian Group Company shall not, directly or indirectly, assert any claim or demand, or commence, institute or cause to be commenced, any proceeding of any kind against any of the Italian Group Companies’ directors, statutory auditors, auditors and/or members of the supervisory body appointed according to D. Lgs. 231/2001 that have resigned effective as of Completion (the **Resigning Officers**), with respect to facts or events that occurred on

or before Completion, except in the case of fraud (*dolo*) or gross negligence (*colpa grave*);

- (b) not to directly bring any action against any of the Resigning Officers pursuant to, *inter alia* and if applicable, article 2476 and 2407 of the Italian Civil Code, except in the case of fraud (*dolo*) or gross negligence (*colpa grave*);
- (c) to indemnify each Resigning Officer against any loss incurred by such Resigning Officer as a direct consequence of a breach of any of the obligations under paragraphs(a) or (b) above; and
- (d) not to take any action or make any declaration *vis-à-vis* any governmental entity or corporate body of any Group Company, including, for the avoidance of doubt, the board of statutory auditors (or any individual member of such corporate body), aimed at ascertaining the liability of any of the Resigning Officers *vis-à-vis* any Group Company or the Purchaser in relation to facts, events or behaviours that have been carried-out by any of the Resigning Officers in the performance of his/her respective office (excluding any conduct carried-out with fraud or gross negligence) prior to Completion.

8.7 The provisions of subclause 8.6 may be enforced by each Resigning Officer against the Purchaser under the Contracts (Rights of Third Parties) Act 1999. The provisions of this subclause and subclause 8.6 may be varied or terminated by agreement between the Seller and the Purchaser without the consent of any Resigning Officer.

8.8 The Seller shall, and shall procure that the relevant members of the Seller's Group shall, retain for a period of seven years from Completion any books, records and documents to the extent they relate to the Group Companies or the business carried on by the Group Companies at Completion and shall, and shall procure that the relevant members of the Seller's Group shall, if reasonably requested by the Purchaser, allow the Purchaser or the relevant Group Company reasonable access to such books, records and documents, including the right to take copies, at the Purchaser's expense, (i) for the purposes of complying with any reporting or filing obligations relating to tax, accounting or regulatory matters; (ii) in order to negotiate, refute, settle, compromise or otherwise deal with any claim, investigation or enquiry by a regulatory authority regarding the Group Companies; and (iii) to enable the Group Companies to comply with their own Tax obligations or facilitate the management or settlement of their own Tax affairs.

8.9 With effect from Completion, the Seller shall not, and shall procure that neither any member of the Seller's Group nor any officer or employee of any member of the Seller's Group shall, withdraw any cash from, or give any instructions to otherwise use any cash in, any of the Italian Group Companies' bank accounts.

9. NON-COMPETITION AND NON-SOLICITATION

9.1 In this clause 9:

- (a) **Key Employee** means an employee, director, officer or senior executive, or any educational counsellor (whether self-employed, agency worker, freelancer or otherwise) of a Group Company earning more than EUR 100,000 per annum (taking into account both the fixed salary and bonus on the basis that 100% of the relevant target is achieved);

- (b) **Restricted Activity** means the business of:
- (i) any standalone multidisciplinary university operating in Cyprus; or
 - (ii) any standalone design or fashion school operating in Italy; or
 - (iii) developing bespoke educational offers (including online, distance (or equivalent) courses or hybrid courses) which are competitive with the business of any Group Company as carried on as at the Signing Date and either specifically targeted or specifically marketed at persons residing in one or more of Cyprus, Greece and Italy; and
- (c) **Restricted Person** means any director, officer or senior executive (being an employee with the position of vice president or above) of any member of the Seller's Group or any other employee of a member of the Seller's Group with whom the Purchaser or any other member of the Purchaser's Group has come into contact in connection with the negotiation of the Original SPA or this agreement and the transactions contemplated by this agreement.

9.2 The Seller covenants with the Purchaser and each Group Company that it shall not and shall procure that no other member of the Seller's Group, shall, directly or indirectly:

- (a) for a period of 24 months after Completion carry on, own, operate, be engaged or be economically interested in any business which carries on a Restricted Activity; or
- (b) for a period of 12 months after Completion induce or attempt to induce any person who is at Completion a Key Employee of a Group Company to leave the employment of that Group Company.

9.3 The Purchaser covenants with the Seller and each other member of the Seller's Group that it shall not and shall procure that neither any other member of the Purchaser's Group nor any Group Company shall for a period of 12 months after Completion induce or attempt to induce any Restricted Person to leave the employment of the relevant member of the Seller's Group.

9.4 The restrictions in subclause 9.2(a) shall not prevent any member of the Seller's Group from holding shares or debentures in a listed company that carries on a Restricted Activity, provided such shares or debentures confer not more than 5% of the votes which could normally be cast at a general meeting of that company.

9.5 The restrictions in subclause 9.2(b) shall not prevent any member of the Seller's Group from:

- (a) publishing any recruitment advertisement in any local or national newspaper or other publication or on any website, or from negotiating with any person who replies to any such advertisement; or
- (b) hiring any Key Employee whose duties have been terminated by the Group Company who employed such Key Employee at Completion.

9.6 The restrictions in subclause 9.3 shall not prevent any member of the Purchaser's Group from:

- (a) publishing any recruitment advertisement in any local or national newspaper or other publication or on any website, or from negotiating with any person who replies to any such advertisement; or
 - (b) hiring any Restricted Person whose duties have been terminated by the member of the Seller's Group who employed such Restricted Person at Completion.
- 9.7 Each of the restrictions in each paragraph or subclause above shall be enforceable independently of each of the others and its validity shall not be affected if any of the others is invalid.
- 9.8 Subclauses 9.2 and 9.3, respectively, may be enforced by each Group Company against the Seller and by each relevant member of the Seller's Group against the Purchaser. The provisions of subclauses 9.2 and 9.3 may be varied by agreement between the Seller and the Purchaser (and the Purchaser may also settle in whole or in part any liability in respect of rights or claims contemplated by subclause 9.2 and the Seller may also settle in whole or in part any liability in respect of rights or claims contemplated by subclause 9.3) without the consent of any Group Company or any other member of the Seller's Group.
- 9.9 The Seller agrees that the restrictions of the Seller and Seller's Group contained in this clause 9 are no greater than is reasonable and necessary for the protection of the interests of the Purchaser's Group and the Group Companies but if any such restriction shall be held to be void but would be valid if deleted in part or reduced in application, such restriction shall apply with such deletion or modification as may be necessary to make it valid and enforceable.
- 9.10 The Purchaser agrees that the restrictions of the Purchaser and Purchaser's Group contained in this clause 9 are no greater than is reasonable and necessary for the protection of the interests of the Seller's Group but if any such restriction shall be held to be void but would be valid if deleted in part or reduced in application, such restriction shall apply with such deletion or modification as may be necessary to make it valid and enforceable.
- 10. INTRA-GROUP LOANS, GUARANTEES AND CONTINUING ARRANGEMENTS**
- 10.1 Upon Completion, the Purchaser shall procure that a payment is made (by or on behalf of the relevant Group Company or Group Companies) to the Seller, on behalf of the relevant member or members of the Seller's Group for the time being, of a sum equal to the Estimated Intra-Group Payables.
- 10.2 The Seller shall procure that the net sum equal to the Estimated Intra-Group Payables, as adjusted in accordance with subclause 10.13, shall be applied in satisfying in full the indebtedness constituting the Intra-Group Payables.
- 10.3 Upon Completion, the Seller shall procure that a payment is made (by or on behalf of the relevant member of the Seller's Group) to the Purchaser (or such person as the Purchaser may otherwise direct), on behalf of the relevant Group Company or Group Companies, of a sum equal to the Estimated Intra-Group Receivables.
- 10.4 The Purchaser shall procure that the net sum equal to the Estimated Intra-Group Receivables, as adjusted in accordance with subclause 10.13, shall be applied in satisfying in full the indebtedness constituting the Intra-Group Receivables.

- 10.5 Any amounts required to be withheld (or deemed to be withheld) on account of Tax from payment of the Estimated Intra-Group Receivables, the Intra-Group Receivables, the Estimated Intra-Group Payables or the Intra-Group Payables as the case may be, including, for the avoidance of doubt, the Estimated Withholding Tax, shall be so withheld and accounted for to the relevant Taxation Authority.
- 10.6 Any payments due to the Seller under subclauses 7.2(a) and/or 10.1 shall be offset against any payments due to the Purchaser under subclauses 7.3(a) and/or 10.3 and the Seller and the Purchaser shall each procure that such arrangements are made between members of the Seller's Group and the Purchaser's Group, respectively, as are necessary to ensure, following any adjustment in accordance with subclause 10.13, the discharge of the Intra-Group Payables and the Intra-Group Receivables, in each case as set out in the Completion Statement, and the proper deduction of and accounting for any withholding tax under subclause 10.5.
- 10.7 The repayments made pursuant to subclauses 10.1 and 10.3 shall be adjusted in accordance with subclause 10.13 upon the Completion Statement being agreed or determined in accordance with Schedule 8.
- 10.8 The Seller shall procure that the Trade Debts owing by any member of the Seller's Group to a Group Company as at Completion shall be settled within 60 days of Completion.
- 10.9 The Purchaser shall procure that the Trade Debts owing by any Group Company to a member of the Seller's Group as at Completion shall be settled within 60 days of Completion.
- 10.10 Without prejudice to the other provisions of this clause 10 in relation to Intra-Group Payables and Intra-Group Receivables and Trade Debts, with effect from Completion, and save in respect of:
- (a) any liabilities or obligations pursuant to, and in accordance with, the Transaction Documents or for breach of the Transaction Documents; and
 - (b) the Continuing Arrangements,

the Seller shall use best endeavours to procure that all Related Party Arrangements (other than the Continuing Arrangements) are terminated on or before Completion, provided that, if a Related Party Arrangement is unlikely to be terminated on or before Completion, the Seller and the Original Purchaser or the Purchaser shall discuss in good faith, prior to Completion, to agree a mutually agreeable solution to achieve the effective termination of such Related Party Arrangement promptly following Completion and, in any case: (x) at no cost to the Group Companies; (y) with no residual liability for the Group Companies or the Seller's Group, other than any Trade Debts to be settled in accordance with subclauses 10.8 and 10.9 above; and (z) without any residual rights for any member of the Seller's Group (including, for the avoidance of doubt, any residual licence for the use of Intellectual Property Rights and/or know-how of any Group Company or its business) or the Group, and provided that with effect from Completion, to the extent required, the Seller and the Purchaser shall, and shall procure that each member of the Seller's Group and the Group, respectively, shall:

- (i) release and discharge each member of the Group and the Seller's Group, respectively, from any and all liabilities or obligations to the applicable members of the Seller's Group or the Group, respectively, in respect of such Related Party Arrangements; and
 - (ii) procure that each member of the Seller's Group or the Group, respectively, shall waive any and all claims (in the absence of fraud) it has or may have against any
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member of the Group or the Seller's Group, respectively in respect of such Related Party Arrangements.

- 10.11 In relation to the Continuing Arrangements, the Seller shall procure that each member of the Seller's Group that is a shareholder (each, a **Shareholder**) in another member of the Seller's Group that is party to a Continuing Arrangement (each, a **College Entity**) will exercise all rights and powers lawfully available to the Shareholder (including the exercising of votes as a shareholder in the College Entity and, insofar as it is lawfully able, procuring the exercise of the vote(s) of any member of the board of directors (or equivalent body) of a College Entity nominated by that Shareholder) to:
- (a) ensure that the applicable Continuing Arrangement is not terminated by the College Entity as a result of the change of control of the Group Companies at Completion;
 - (b) recommend to the applicable College Entity and, to the extent practically achievable, cause the extension by that College Entity of the duration of the applicable Continuing Arrangement for a period of five years from the date of Completion on materially the same commercial terms and conditions of the Continuing Arrangement; and
 - (c) recommend to the applicable College Entity and, to the extent practically achievable, cause that it continue its marketing activities relating to the applicable Continuing Arrangement, for the duration of the Continuing Arrangements (if applicable, as extended as contemplated by subclause 10.11(b)), in the ordinary and usual course of business of that College Entity and in a manner consistent with the marketing activities of that College Entity as carried on in the 12 months prior to the Signing Date.
- 10.12 The Seller shall use all reasonable endeavours to procure by Completion or, to the extent not done by Completion, as soon as reasonably practicable thereafter, the release of each Group Company from any securities, guaranties or indemnities given by or binding upon any Group Company in respect of any liability of the Seller or any member of the Seller's Group. Pending such release, the Seller shall indemnify the Group Companies against all amounts paid by any of them pursuant to any such securities, guarantees and indemnities in respect of any such liability of the Seller or any member of the Seller's Group.
- 10.13 Following the agreement or determination of the Completion Statement in accordance with Schedule 8, if the amount of any Intra-Group Payable and/or any Intra-Group Receivable contained in the Completion Statement is greater or less than the amount of the corresponding Estimated Intra-Group Payable and/or Estimated Intra-Group Receivable, then the Seller and the Purchaser shall procure that such adjustments to the payments pursuant to this clause 10 are made as are necessary to ensure that (taking into account such adjustments) the actual amount of each Intra-Group Payable and each Intra-Group Receivable, as set out in the Completion Statement, has been repaid by each relevant Group Company to the relevant member of the Seller's Group or by the relevant member of the Seller's Group to the relevant Group Company, as the case may be.
- 10.14 Notwithstanding anything to the contrary in this Agreement (including this clause 10): (a) the Italian Loan Offset shall release the Purchaser in full from its obligations to make any payment in connection with any Intra-Group Payable relating to Loan #371 and Loan #372 (each as defined in the document referred to in the definition of the Intercompany Loan Cleanup in Italy) under and in accordance with the provisions of clause 10; and (b) the

implementation of the Intercompany Loan Cleanup in Italy shall release the Seller from its obligations to make any payment in connection with any Intra-Group Receivable relating to Loan IT001XB (as defined in the document referred to in the definition of the Intercompany Loan Cleanup in Italy) under and in accordance with the provisions of clause 10 to the extent that such Intra-Group Receivable has been repaid (including by way of the Italian Loan Offset) as part of the Intercompany Loan Cleanup in Italy.

11. SELLER'S WARRANTIES

- 11.1 The Seller warrants to the Purchaser that, subject to the provisions of this agreement and in particular to the provisions of Schedule 5, each of the statements set out in Schedule 4 (the **Seller's Warranties**) is true and accurate at the Signing Date with reference to the facts and circumstances then prevailing.
- 11.2 Each Seller's Warranty shall be separate and independent and shall not be limited by reference to any other Seller's Warranty.
- 11.3 Save in the case of fraud, the Seller undertakes to the Purchaser to waive any rights, remedies or claims which it has in respect of any misrepresentation, inaccuracy or omission in or from any information or advice supplied or given by the Group Companies or their respective directors, officers, employees or agents in connection with assisting the Seller in the giving of any Seller's Warranty or the preparation of the Disclosure Letter and Schedule 6.

12. PURCHASER'S WARRANTIES

The Purchaser warrants to the Seller as at the Signing Date that:

- (a) it is a limited liability company (*société à responsabilité limitée*) validly existing under the laws of the Grand Duchy of Luxembourg and has been in continuous existence since its incorporation;
- (b) it has the power to execute and deliver this agreement and each of the other Transaction Documents and to perform its obligations under each of them and has taken or will have taken by Completion all corporate action necessary to authorise such execution and delivery and the performance of such obligations;
- (c) this agreement constitutes, and each of the other Transaction Documents will when executed constitute, legal, valid and binding obligations of the Purchaser in accordance with its and their respective terms;
- (d) the execution and delivery by the Purchaser of this agreement and of each of the other Transaction Documents and the performance of the obligations of the Purchaser under it and each of them do not and will not conflict with or constitute a default under any provision of:
- (i) any agreement or instrument to which the Purchaser is a party and which is material in the context of the Transaction; or
 - (ii) the constitutional documents of the Purchaser; or
 - (iii) any law, lien, lease, order, judgment, award, injunction, decree, ordinance or regulation or any other restriction of any kind or character by which the Purchaser is bound and which is material in the context of the Transaction;

- (e) all authorisations from, and notices or filings with, any governmental or other authority that are necessary to enable the Purchaser to execute, deliver and perform its obligations under this agreement and each of the other Transaction Documents have been obtained or made (as the case may be) and are in full force and effect and all conditions of each such authorisation have been complied with; and
- (f) the Purchaser has (and at Completion will have) immediately available on an unconditional basis (subject only to Completion) the necessary cash resources and/or committed facilities on customary European certain funds basis from its financing sources to meet in full its obligations under this agreement, and each of the other Transaction Documents.

13. TAX MATTERS

The Seller and the Purchaser shall comply with the provisions of Schedule 6 with effect from Completion.

14. GUARANTEE

14.1 The Guarantor unconditionally and irrevocably:

- (a) guarantees to the Purchaser the payment when due of all amounts payable by the Seller to the Purchaser (or such person as the Purchaser may otherwise direct) under or pursuant to this agreement;
- (b) undertakes to ensure that the Seller will perform when due all its obligations, commitments, undertakings and warranties under or pursuant to this agreement;
- (c) agrees that if, and each time that, the Seller fails for any reason whatsoever to make any payment to the Purchaser when it is due under or pursuant to this agreement, the Guarantor shall forthwith upon demand unconditionally (without requiring the Purchaser first to take steps against the Seller) pay that amount to the Purchaser as if it were the principal obligor in respect of that amount; and
- (d) agrees as principal debtor and primary obligor to indemnify the Purchaser against all losses and damages sustained by it flowing from any non-payment or default of any kind by the Seller under or pursuant to this agreement, provided that the amount payable by the Guarantor under this indemnity will not exceed the amount it would have had to pay under this clause 14 had the amount claimed been recoverable on the basis of a guarantee.

14.2 The Guarantor's obligations under this clause 14 will not be affected by any matter or thing which but for this provision might operate to affect or prejudice those obligations, including:

- (a) any time or indulgence granted to, or composition with, the Seller or any other person;
- (b) the taking, variation, renewal or release of, or neglect to perfect or enforce this agreement, or any right, guarantee, remedy or security from or against the Seller or any other person;
- (c) any insolvency or similar proceeding;

- (d) any variation or change to the terms of this agreement;
- (e) any unenforceability, illegality or invalidity of any obligation of the Seller, so that this agreement shall be construed as if there were no such unenforceability, invalidity or illegality; or
- (f) any other fact or event which in the absence of this provision would or might constitute or afford a legal or equitable discharge or release or a defence to a guarantor.

14.3 The Purchaser shall not have any greater rights against the Guarantor than it has against the Seller under this agreement.

14.4 The Guarantor warrants to the Purchaser that:

- (a) it is a limited liability company validly existing under the laws of the Netherlands, has been in continuous existence since its incorporation and has the requisite power and authority to enter into and perform, and has taken or will have taken by Completion all corporate action necessary to authorise the execution and delivery and the performance of its obligations under, this agreement;
- (b) this agreement constitutes its legal, valid and binding obligations enforceable against it in accordance with its terms;
- (c) the execution and delivery by the Guarantor of this agreement and the performance of its obligations under it do not and will not conflict with or constitute a default under any provision of its constitutional documents, any order or judgment of any court or other agency or government applicable to it or any of its assets or any contractual restriction binding on or affecting it or any of its assets; and
- (d) all authorisations from, and all notices or filings with, any governmental or other authority that are necessary to enable the Guarantor to execute, deliver and perform its obligations under this agreement have been obtained or made (as the case may be) and are in full force and effect and all conditions of each such authorisation have been complied with.

15. ANNOUNCEMENTS AND CONFIDENTIALITY

15.1 With the exception of an announcement in the Agreed Form which shall be made on the Signing Date, and subject to subclauses 15.5 and 15.6, the Seller shall (and shall procure that each other member of the Seller's Group and, in respect of the period up to Completion, each Group Company, and each such person's advisers and connected persons, shall) and the Purchaser shall (and shall procure that each member of the Purchaser's Group and, in respect of the period from Completion, each Group Company, and each such person's advisers and connected persons, shall):

- (a) not make any announcement concerning the sale and purchase of the Sale Shares or any related or ancillary matter; and
- (b) keep confidential the provisions and subject matter of, and the negotiations relating to, each Transaction Document.

15.2 The Purchaser:

- (a) must, and must procure that each other member of the Purchaser's Group for the time being shall, keep confidential all information provided to it by or on behalf of the Seller or otherwise obtained by it in connection with this agreement which relates to the Seller or any other member of the Seller's Group; and
- (b) must procure that, if after Completion any Group Company holds confidential information relating to the Seller or any other member of the Seller's Group, that Group Company shall after Completion keep that information confidential and shall, so far as it is practicable, return that information to the Seller or destroy it (at its election), in either case without retaining copies (other than to the extent required under applicable law or regulation or internal compliance policies).

15.3 The Seller:

- (a) must, and must procure that each other member of the Seller's Group for the time being shall, keep confidential all information provided to it by or on behalf the Purchaser or otherwise obtained by it in connection with this agreement which relates to the Purchaser or any other member of the Purchaser's Group; and
- (b) must procure that, if after Completion any member of the Seller's Group holds confidential information relating to a Group Company, that member of the Seller's Group shall after Completion keep that information confidential and shall, so far as it is practicable, return that information to the Purchaser or destroy it (at its election), in either case without retaining copies (other than to the extent required under applicable law or regulation or internal compliance policies).

15.4 Except to the extent specified in such clauses, the provisions of subclauses 15.1 to 15.3 shall apply before, on and after Completion.

15.5 Nothing in subclauses 15.1 to 15.3 prevents any announcement being made or any confidential information being disclosed:

- (a) where such announcement is in the Agreed Form or the confidential information disclosed comprises only information set out in an announcement in the Agreed Form; or
- (b) with the written approval of the other parties, which in the case of any announcement shall not be unreasonably withheld or delayed;
- (c) to the extent required by law, any court of competent jurisdiction, any stock exchange or any competent regulatory body, but if a person is so required to make any announcement or to disclose any confidential information, the relevant party shall, as soon as reasonably

practicable, notify the other parties, where practicable and lawful to do so, before the announcement is made or disclosure occurs (as the case may be); or

- (d) to any Taxation Authority where such disclosure is necessary or desirable in the course of managing the Tax affairs of a member of the Seller's Group or the Purchaser's Group, as the case may be.

- 15.6 Nothing in subclauses 15.1 to 15.3 prevents any confidential information being disclosed to the extent:
- (a) required to enable any person to enforce its rights under any Transaction Document or for the purpose of any judicial proceedings;
 - (b) that the information is disclosed on a strictly confidential basis by a person to its professional advisers, auditors or current, future or prospective lending banks, financial institutions, rating agencies or providers of debt finance to it or any of its affiliates or arrangers of such funding (or their respective affiliates) or related security agent, trustee or hedge counterparty, together with their directors, officers and advisers;
 - (c) that the information is disclosed by the Seller on a strictly confidential and need to know basis to another member of the Seller's Group or by the Purchaser on a strictly confidential and need to know basis to another member of the Purchaser's Group or their respective professional advisers; or
 - (d) that the information is in or comes into the public domain otherwise than by breach of this agreement by either party.

16. WITHHOLDINGS AND DEDUCTIONS, GROSS-UP AND VAT

- 16.1 All sums payable under this agreement shall be paid free and clear of all deductions, withholdings, set-offs or counterclaims whatsoever save only as may be required by law.
- 16.2 If any deductions or withholdings are required by law to be made from any of the sums payable under this agreement, except in respect of a payment for or on account of the Consideration or a payment of interest, the payer shall be obliged to pay to the recipient such sum as will after such deduction or withholding has been made leave the recipient with the same amount as it would have been entitled to receive in the absence of any such requirement to make a deduction or withholding, provided that if the Purchaser shall have directed that any payment under this agreement be made to any other person then the liability of the payer under this subclause 16.2 shall be limited to that (if any) which it would have been had the payment been made to the Purchaser.
- 16.3 The recipient or expected recipient of an amount paid under this agreement shall claim from the appropriate Taxation Authority any exemption, rate reduction, refund, credit or similar benefit to which it is entitled in respect of any deduction or withholding in respect of which a payment has been made or would otherwise be required to be made pursuant to this clause 16 and, for such purposes, within any applicable time limits, submit any claims, notices, returns or applications and send a copy thereof to the payer.
- 16.4 If the recipient of a payment made under this agreement receives a credit for or refund of any Tax payable by it or similar benefit by reason of any deduction or withholding for or on account of Tax, then it shall reimburse to the payer such part of any additional amounts paid to it pursuant to this clause 16 as will leave the payer (after such reimbursement) in no better and no worse position than it would have been if the payer had not been required to make such deduction or withholding.
- 16.5 VAT

- (a) All sums payable under this agreement (except in respect of a payment for or on account of the consideration for the Shares) are exclusive of VAT and if any payment under this agreement constitutes the consideration for a taxable supply for VAT purposes, the obligation to pay any such sum shall include an obligation to pay any associated VAT in addition to such sum, subject to provision by the recipient of a valid VAT invoice.
- (b) Where under the terms of this agreement one party is liable to indemnify or reimburse another party in respect of any costs, charges or expenses, the payment shall include an amount equal to any VAT thereon not otherwise recoverable by the other party or the representative member of any VAT group of which it forms part, subject to that person or representative member using all reasonable endeavours to recover such amount of VAT as may be practicable.
- (c) The Seller undertakes not to opt for VAT with respect to the transfer of the Sale Shares under this agreement.

17. NOTICES

17.1 Any notice or other communication to be given under this agreement must be in writing and must be delivered or sent by courier, by fax or by e-mail to the party to whom it is to be given at its address, fax number or e-mail address appearing in this agreement as follows:

- (a) to the Seller at:

Fax: +1 (410) 843-8891

Email: victoria.silbey@laureate.net

marked for the attention of General Counsel;

- (b) to the Purchaser at: Galileo Global Education, 13 Bramley Road, London W10 6SZ, United Kingdom

Email: b.mourguedalgue@ggeedu.com

marked for the attention of Bruno Mourgue d'Algue,

with a copy to:

Sinisa Kmic (Sinisa.Kmic@provequity.co.uk) at Galileo Global Education Luxco Sarl, 11 Avenue de la Gare, L-1611, Luxembourg

and

Vincent Ponsonnaille (vincent.ponsonnaille@linklaters.com) at Linklaters LLP, One Silk Street, London EC2Y8HQ, United Kingdom

- (c) to the Guarantor at:

Fax: +1 (410) 843-8891

Email: victoria.silbey@laureate.net

marked for the attention of General Counsel,

or at any such other address (or fax number or e-mail address) of which it shall have given notice for this purpose to the other parties under this clause.

17.2 Any notice or other communication shall be deemed to have been given:

- (a) if delivered or sent by courier, on the date of delivery to the relevant address;
- (b) if sent by fax, on the date of transmission, if transmitted before 5.00 p.m. (local time at the country of destination) on any Business Day, and in any other case on the Business Day following the date of transmission; or
- (c) if sent by e-mail, on the date of sending, if sent before 5.00 pm (local time at the country of destination) on any Business Day, and in any other case on the Business Day following the date of sending, provided that receipt shall not occur if the sender receives an automated message that the e-mail has not been delivered to the recipient.

17.3 In proving the giving of a notice or other communication, it shall be sufficient to prove that delivery was made to the relevant address or that the fax or e-mail was properly addressed and transmitted or sent, as the case may be.

17.4 This clause shall not apply in relation to the service of any claim form, notice, order, judgment or other document relating to or in connection with any proceedings, suit or action arising out of or in connection with this agreement.

18. FURTHER ASSURANCES

On or after Completion each party shall, at its own cost and expense, execute and do (or procure to be executed and done by any other necessary party) all such deeds, documents, acts and things as the other party may from time to time reasonably require in order to vest any of the Sale Shares in the Purchaser.

19. ASSIGNMENTS

19.1 Except as permitted by subclauses 19.2, 19.3 and/or 19.4, none of the rights or obligations under this agreement may be assigned or transferred without the prior written consent of all the parties.

19.2 The Purchaser may, without the consent of the other parties, assign to a member of the Purchaser's Group the whole or any part of this agreement provided that, if the assignee ceases to be a member of the Purchaser's Group prior to Completion, it shall before ceasing to be so, assign the benefit, so far as assigned to it, back to the Purchaser or assign the benefit to another member of the Purchaser's Group.

19.3 The Purchaser may assign its rights under this agreement (by way of security only) to any bank(s) and/or financial institution(s) lending money or making other banking facilities available to the Purchaser (or any member of the Purchaser's Group) or related security agent, trustee or hedge counterparty, as the case may be, provided that the assignee of such rights shall not be entitled to further assign them other than by way of enforcement of such security.

19.4 The Seller may, without the consent of the other parties, assign to a member of the Seller's Group the whole or any part of this agreement provided that, if the assignee ceases to be a

member of the Seller's Group, it shall before ceasing to be so, assign the benefit, so far as assigned to it, back to the Seller or assign the benefit to another member of the Seller's Group. Any assignment by the Seller pursuant to this subclause 19.4 shall not affect, impact, reduce or release the liability of the Guarantor under clause 14.

19.5 If an assignment is made in accordance with this clause 19, the liabilities of the parties under this agreement shall be no greater than such liabilities would have been had the assignment not occurred.

20. PAYMENTS

20.1 Unless otherwise expressly stated (or as otherwise agreed in the case of a given payment), each payment to be made to the Seller or to the Purchaser under this agreement shall be made in Euro by transfer of the relevant amount into the relevant account on the date the payment is due for value on that date and in immediately available funds. The relevant account for a given payment is:

(a) if that payment is to the Seller:

bank:	JP Morgan
account number:	200400991
IBAN:	NL12CHAS0200400991
SWIFT:	CHASNL2X
account name:	LEI European Investments B.V.
currency:	EUR

or such other account as the Seller shall, not less than three Business Days before the date that payment is due, have specified by giving notice to the Purchaser for the purpose of that payment; and

(b) if that payment is to the Purchaser:

bank:	ING Luxembourg S.A., 52 route d'Esch, L-2965 Luxembourg
IBAN:	LU06 0141 0409 2663 0000
SWIFT:	CELLLULL
account name:	Galileo Global Education Luxco Sarl,

or such other account as the Purchaser shall, not less than three Business Days before the date that payment is due, have specified by giving notice to the Seller for the purpose of that payment.

20.2 If a party defaults in making any payment when due of any sum payable under this agreement, it shall pay interest on that sum from (and including) the date on which payment is due until (but excluding) the date of actual payment (after as well as before judgment) at an annual rate equal to 4.00% per annum, which interest shall accrue from day to day and be compounded monthly.

21. GENERAL

21.1 Each of the obligations, warranties and undertakings set out in this agreement (excluding any obligation which is fully performed at Completion) shall continue in force after Completion.

21.2 Except as otherwise expressly provided in this agreement, each party shall pay the costs and expenses incurred by it in connection with the entering into and completion of this agreement. The Purchaser shall pay any notarial fees and costs and any transfer taxes (including real estate transfer taxes) payable in connection with this agreement or its execution, or on the transfer of the Sale Shares.

21.3 This agreement may be executed in counterparts, which taken together shall constitute one and the same agreement, and any party (including any duly authorised representative of a party) may enter into this agreement by executing a counterpart.

21.4 The rights of each party under this agreement:

- (a) may be exercised as often as necessary;
- (b) except as otherwise expressly provided by this agreement, are cumulative and not exclusive of rights and remedies provided by law; and
- (c) may be waived only in writing and specifically. Any waiver of a breach of this agreement shall not constitute a waiver of any subsequent breach.

Delay in exercising or the non-exercise of any such right is not a waiver of that right and any single or partial exercise of a right or remedy shall not preclude any other or further exercise of it or the exercise of any other right or remedy.

21.5 Except as expressly stated in this agreement, a person who is not a party to this agreement may not enforce any of its terms under the Contracts (Rights of Third Parties) Act 1999.

22. WHOLE AGREEMENT

22.1 This agreement and the other Transaction Documents contain the whole agreement between the parties relating to the transactions contemplated by the Transaction Documents and supersede all previous agreements, whether oral or in writing, between the parties relating to these transactions except the non-disclosure agreement entered into between Laureate Education, Inc. and Providence Equity LLP dated 28 July 2017. Except as required by statute, no terms shall be implied (whether by custom, usage or otherwise) into this agreement.

22.2 Other than in connection to any representation, warranty or other assurance expressly incorporated in this agreement and/or the Transaction Documents, each party:

- (a) acknowledges that in agreeing to enter into this agreement and the other Transaction Documents it has not relied on any additional express or implied representation, warranty or other assurance made by or on behalf of any other party before the entering into of this agreement;
- (b) waives all rights and remedies which, but for this subclause 22.2, might otherwise be available to it in respect of any such additional express or implied representation, warranty or other assurance; and
- (c) acknowledges and agrees that no such additional express or implied representation, warranty or other assurance may form the basis of, or be pleaded in connection with, any claim made by it under or in connection with this agreement.

- 22.3 Save for the termination provisions set out subclause 7.6, no party has any right to terminate this agreement and the parties waive their rights (if any) to annul, rescind, dissolve, withdraw from, cancel or terminate this agreement in any circumstances.
- 22.4 Nothing in this clause limits or excludes any liability for fraud or gross negligence or limits any remedy which cannot be waived as a matter of applicable law.
- 22.5 This agreement may only be amended in writing and where such amendment is signed by all the parties.

23. GOVERNING LAW

This agreement and any non-contractual obligations arising out of or in connection with it shall be governed by English law.

24. JURISDICTION

- 24.1 Except where the parties have agreed a particular method of resolving disputes under particular provisions of this agreement, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with this agreement (including a dispute relating to any non-contractual obligations arising out of or in connection with this agreement) and the parties submit to the exclusive jurisdiction of the English courts.
- 24.2 The parties waive any objection to the English courts on grounds that they are an inconvenient or inappropriate forum to settle any such dispute.
- 24.3 (a) Each of the Seller and the Guarantor irrevocably appoints Law Debenture Corporate Services Limited of Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom as its agent under this agreement for service of process in any proceedings before the English courts.
- (b) The Purchaser irrevocably appoints Galileo Global Education UK Ltd of 13 Bramley Road, London W10 6SZ, United Kingdom as its agent under this agreement for service of process in any proceedings before the English courts.
- (c) Each party agrees that failure by a process agent to notify it of any process will not invalidate the relevant proceedings.
- (d) This subclause 24.3 does not affect any other method of service allowed by law.

24.4 **EACH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING ARISING, DIRECTLY OR INDIRECTLY, OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY IT AND FOR ANY COUNTERCLAIM THEREIN (IN EACH CASE WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY AND WHETHER PREDICATED ON COMMON LAW, STATUTE OR OTHERWISE). EACH PARTY (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT**

BY, AMONGST OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SUBCLAUSE.

25. LANGUAGE

The language of this agreement and the transactions envisaged by it is English and all notices, demands, requests, statements, certificates or other documents or communications must be in English unless otherwise agreed. However, where a term in Italian is given in italics or in italics and in brackets after an English term and there is any inconsistency the meaning in Italian shall prevail.

THIS AGREEMENT has been signed by the parties (or their duly authorised representatives) on the date stated at the beginning of this agreement.

SCHEDULE 4

SELLER'S WARRANTIES

In this Schedule:

- (a) **Relevant Date** means, in relation to a Group Company, the later of: (a) the date which is three years prior to the Signing Date; and (b) the date of incorporation of that Group Company; and
- (b) where any statement is qualified by the expression **so far as the Seller is aware** or **to the best of the Seller's knowledge, information and belief** or any similar expression, that statement shall be deemed to refer to the actual knowledge of the Seller after having made reasonable enquiry only of the following individuals: Christoforos Hadjikyprianou, Michael Petrides, Kostas Gouliamos, Fabrizio Guccione, Ronald Voordendag and Alberto Bonisoli.

1. TITLE

1.1 Ownership of Sale Shares

- (a) The Sale Shares constitute the whole of the issued and allotted share capital of EU-Cyprus and Laureate Italy, have been properly and validly issued and allotted and each are fully paid up or credited as fully paid.
- (b) The Seller is the owner of the Sale Shares. The Seller is entitled to transfer the full legal and beneficial ownership in the Sale Shares to the Purchaser on the terms set out in this agreement.
- (c) There is no Encumbrance over any of the Sale Shares, there is no agreement or commitment to give or create any such Encumbrance (other than this agreement) and no person has made any claim to be entitled to any right over or affecting the Sale Shares.
- (d) Other than the Purchaser's rights pursuant to this agreement, no person has the right (whether exercisable now or in the future and whether contingent or not) to call for the allotment, conversion, issue, registration, sale or transfer or repayment of any of the Sale Shares or loan capital or any other security giving rise to a right over, or an interest in, the capital of either EU-Cyprus or Laureate Italy under any option, agreement or other arrangement (including conversion rights and rights of pre-emption).

1.2 Subsidiaries

- (a) The shares, details of which are set out opposite "issued share capital" under a Subsidiary's name in Schedule 2, constitute the whole of the issued and allotted share capital of that Subsidiary. The shares in each such Subsidiary that are indicated in Schedule 2 as being owned by a Company or another Group Company are owned by the relevant Group Company free from any Encumbrance and are fully paid up or credited as fully paid, there is no agreement or commitment to give or create any such Encumbrance and no person has made any claim to be entitled to any right over or affecting any such shares in the Subsidiaries.
 - (b) Other than as set out in Schedule 2, no Group Company is the owner of any shares of any other company and no Group Company has any interest in, or has
-

agreed to acquire, any share capital or other security of any other company other than the Subsidiaries.

- (c) No person has the right (whether exercisable now or in the future and whether contingent or not) to call for the allotment, conversion, issue, registration, sale or transfer or repayment of the shares of any Subsidiary or loan capital or any other security giving rise to a right over, or an interest in, the capital of any Subsidiary under any option, agreement or other arrangement (including conversion rights and rights of pre-emption).

2. CAPACITY, INCORPORATION AND INSOLVENCY

2.1 Incorporation and capacity of the Seller

The Seller is a limited liability company validly existing under the laws of the Netherlands, has been in continuous existence since its incorporation and has the requisite power and authority to enter into and perform, and has taken or will have taken by Completion all corporate action necessary to authorise the execution and delivery and the performance of its obligations under, this agreement and each of the other Transaction Documents.

2.2 Valid obligations

This agreement constitutes, and each of the other Transaction Documents to which it is or will be a party will, when executed, constitute legal, valid and binding obligations of the Seller in accordance with its terms.

2.3 No default

The execution and delivery by the Seller of this agreement and each of the other Transaction Documents to which it is or will be a party and the performance of the obligations of the Seller under it and each of them do not and will not conflict with or constitute a default under any provision of:

- (a) any agreement or instrument to which the Seller is a party and which is material in the context of the Transaction; or
- (b) the constitutional documents of the Seller; or
- (c) any law, lien, lease, order, judgment, award, injunction, decree, ordinance or regulation or any other restriction of any kind or character by which the Seller is bound and which is material in the context of the Transaction.

2.4 Filings and consents

All authorisations from, and notices or filings with, any governmental or other regulatory authority that are necessary to enable the Seller to execute, deliver and perform its obligations under this agreement, and each of the other Transaction Documents to which it is or will be a party, have been obtained or made (as the case may be) and are in full force and effect and all conditions of each such authorisation have been complied with.

2.5 Incorporation of Group Companies

Each Group Company is a company validly existing under the laws of the country of its incorporation as shown in the relevant Schedule with full power and authority to conduct its business as conducted at the Signing Date.

2.6 Constitutional and corporate documents

The constitutional and corporate documents to be maintained or filed with public or other registers by each Group Company under the law of the jurisdiction of its incorporation have been maintained or filed for registration in accordance with applicable law in all material respects and contain an accurate record of all matters required to be dealt with in such registers and books, and true and accurate copies of the Group Companies' constitutional and corporate documents are in the Data Room.

2.7 Group Companies

The particulars relating to the Group Companies set out in Schedule 1 and Schedule 2 to this agreement are true and accurate.

2.8 Insolvency

- (a) No administrator, receiver, administrative receiver, liquidator, trustee, supervisor, nominee, custodian or any similar or analogous officer or officers in any jurisdiction has been appointed in respect of the whole or any part of the business, assets or undertaking of any Group Company nor has any step been taken for or with a view to the appointment of such a person nor has any event taken place as a consequence of which such an appointment might be made.
 - (b) No order has been made, no petition or application has been presented, no resolution has been passed or meeting convened for the purpose of winding-up of any Group Company or whereby the assets of the Group Company are to be distributed to creditors or shareholders or other contributories of any Group Company.
 - (c) No Group Company nor any director, secretary or creditor of any Group Company has presented any petition, application or other proceedings for administration, creditors' voluntary arrangement or similar relief in respect of any Group Company as a result of which the affairs, business or assets of the Group Company concerned are managed by a person appointed for the purpose by a Court, governmental agency or similar body, or by any director, secretary or creditor or by the Group Company itself nor has any such order or relief been granted or appointment made.
 - (d) No arrangement, procedure, step, order, petition, application, resolution or meeting analogous to those described in paragraphs 2.8(a) to 2.8(c) above has occurred, commenced or been taken or made in any jurisdiction in respect of any Group Company.
 - (e) No Group Company is insolvent or unable to pay its debts as they fall due and no Group Company has stopped paying its debts as they fall due.
 - (f) No voluntary arrangement, compromise or similar arrangement with creditors, whether by court process or otherwise, has been proposed, agreed or sanctioned in respect of a Group Company and no Group Company intends to propose any such arrangement.
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3. COMPLIANCE

3.1 Compliance with laws

- (a) So far as the Seller is aware, each Group Company is conducting and has, since the Relevant Date, conducted the business of the Group in compliance with applicable laws, by-laws and regulations and no Group Company is, or during the Relevant Period has been, in breach of any such laws, by-laws and regulations.
 - (b) No Group Company has, since the Relevant Date, received written notice from any governmental or regulatory body that it is in violation of and/or failure to comply with any applicable statute, regulation, order, decree or judgment of any court or governmental agency of the jurisdiction in which it is incorporated, where such violation or default has had or may have a material adverse effect on the business, assets or financial position of any Group Company.
 - (c) So far as the Seller is aware, no Group Company has, since the Relevant Date, done or omitted to do anything, the doing or omission of which amounts to a contravention of any applicable statute, order, regulation or the like giving rise to any fine, penalty, other liability or sanction on the part of or an investigation, disciplinary proceeding or enquiry against any Group Company.
 - (d) No Group Company nor, so far as the Seller is aware, any of their respective Associated Persons has engaged in any activity or conduct that is or has been or will be in violation of:
 - (i) any applicable anti-corruption law or measure applicable to any of the assets or operations of any Group Company, including any law or measure that implements the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions; and
 - (ii) any applicable laws relating to economic or trade sanctions, including the laws or regulations implemented by the Office of Foreign Assets Controls of the United States Department of the Treasury and any similar laws or regulations in other jurisdictions.
 - (e) The Group Companies have in place adequate procedures designed to prevent bribery by their respective Associated Persons in accordance with any applicable statutory or other guidance and generally accepted industry standards.
 - (f) So far as the Seller is aware, no Group Company is a party to any agreement, arrangement or concerted practice or is carrying on any practice material to the business of the Group in respect of which:
 - (i) any request for information, statement of objections or similar matter has been received with regard to antitrust, fair trading, dumping, state aid or similar legislation from any court, tribunal, government or national or supra-national authority; or
 - (ii) any complaint alleging infringements of anti-trust, fair trading, dumping, state aid or similar legislation has been received by the Group Company or submitted to any relevant court or authority.
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3.2 Licences

Each Group Company has all licences, permissions, authorisations and consents required for the carrying on of the business as now carried on by it (including any and all institutional and program accreditations granted by any governmental or other authority or external competent body), such licences, permissions, authorisations and/or consents are in full force and effect and do not contain any conditions which would hinder the ordinary and usual course of the business, and no Group Company has received written notice that it is in default under any such licence, permission, authorisation or consent and there is no investigation, enquiry or proceeding outstanding which is likely to result in the suspension, cancellation, modification or revocation of any such licence, permission, authorisation or consent.

3.3 Grants and Subsidies

Details of all EU, governmental, regional, federal, state or local authority grants, loan subsidies or financial aid received by or pledged to any Group Company since the Relevant Date and details of all current applications in relation thereto are set out in the Disclosure Letter. So far as the Seller is aware, there are no circumstances in which any application for any grant, subsidy or financial aid specified in the Disclosure Letter might be rejected nor in which any grant, subsidy or financial aid received or applied for by any Group Company might have to be wholly or partly forfeited or repaid.

3.4 Litigation

Except as claimant in the collection of debts arising in the ordinary course of business (none of which exceeds EUR 100,000), no Group Company is engaged in any litigation, prosecution, investigation, enquiry, mediation, arbitration or administrative proceeding which is in progress and which is material in relation to any Group Company nor, so far as the Seller is aware, has any such proceeding been expressly threatened in writing by or against any Group Company.

4. ACCOUNTS

4.1 Accounts

The Accounts:

- (a) have been properly prepared in accordance with applicable laws and regulations and the Applicable Accounting Standards;
 - (b) give a true and fair view of (or the equivalent standard in the jurisdiction of the Group Company to which they relate) the assets, liabilities (including liabilities to Tax) and financial position of the relevant Group Company as at the Accounts Date and of the profits or losses and (where applicable) cash flows of the relevant Group Company for the financial year ended on the Accounts Date;
 - (c) have been certified without reservations by the relevant Group Company's auditors; and
 - (d) have been prepared on a basis consistent, in all material respects, with the basis employed in such audited accounts of the Group Company for the previous three financial years.
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4.2 Management Accounts

- (a) The Reference Accounts and the Management Accounts have been prepared in accordance with the accounting policies used in preparing the Accounts applied on a consistent basis.
- (b) The Management Accounts present, with reasonable accuracy, the assets and liabilities of the Group, taken as a whole, as at the Management Accounts Date and the profits or losses of the Group, taken as a whole, for the period concerned.
- (c) The Reference Accounts present, with reasonable accuracy, the assets and liabilities of the Group, taken as a whole, as at 31 December 2016, and the profits or losses of the Group, taken as a whole, for the financial year ended 31 December 2016.

4.3 Adjustments

The second tab of the excel file labelled “Intercompany Revenue and Expenses 15-17_Italy and Cyprus_9+3”, in the Agreed Form, presents with reasonable accuracy and completeness all intra-group charges between the Seller’s Group and the Group Companies for each month from January 2016 to September 2017.

4.4 A.S. Cyprus College Larnaca Limited

A.S. Cyprus College Lamaca Limited is a dormant company and has no assets and/or liabilities.

4.5 Position since Accounts Date

Since the Accounts Date:

- (i) the business of each Group Company has been carried on as a going concern in the ordinary and usual course, without material interruption or alteration in its nature, scope or manner, and there has been no material adverse change in the business or the financial or trading position of the Group, except as a result of market conditions and other factors generally affecting similar businesses;
 - (ii) no material capital commitments have been entered into or proposed by any Group Company. For these purposes, a material capital commitment is one involving capital expenditure of over EUR 200,000 exclusive of VAT;
 - (iii) no Group Company has declared, made or paid any dividend or other distribution to its members;
 - (iv) no Group Company has issued or allotted or agreed to issue or allot any share capital or any other security giving rise to a right over its capital;
 - (v) no Group Company has redeemed or purchased or agreed to redeem or purchase any of its share capital;
 - (vi) no Group Company has incurred any additional borrowings or incurred any other financial indebtedness;
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- (vii) there has been no bulk transfer of students to a network institution of the Group Companies as part of agency, sale or other commercial agreement;
- (viii) no discounts or scholarships have been granted outside the ordinary and usual course of business; and
- (ix) no Group Company has entered into a lease, sublease or other tenancy agreement with an unexpired term or likely duration of more than twelve months.

5. COMMERCIAL ARRANGEMENTS AND INSURANCE

5.1 Material Agreements

In this subparagraph 5.1, **Material Agreement** means an agreement entered into by a Group Company which:

- (i) has an annual value in excess of EUR 300,000; or
 - (ii) is a contract of guarantee or indemnity pursuant to which any Group Company guarantees or indemnifies the performance of any obligation by any person other than another Group Company; or
 - (iii) was entered into otherwise than in the ordinary course of business,
other than any Lease.
- (a) A copy of each Material Agreement is in the Data Room.
 - (b) No Group Company has, since the Relevant Date, received written notice that it is in default under any Material Agreement.
 - (c) No Material Agreement contains any change of control provision, entitling the third party to terminate that agreement or arrangement as a consequence of the execution, completion or performance of this agreement.
 - (d) So far as the Seller is aware:
 - (i) all Material Agreements are in full force and effect and are valid and binding in accordance with their terms (subject to applicable insolvency laws); and
 - (ii) each other party to a Material Agreement has complied with its obligations under the relevant Material Agreement.
 - (e) No person is entitled to receive from any Group Company any finder's fee, brokerage or other commission in connection with the purchase of the Sale Shares.
 - (f) No Group Company has given any power of attorney which remains in force (other than those given to its officers and employees in the ordinary and usual course of business or to the holder of an Encumbrance solely to facilitate its enforcement or to a third party legal adviser providing legal advice or services to it).
 - (g) No Group Company is a party to or subject to any contract, transaction, arrangement, understanding or obligation which materially restricts its freedom, or that of any of its holding
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companies or subsidiaries from time to time, to carry on its respective business as carried on at the Signing Date.

- (h) There is no indebtedness (actual or contingent) nor any indemnity, guarantee or security arrangement between any Group Company and any current or former employee, current or former director of any Group Company or any person connected with any of such persons or in which any such person is interested (whether directly or indirectly).
- (i) Other than the Related Party Arrangements and the Continuing Arrangements, there are no existing contracts, arrangements or understandings, whether legally binding or not, between, on the one hand, any Group Company and, on the other hand, the Seller or another member of the Seller's Group, other than on normal commercial terms in the ordinary and usual course of business.
- (j) No Group Company is a party to any contract, arrangement or understanding with any current or former employee or current or former director of any Group Company or any person connected with any of such persons, or in which any such person is interested (whether directly or indirectly), other than on normal commercial terms in the ordinary and usual course of business.

5.2 Indebtedness

- (a) No Group Company has, since the Relevant Date, received any written notice:
 - (i) to repay any borrowings or indebtedness under any agreement relating to any borrowing (or indebtedness in the nature of borrowing) which are repayable on demand; or
 - (ii) that an event of default has occurred and is outstanding under any agreement relating to any borrowing (or indebtedness in the nature of borrowing) or other credit facility of a Group Company.
- (b) The total amount borrowed or guaranteed by the Group Companies, either individually or in aggregate, does not exceed any limitation on its borrowings or guarantees imposed by any of its financial facilities or contained in its constitutional documents, any debt programme or in any agreement or instrument binding upon any Group Company.
- (c) No Group Company has outstanding any loan capital or any money borrowed or raised (other than under its bank facilities or normal trade credits). Details of all financial facilities (including loans, bonds and hedging instruments) outstanding or available to the Group Companies are given in the Disclosure Letter.
- (d) No Group Company has, since the Relevant Date, lent any money which is due to be repaid and has not been repaid and no Group Company owns the benefit of any debt, other than in any such case: (i) any debts accrued in the ordinary course of its business; (ii) any Intra-Group Payables or Intra-Group Receivables; and (iii) any loans from one Group Company to another Group Company.

5.3 Insurances

The Group Companies have been covered by insurance on the bases and in respect of the risks referred to in the list of insurance cover contained in the Data Room, and:

- (a) such insurances are in full force and effect and all premiums have been duly paid to date;
- (b) so far as the Seller is aware, there are no special circumstances which might lead to any liability under such insurances being avoided by the insurers; and
- (c) no material claims which remain outstanding have been made under any such insurances.

5.4 Student enrolment

- (a) The information relating to student numbers enrolled at the network institutions of the Group Companies as at 31 October 2017 and set out in Schedule 12 has been prepared in accordance with the Seller's Group policy on student enrolment (a copy of which is in the Data Room) and is true and accurate in all material respects having regard to such policy.
- (b) In the last three years there have been no bulk transfers of students to a network institution of the Group Companies as part of an agency, sale or other commercial arrangement.

6. PROPERTY

- (a) The properties listed in Part 1 (the **Leasehold Properties of the Cypriot Group Companies**) and Part 2 (the **Leasehold Properties of the Italian Group Companies**) of Schedule 3 (collectively, the **Leasehold Properties**) are the only real property owned, leased, controlled, used or occupied by any Group Company.
 - (b) The particulars of the Leasehold Properties set out in Schedule 3 are true and accurate in all material respects.
 - (c) A Group Company has a legal easement for the term of the relevant lease under which that Leasehold Property is held (the **Lease**), free from onerous or unusual conditions, to all rights necessary for the current use and enjoyment of each of the Leasehold Properties.
 - (d) No right or facility necessary for the current use and enjoyment of any of the Leasehold Properties is enjoyed on terms entitling any person to terminate or curtail it save on determination of the relevant Lease.
 - (e) There are no third party rights or interests, options or rights of pre-emption or first refusal affecting the Leasehold Properties nor is any person in the course of acquiring any such rights or interests.
 - (f) The Leasehold Properties are free from any Encumbrance.
 - (g) So far as the Seller is aware, no Group Company is in material breach of any statutory, municipal or other requirement (including zoning requirements, planning consents, fire prevention regulations and building permits) in connection with the use of the Leasehold Properties.
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- (h) There are no notices or disputes between any Group Company and any third party which have had or may have a material adverse effect on the use of the Leasehold Properties for the purpose of the Group Companies' business.
- (i) Since the Relevant Date, any notice served to any third party in connection with the termination of any of the Leasehold Properties (including any subleases) has been made in compliance with applicable law and contractual terms of such lease or sublease agreements.

7. ASSETS

7.1 All material assets included in the Accounts or acquired by any of the Group Companies or which have otherwise arisen since the Accounts Date, other than any assets disposed of or realised in the ordinary and usual course of trading are:

- (a) legally and beneficially owned by the Group Companies free from Encumbrances; and
- (b) where capable of possession, in the possession or under the control of the relevant Group Company.

7.2 The property, rights and assets owned, leased or otherwise used by the Group Companies comprise all the property, rights and assets necessary or convenient for the carrying on of the business of each Group Company in the manner in, and to the extent to, which it is conducted at the Signing Date.

8. INTELLECTUAL PROPERTY

In this paragraph 8, **Intellectual Property Rights** means (a) copyright, patents, database rights and rights in trademarks, designs, know-how and confidential information (whether registered or unregistered), (b) applications for registration, and rights to apply for registration, of any of the foregoing rights and (c) all other intellectual property rights and equivalent or similar forms of protection existing in Cyprus or Italy.

- (a) The Seller has delivered to the Purchaser a list (as referred to in the Disclosure Letter) of all patents, registered trademarks, registered service marks, registered designs or other registered Intellectual Property Rights of which a Group Company is the registered proprietor or for which application has been made by a Group Company.
- (b) The Group Companies own or use pursuant to binding licence agreements all Intellectual Property Rights necessary to conduct their business as conducted at the Signing Date and in the 12 months immediately prior to the Signing Date.
- (c) No Group Company has, since the Relevant Date, received a formal notice that it infringes any Intellectual Property Right of any third party.
- (d) So far as the Seller is aware, there has, since the Relevant Date, been no unauthorised use by any person of any material Intellectual Property Rights of a Group Company or any confidential information belonging to any Group Company.
- (e) No Group Company carries on business under a name or names other than its registered corporate or trade names.

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- (f) The Intellectual Property Rights which are owned by the Seller or any member of the Seller's Group and which will be licensed to, or otherwise provided to, the Group Companies from Completion pursuant to the TSA do not infringe the Intellectual Property Rights of any third party.

9. INFORMATION TECHNOLOGY

In this paragraph 9:

Business IT means all Information Technology owned or used by any Group Company and which is material to its business; and

Information Technology means computer systems, communication systems, software and hardware.

- (a) So far as the Seller is aware, the Business IT is in good working order in all material respects. The present capacity and performance of the Business IT is sufficient to satisfy the business requirements (including requirements as to data volumes) of the business as it is carried out on the Signing Date.
- (b) So far as the Seller is aware, there are, and, since the Relevant Date, there have been, no performance reductions or breakdowns of, or logical or physical intrusions to, any Business IT or losses of data which in each case have had (or are having) a material adverse effect on the business.
- (c) In relation to any contract pursuant to which any material services relating to, and licences of, Business IT are provided to the relevant Group Company:
 - (i) it is in full force and effect, no notice having been given by any party to terminate it;
 - (ii) no written notice has been given or received by any relevant Group Company to terminate it; and
 - (iii) the relevant Group Company has not received or sent written notice that it is in breach of any of its obligations or that a dispute has arisen in respect of it and the Seller is not aware of any fact or matter which may give rise to a notice to terminate by a counterparty.

10. DATA PROTECTION

In this paragraph 10, **Data Protection Legislation** means all applicable laws in connection with privacy and protection of personal data in any jurisdiction in which a Group Company operates its business.

- (a) So far as the Seller is aware, each Group Company has, since the Relevant Date, complied in all material respects with all applicable requirements (including notification requirements) of the Data Protection Legislation in respect of its business.
 - (b) No Group Company has, since the Relevant Date, received written notice in respect of any material infringement or alleged infringement of the Data Protection Legislation in respect of its business.
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11. EMPLOYMENT

- (a) The Seller has disclosed to the Purchaser in respect of the Group Companies:
- (i) true and complete copies of the service or employment agreements of each employee earning more than EUR 100,000 per annum (taking into account both the fixed salary and bonus on the basis that 100% of the relevant target is achieved) (together, the **Senior Employees**);
 - (ii) the rules and other documentation relating to all share incentive, share option, profit sharing, bonus or other incentive arrangements, including employee benefit trusts, relating to any employees or any former employees of the Group Companies;
 - (iii) an accurate and anonymised list illustrating the total number of employees of the Group Companies as at 31 October 2017, the salary and material benefits payable to such employees in October 2017, their job title/position and dates of commencement of employment (or, if different, the date of commencement of continuous service);
 - (iv) a list of freelancers and independent contractors currently engaged by the Group Companies as well as individuals currently leased by the Group Companies from third parties, including details on the leased period. So far as the Seller is aware, no individuals engaged as a freelancer or independent contractor or leased from third parties is an employee of any Group Company;
 - (v) a representative sample or samples of the standard terms and conditions of employment on which employees of the Group are employed; and
 - (vi) details of any arrangement or practice of the Group regarding redundancy payments above the statutory payment.
- (b) Except as disclosed under paragraph 11(a) above, there is not in existence any written or unwritten contract of employment between a Group Company and a Senior Employee which cannot be terminated by 12 months' notice or less without giving rise to a claim for damages or compensation (other than a statutory redundancy payment or statutory compensation for unfair dismissal).
- (c) Except as disclosed under paragraph 11(a) above, there is not outstanding any agreement or arrangement to which a Group Company is a party for profit-sharing or for payments to any Senior Employee of bonuses or for incentive payments or other similar matters.
- (d) No Senior Employee has given or been given notice to terminate his employment.
- (e) Save as has been disclosed in the Data Room, the Group has no agreement or arrangement with, and does not recognise, a trade union, works council, staff association or other body representing any of its workers.
- (f) Each Group Company has complied in all material respects with all obligations to inform its employees and consult with its employee representative bodies about this Transaction.
- (g) The Group Companies have complied and continue to comply in all material respects with all employment-related obligations under statutory laws, individual and collective agreements, staff handbooks, company policies, any custom and practice and any codes of conduct and practice.
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- (h) No Group Company is involved in any strike or trade dispute or any dispute or negotiation regarding a claim of material importance with any trade union or other body representing the employees or former employees of the Group Companies.
- (i) No Group Company is under any obligation to make any material change in the basis of remuneration or other benefits paid or provided to any of its employees.
- (j) No Group Company has an obligation to make a payment on redundancy in excess of the statutory redundancy payment.
- (k) Each Group Company has complied in all material respects with all its statutory obligations to or in respect of its employees arising out of their terms and conditions of employment and no Group Company owes anything to its employees other than remuneration accrued due for the current pay period, accrued holiday pay for the current holiday year, accrued bonuses for the current bonus period and expenses claims (including, for the avoidance of doubt, in relation to any Italian Group Company, the mandatory end of service allowance accruals (*trattamento di fine rapporto*)).
- (l) No Group Company has made any offer of employment to any person who, if employed, would be a Senior Employee which has either been accepted or remains open for acceptance.
- (m) There are no current disciplinary proceedings or appeals in respect of any Senior Employee.
- (n) There are no pending or threatened upward, downward or lateral reclassifications procedures in respect of any freelancers, educational counsellors and/or agency workers hired by the Group Companies.
- (o) Each of the Group Companies has complied with its obligations under laws implementing the Directive on Temporary Agency Work (2008/104/EC) to which it is subject and has provided to the supplying agency in respect of each agency worker currently engaged or engaged in the six months ending on the Signing Date by the Group Company all relevant information about the basic working and employment conditions in force at the Group Company to enable the supplying agency to comply with its obligations under such laws. No Group Company is aware of any breach of such laws.

12. PENSIONS

- (a) True and complete copies of all documents relating to the pensions arrangements relating to the employees of the Group Companies are included in the Data Room.
- (b) The pensions arrangements are the only arrangements to which the Group Companies make or could become liable to make payments for providing retirement, death, disability or life assurance benefits in respect of the present or former employees and directors of the Group Companies.

13. TAX

13.1 Taxation liabilities

- (a) All Taxation of any nature whatsoever for which a Group Company has been assessed (including under self-assessment) or which has become due with regard to the period until the Accounts Date has been duly paid (and within the time period required by law without the imposition of penalties) or, if not paid, been provided for in the Accounts.
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- (b) All Taxation required by law to be deducted or withheld from any payments made (or treated as made) by a Group Company has been so deducted.
- (c) No Group Company has knowingly been involved in any transaction, scheme or arrangement which includes, or any series of transactions, schemes or arrangements which include, any step or steps having no commercial or business purpose (or no such purpose apart from the reduction, avoidance or deferral of a liability to Taxation) or which could be recharacterised or treated as unenforceable for Taxation purposes.

13.2 Taxation returns

- (a) All notices, computations, returns and information which have been required to be made or given for any Taxation purpose to a Taxation Authority by a Group Company have been properly and duly so submitted and all information, notices, computations and returns submitted to a Taxation Authority are true, accurate and complete in all material respects and are not or, so far as the Seller is aware, is likely to be, the subject of any material dispute with a Taxation Authority.
- (b) All material records which a Group Company is required to keep for Taxation purposes have been duly kept and are available for inspection at the premises of the Group Company.
- (c) No Group Company has asked for any extensions of time for the filing of any currently outstanding tax returns or other documents relating to Taxation.

13.3 Penalties and interest

No Group Company has within the past three years paid or become liable to pay any material interest, penalty, surcharge or fine relating to Taxation.

13.4 Investigations

No Group Company has within the past three years been subject to or, so far as the Seller is aware, is currently subject to any non-routine investigation, audit or visit by any Taxation Authority.

13.5 Company Residence

- (a) Each Group Company has been resident for Taxation purposes solely in its place of incorporation and nowhere else at all times since its incorporation.
- (b) No Group Company has in the past three years been liable to pay Taxation on income, profits or gains to any Taxation Authority outside its place of incorporation.

13.6 Transfer Pricing

So far as the Seller reasonably believes, no Group Company has entered into any transaction or arrangement with a party with which it is, or was, connected or affiliated, the consideration for which was determined otherwise than on arm's length terms.

13.7 VAT

Each Group Company has complied with all statutory provisions, rules, regulations, orders and directions in respect of VAT.

SCHEDULE 5

CLAIMS

1. Due Diligence Investigation

The Purchaser acknowledges and agrees that:

- (a) it has performed, with the assistance of professional advisers, a due diligence investigation with respect to the Group Companies and their respective businesses, operations, assets, liabilities and financial condition on the basis of the information provided by or on behalf of the Seller, the management of the Group Companies and (where applicable) their advisers (the **Due Diligence Investigation**); and
- (b) in the Due Diligence Investigation, the Purchaser and its advisers have had opportunity to review the information made available to them.

2. Disclosed Information

- 2.1 The Data Room, the Information Memorandum, the VDD Reports and the matters disclosed in the Disclosure Letter (together, the **Disclosed Information**), shall be deemed disclosed to the Purchaser.
- 2.2 References in the Disclosure Letter to paragraph numbers shall be to paragraph numbers in Schedule 4 to which the disclosure is most likely to relate. Such references are given for convenience only and shall not limit the effect of any of the Disclosed Information, all of which is made against the Seller's Warranties as a whole. Information set out in the Disclosure Letter and other Disclosed Information is included solely to qualify the Seller's Warranties, is not an admission of liability with respect to the matters covered by such information and is not warranted in any respect whatsoever. The inclusion of any specific item or amount in the Disclosure Letter or in any other Disclosed Information is not intended to imply that such item or amount (or higher or lower amounts) is or is not material, and no party shall use the fact of the inclusion of any such item or amount in the Disclosure Letter or in any other Disclosed Information in any dispute as to whether any obligation, item, amount or matter not described therein is or is not material for the purposes of this agreement.

3. Exclusions

- 3.1 The Seller shall not be liable in respect of any Warranty Claim (other than any Warranty Claim in respect of the Title and Capacity Warranties) to the extent that the matter or circumstance giving rise to the Warranty Claim:
 - (a) was known to the Original Purchaser, the Purchaser or any of their respective advisers prior to signing the Original SPA, in sufficient detail to enable the Original Purchaser or the Purchaser to assess the nature and scope of the matter disclosed, on the basis of:
 - (i) the Due Diligence Investigation; or
 - (ii) the Disclosed Information; or
 - (b) was Fairly Disclosed in the Disclosed Information; or
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(c) was Fairly Disclosed in this agreement including the Schedules and/or annexes hereto.

3.2 The Seller shall not be liable in respect of any Warranty Claim (other than any Warranty Claim in respect of the Title and Capacity Warranties and/or Tax Warranties) to the extent that the matter or circumstance giving rise to the Warranty Claim:

- (a) was taken into account in and was the subject of proper allowance, provision or reserve under the calculation of Actual Net Debt or Actual Working Capital under the Completion Statement or in calculating the Purchase Price; or
- (b) would not have arisen (or would have been reduced) but for a change in legislation or a change in generally accepted interpretation of legislation made after the Signing Date (whether relating to Taxation, the rate of Taxation or otherwise) or any amendment to or the withdrawal of any practice previously published by any Taxation Authority, in either case occurring after the Signing Date, whether or not that change, amendment or withdrawal purports to be effective retrospectively in whole or in part; or
- (c) would not have arisen (or would have been reduced) but for any change at or after Completion of (i) the date to which any Group Company makes up its accounts or (ii) in the bases, methods, principles or policies of accounting of any Group Company other than a change which is reported by the auditors for the time being of a Group Company to be necessary in their opinion because such bases, methods, principles or policies of accounting as at the date of Completion are not in accordance with any published accounting practice or principle then current; or
- (d) would not have arisen (or would have been reduced) but for any act or omission of any member of the Seller's Group or any Group Company on or before Completion carried out at the written request of the Original Purchaser or the Purchaser or any act or omission of the Purchaser or any Group Company after Completion outside the ordinary course of business and otherwise than in order to comply with law or pursuant to a legally binding commitment to which the Group is subject on or before Completion.

4. Acknowledgement

The Purchaser acknowledges and agrees that, as at the Signing Date, neither it nor the Original Purchaser was aware of any matter or circumstance which is inconsistent with any of the Seller's Warranties or makes any of them untrue or inaccurate.

5. Financial limits

Subject to paragraph 19, the liability of the Seller shall be limited as follows:

- (a) there shall be disregarded for all purposes any Warranty Claim in respect of which the amount of the damages to which the Purchaser would otherwise be entitled is less than EUR 100,000;
 - (b) the Seller shall not be liable in respect of any Warranty Claim unless the aggregate amount of damages resulting from any and all such Claims (other than Claims disregarded as contemplated by paragraph (a) above) exceed in aggregate
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EUR 2,000,000, provided that the Seller shall be liable for the aggregate amount of all such Claims as agreed or determined and not just the excess;

- (c) the maximum aggregate liability of the Seller arising out of or in connection with any Warranty Claims (other than any Claims in respect of the Title and Capacity Warranties but including any Claims in respect of any other Seller's Warranties), and including, for the avoidance of doubt, any liability pursuant to clause 16, shall not exceed an amount equal to 12.5% of the Estimated Purchase Price;
- (d) the maximum aggregate liability of the Seller arising out of or in connection with any Tax Covenant Claims, including, for the avoidance of doubt, any liability pursuant to clause 16, shall not exceed an amount equal to 50% of the Estimated Purchase Price; and
- (e) the maximum aggregate liability of the Seller in respect of all Claims in respect of the Title and Capacity Warranties and all and any other Claims (other than a Claim under and in connection with subclauses 5.5, 5.8 and 10.12), including, for the avoidance of doubt, any liability pursuant to clause 16, shall not exceed the amount of the Purchase Price.

6. Time limits

The liability of the Seller in respect of all Warranty Claims and Tax Covenant Claims shall terminate:

- (a) on the date which is three months after the relevant statutory limitation period of the Tax liability which is the subject of a Tax Covenant Claim or a claim under the Tax Warranties;
- (b) on the date falling 18 months after the date of Completion in respect of all other Seller's Warranties (except the Title and Capacity Warranties); and
- (c) on the third anniversary of the date of Completion in respect of the Title and Capacity Warranties,

except in respect of any Warranty Claim and/or Tax Covenant Claim of which notice is given to the Seller in accordance with the provisions of paragraph 7 below or paragraph 10 of the Tax Covenant (as applicable) before the relevant date in paragraphs (a) to (c) above. The liability of the Seller in respect of any such Claim, other than a Tax Covenant Claim, shall in any event terminate if proceedings in respect of it have not been commenced within twelve months after the giving of notice of that Claim in accordance with the provisions of paragraph 7 below.

7. Notice

If the Purchaser or any Group Company becomes aware of a matter or circumstance which may give rise to a Claim, the Seller shall not be liable in respect of it unless the Purchaser gives notice to the Seller specifying the relevant facts (including, to the extent reasonably practicable, the Purchaser's estimate, on a without prejudice basis, of the amount of such Claim) as soon as reasonably practicable after it or the relevant Group Company (as the case may be) becomes aware of that matter or circumstance. Failure to comply with this paragraph shall not affect the rights of the Purchaser to make a relevant Claim except that the failure

shall be taken into account in determining the liability of the Seller for such Claim to the extent that the Seller establishes that it was prejudiced by the failure.

8. Reduction in Purchase Price

Any payment made by the Seller in respect of a Claim shall, to the maximum extent possible, be deemed to be a reduction in the Purchase Price.

9. Conduct of Third Party Claims

If a Claim (other than a Claim under the Tax Warranties or a Tax Covenant Claim) arises as a result of, or in connection with, a liability or alleged liability of a Group Company to a third party (a **Third Party Claim**), then the Purchaser shall, so far as practicable, without prejudice to the rights of the insurers of the Purchaser's Group:

- (a) procure that each relevant Group Company consults with the Seller, and takes reasonable account of the reasonable requirements of the Seller, in relation to the conduct of any dispute, defence, compromise or appeal of the Third Party Claim;
- (b) keep, or procure that each relevant Group Company keeps, the Seller reasonably informed of the progress of the Third Party Claim and provide, or procure that each relevant Group Company provides, the Seller with copies of any documents and such other information in the Purchaser's or a Group Company's possession as may be reasonably requested by the Seller; and
- (c) procure that no relevant Group Company shall cease to defend the Third Party Claim or make any admission of liability, agreement or compromise in relation to the Third Party Claim without the prior written consent of the Seller, such consent not to be unreasonably withheld or delayed.

10. Provision of information

Nothing in paragraph 9, or in paragraphs 9 or 10 of Schedule 6, shall require the provision by any person of any information to the extent such provision would contravene any applicable law or regulation or would breach any duty of confidentiality owed to any third party. If any information is provided by any person (the **Provider**) to any other person (the **Recipient**) pursuant to those paragraphs:

- (a) that information must only be used by the Recipient in connection with the Third Party Claim and clause 13 shall in all other respects apply to that information; and
 - (b) to the extent that information is privileged:
 - (i) no privilege shall be waived by reason of or as a result of its being provided to the Recipient; and
 - (ii) if a third party requests disclosure by the Recipient in relation to that information, if the Recipient is the Seller or the Purchaser, the Recipient shall or, if the Recipient is a Group Company, the Purchaser shall procure that the Recipient shall promptly notify the Provider and, to the extent it can do so, itself assert privilege in opposition to that disclosure request.
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11. Duty to mitigate

Nothing in this agreement shall relieve the Purchaser or, as the case may be, the Seller, from its duty under applicable law to mitigate any loss or damage incurred by it as a result of any matter or circumstance giving rise to a claim under or in respect of this agreement.

12. Subsequent recovery

If:

- (a) the Seller makes a payment in respect of a Warranty Claim (other than a Claim under the Tax Warranties or a Tax Covenant Claim) (the **Damages Payment**);
- (b) at any time after the making of such payment any Group Company or the Purchaser receives any sum or is otherwise compensated for or with respect to such Warranty Claim (the **Third Party Sum**);
- (c) the receipt of the Third Party Sum was not taken into account in calculating the Damages Payment; and
- (d) the aggregate of the Third Party Sum and the Damages Payment exceeds the amount required to compensate the Purchaser in full for the loss or liability which gave rise to the Warranty Claim in question (such excess being the **Excess Recovery**),

the Purchaser shall, as soon as reasonably practicable following receipt of the Third Party Sum by it or the relevant Group Company, repay to the Seller an amount equal to the lower of (i) the Excess Recovery and (ii) the Damages Payment, after deducting (in either case) all costs reasonably incurred by the Purchaser or the relevant Group Company in recovering the Third Party Sum.

13. Insurance

Without prejudice to the Purchaser's duty to mitigate any loss in respect of any of the Seller's Warranties being untrue or inaccurate, if in respect of any matter which would otherwise give rise to a Warranty Claim, any of the Group Companies is entitled to claim under any policy of insurance and payment is made by the insurer, the amount of insurance monies paid by the insurer shall reduce *pro tanto* or extinguish that Warranty Claim.

14. Right to remedy

If the matter or circumstance giving rise to a Warranty Claim is capable of remedy, the Seller shall not be liable in respect of such Warranty Claim to the extent that the matter or circumstance giving rise to such Warranty Claim is remedied by, and at the expense of, the Seller within a 30-day period from the date on which notice of that Warranty Claim is given in accordance with the provisions of paragraph 7 above.

15. Contingent liabilities

If any Claim is based upon a liability which is contingent only, the Seller shall not have any obligation to make a payment in respect thereof unless (and until) such liability ceases to be contingent.

16. No double recovery

Each party agrees that it shall not be entitled to recover damages or obtain payment, reimbursement, restitution or indemnity more than once in respect of the same loss. For this purpose, recovery by any Group Company shall be deemed to be recovery by the Purchaser.

17. No liability for consequential loss etc.

The Seller shall not have any liability in connection with any indirect or consequential loss arising out of any matter or circumstance giving rise to a Claim.

18. Tax Warranties

The provisions of paragraphs 4, 7, 9 and 10 of Schedule 6 shall apply to the Tax Warranties.

19. Effect of fraud

The limitations set out in this Schedule shall not apply to limit the liability of the Seller in the event of a claim arising or being increased as a result of fraud on the part of the Seller.

20. Statutory limitation periods

The limitation periods specified in paragraph 6 shall apply whether or not such periods are longer or shorter than any relevant statutory limitation period.

SCHEDULE 6

TAX COVENANT

1. INTERPRETATION

1.1 In this Schedule and the Tax Warranties, unless the contrary intention appears, words and expressions defined elsewhere in this agreement have the same meaning and:

Accounts Relief means any Relief which is taken into account in the Completion Statement as an asset;

Loss of a Purchased Relief means:

- (a) the setting off against any profits or any Taxation of, or the reduction of any profits or any Taxation by all or part of, any Relief to the extent that it has been shown as an asset (or taken into account in reducing a provision for deferred tax) in the Completion Statement; or
- (b) the cancellation, loss, non-availability to a Group Company or reduction of all or part of any Relief to the extent that it has been shown as an asset (or taken into account in reducing a provision for deferred tax) in the Completion Statement;

Post Completion Relief means a Relief arising to a Group Company which is not an Accounts Relief nor a right to a repayment of Taxation that has been taken into account in the Accounts;

Potential Liability means a liability to or claim for Taxation or a non-availability, loss, reduction or cancellation of any Relief which may result in a claim against the Seller under this Schedule, or which may do so if paragraph 5 of Schedule 5 were not to apply, or any matter which may result in a claim against the Seller for breach of a Tax Warranty;

Purchaser's Group, for the purposes of this Schedule only, means the Purchaser and those companies (other than a Group Company) which may be treated for relevant Taxation purposes as being, or as having at any time been, either a member of the same group of companies as the Purchaser or otherwise associated with the Purchaser;

Purchaser's Relief means:

- (a) an Accounts Relief;
- (b) any Relief to the extent it arises as a result of a Transaction or Transactions occurring (or deemed to occur) after Completion or in respect of a period (or part period) beginning after Completion; and
- (c) any Relief attributable to any member of the Purchaser's Group;

Relevant Period means any period ended prior to Completion in respect of which a Group Company is required to make a return or a payment to a Taxation Authority;

Relief means any loss, allowance, credit, relief, deduction or set-off in respect of, or taken into account, or capable of being taken into account, in the calculation of a liability to, Taxation or any right to a repayment of Taxation;

Saveable Amount means, in respect of a Relief, the amount by which a liability to Taxation is actually (or could, but for the use of the Relief, as described in subparagraph 8.1(b), have been) decreased by the use of that Relief.

Seller's Conduct Matter means the preparation and submission of all notices, claims, returns and computations, the preparation and submission of all correspondence relating to such notices, claims, returns and computations and the negotiation and agreement of all matters relevant to the Taxation position of a Group Company for a Relevant Period;

Seller's Group means the Seller and those companies (other than a Group Company) which may be treated for relevant Taxation purposes as being, or as having at any time been, either a member of the same group of companies as the Seller or otherwise associated with the Seller;

Seller's Relief means a Relief arising to a Group Company as a result of a Transaction or Transactions occurring (or deemed to occur) on or before Completion or in respect of a period (or past period) ended on or before Completion other than to the extent such relief is a Purchaser's Relief;

Straddle Period means any period commencing before Completion which is not a Relevant Period; and

Transaction means any transaction, event, act or omission (or any transaction, event, act or omission deemed to occur for Taxation purposes).

1.2 In this Schedule, references to:

profits include income, profits or gains of any description and from any source;

profits earned on or before a certain date or in respect of a certain period include profits treated as, or deemed to be, earned on or before that date or in respect of that period for Taxation purposes;

profits earned include profits earned, accrued or received (or treated as, or deemed to be, earned, accrued or received for Taxation purposes);

a **repayment of** Taxation includes any repayment supplement or interest in respect of it; and

Taxation include, in a case where Taxation for which a Group Company is liable is discharged by another person, the amount corresponding to that Taxation for which a Group Company is, after that discharge, liable.

1.3 For the purposes of this Schedule, a Group Company shall be deemed to be liable for a payment of Taxation, and to make that payment of Taxation, if a Group Company would be liable for a payment of Taxation but for the use or setting off against profits or against a liability to pay Taxation of a Post Completion Relief or Accounts Relief.

1.4 For the purposes of this Schedule, something occurring (including liability to make a payment of Taxation arising) in the **ordinary course of business** shall, without prejudice to the generality thereof, be deemed not to include:

- (a) anything which involves, or leads directly or indirectly to, any liability of a Group Company to Taxation that is the primary liability of, or properly attributable to, or due from another person (other than a member of the Purchaser's Group) or is the liability of a Group Company only because some other person, other than a member of the Purchaser's Group, has failed to pay it or is the liability of a Group Company because it has elected to be regarded as taxable or liable or to be regarded as having made a disposal;
- (b) anything which relates to or involves the acquisition or disposal of an asset or the supply of services (including the lending of money, or the hiring or licensing of tangible or intangible property) in a Transaction which is not entered into on arm's length terms;
- (c) anything which relates to or involves the payment of any dividend or the making of a distribution for Taxation purposes, the creation, cancellation or re-organisation of share or loan capital, the creation, cancellation or repayment of any intra-group debt or any company becoming or ceasing or being treated as ceasing to be a member of a group of companies or as becoming or ceasing to be associated or connected with any other company for any Taxation purposes;
- (d) anything that gives rise to a liability to Taxation on deemed (as opposed to actual) profits or to the extent that it gives rise to a liability to Taxation on an amount of profits greater than the difference between the sales proceeds of an asset and the amount attributable to that asset in the Accounts or, in the case of an asset acquired since the Accounts Date, the cost of that asset;
- (e) anything which relates to a transaction or arrangement which includes, or a series of transactions or arrangements which includes, any step or steps having no commercial or business purpose (or no such purpose apart from the reduction, avoidance or deferral of a liability to Taxation) or which could be recharacterised or treated as unenforceable for Taxation purposes; or
- (f) anything which involves, or leads directly or indirectly to, a change of residence of a company for Taxation purposes.

1.5 In this Schedule, unless the contrary intention appears, a reference to a paragraph or subparagraph is to a paragraph or subparagraph of this Schedule.

2. COVENANT

2.1 The Seller covenants with the Purchaser that, subject to the following provisions of this Schedule, the Seller will pay to the Purchaser (or such person as the Purchaser may otherwise direct), to the extent possible by way of repayment of the Purchase Price for the Sale Shares (but not so as to limit the amount payable where not wholly possible), an amount equal to:

- (a) any payment of Taxation made or to be made by a Group Company (for the avoidance of doubt whether or not such Group Company is primarily liable for such Taxation) the liability for which arises as a result of any Transaction or Transactions occurring on or before Completion (other than Taxation arising in respect of income, profits or gains earned after Completion as a result of any such Transaction or Transactions) or in respect of any profits earned on or before Completion;
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- (b) without prejudice to the generality of the foregoing, any payment of Taxation made or to be made by a Group Company (for the avoidance of doubt whether or not such Group Company is primarily liable for such Taxation), the liability for which arises as a result of:
 - (i) the profits arising in any Relevant Period or in the part of the Straddle Period ending on Completion in respect of any Transaction to which any Group Company is a party being increased for Tax purposes (or the losses in respect of any such Transactions in any such period being reduced for Tax purposes), such that a Group Company realises profits in any Relevant Period or in the part of the Straddle Period ending on Completion which are greater (or losses which are lower) for Tax purposes than it would otherwise have realised had the profits (or losses) been calculated by reference to the actual economic terms of such Transaction;
 - (ii) the failure by any Cyprus Group Company at any time before Completion to declare, and/or deduct or withhold any relevant sums from, payments in respect of salaries and other emoluments of employment;
 - (iii) the failure by any Cyprus Group Company to deduct or withhold at any time before Completion any relevant sums from any royalty or similar payments; and
 - (iv) the failure by any Cyprus Group Company to pay any stamp duty or equivalent Tax in respect of any document or agreement in existence at Completion on which a Group Company is required to rely in order to prove title to its assets and/or to ensure that any such document that is required to be stamped is so stamped;
- (c) any payment of Taxation made or to be made by a Group Company as a result of any matter undertaken to give effect to the Intercompany Loan Cleanup in Italy;
- (d) the amount determined by subparagraph 2.3 in respect of any Loss of a Purchased Relief; and
- (e) any out-of-pocket costs or expenses reasonably and properly incurred by the Purchaser or a Group Company directly in connection with any payment of Taxation or any Loss of a Purchased Relief as is, in each case, referred to in the preceding paragraphs or in connection with any action taken in avoiding, resisting or settling any such payment of Taxation or such Loss of a Purchased Relief or taking any successful action to enforce its rights under this Schedule,

whether or not a Group Company is or may be entitled to claim reimbursement of the payment from any person.

2.2 For the purposes of this Schedule (other than paragraph 3), all rights and liabilities of the parties shall be calculated on the assumption (if not actually the case) that the date of Completion is the end of an accounting period or a taxable period (as appropriate) and in accordance with the principles adopted in preparing the Completion Statement.

2.3 The amount payable in respect of a claim under subparagraph 2.1(c) shall in such cases be deemed to be:

- (a) where the Relief is a right to a repayment of Taxation, the amount of the repayment which would otherwise have been obtained; and
- (b) otherwise, the amount of Taxation which could have been saved (on the assumption that there are sufficient profits or Taxation liabilities against which to set the Relief and on the basis of the rates of Taxation current at the date when the Relief is cancelled, lost, reduced, set off or found to be unavailable) if the Relief had not been cancelled, lost, reduced, set off or found to be unavailable.

3. PAYMENT

A payment to be made by the Seller under paragraph 2 shall be made (i) within ten Business Days from the date on which notice setting out the amount due is received by the Seller from the Purchaser or a Group Company in accordance with paragraph 7 of Schedule 5 or (ii) if later:

- (a) subject to subparagraph (d), in the case of a payment of Taxation within subparagraph 2.1(a), 2.1(b) or 2.1(c) on the date which is two Business Days prior to the last date on which that payment of Taxation may be made in order to avoid incurring a liability to interest or penalties;
 - (b) in the case of a Loss of a Purchaser's Relief within subparagraph 2.1(d) that is a right to a repayment of Taxation, the date on which the repayment would have been available were it not for the non-availability, loss, reduction or cancellation;
 - (c) in the case of a Loss of a Purchaser's Relief within subparagraph 2.1(d) other than a right to repayment of Taxation, on the date which is two Business Days prior to the earliest date on which Taxation becomes payable which would not have been payable had the Relief not been cancelled, lost, reduced, set-off or found to be unavailable; and
 - (d) if the payment relates to a liability to make a payment of Tax which is disputed by the Seller or a Group Company (a **Disputed Liability**) and the date on which payment of that Tax is required by law has been postponed following an application to the relevant Taxation Authority, court or tribunal, or the Tax does not in practice have to be paid until the Disputed Liability is determined, five Business Days before the date on which payment in respect of that Tax becomes required by law after that postponement, or is in practice required to be made following determination of the Disputed Liability, provided always that:
 - (i) if any action to be taken for the purposes of resisting, appealing, disputing, compromising or defending that Disputed Liability (including any such action to be taken at the request or direction of the Seller in accordance with any provision of this Schedule) cannot be taken prior to the Tax that is the subject matter of the Disputed Liability, or a payment on account of that Tax, being paid, or if failure to pay the Disputed Liability would have a material adverse effect on the business of the Purchaser's Group, then the Seller shall pay to the Purchaser (or such person as the Purchaser may otherwise direct) an amount equal to that amount of Tax (a **Disputed Tax Payment**) within five Business Days after receipt by the Seller of written notice from the Purchaser specifying that amount and including evidence reasonably satisfactory to the Seller that the action to be taken for the purposes of
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resisting, appealing, disputing, compromising or defending that Disputed Liability cannot be taken prior to the Tax that is the subject matter of the Disputed Liability, or a payment on account of that Tax, being paid, or of the material adverse effect on the business of the Purchaser's Group;

- (ii) if the Seller makes a Disputed Tax Payment, and the Disputed Liability is settled, compromised or determined at a lesser sum than the amount of the Disputed Tax Payment, then the difference between the Disputed Tax Payment and the amount for which the Disputed Liability is settled, compromised or determined shall be repaid to the Seller within five Business Days after, as applicable: (A) the receipt of a repayment in respect thereof by a Group Company or any member of the Purchasers' Group from the relevant Taxation Authority; or (B) if such a repayment is set off against any other amount payable to the relevant Taxation Authority, the date upon which that other amount would otherwise have been due for payment; and
- (iii) if the Seller makes a Disputed Tax Payment, and the Disputed Liability is settled, compromised or determined at a sum greater than or equal to the amount of the Disputed Tax Payment, then the Disputed Tax Payment shall, to the extent of that payment, be deemed to discharge the liability of the Seller to the Purchaser under paragraph 2 of this Schedule or for breach of the Tax Warranties (as applicable) in respect of such liability and any excess of the amount of Tax for which the Disputed Liability was settled, compromised or determined over the sum of the Disputed Tax Payment shall be paid to the Purchaser within five Business Days after the date on which the Disputed Liability is settled, compromised or determined.

4. EXCLUSIONS

4.1 The covenants contained in paragraph 2 shall not extend to any liability otherwise falling within this Schedule or under the Tax Warranties to the extent that:

- (a) provision or reserve for the liability is made or the liability is otherwise expressly taken into account, or its actual or assumed payment or discharge is taken into account, but not merely noted, in the Completion Statement; or
 - (b) it arises in the ordinary course of business after the Effective Time; or
 - (c) it arises as a consequence of any Permitted Leakage, except for any Taxation suffered or incurred by an Italian Group Company arising as a result of any matter undertaken to give effect to the Intercompany Loan Cleanup in Italy other than any withholding taxes triggered by the assignment of Loan #371 and Loan #372 (each as defined in the document referred to in the definition of the Intercompany Loan Cleanup in Italy) pursuant to the Intercompany Loan Cleanup in Italy and not in excess of the Estimated Withholding Tax; or
 - (d) the liability is:
 - (i) interest arising from a failure to pay Taxation to a Taxation Authority within a reasonable time after the Seller has made a payment of an amount in respect of that liability to Taxation under paragraph 3; or
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- (ii) interest attributable to a period after Completion on an amount to which paragraph 2 does not apply by virtue of subparagraph 4.1(a) or 4.1(e); or
 - (iii) a penalty or fine incurred after Completion in connection with such an amount; or
- (e) it would not have arisen (or the liability would have been reduced) but for a change in legislation or a change in the interpretation of legislation on the basis of case law (other than case law involving a Group Company) made after the Signing Date (whether relating to Taxation, the rate of Taxation or otherwise) or any amendment to or the withdrawal of any practice previously published by a Taxation Authority, in either case occurring after the Signing Date, whether or not that change, amendment or withdrawal purports to be effective retrospectively in whole or in part, except where such change was announced prior to Completion by the relevant authority; or
- (f) it would not have arisen (or would have been reduced) but for a voluntary act or omission carried out or effected by the Purchaser or a Group Company after Completion other than an act or omission which:
- (i) is in the ordinary course of business as carried on by a Group Company at Completion; or
 - (ii) comprises the failure by any Cyprus Group Company at any time after Completion to declare (on a TD7 form) to a Taxation Authority payments in respect of salaries and other emoluments of employment made on or before Completion where such declaration should have been, but was not, made on or before Completion; or
 - (iii) a Group Company was legally committed to do, or omit to do, under a commitment that existed on or before Completion; or
 - (iv) was carried out at the request of the Seller; or
- (g) it has been made good by insurers or otherwise adequately compensated for without cost to the Purchaser or a Group Company; or
- (h) any income, profits or gains to which the payment is attributable were actually earned or received by or actually accrued to a Group Company on or before Completion but were not reflected in the Completion Statement, except to the extent that the benefit of such income profits or gains was not retained by such Group Company at Completion; or
- (i) it arises as a consequence of any failure by the Purchaser or a Group Company to comply with any of their respective obligations under paragraphs 9 and 10 of this Schedule; or
- (j) it arises as a result of the failure or omission of a Group Company to make any valid claim, election, surrender or disclaimer, to give any valid notice or consent or to do any other thing under the provisions of any enactment or regulation relating to Taxation after Completion, the making, giving or doing of which was taken into account in computing the provisions for Taxation in the Completion Statement or was contained in the Disclosed Information and, in each case, was specifically notified to the Purchaser; or
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- (k) it arises as a result of any voluntary disclaimer after Completion by any Group Company otherwise than at the request of the Seller of the whole or part of any Relief to which it is entitled or by reason of the revocation after Completion by any Group Company otherwise than at the request of the Seller of any claim for Relief made (whether provisionally or otherwise) by it prior to Completion;
- (l) it arises as a result of any change after Completion of the date to which a Group Company makes up its accounts or in the bases, methods or policies of accounting of a Group Company other than a change which is reported by the auditors for the time being of a Group Company to be necessary in their opinion because such bases, methods or policies of accounting as at the date of Completion are not in accordance with any generally accepted accounting practice or principle then current; or
- (m) it would not have arisen (or the liability would have been reduced) but for a cessation, or any change in the nature or conduct, of any trade carried on by a Group Company at Completion, being a cessation or change occurring on or after Completion; or
- (n) it relates to transfer taxes (including real estate transfer taxes) for which the Purchaser is liable under subclause 21.2; or
- (o) it would not have arisen (or would have been reduced) but for any act, omission, transaction or arrangement carried out by the Seller or any Group Company prior to Completion at the written request or with the written approval of the Purchaser, except where the Purchaser was not, and could not reasonably have been, aware that such act, omission, transaction or arrangement could give rise to such liability.

4.2 Notwithstanding the provisions of subparagraph 4.1 above, if as a consequence of the Purchaser or any Group Company taking steps to:

- (a) put in place after Completion any transaction or arrangement relating to the provision of goods (of whatever nature and whether tangible or intangible) and/or services which are reasonably comparable to those that have been, at any time before Completion, provided pursuant to a transaction or arrangement entered into between a Group Company and a member of the Seller's Group; or
- (b) extinguish or amend (provided such amendments do not have retrospective effect) the terms of any transaction or arrangement subsisting at (or immediately before) Completion between a Group Company and a member of the Seller's Group (any such amendments including, but not being limited to, replacing the member of the Seller's Group with a member of the Purchaser's Group and/or amending the consideration to be provided under such transaction or arrangement),

any relevant authority reviews or reconsiders the Tax treatment of any transaction or arrangement that occurred on or before Completion, such steps shall not limit or exclude the liability of the Seller under paragraph 2.

5. OVERPROVISIONS

5.1 The Seller may by notice, on or before the seventh anniversary of Completion, request the Purchaser to procure that the auditors for the time being of a Group Company report on and certify (at the cost and expense of the Seller) whether in their opinion, a provision for Taxation in the Completion Statement proves to have been, insofar as it relates to a Group Company, too great, except to the extent attributable to:

- (a) the availability of a Purchaser's Relief;
- (b) any Transaction occurring or deemed to have occurred after Completion; or
- (c) a change of law as described in subparagraph 4.1(e),

each an **Overprovision** and the Purchaser shall instruct such auditors to deal expeditiously with the production of the report and shall provide, or procure that a Group Company provides, any information or assistance reasonably required for the purpose of enabling the auditors to produce such report.

5.2 Subject to subparagraph 5.4, the amount of the Overprovision shall:

- (a) first be set against any payment then due from the Seller under this Schedule;
- (b) to the extent there is an excess, be paid by the Purchaser (subject to a maximum amount equal to the amount which the Seller has already paid under paragraph 2 less any Taxation due (or which would have been due but for the availability of a Purchaser's Relief) on that payment and less the amount which the Purchaser has already paid under this subparagraph 5.2 or paragraph 7) to the Seller within ten (10) Business Days of the auditors providing written certification of the existence and amount of the Overprovision; and
- (c) to the extent there is any further excess, be carried forward and set off against any future payments which become due from the Seller under this Schedule.

5.3 If any report has been made under subparagraph 5.1 or 5.4, the Seller or the Purchaser may at any time on or before expiry of six months after the seventh anniversary of Completion request (at their own cost and expense) the auditors for the time being of a Group Company to review the report in the light of all relevant circumstances, including any facts which have become known only since that report was made, and to report whether in their opinion the earlier report remains correct or whether, in the light of those circumstances, it should be amended.

5.4 If following a request under subparagraph 5.3 the auditors issue an amendment to the earlier report and the amount of any Overprovision in respect of which a balancing payment should be made is revised, that revised amount shall be substituted for the amount previously reported and, if an adjusting payment is required by virtue of the substitution, it shall be made by or to the Seller, as the case may be, as soon as practicable, but in any event within five Business Days from the date of the amendment of the report.

6. EFFECT OF DISCHARGE OF CLAIM

For the avoidance of doubt, subject to the terms of this Schedule, the Seller shall remain liable in accordance with the terms of this Schedule notwithstanding that any Taxation giving rise to a liability to make a payment under paragraph 2 is or has been discharged or suffered by a Group Company, whether before or after the Signing Date and whether by payment or by the use of or setting off of any Relief.

7. CORRESPONDING BENEFIT, THIRD PARTY RECOVERIES AND REFUNDS

7.1 If a Group Company (or any successor to all or any part of its business) or the Purchaser receives at any time before the expiry of six months after the end of the period in

subparagraph 6(a) of Schedule 5, a benefit or makes a saving which it would not have received or made but for the circumstances giving rise to a claim under paragraph 2 of this Schedule or under the Tax Warranties, then:

- (a) the Purchaser shall procure that full details of the benefit or saving are given to the Seller as soon as reasonably practicable and in any event within 20 Business Days of receipt of the benefit or saving in question;
- (b) the Purchaser shall procure that, as soon as reasonably practicable and in any event within 20 Business Days of the date when the benefit is received or saving in question is made (being the date when the Taxation would otherwise have been due to avoid interest or penalties which are not due by virtue of the saving), any payment already made by the Seller in respect of such claim (less any Taxation due (or which would have been due but for the use of a Purchaser's Relief) and less any amount which has previously been repaid to the Seller pursuant to this paragraph 7 or subparagraph 5.2) is forthwith repaid to the Seller up to the amount of the benefit or saving and that any interest or repayment supplement received relating to the benefit or saving so far as repaid is also forthwith paid to the Seller (less any Taxation due (or which would have been due but for the use of a Purchaser's Relief)); and
- (c) any amount of the benefit or saving (including any interest or repayment supplement) that is not so paid to the Seller shall be carried forward and set off against any future payment or payments which become due from the Seller under paragraph 2 of this Schedule or under the Tax Warranties.

7.2 If a Group Company or the Purchaser is entitled to receive a benefit or make a saving, as referred to in subparagraph 7.1, it shall use reasonable endeavours to obtain any such benefit or make such saving within a reasonable time.

7.3 If the Purchaser or a Group Company is or may be entitled at any time before the expiry of six months after the end of the period in subparagraph 6(a) of Schedule 5 to recover from a person (including any Taxation Authority, but excluding the Seller) a sum in respect of any claim which gives rise to a liability on the part of the Seller under this Schedule or under the Tax Warranties, then:

- (a) the Purchaser or a Group Company shall give the Seller full details of the entitlement as soon as practicable and in any event within 20 Business Days of the Purchaser or a Group Company becoming aware of those details;
 - (b) the Purchaser shall at the request of the Seller and at the Seller's expense take all reasonable steps to recover or to procure the recovery of the sum, keeping the Seller fully informed of the progress of any action taken;
 - (c) the Purchaser shall as soon as practicable and in any event within ten Business Days of recovery of any sum, pay an amount equal to that sum (less any Taxation due (or which would have been due but for the availability of a Purchaser's Relief) on that sum) to the Seller (subject to a maximum amount equal to the amount which the Seller has already paid under paragraph 2 less any Taxation due (or which would have been due but for the availability of a Purchaser's Relief) on that payment and less any amount which has previously been repaid to the Seller pursuant to this paragraph 7 or subparagraph 5.2) plus any interest or repayment supplement received
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on or in respect of the amount payable to the Seller (less any Taxation due (or which would have been due but for the use of a Purchaser's Relief)); and

- (d) so far as not paid to the Seller, the amount of the sum recovered (including any interest or repayment supplement) shall be carried forward and set against any future payment or payments which become due from the Seller under paragraph 2 of this Schedule or under the Tax Warranties.

7.4 If a Group Company is or may, at any time on or before the date that is six months after the relevant statutory limitation period for claiming from any Taxation Authority a repayment or credit in respect of Taxation relating to any period ended on or before Completion, be entitled to receive from such Taxation Authority a repayment or credit in respect of Taxation relating to any period ended on or before Completion then:

- (a) the Purchaser shall give the Seller full details of the entitlement as soon as practicable and in any event within 20 Business Days of the Purchaser becoming aware of the entitlement arising;
- (b) the Purchaser shall at the request of the Seller take reasonable steps to procure that the repayment or credit shall be obtained, keeping the Seller fully informed of the progress of any action taken; and
- (c) an amount equal to the repayment or credit (including any repayment supplement or interest) received by the Purchaser or a Group Company less any amount taken into account in the Completion Statement in respect of the repayment or credit shall be paid by the Purchaser to the Seller within five Business Days of receipt.

8. MITIGATION

8.1 No liability shall arise for the Seller under this Schedule in respect of a liability to Taxation unless, and then only to the extent that, the amount of that liability to Taxation exceeds the Saveable Amount in respect of:

- (a) any Seller's Relief available to mitigate that liability to Taxation; or
- (b) any Seller's Relief which would have been available to mitigate that liability to Taxation had it not been used against one or more Taxation liabilities of a Group Company which do not give rise to a liability for the Seller under this Schedule.

8.2 The Purchaser shall, if the Seller shall at any time request and at the Seller's expense, deliver to the Seller a report from a Group Company's auditors for the time being confirming that in their opinion all relevant Seller's Reliefs have been used in accordance with subparagraph 8.1.

9. CONDUCT OF TAX AFFAIRS

9.1 The Purchaser shall cause the Group Companies to procure that:

- (a) the Seller (or such professional advisers as the Seller may select) shall have conduct of the Seller's Conduct Matter (which, for the avoidance of doubt, shall include such matters in respect of any period for which a Company was a member of a fiscal unity for corporate income tax purposes);
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- (b) the Seller (or its advisers) shall be provided promptly with any information received by the Purchaser or a Group Company, or of which the Purchaser or a Group Company otherwise becomes aware, which may be relevant to the Seller's Conduct Matter, and with such assistance (including assistance from employees of the Purchaser and a Group Company) and access to such documents and records of, or relating to, a Group Company, as the Seller (or their advisers) may reasonably require in connection with the Seller's Conduct Matter;
 - (c) the Group Companies retain for a period of seven years from Completion, or such longer period as is required by applicable law, all books, records and other information (whether stored electronically or otherwise) relating to the Seller's Conduct Matter;
 - (d) a Group Company shall promptly authorise, sign and submit to the relevant Taxation Authority such returns and other ancillary information, accounts, statements and reports relating to a Relevant Period and make such claims and elections and give such consents and comply with all procedural requirements in respect of the making or giving of such returns, ancillary information, accounts, statements and reports or such claims, elections or consents as the Seller (or its advisers) may, in its absolute discretion, direct in writing provided that a Group Company shall not be required to authorise, sign or submit any document which it considers in its reasonable opinion to be false or misleading in a material respect or which it considers, in the Group Company's reasonable opinion, adopts a position (other than a position that is substantially consistent with the past practice of a Group Company) that will have a materially prejudicial effect on the Tax liability of a Group Company or the Group in respect of a tax period or part of a tax period after Completion;
 - (e) a Group Company shall not do any act or thing (including, in particular, the carry-back of losses from accounting periods ending after Completion) after Completion which:
 - (i) might affect a Group Company's ability to make claims for allowances or Reliefs in respect of any Relevant Period; or
 - (ii) would reduce or extinguish any Relief or allowance relating to any Relevant Period; and
 - (f) a Group Company shall not (unless so directed in writing by the Seller) amend, disregard, withdraw or disclaim any elections, claims or benefits in respect of any Relevant Period.

9.2 Subject to subparagraph 9.3, if the Seller directs a Group Company to make a payment on account to any Taxation Authority in respect of any matter over which the Seller has conduct pursuant to this paragraph 9 and the Seller has paid an equivalent amount to the Purchaser, the Purchaser shall or

shall procure that a Group Company shall, make the payment to the relevant Taxation Authority within two Business Days of the Purchaser receiving the full amount from the Seller. If the Seller makes a payment to the Purchaser as contemplated by this subparagraph, unless such payment is a Disputed Tax Payment (in which case the provisions of subparagraph 3(d) shall apply), such payment shall, to the extent of the payment, be deemed to discharge the liability of the Seller to the Purchaser under paragraph 2 or for breach of the Tax Warranties (as applicable), in respect of such liability.

- 9.3 The Purchaser shall not be, nor shall any Group Company be, obliged to take any action pursuant to this paragraph 9 which involves contesting a Seller's Conduct Matter beyond the first appellate body beyond the Taxation Authority in the jurisdiction concerned, unless the Seller furnishes the Purchaser with the written opinion of Tax counsel of at least ten years' call to the effect that having been provided with all material relevant information and documents, such action constitutes a reasonable course of action, provided that if that relevant Seller's Conduct Matter relates to transfer pricing, the Seller shall also be required to seek advice from, and furnish the Purchaser with a copy of the written advice of, an economic consultant reasonably acceptable to the Purchaser in respect of such matter. Tax counsel (and, where relevant the economic consultant) shall be instructed by the Seller and at the Seller's expense but the Seller shall promptly provide the Purchaser with a copy of instructions and take account of the Purchaser's reasonable comments thereon and give the Purchaser or its representative a reasonable opportunity to attend any conference with such counsel.
- 9.4 The Seller shall procure that:
- (a) the Purchaser is kept informed so far as practicable of the progress of all material matters relating to the Taxation affairs of the Group Companies in relation to the Seller's Conduct Matter;
 - (b) the Purchaser receives copies of all written correspondence to or from any Taxation Authority insofar as it is relevant to the Seller's Conduct Matter; and
 - (c) the Purchaser receives a copy of any document submitted by the Seller to a Taxation Authority in relation to the Seller's Conduct Matter promptly following such submission.
- 9.5 Subject to subparagraphs 9.6 to 9.8 and the provisions of paragraph 10, the Purchaser and its advisers shall have sole conduct of all tax affairs of a Group Company other than a Seller's Conduct Matter.
- 9.6 Where any computation, return, ancillary information, statements, reports or accounts is or are required to be submitted for, or in respect of, the Straddle Period, a draft shall be submitted by the Purchaser to the Seller marked for the attention of the company secretary (or such advisers as they shall nominate) at least 20 Business Days before its intended submission to any Taxation Authority and the Seller and its advisers shall be given reasonable access to all information necessary to determine its accuracy. In addition, the Seller shall be kept informed by the Purchaser of any negotiations regarding the Taxation liabilities of a Group Company relating to the Straddle Period and for which the Seller may be liable under paragraph 2 of this Schedule and before any agreement in respect of those Taxation liabilities is reached with such authority, details of the proposed agreement shall be given by the Purchaser to the Seller at least 15 Business Days before the proposed conclusion of such agreement.
- 9.7 If the Purchaser receives within 10 Business Days of the Seller receiving any draft computation, draft return, draft ancillary information, draft statements, draft reports, draft accounts, details of negotiations or proposed agreements referred to in subparagraph 9.6 any representations from the Seller, those representations shall, to the extent that they are reasonable, be reflected in the computations, returns, ancillary information, statements, reports, accounts, negotiations or agreement with the relevant Taxation Authority.
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9.8 If the parties, having negotiated in good faith for a period of 10 Business Days, fail to reach agreement as to whether the representations made by the Seller are reasonable, either the Seller or the Purchaser may refer the matter for determination by a member of a firm of chartered accountants who is also a member of the Chartered Institute of Taxation in the United Kingdom (the **Expert**). The Expert shall be appointed either by agreement between the parties or (if they do not agree within five Business Days of the party wishing to make the reference notifying the other of the proposed reference) on the application of either the Seller or the Purchaser to the President for the time being of the Chartered Institute of Taxation or (in the absence of an appointment by the President for the time being of the Chartered Institute of Taxation) on the application by either the Seller or the Purchaser to the President for the time being of the Law Society. The Expert shall decide the matter in question as an expert (and not as an arbitrator) and his decision shall be final, except in the case of manifest error. Both parties shall make all relevant information available to the Expert. The costs of the Expert shall be borne by the parties in such proportions as the Expert considers to be fair and reasonable in all the circumstances.

10. CONDUCT OF TAX CLAIMS

10.1 If the Purchaser or a Group Company receives any letter, enquiry, notice, demand, determination, assessment or other document, or a Taxation Authority takes any action, from which it appears that a Group Company may incur or suffer a Potential Liability, or if the Purchaser or a Group Company is, or becomes, aware of any fact which affects, or which may affect, any assessment which may give rise to a Potential Liability, the Purchaser shall or shall procure that a Group Company shall, notify the Seller of the relevant facts as soon as practicable and in any case involving an assessment with a time limit for appeal at least ten Business Days before the expiry of that time limit and in any other case, in any event within 20 Business Days of receipt thereof.

10.2 On the giving of the notice referred to in subparagraph 10.1, the Seller shall be entitled at any time to elect that subparagraphs 9.1(a) and 9.1(b) shall apply to the Potential Liability as if it were a Seller's Conduct Matter and shall be entitled to resist the Potential Liability in the name of a Group Company and have the conduct of any appeal, dispute, compromise or defence of the Potential Liability and of any incidental negotiations relating thereto, subject to the Seller having indemnified the Purchaser and each relevant Group Company to their reasonable satisfaction against all charges, costs and expenses which they may incur in resisting the Potential Liability and in complying with their obligations under subparagraph 9.1(b).

10.3 Where, pursuant to subparagraph 10.2, the Seller has elected for subparagraphs 9.1(a) and 9.1(b) to apply to a Potential Liability as if it were a Seller's Conduct Matter, The Seller shall procure that:

- (a) the Purchaser is kept informed so far as practicable of the progress of all material matters relating to the Taxation affairs of the Group Companies in relation to the Seller's Conduct Matter;
 - (b) the Purchaser receives copies of all written correspondence to or from any Taxation Authority insofar as it is relevant to the Seller's Conduct Matter; and
 - (c) the Purchaser receives a copy of any document submitted by the Seller to a Taxation Authority in relation to the Seller's Conduct Matter promptly following such submission.
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- 10.4 Where the Seller has not elected to assume conduct of the Potential Liability pursuant to subparagraph 10.2 or has so elected but has not yet indemnified the Purchaser or a Group Company in accordance with subparagraph 10.2, the provisions of subparagraphs 10.5 to 10.10 apply insofar as relevant to the Potential Liability.
- 10.5 Where any correspondence, return, ancillary information, statements, reports, accounts or other documentation is or are required to be submitted to a Taxation Authority in relation to a Potential Liability, the Purchaser shall procure that a draft shall be submitted to the Seller using the notice details specified in subclause 17.1 (or such other person or advisers as the Seller shall nominate) at least 15 Business Days before its intended submission (or if there is a statutory or administrative time limit for submitting such correspondence, return, ancillary information, statements, reports, accounts or other documentation, such draft shall be sent to the Seller as aforesaid at such time as is reasonable in the circumstances, before its intended submission).
- 10.6 The Purchaser shall procure that the Seller shall be kept fully informed of any negotiations regarding the tax liabilities of a Group Company relating to the Potential Liability and that the Seller is provided with:
- (a) a copy of all correspondence or other documentation received by the Purchaser or a Group Company (including a note of any material communications or discussions not in written form) in respect of a Potential Liability within ten Business Days of receipt (or such communications or discussions taking place, as appropriate); and
 - (b) notification of any proposed meeting with the relevant Taxation Authority, together with an agenda for that meeting as soon as reasonably practicable. Where any such meeting is to take place between the Purchaser or a Group Company and the relevant Taxation Authority, the Seller shall be entitled to send a representative to that meeting.
- 10.7 The Purchaser shall procure that the Seller and its advisers shall be given reasonable access to such information and provided with such assistance (including assistance from employees of the Purchaser and a Group Company and access to any external advisors appointed by the Purchaser) as is reasonable and necessary to determine the accuracy or to review any correspondence, return, ancillary information, statements, reports, accounts submitted to it pursuant to subparagraph 10.5 above or to consider any action proposed to be taken by a Group Company, including any proposed negotiation, agreement or compromise in relation to any Potential Liability.
- 10.8 If the Seller sends to the Purchaser any written requests for documents or any written requests for responses to any questions in respect of a Potential Liability, the Purchaser shall, provided such requests are reasonable, provide such documentation or answer such questions (which answers shall be in written form), as the case may be, within 10 Business Days of receipt of such request or question.
- 10.9 If, within 15 Business Days (or such lesser time as is reasonable if there is a statutory or administrative time limit for making submissions to the relevant Taxation Authority) of receiving any draft computation, return, ancillary information accounts or correspondence or details of negotiations or proposed agreements or compromises referred to in the subparagraphs above, the Seller makes any representations to the Purchaser those representations shall, except to the extent that they are unreasonable, be reflected in such tax computations, returns, ancillary information, statements, reports, accounts; or
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correspondence, negotiations, agreements or compromises. If the Seller does not make any representations in the appropriate time as referred to above, or if it makes such representations which are reflected in such revised drafts, the Seller shall be deemed to have agreed the contents of such drafts and the Purchaser shall be free to make such submissions to the relevant Taxation Authority.

- 10.10 If the parties, having negotiated in good faith for a period of 10 Business Days, fail to reach agreement as to whether the representations made by the Seller are unreasonable, the provisions of subparagraph 9.8 shall apply as if the representations were in respect of the tax affairs of a Group Company during the Straddle Period.
- 10.11 The Purchaser will not, and will procure that a Group Company will not, compromise or settle any Potential Liability or agree any matter which may affect the outcome of any dispute or negotiation with any Taxation Authority in relation to any Potential Liability without the written consent of the Seller, such consent not to be unreasonably withheld or delayed.
- 10.12 Neither the Purchaser nor any Group Company shall be required by this paragraph 10 to take any action which it reasonably considers will be materially prejudicial to the Tax affairs at any time after Completion of any Group Company or any member of the Purchaser's Group, save that nothing in this subparagraph 10.12 shall allow the Purchaser or a Group Company to refuse to take a position in respect of a Relevant Period or the pre-Completion portion of the Straddle Period that is substantially consistent with the past practice of a Group Company.
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REGISTRATION RIGHTS AGREEMENT

This REGISTRATION RIGHTS AGREEMENT (as amended, supplemented or modified from time to time, this “Agreement”), dated as of December 20, 2016, by and among Laureate Education, Inc., a public benefit corporation organized and existing under the laws of the State of Delaware (the “Corporation”), each of the Persons set forth on Schedule A hereto (each, an “Investor,” and collectively, the “Investors”), Douglas L. Becker (“DLB”) and Wengen Alberta, Limited Partnership, a limited partnership under the laws of the Province of Alberta (the “Sponsor”). Unless otherwise specified, capitalized terms used herein shall have the respective meanings set forth in Section 1. The Corporation and the other parties hereto are sometimes collectively referred to herein as the “Parties” and each is sometimes referred to herein as a “Party.”

RECITALS

WHEREAS, (a) Sponsor and certain other Persons are parties to that certain Registration Rights Agreement, dated as of July 11, 2007, as amended from time to time (the “Wengen Registration Rights Agreement”), pursuant to which Sponsor and such other Persons are granted certain registration rights in connection with the initial public offering and other registration of securities of the Corporation, (b) the Corporation, Sponsor, and the entities set forth on Schedule B hereto (collectively, the “IFC Investors”), are parties to that certain Investors’ Stockholders Agreement, dated January 16, 2013, as amended from time to time, pursuant to which, *inter alia*, are granted certain registration rights under the Wengen Registration Rights Agreement, and (c) the holders of Common Stock of the Corporation set forth on Schedule C hereto (collectively, the “M&D Investors,” and together with the IFC Investors, the “Other Stockholders”) are each a party to individual stockholder’s agreements with the Corporation and Sponsor, pursuant to each of which, *inter alia*, each M&D Investor is granted certain piggyback registration rights under the Wengen Registration Rights Agreement in respect of that number of shares of capital stock set forth therein;

WHEREAS, on the date hereof, the Investors purchased from the Corporation and the Corporation sold to the Investors pursuant to that certain Subscription Agreement dated December 4, 2016 (the “Subscription Agreement”) (i) 23,000 shares of Series A-1 Preferred Stock having an initial liquidation preference of \$1,000 per share and (ii) 377,000 shares of Series A-2 Preferred Stock having an initial liquidation preference of \$1,000 per share, in each case in the allocation set forth in the Subscription Agreement and subject to adjustment as provided in the Certificate of Designations which sets forth the rights, preferences and privileges of the Series A Preferred Stock (as defined in the Certificate of Designations);

WHEREAS, the Series A Preferred Stock shall be convertible into shares of the Corporation’s Common Stock as provided in the Certificate of Designations, subject to adjustment as set forth therein;

WHEREAS, on the date hereof, in connection with the issuance and sale of the Series A Preferred Stock, the Corporation and the Investors entered into that certain Stockholders Agreement; and

WHEREAS, the Corporation has filed a registration statement on Form S-1 under the Securities Act with the SEC in connection with the proposed initial public offering of its Common Stock.

NOW, THEREFORE, for and in consideration of the mutual agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties, intending to be legally bound hereby, agree as follows:

Section 1. Definitions.

(a) Capitalized terms used and not otherwise defined in this Agreement shall have the meanings ascribed to such terms in the Certificate of Incorporation.

(b) As used in this Agreement, the following terms shall have the following meanings:

“Addendum Agreement” means an Addendum Agreement in the form attached hereto as Exhibit A.

“Affiliate” means, with respect to a specified Person, a Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by, or is under common Control with, such specified Person; provided that an Affiliate shall not include any portfolio company of any Person; provided, further that (i) the Corporation, its subsidiaries and its other Affiliates shall not be considered Affiliates of any Investor or of any such party’s Affiliates and (ii) no Investor or any of its Affiliates or Permitted Transferees (as defined in the Stockholders Agreement) shall be considered an Affiliate of the Corporation, another Investor or any of such other Investor’s Affiliates or Permitted Transferees.

“Agreement” shall have the meaning set forth in the preamble.

“Business Day” means any day excluding Saturday, Sunday or any day which is a legal holiday under the laws of the State of New York or is a day on which banking institutions are authorized or required by law or other governmental action to close.

“Certificate of Designations” means the Certificate of Designations relating to the Corporation’s Series A Preferred Stock, as it may be amended, restated, supplemented or modified from time to time.

“Certificate of Incorporation” means the certificate of incorporation of the Corporation (including the Certificate of Designations), as it may be amended, restated, supplemented or modified from time to time.

“Common Stock” means (a) the common stock of the Corporation, par value \$0.001 per share, (b) all shares hereafter authorized of any class of common stock of the Corporation, which has the right (subject always to the rights of any class or series of Preferred Stock of the Corporation) to participate in the distribution of the assets and earnings of the Corporation without limit as to per share amount, and (c) any other securities into which or for which any of the securities described in clause (a) or (b) may be converted or exchanged pursuant to a plan of recapitalization, reorganization, merger, consolidation, sale of assets or other similar transaction, and, following the closing date of an IPO or QPO, the class of shares of Capital Stock issued by the Corporation to the public.

“Common Stockholders” means any holder of Common Stock other than the Investors (including the Sponsor and the Other Stockholders).

“Conversion Stock” means the shares of Common Stock that are issued or issuable upon conversion of any or all of the outstanding shares of Series A Preferred Stock pursuant to the Certificate of Designations.

“Corporation” shall have the meaning set forth in the preamble.

“Demand Notice” shall have the meaning set forth in Section 3(a)(i).

“Demand Registration” shall have the meaning set forth in Section 3(a)(i).

“Demand Registration Holder” shall have the meaning set forth in Section 3(a)(i).

“Equity Security” has the meaning ascribed to such term in Rule 405 under the Securities Act, and in any event includes any security having the attendant right to vote for directors or similar representatives.

“Exchange Act” means the Securities Exchange Act of 1934, as amended, and any successor statute thereto and the rules and regulations of the SEC promulgated thereunder.

“FINRA” means the Financial Industry Regulatory Authority or any successor agency having jurisdiction under the Exchange Act.

“Holder” means each Person that beneficially holds, directly or indirectly, Registrable Securities and is a party to this Agreement (including any Person that becomes a Party pursuant to Section 11(c)), except for the Corporation.

“IFC Investors” shall have the meaning set forth in the recitals.

“Indemnified Party” shall have the meaning set forth in Section 8(c).

“Indemnifying Party” shall have the meaning set forth in Section 8(c).

“Investors” shall have the meaning set forth in the preamble.

“Lock-Up Agreement” shall have the meaning set forth in Section 5(a).

“Lock-Up Period” shall have the meaning set forth in Section 5(a).

“Long-Form Registration” shall have the meaning set forth in Section 3(a)(i).

“Losses” shall have the meaning set forth in Section 8(a).

“M&D Investors” shall have the meaning set forth in the recitals.

“Non-Marketed Take-Down” shall have the meaning set forth in Section 4(c).

“Notice” shall have the meaning set forth in Section 3(a).

“Other Stockholders” shall have the meaning set forth in the recitals.

“Permitted Transferee” means any Person that is a Transferee of a Permitted Transfer (as defined in the Stockholders’ Agreement).

“Person” means any individual, firm, corporation, partnership, limited liability company, trust, estate, joint venture, Governmental Authority or other entity.

“Piggyback Holder” shall have the meaning set forth in Section 4(a).

“Piggyback Notice” shall have the meaning set forth in Section 4(a).

“Piggyback Registration” shall have the meaning set forth in Section 4(a).

“Piggyback Response” shall have the meaning set forth in Section 4(a).

“Priority Amount” means shares of Registrable Securities constituting Conversion Stock in a dollar amount equal to, as of any date of determination, the greater of (a) 25% of the aggregate offering price of all Common Stock proposed to be offered and sold in the Initial Follow-On Public Offering, and (b) \$275 million. For avoidance of doubt, the Priority Amount shall be deemed satisfied in full for purposes of this Agreement in the event that the Investors have registered and sold Registrable Securities constituting Conversion Stock in connection with the Registration Statements hereunder in an amount not less than \$275 million.

“Proceeding” means any action, claim, suit, investigation, audit, controversy, arbitration or proceeding (including an investigation or partial proceeding, such as a deposition), whether commenced or threatened.

“Prospectus” means the prospectus included in any Registration Statement (including a prospectus that discloses information previously omitted from a prospectus filed as part of an effective Registration Statement in reliance upon Rule 430A promulgated under the Securities Act and any free writing prospectus), as amended or supplemented by any prospectus supplement, with respect to the terms of the offering of any portion of the Registrable Securities covered by such Registration Statement, and all other amendments and supplements to the Prospectus, including post-effective amendments, and all material incorporated by reference or deemed to be incorporated by reference in such prospectus.

“Public Offering” means the offer and sale of Common Stock to the public pursuant to an effective Registration Statement (other than Form S-4 or Form S-8 or any similar or successor form) filed under the Securities Act or any comparable law or regulatory scheme of any foreign jurisdiction.

“Registrable Securities” means any and all shares of Common Stock and any other shares of Common Stock or securities convertible into Common Stock issued or issuable with respect to any such shares of Common Stock by way of share split, or in connection with a combination of shares, share dividend, recapitalization, merger, exchange, conversion, or reclassification. As to any particular Registrable Securities, once issued, such shares of Common Stock (or securities convertible into Common Stock) shall cease to be Registrable Securities when (i) they are sold pursuant to an effective Registration Statement under the Securities Act, (ii) they are sold pursuant to Rule 144 (or any similar provision then in force under the Securities Act), (iii) they shall have ceased to be outstanding, or (iv) they are sold in a private transaction in which the Transferor’s rights under this Agreement are not assigned to the Transferee of such securities. The same Registrable Security may not be registered under more than one Registration Statement at any one time.

“Registration Statement” means any registration statement of the Corporation under the Securities Act which covers the offering of any securities, including any Prospectus or amendments and supplements to such registration statement, including post-effective amendments, all exhibits and all material incorporated by reference or deemed to be incorporated by reference in such registration statement.

“Requisite Participating Holders” means, as of any date of determination, the Holders of two-thirds or more of the aggregate Modified Liquidation Preference as of such date or, if then converted, Conversion Stock, in each case as of such date, voting together as a separate class, that elect to participate in an offering or sale of Conversion Stock pursuant to an effective Registration Statement; provided that, from the date hereof until the Abraaj Second Payment Date (as defined in the Subscription Agreement), such amount shall be determined as if Abraaj (as defined in the Subscription Agreement) has paid its entire Investor Initial Purchase Price (as defined in the Subscription Agreement), including, for the avoidance of doubt, the portion to be funded on the Abraaj Second Payment Date. Notwithstanding the foregoing or the applicable provisions of the General Corporation Law of the State of Delaware, including Section 242(b) thereof, shares of Series A Preferred Stock or Conversion Stock, as applicable, held by the Current Stockholders (as defined in the Subscription Agreement) or any Affiliates of the Current Stockholders, if any, shall not be counted for purposes of determining whether the Requisite Participating Holders threshold has been satisfied (and shall be disregarded in the numerator and the denominator of that determination); provided, that, such restriction shall automatically terminate without any further action upon the Transfer of shares of Series A Preferred Stock or Conversion Stock, as applicable, by the Current Stockholders or any Affiliates of the Current Stockholders, as applicable, to an Unaffiliated Third Party and such Unaffiliated Third Party shall be entitled to vote or consent to the actions subject to a vote or consent of the Requisite Participating Holders pursuant hereto.

“Requisite Series A Preferred Holders” shall mean, as of any date of determination, the Holders of two-thirds or more of the aggregate Modified Liquidation

Preference as of such date or, if then converted, Conversion Stock, in each case as of such date, voting together as a separate class; provided that, from the date hereof until the Abraaj Second Payment Date (as defined in the Subscription Agreement), such amount shall be determined as if Abraaj (as defined in the Subscription Agreement) has paid its entire Investor Initial Purchase Price (as defined in the Subscription Agreement), including, for the avoidance of doubt, the portion to be funded on the Abraaj Second Payment Date. Notwithstanding the foregoing or the applicable provisions of the General Corporation Law of the State of Delaware, including Section 242(b) thereof, subject to the last sentence of this definition, shares of Series A Preferred Stock or Conversion Stock, as applicable, held by the Current Stockholders (as defined in the Subscription Agreement) or any Affiliates of the Current Stockholders, if any, shall not be counted for purposes of determining whether the Requisite Series A Preferred Holders threshold has been satisfied (and shall be disregarded in the numerator and the denominator of that determination); *provided*, that, such restriction shall automatically terminate without any further action upon the Transfer of shares of Series A Preferred Stock or Conversion Stock, as applicable, by the Current Stockholders or any Affiliates of the Current Stockholders, as applicable, to an Unaffiliated Third Party (as defined in the Subscription Agreement) and such Unaffiliated Third Party shall be entitled to vote or consent to the actions subject to a vote or consent of the Requisite Series A Preferred Holders pursuant hereto. Solely for purposes of the affirmative determination of the Requisite Series A Preferred Holders to require the Corporation to register pursuant to the first sentence of Section 3 hereof, the number of shares of Series A Preferred Stock then held by the Current Stockholders or any Affiliates of the Current Stockholders, if any, shall be counted for purposes of determining whether the Requisite Series A Preferred Holders threshold has been satisfied (both in the numerator and the denominator of that determination).

“Rule 144” means Rule 144 under the Securities Act, as such Rule may be amended from time to time, or any successor rule or regulation hereafter adopted by the SEC.

“SEC” means the United States Securities and Exchange Commission or any successor agency having jurisdiction under the Securities Act.

“Securities Act” means the United States Securities Act of 1933, as amended, and the rules and regulations thereunder.

“Shelf-Holders” shall have the meaning set forth in Section 4(c).

“Shelf Notice” shall have the meaning set forth in Section 3(a)(vi).

“Shelf Registration Statement” shall have the meaning set forth in Section 3(a)(v).

“Shelf Underwritten Offering” shall have the meaning set forth in Section 4(c).

“Short-Form Registrations” shall have the meaning set forth in Section 3(a)(i).

“Sponsor” shall have the meaning set forth in the preamble.

“Stockholders Agreement” means that certain Stockholders Agreement, dated as of the date hereof, entered into by and among the Corporation, the Investors and the other parties thereto, as it may be amended, restated, supplemented or modified from time to time.

“Take-Down Notice” shall have the meaning set forth in Section 4(c).

“underwritten registration” or “underwritten offering” means a registration in which securities of the Corporation are sold to an underwriter for reoffering to the public.

Section 2. Conversion of Series A Preferred Stock; Sponsor Transfer Restrictions. The shares of Series A Preferred Stock shall be convertible by the Corporation or any Investor solely pursuant to the Certificate of Incorporation and otherwise in accordance with this Agreement.

Section 3. Demand Registrations.

(a) Requests for Registration.

(i) Subject to the following paragraphs of this Section 3(a), and the limitations on the number of Demand Registrations under Section 3(e), if any shares of Series A Preferred Stock are converted or, within the following forty-five (45) days, required or entitled to be converted, the Requisite Series A Preferred Holders (such Holders, a “Demand Registration Holder”) shall have the right, by delivering a written notice to the Corporation, to require the Corporation to register pursuant to the terms of this Agreement, under and in accordance with the provisions of the Securities Act, the offer and sale of the number or dollar amount of Registrable Securities constituting Conversion Stock requested to be so registered pursuant to the terms of this Agreement on Form S-1 or any similar or successor long-form registration (such registration form utilized hereunder, a “Long-Form Registration”) or Form S-3 or any similar or successor short-form registration (such registration form utilized hereunder, a “Short-Form Registration”) (any such written notice delivered pursuant to this clause, a “Demand Notice” and any such registration, a “Demand Registration”). The Demand Registration Holder may, in connection with any Demand Registration that is on Short-Form Registration, require the Corporation to file such Registration Statement with the SEC in accordance with and pursuant to Rule 415 under the Securities Act including, if the Corporation is then eligible, as an automatic shelf registration. Following receipt of a Demand Notice for a Demand Registration in accordance with this Section 3(a), the Corporation shall use its reasonable best efforts to file a Registration Statement as promptly as practicable (but not later than sixty (60) days after the Demand Notice is delivered) and shall use its reasonable best efforts to cause such Registration Statement to be declared effective under the Securities Act as promptly as practicable after the filing thereof; provided, that, in connection with such Registration Statement, the Corporation shall in good faith consider any underwriter recommendations from the Demand Registration Holder, but shall otherwise have no obligation to implement any such recommendations. Notwithstanding anything to the contrary

in this Agreement, no Demand Notice may be provided prior to the closing of an IPO or QPO. In addition, during the Lock-Up Period, if any, no Demand Notice may be given if the proposed effective date for the Registration Statement thereof is a date prior to the expiration of such Lock-Up Period.

(ii) No Demand Registration shall be deemed to have occurred for purposes of this Section 3 if (A) the Registration Statement relating thereto does not become effective other than as a direct consequence of a material default or material breach by such Demand Registration Holder, (B) the Registration Statement relating thereto is not maintained effective for the period required pursuant to this Section 3, (C) the offering of the Registrable Securities pursuant to such Registration Statement is subject to a stop order, injunction, or similar order or requirement of the SEC during such period, (D) the request for registration is withdrawn by the requesting Demand Registration Holder for any reason within ten (10) Business Days of the Demand Notice, (E) less than the lesser of Registrable Securities constituting Conversion Stock representing the then applicable Priority Amount or seventy-five percent (75%) of the Registrable Securities constituting Conversion Stock requested by the Demand Registration Holder for inclusion in such registration are so included pursuant to Section 3(b), (F) pursuant to clause (c) or clause (d) below, or (G) in the event of an underwritten offering, the conditions to closing specified in the purchase agreement or underwriting agreement entered into in connection with such registration are not satisfied or waived other than as a direct consequence of a material default or material breach by such Demand Registration Holder; provided, however, in each case, that such requesting Demand Registration Holder shall be entitled to an additional Demand Registration in lieu thereof.

(iii) Within five (5) Business Days after receipt by the Corporation of a Demand Notice in accordance with this Section 3(a), the Corporation shall give written notice (the "Notice") of such Demand Notice to all other Holders and shall, subject to the provisions of Section 3(b), include in such registration all Registrable Securities constituting Conversion Stock with respect to which the Corporation received written requests for inclusion therein within five (5) Business Days after such Notice is given by the Corporation to such Holders; provided, however, that the Corporation shall only be required to deliver any Notice as provided in Section 4(a).

(iv) All requests made pursuant to this Section 3 shall specify the number or dollar amount of Registrable Securities constituting Conversion Stock to be included for registration and the intended methods of disposition thereof.

(v) The Corporation shall be required to maintain the effectiveness of the Registration Statement with respect to any Demand Registration for a period of at least 180 days after the effective date thereof or such shorter period during which all Registrable Securities included in such Registration Statement have actually been sold; provided, however, that such period shall be extended for a period of time equal to the period the Holders are required to refrain from selling

any securities included in such Registration Statement at the request of the Corporation or an underwriter selected by the Corporation pursuant to the provisions of this Agreement; provided, further, that if such registration is a shelf registration statement that permits sales of Common Stock on a delayed or continuous basis pursuant to Rule 415 under the Securities Act (a "Shelf Registration Statement"), such Demand Registration shall only be deemed to have been effected if such Registration Statement remains effective for the lesser of (i) 365 days and (ii) until all Registrable Securities registered thereunder have actually been sold.

(vi) Without limiting the foregoing, within ten (10) Business Days after the Corporation becomes eligible to file a Shelf Registration Statement or, if earlier, at any time within the thirty (30) day period before the Corporation reasonably expects it will become so eligible, the Corporation shall give written notice (the "Shelf Notice") to all Holders and shall include in such registration all Registrable Securities constituting Conversion Stock of the Investors. The Corporation shall as promptly as practicable, and in any event within twenty (20) Business Days after the giving of the Shelf Notice, file with the SEC a Shelf Registration Statement with respect to such Registrable Securities to be included in accordance with the foregoing sentence and shall amend such Shelf Registration Statement at such times and as reasonably requested by Holders so as to permit the inclusion of any Registrable Securities constituting Conversion Stock therein. With respect to any Shelf Registration Statement covering Registrable Securities, the Corporation shall use its reasonable best efforts (if the Corporation is not eligible to use an automatic Shelf Registration Statement at the time of filing) to keep such Shelf Registration Statement continuously effective under the Securities Act in order to permit the prospectus forming a part thereof to be usable by the applicable Holder until the date as of which all Registrable Securities included in such Shelf Registration Statement have been sold pursuant to the Shelf Registration Statement or another Registration Statement filed under the Securities Act (but in no event prior to the applicable period referred to in Section 4(a)(3) of the Securities Act and Rule 174 thereunder).

(b) Priority on Demand Registration. If any of the Registrable Securities registered pursuant to a Demand Registration are to be sold in a firm commitment underwritten offering, and the managing underwriter or underwriters advise the Corporation and/or the Holders of such securities in writing that in its reasonable view the total number or dollar amount of Registrable Securities proposed to be sold in such offering (including securities proposed to be included by other holders of securities entitled to include securities in such Registration Statement pursuant to incidental or piggyback registration rights) exceeds the number of Registrable Securities that can be sold in such offering without adversely affecting the success of such offering, then there shall be included in such firm commitment underwritten offering the number or dollar amount of Registrable Securities that in the good faith opinion of such managing underwriter can be sold without adversely affecting such offering, and such number of Registrable Securities shall be allocated as follows:

(i) first, to the Investors up to the Priority Amount, Registrable Securities constituting Conversion Stock which shall be allocated among the Investors *pro rata* on the basis of the number of such shares of Registrable Securities constituting Conversion Stock requested to be included in such Registration Statement (including pursuant to the second to last sentence of this Section 3(b)) by each Investor;

(ii) second, to the Investors, the Sponsor and the Other Stockholders, the number of Registrable Securities requested by such Investors, the Sponsor and the Other Stockholders to be included in such Registration Statement, which shall be allocated *pro rata* among them on the basis of the number of Registrable Securities each such Person requested to include in such offering;

(iii) third, to the Corporation, the number of shares of Common Stock requested by the Corporation (as the case may be) for inclusion in such offering; and

(iv) fourth, to any other Persons entitled to participate in such Registration Statement, the number of Registrable Securities requested by such Persons to be included in such Registration Statement, which shall be allocated *pro rata* among them on the basis of the number of Registrable Securities each such Person requested to include in such offering.

For purposes of any underwriter cutback in this Agreement, all Registrable Securities requested to be included in such Registration Statement by any Holder shall also include any Registrable Securities requested to be included by any Permitted Transferees of such Holder and their respective Affiliates; provided, that such Holder and its Permitted Transferees and their respective Affiliates shall be deemed to be a single selling Holder, and any *pro rata* reduction (unless the managing underwriter requires a different allocation) with respect to such selling Holder shall be based upon the aggregate amount of Registrable Securities requested to be included in such Registration Statement by such selling Holder and its Permitted Transferees and their respective Affiliates. No securities excluded from the underwriting by reason of the underwriter's marketing limitation shall be included in such registration.

(c) Postponement of Demand Registration. The Corporation, with the approval of the Board, shall be entitled to postpone (but not more than once in any twelve-month period), for a reasonable period of time not in excess of forty-five (45) days, the filing of a Registration Statement, or suspend the use of such effective Registration Statement (a "Suspension") for such period of time if the Corporation delivers to the holders requesting the Demand Registration a certificate signed by both the chief executive officer and chief financial officer of the Corporation certifying that, in the good faith judgment of the Board (after consultation with its outside counsel), such registration and offering (i) would reasonably be expected to materially adversely affect or materially interfere with any *bona fide* material financing or other material transaction of the Corporation under consideration by the Corporation or (ii) would require public disclosure of material information that has not been disclosed to the public, which information (A) would be required to be disclosed in such Registration Statement so that such Registration Statement would not be materially misleading, and (B) the premature

disclosure of which would materially adversely affect the Corporation. Such certificate shall be delivered by the Corporation promptly with respect to such Demand Registration and shall contain a statement in reasonable detail of the reasons for such postponement or suspension and an approximation of the anticipated delay or length of suspension. The Holders receiving such certificate shall keep the information contained in such certificate confidential subject to the same terms set forth in Section 6(p) and, if the certificate relates to the suspension of use of an effective Registration Statement, shall discontinue sales under the Registration Statement. If the Corporation shall so postpone the filing of a Registration Statement, a Demand Registration Holder requesting such registration shall have the right to withdraw its request for registration by giving written notice to the Corporation within ten (10) days of the anticipated termination date of the postponement period, as provided in the certificate delivered to the Holders, and if so withdrawn, any shares of Series A Preferred Stock held by such Holder(s) shall not be converted by the Corporation pursuant to the Certificate of Designations other than at the election of such Holder(s) pursuant to the Certificate of Designations or as otherwise provided in the Certificate of Designation. The Corporation shall promptly notify the selling Holders of the expiration of any period during which it exercised its rights under this Section 3(c). In the event that the Corporation exercises its rights under this Section 3(c) and any Holder shall not have withdrawn its request for registration pursuant to this Section 3(c), it shall, as promptly as practicable following the expiration of the applicable deferral or suspension period, file or update and use its reasonable best efforts to cause the effectiveness of, as applicable, the applicable deferred or suspended Registration Statement.

(d) Cancellation of a Demand Registration. The Requisite Participating Holders that delivered the Demand Notice to the Corporation in connection with an offering pursuant to this Section 3 shall have the right, at any time prior to the effectiveness of the applicable Registration Statement, to notify the Corporation that they have determined that the Registration Statement filed in connection with such offering be abandoned or withdrawn, in which event the Corporation shall abandon or withdraw such Registration Statement. In such event, the Investors shall be entitled to an additional Demand Registration in lieu thereof. For the avoidance of doubt, the foregoing right shall not apply to a Registration Statement filed by the Corporation pursuant to Section 3(a)(vi) hereof.

(e) Number of Demand Notices. In connection with the provisions of this Section 3, the Demand Registration Holder shall have two (2) Demand Notices, in each case with respect to Long-Form Registrations which they are permitted to deliver (or cause to be delivered) to the Corporation hereunder; provided, that the Demand Registration Holder shall not be permitted to deliver a Demand Notice with a proposed effective date that is a date on which the conversion of shares of Series A Preferred Stock held by the Demand Registration Holder would not be permitted pursuant to the terms of the Certificate of Designations; and provided, further, that the Corporation shall not be required to effect a Long Form Registration within six (6) months after the effective date of any other Long Form Registration of the Corporation. The Investors shall have an unlimited number of Demand Notices with respect to Short-Form Registrations which they are permitted to deliver (or cause to be delivered) to the Corporation hereunder. The Corporation shall not be required to effect a Demand Registration if, (x) in the event that the registration contemplated by the Demand Notice is an underwritten registration, the managing underwriter shall advise the Corporation that, or (y) in the event that such registration is not underwritten, the Board of Directors in good faith shall determine that, the

aggregate offering price the aggregate offering price of the Registrable Securities to be sold in such offering is not reasonably expected to exceed \$10,000,000.

(f) Registration Statement Form. If any registration requested pursuant to this Section 3 which is proposed by the Corporation to be effected by the filing of a Short-Form Registration shall be in connection with an underwritten Public Offering, and if the managing underwriter shall advise the Corporation in writing that, in its reasonable opinion, the use of another form of Registration Statement is of material importance to the success of such proposed offering or is otherwise required by applicable law, then such registration shall be effected on such other form.

(g) If a Demand Registration has been requested or is required to be effected pursuant to this Section 3, the Corporation may, at any time prior to the date that the applicable Registration Statement is required to be filed hereunder, convert such Demand Registration, at its sole cost and expense, to an Initial Follow-On Public Offering subject to the provisions of Section 4 of this Agreement (which for purposes of Section 4 will be considered a Registration Statement initiated by the Corporation); provided, however, that such conversion shall not delay, suspend, terminate or result in the loss or reduction of any rights, preferences or benefits that otherwise would have inured to the benefit of the Demand Registration Holder hereunder had such conversion not been effected.

Section 4. Piggyback Registration.

(a) Right to Piggyback. Except with respect to a Demand Registration, the procedures for which are addressed in Section 3, if the Corporation proposes to file a Registration Statement under the Securities Act with respect to an offering of Common Stock (including for an Initial Follow-On Public Offering), whether or not for sale for its own account (other than a Registration Statement (i) on Form S-4, Form S-8 or any successor forms thereto or (ii) filed solely in connection with an exchange offer or any employee benefit or dividend reinvestment plan), then, the Corporation shall give prompt written notice of such filing at least twenty (20) days before the anticipated filing date (the "Piggyback Notice") to each Investor (each, a "Piggyback Holder"). Subject to Section 4(b), (i) the Piggyback Notice shall offer each Piggyback Holder the opportunity to include (or cause to be included) in such Registration Statement the number of Registrable Securities constituting Conversion Stock as each such Piggyback Holder may request (a "Piggyback Registration"), (ii) each Piggyback Holder may elect to participate in such Registration Statement by written notice to the Corporation requesting the inclusion of any of such Holder's shares of Registrable Securities constituting Conversion Stock in such Piggyback Registration within ten (10) days following such Holder's receipt of the Piggyback Notice (the "Piggyback Response"), and (iii) the Corporation shall include in each such Piggyback Registration all Registrable Securities constituting Conversion Stock with respect to which the Corporation has received a timely Piggyback Response. The Corporation shall not be required to maintain the effectiveness of the Registration Statement for a Piggyback Registration (including for an Initial Follow-On Public Offering) beyond the earlier to occur of (A) 180 days after the effective date thereof, and (B) consummation of the distribution by the requesting Piggyback Holder of the Registrable Securities included in such Registration Statement.

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(b) Priority on Piggyback Registrations. The Corporation shall use reasonable best efforts to cause the managing underwriter or underwriters of a proposed underwritten offering to permit Holders who have submitted a Piggyback Response in connection with such offering to include in such offering all Registrable Securities constituting Conversion Stock included in each Holder's Piggyback Response on the same terms and conditions as any other shares of Common Stock, if any, of the Corporation included in such offering. Notwithstanding the foregoing, if the managing underwriter or underwriters of such underwritten offering have informed the Corporation that it is their good faith opinion that the total amount of securities that such Holders, the Corporation and any other Persons having rights to participate in such registration, intend to include in such offering exceeds the number that can be sold in such offering without adversely affecting the success of such offering, then there shall be included in such offering the number or dollar amount of such securities that in the good faith opinion of such managing underwriter or underwriters can be sold without adversely affecting such offering, and such number of securities shall be allocated as follows:

- (i) first, to the Investors up to the Priority Amount, Registrable Securities constituting Conversion Stock which shall be allocated among the Investors *pro rata* on the basis of the number of such shares of Registrable Securities constituting Conversion Stock requested to be included in such Registration Statement (including pursuant to the second to last sentence of this Section 4(b)) by each Investor;
- (ii) second, to the Investors, the Sponsor and the Other Stockholders, the number of Registrable Securities requested by such Investors, the Sponsor and the Other Stockholders to be included in such Registration Statement, which shall be allocated *pro rata* among them on the basis of the number of Registrable Securities each such Person requested to include in such offering;
- (iii) third, to the Corporation, the number of shares of Common Stock requested by the Corporation (as the case may be) for inclusion in such offering; and
- (iv) fourth, to any other Persons entitled to participate in such Registration Statement, the number of Registrable Securities requested by such Persons to be included in such Registration Statement, which shall be allocated *pro rata* among them on the basis of the number of Registrable Securities each such Person requested to include in such offering;

provided, however, if the Corporation initiated the process to sell Common Stock in a Public Offering (including in respect of an Initial Follow-On Public Offering), clause (ii) above will become "third" in the hierarchy, and clause (iii) above will become "second."

For purposes of any underwriter cutback in this Agreement, all Registrable Securities requested to be included in such Registration Statement by any Holder shall also include any Registrable Securities requested to be included by any Permitted Transferees of such Holder and their respective Affiliates; provided, that such Holder and its Permitted Transferees and their respective Affiliates shall be deemed to be a single selling Holder, and any *pro rata* reduction

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(unless the managing underwriter requires a different allocation) with respect to such selling Holder shall be based upon the aggregate amount of Registrable Securities requested to be included in such Registration Statement by such selling Holder and its Permitted Transferees and their respective Affiliates. No securities excluded from the underwriting by reason of the underwriter's marketing limitation shall be included in such registration.

(c) Shelf-Take Downs. At any time that a Shelf-Registration Statement covering Registrable Securities is effective, any Investor (each, a "Shelf-Holder") may deliver a notice to the Corporation (a "Take-Down Notice") stating that it intends to effect an underwritten offering (including an underwritten "block trade") of all or part of its Registrable Securities constituting Conversion Stock included by it on the Shelf Registration Statement (a "Shelf Underwritten Offering"), and the Corporation shall amend or supplement the Shelf-Registration Statement as may be necessary in order to enable such Registrable Securities to be distributed pursuant to the Shelf Underwritten Offering (taking into account the inclusion of Registrable Securities by any other Holders pursuant to this Section 4(c)) and comply with Section 10; provided, that the Corporation shall not be required to effect a Shelf Underwritten Offering if the managing underwriter shall advise the Corporation that, in its reasonable opinion, the aggregate offering price of the Registrable Securities to be sold in such offering is not expected to exceed \$10,000,000. The rights of the Shelf-Holders to deliver a Take-Down Notice shall be unlimited. In connection with any Shelf Underwritten Offering:

(i) the Corporation promptly shall deliver the Take-Down Notice to the Investors and all other Holders included on such Shelf-Registration Statement and permit each such Holder to sell its Registrable Securities included on the Shelf-Registration Statement in the Shelf Underwritten Offering if such Holder notifies the proposing Holders and the Corporation within three (3) days after delivery of the Take-Down Notice to such Holder; and

(ii) in the event that the underwriter determines and advises the Corporation and such Shelf-Holders in writing that, in its reasonable view, marketing factors (including an adverse effect on the per share offering price) require a limitation on the number of Registrable Securities which would otherwise be included in such take down, the underwriter may limit the number of Registrable Securities which would otherwise be included in such take-down offering in the same manner as described in Section 3(b), with respect to a limitation of shares to be included in a registration.

If a Shelf-Holder desires to effect a sale of Registrable Securities registered under a shelf-registration statement that does not constitute a Shelf Underwritten Offering (a "Non-Marketed Take-Down"), such Shelf-Holder shall so indicate in a written request delivered to the Corporation no later than five (5) Business Days prior to the expected date of such Non-Marketed Take-Down, and, if necessary, the Corporation shall file and effect an amendment or supplement to its Shelf Registration Statement for such purpose as soon as practicable.

Section 5. Restrictions on Public Sale by Holders.

(a) Each Holder that participates in any underwritten offering made pursuant to a Registration Statement filed pursuant to Section 3 or Section 4 in which the Investors individually or collectively propose to register and sell an amount of Conversion Stock equal to or greater than the Priority Amount, hereby agrees, if requested (pursuant to a written notice) by the managing underwriter or underwriters in connection with any such underwritten offering, to enter into an agreement, the duration and terms of which shall be agreed between the Holder(s) and the managing underwriter or underwriters in such underwritten offering, whereby such Holder(s) agrees not to effect any public sale or distribution of any of the Common Stock (except as part of such underwritten offering), including a sale pursuant to Rule 144 or any swap or other economic arrangement that transfers to another Person any of the economic consequences of owning shares of Common Stock, or to give any Demand Notice (a “Lock-Up Agreement”), with respect to any underwritten offering, after the date of the Prospectus relating to such offering (or the applicable final Prospectus supplement if such offering is made pursuant to a “shelf” registration), pursuant to which such offering shall be made, plus an extension period as may be proposed by the managing underwriter to address FINRA regulations regarding the publishing of research, or such lesser period as is required by the managing underwriter. Notwithstanding anything to the contrary set forth herein, in the event that the Corporation or underwriters release any party to a Lock-Up Agreement from any or all of such party’s obligations thereunder, all Holders shall be similarly released from their obligations thereunder in the same manner and to the same extent as such released party, and each Lock-Up Agreement shall contain a provision to such effect.

(b) If any registration pursuant to Section 3 or Section 4 is made in connection with any underwritten Public Offering, the Corporation will not effect any public sale or distribution of any Common Stock (or securities convertible into or exchangeable or exercisable for Common Stock) (other than a Registration Statement (i) on Form S-4, Form S-8 or any successor forms thereto or (ii) filed solely in connection with an exchange offer or any employee benefit or dividend reinvestment plan) for its own account, within ninety (90) days after the effective date of such registration, or such lesser period as may otherwise be agreed between the Corporation and the managing underwriter or underwriters of such Public Offering.

Section 6. Registration Procedures. If and whenever the Corporation is required to effect the registration of any Registrable Securities under the Securities Act as provided in Section 3 or Section 4, the Corporation shall effect such registration to permit the sale of such Registrable Securities in accordance with the intended method or methods of disposition thereof, and pursuant thereto the Corporation shall cooperate in the sale of the securities and shall, as expeditiously as possible:

(a) prepare and file, in each case as promptly as reasonably practicable, with the SEC a Registration Statement or Registration Statements on such form as shall be available for the sale of the Registrable Securities by the Holders thereof or by the Corporation in accordance with the intended method or methods of distribution thereof, make all required filings by the Corporation with FINRA and use its reasonable best efforts to cause such Registration Statement to become effective as soon as reasonably practicable and to remain effective as provided herein; provided, however, that before filing a Registration Statement or Prospectus or any amendments or supplements thereto (including documents that would be incorporated or deemed to be incorporated therein by reference), the Corporation shall furnish or

otherwise make available to the Holders of the Registrable Securities covered by such Registration Statement, their counsel and the managing underwriters, if any, copies of all such documents proposed to be filed (including exhibits thereto), which documents will be subject to the reasonable review and comment of such counsel, and such other documents reasonably requested by such counsel, including any comment letter from the SEC and any documents incorporated by reference therein, and, if requested by such counsel, provide such counsel reasonable opportunity to participate in the preparation of such Registration Statement and each Prospectus included therein and such other opportunities to conduct a reasonable investigation within the meaning of the Securities Act, including reasonable access to the Corporation's books and records, officers, accountants and other advisors; and the Corporation shall not file any such Registration Statement or Prospectus or any amendments or supplements thereto (including such documents that, upon filing, would be incorporated or deemed to be incorporated by reference therein) with respect to a Demand Registration to which the Requisite Participating Holders, their counsel, or the managing underwriters, if any, shall reasonably object, in writing, on a timely basis, unless, in the opinion of counsel for the Corporation, such filing is necessary to comply with applicable law or regulation;

(b) prepare and file with the SEC such amendments, post-effective amendments and supplements to each Registration Statement and the Prospectus used in connection therewith to the extent not publicly available, and such Exchange Act reports as may be reasonably requested by the Holders or as necessary to keep such Registration Statement continuously effective during the period provided herein and comply in all material respects with the provisions of the Securities Act with respect to the disposition of all securities covered by such Registration Statement; and cause the related Prospectus to be supplemented by any Prospectus supplement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of the securities covered by such Registration Statement, and as so supplemented to be filed pursuant to Rule 424 (or any similar provisions then in force) under the Securities Act; provided, that if the Corporation prepares any such amendments, post-effective amendments or supplements to a Registration Statement or Prospectus or any such Exchange Act report, the Holders and their respective counsel shall have a reasonable period of time prior to the filing thereof in which to review and comment thereon, which period shall, in any event, be no less than two (2) Business Days;

(c) notify each selling Holder, its counsel and the managing underwriters, if any, promptly, and (if requested by any such Person) confirm such notice in writing, (i) when a Prospectus or any Prospectus supplement or post-effective amendment has been filed, and, with respect to a Registration Statement or any post-effective amendment, when the same has become effective, (ii) of any request by the SEC or any other federal or state governmental authority for amendments or supplements to a Registration Statement or related Prospectus or for additional information, (iii) of the issuance by the SEC of any stop order suspending the effectiveness of a Registration Statement or the initiation of any proceedings for that purpose, (iv) if at any time the Corporation has reason to believe that the representations and warranties of the Corporation contained in any agreement (including any underwriting agreement) contemplated by Section 6(o) below cease to be true and correct, (v) of the receipt by the Corporation of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Registrable Securities for sale in any jurisdiction, or the initiation or threatening of any Proceeding for such purpose, and (vi) if the Corporation has

knowledge of the occurrence of any event that makes any statement made in such Registration Statement or related Prospectus, any amendment or supplement thereto, or any document incorporated or deemed to be incorporated therein by reference untrue in any material respect or that requires the making of any changes in such Registration Statement, Prospectus or documents so that, in the case of the Registration Statement, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, not misleading, and that in the case of the Prospectus, it will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading (which notice shall notify the selling Holders of the occurrence of such an event and shall not provide additional information regarding such event to the extent such information would constitute material non-public information);

(d) use its reasonable best efforts to obtain the withdrawal of any order suspending the effectiveness of a Registration Statement, or the lifting of any suspension of the qualification (or exemption from qualification) of any of the Registrable Securities for sale in any jurisdiction at the earliest date reasonably practicable;

(e) if requested by the managing underwriters, if any, or the Requisite Participating Holders in connection with an underwritten offering, promptly include in a Prospectus supplement or post-effective amendment such information as the managing underwriters, if any, and such Holders may reasonably request in order to permit or facilitate the intended method of distribution of such securities and make all required filings of such Prospectus supplement or such post-effective amendment as soon as reasonably practicable after the Corporation has received such request; provided, however, that the Corporation shall not be required to take any actions under this Section 6(e) that are not, in the opinion of counsel for the Corporation, in compliance with applicable law or regulation;

(f) furnish or make available to each selling Holder, its counsel and each managing underwriter, if any, without charge, at least one conformed copy of the Registration Statement, the Prospectus and Prospectus supplements, if applicable, and each post-effective amendment thereto, including financial statements (but excluding schedules, all documents incorporated or deemed to be incorporated therein by reference, and all exhibits, unless requested in writing by such Holder, counsel or underwriter); provided, that the Corporation may furnish or make available any such documents in electronic format;

(g) deliver to each selling Holder, its counsel, and the underwriters, if any, without charge, as many copies of the Prospectus or Prospectuses (including each form of Prospectus) and each amendment or supplement thereto as such Persons may reasonably request from time to time in connection with the distribution of the Registrable Securities; provided, that the Corporation may furnish or make available any such documents in electronic format; and the Corporation, subject to the last paragraph of this Section 6, hereby consents to the use of such Prospectus and each amendment or supplement thereto by each of the selling Holders and the underwriters, if any, in connection with the offering and sale of the Registrable Securities covered by such Prospectus and any such amendment or supplement thereto in accordance with this Agreement;

(h) prior to any public offering of Registrable Securities, use its reasonable best efforts to register or qualify or cooperate with the selling Holders, the underwriters, if any, and their respective counsel in connection with the registration or qualification (or exemption from such registration or qualification) of such Registrable Securities for offer and sale under the securities or “blue sky” laws of such jurisdictions within the United States as any seller or underwriter reasonably requests in writing and to keep each such registration or qualification (or exemption therefrom) effective during the period such Registration Statement is required to be kept effective and to take any other action that may be necessary or advisable to enable such Holders to consummate the disposition of such Registrable Securities in such jurisdiction; provided, however, that the Corporation will not be required to (i) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify, or (ii) take any action that would subject it to general service of process or taxation in any such jurisdiction where it is not then so subject;

(i) cooperate with the selling Holders and the managing underwriters, if any, to facilitate the timely preparation and delivery of certificates (not bearing any legends) representing Registrable Securities to be sold after receiving written representations from each Holder of such Registrable Securities that the Registrable Securities represented by the certificates so delivered by such Holder will be transferred in accordance with the Registration Statement, and enable such Registrable Securities to be in such denominations and registered in such names as the managing underwriters, if any, or Holders may request at least two (2) Business Days prior to the settlement date with respect to any sale of Registrable Securities;

(j) use its reasonable best efforts to cause the Registrable Securities covered by the Registration Statement to be registered with or approved by such other governmental agencies or authorities within the United States as may be necessary or advisable to enable the seller or sellers of such Registrable Securities or the underwriters, if any, to consummate the disposition of such Registrable Securities, except as may be required solely as a consequence of the nature of such selling Holder’s business, in which case the Corporation will cooperate in all reasonable respects with the granting of such approvals;

(k) promptly upon the occurrence of, and its knowledge of, any event contemplated by Sections 6(c)(ii) or (vi) above, prepare a supplement or post-effective amendment to the Registration Statement or a supplement to the related Prospectus or any document incorporated or deemed to be incorporated therein by reference, or file any other required document so that, as thereafter delivered to the purchasers of the Registrable Securities being sold thereunder, such Prospectus responds to such comments or requests for amendments, will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading and as such Registration Statement responds to such comments or request for amendments, will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, not misleading;

(l) prior to the effective date of the Registration Statement relating to the Registrable Securities, provide a CUSIP number for the Registrable Securities;

(m) provide and cause to be maintained a transfer agent and registrar for all Registrable Securities covered by such Registration Statement from and after a date not later than the effective date of such Registration Statement;

(n) use its reasonable best efforts to cause all shares of Registrable Securities covered by such Registration Statement to be listed or authorized for quotation or trading on a national securities exchange or automated quotation system if shares of the particular class of Registrable Securities are at that time listed, quoted or traded on such exchange or automated quotation system, as the case may be, prior to the effectiveness of such Registration Statement;

(o) in connection with any underwritten offering, enter into such agreements (including an underwriting agreement in form, scope and substance as is customary in underwritten offerings) and take all such other actions reasonably requested by the Requisite Participating Holders in connection therewith (including those reasonably requested by the managing underwriters, if any) to expedite or facilitate the disposition of Registrable Securities in such underwritten offering, and in such connection, whether or not an underwriting agreement is entered into and whether or not the registration is an underwritten registration, (i) make such representations and warranties to the Holders of such Registrable Securities and the underwriters, if any, with respect to the business of the Corporation and its Subsidiaries, and the Registration Statement, Prospectus and documents, if any, incorporated or deemed to be incorporated by reference therein, in each case, in form, substance and scope as are customarily made by issuers to underwriters in underwritten offerings, and, if true, confirm the same if and when requested, (ii) use its reasonable best efforts to furnish to the selling Holders of such Registrable Securities and the underwriters for such underwritten offering, customary opinions and Rule 10b-5 letters of outside counsel to the Corporation and updates thereof (which counsel and its opinions and letters (in form, scope and substance) shall be reasonably satisfactory to the managing underwriters, if any, and counsels to the selling Holders of the Registrable Securities), addressed to each selling Holder and each of the underwriters, if any, covering the matters customarily covered in opinions requested in underwritten offerings and such other matters as may be reasonably requested by such counsel and underwriters, (iii) use its reasonable best efforts to obtain "cold comfort" letters and updates thereof from the independent certified public accountants of the Corporation (and, if necessary, any other independent certified public accountants of any Subsidiary of the Corporation or of any business acquired by the Corporation for which financial statements and financial data are, or are required to be, included in the Registration Statement) who have certified the financial statements included in such Registration Statement, addressed to each selling Holder (unless such accountants shall be prohibited from so addressing such letters by applicable standards of the accounting profession) and each of the underwriters, if any, such letters to be in customary form and covering matters of the type customarily covered in "cold comfort" letters in connection with underwritten offerings, (iv) if an underwriting agreement is entered into, the same shall contain indemnification and/or contribution provisions and procedures substantially to the effect set forth in Section 8 with respect to all parties to be indemnified pursuant to said Section except as otherwise approved by the Board, and (v) deliver such documents and certificates as may be reasonably requested by the Requisite Participating Holders in connection with such Registration Statement, their counsel and the managing underwriters, if any, to evidence the continued validity of the representations and warranties made pursuant to Section 6(o)(i) above and to evidence compliance with any

customary conditions contained in the underwriting agreement or other agreement entered into by the Corporation. The above shall be done at each closing under such underwriting or similar agreement (or at such other time as may be required thereunder), or as and to the extent required thereunder;

(p) make available for inspection by a representative of the selling Holders, any underwriter participating in any such disposition of Registrable Securities, if any, and any attorneys or accountants retained by such selling Holders or underwriter, at the offices where normally kept, during reasonable business hours, financial and other records, pertinent corporate documents and properties of the Corporation and its Subsidiaries, and cause the officers, directors and employees of the Corporation and its Subsidiaries to supply all information, in each case reasonably requested by any such representative, underwriter, attorney or accountant in connection with such Registration Statement; provided, however, that any information that is not generally publicly available at the time of delivery of such information shall be kept confidential by such Persons unless (i) disclosure of such information is required by court or administrative order, (ii) disclosure of such information, in the opinion of counsel to such Person, is required by law or applicable legal process, or (iii) such information becomes generally available to the public other than as a result of a non-permitted disclosure or failure to safeguard by such Person. In the case of a proposed disclosure pursuant to (i) or (ii) above, such Person shall be required to give the Corporation written notice of the proposed disclosure prior to such disclosure and, if requested by the Corporation, assist the Corporation in seeking to prevent or limit the proposed disclosure. Without limiting the foregoing, no such information shall be used by such Person as the basis for any market transactions in securities of the Corporation or its Subsidiaries in violation of law;

(q) cause its officers to use their reasonable best efforts to support the marketing of the Registrable Securities covered by the Registration Statement (including participation in "road shows") taking into account the Corporation's business needs;

(r) cooperate with each seller of Registrable Securities and each underwriter or agent participating in the disposition of such Registrable Securities and their respective counsel in connection with any filings required to be made with FINRA;

(s) use its reasonable best efforts to comply with all applicable rules and regulations of the SEC, and make available as soon as reasonably practicable, an earning statement covering the period of at least twelve months, but not more than eighteen months, beginning with the first month after the effective date of the applicable Registration Statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder; and

(t) use its reasonable best efforts to take all other steps necessary to effect the registration of the Registrable Securities contemplated hereby.

The Corporation may require each Holder that has requested to have securities registered pursuant to Section 3 or Section 4 or that has requested to sell stock in a Shelf Underwritten Offering to which any registration is being effected to furnish to the Corporation in writing such information required in connection with such registration or sale regarding such

seller and the distribution of such Registrable Securities as the Corporation may, from time to time, reasonably request in writing and the Corporation may exclude from such registration or sale the Registrable Securities of any Holder who unreasonably fails to furnish such information within a reasonable time after receiving such request.

The Corporation shall not file any Registration Statement with respect to any Registrable Securities, or any Prospectus used in connection therewith, and shall not file or make any amendment to any such Registration Statement or any amendment of or supplement to any such Prospectus, that refers to any Holder covered thereby by name, or otherwise identifies such Holder as the holder of any securities of the Corporation, without the consent of such Holder, such consent not to be unreasonably withheld, conditioned or delayed by such Holder, unless and to the extent such disclosure is required by law or regulation, in which case the Corporation shall provide written notice to such Holder no less than two (2) Business Days prior to the filing of such Registration Statement or any amendment to any such Registration Statement or any Prospectus used in connection therewith or any amendment of or supplement to any such Prospectus. In addition, the Corporation shall not file any Registration Statement with respect to any Registrable Securities, or any Prospectus used in connection therewith, and shall not file or make any amendment to any Registration Statement or any amendment of or supplement to any such Prospectus, that refers to any Investor by name, or otherwise identifies such Investor as the holder of any securities of the Corporation, without also referring to any other Investor who requests to be named or otherwise identified therein.

If the Corporation files any Shelf Registration Statement on Form S-3 for the benefit of the holders of any of its securities other than the Holders, the Corporation agrees that it shall use reasonable best efforts to include in such Shelf Registration Statement such disclosures as may be required by Rule 430B under the Securities Act (referring to the unnamed selling security holders in a generic manner by identifying the initial offering transaction of the securities to the Holders) in order to permit the Holders to be added to such Shelf Registration Statement at a later time through the filing of a Prospectus supplement rather than a post-effective amendment.

Each Holder agrees if such Holder has Registrable Securities covered by a Registration Statement that, upon receipt of any notice from the Corporation of the occurrence of any event of the kind described in Sections 6(c)(ii), 6(c)(iii), 6(c)(iv), 6(c)(v), or 6(c)(vi) such Holder will forthwith discontinue disposition of such Registrable Securities covered by such Registration Statement or Prospectus until such Holder's receipt of the copies of the supplemented or amended Prospectus contemplated by Section 6(k), or until it is advised in writing by the Corporation that the use of the applicable Prospectus may be resumed, and has received copies of any additional or supplemental filings that are incorporated or deemed to be incorporated by reference in such Prospectus; provided, however, that the time periods under Section 3 and Section 4 with respect to the length of time that the effectiveness of a Registration Statement must be maintained shall automatically be extended by the amount of time the Holder is required to discontinue disposition of such securities.

Section 7. Registration Expenses. All fees and expenses incident to the performance of or compliance with this Agreement by the Corporation (including (i) all registration and filing fees (including fees and expenses with respect to (A) filings required to be made with the SEC,

all applicable securities exchanges and/or FINRA and (B) compliance with securities or “blue sky” laws, including any fees and disbursements of counsel for the underwriters in connection with “blue sky” qualifications of the Registrable Securities pursuant to Section 6(h)), (ii) printing expenses (including expenses of printing certificates for Registrable Securities in a form eligible for deposit with The Depository Trust Company and of printing Prospectuses if the printing of Prospectuses is requested by the managing underwriters, if any, or by the Requisite Participating Holders in connection with any Registration Statement), (iii) messenger, telephone and delivery expenses of the Corporation, (iv) fees and disbursements of counsel for the Corporation, (v) expenses of the Corporation incurred in connection with any road show, (vi) fees and disbursements of all independent certified public accountants referred to in Section 6(o)(iii) (including the expenses of any “cold comfort” letters required by this Agreement) and any other Persons, including special experts retained by the Corporation, and (vii) fees and disbursements of one counsel (including in connection with any proposed filing of a Registration Statement or Prospectus in connection therewith) for the Holders whose shares are included in a Registration Statement, which counsel shall be selected by the Requisite Participating Holders, shall be borne by the Corporation whether or not any Registration Statement is filed or becomes effective. In addition, the Corporation shall pay its internal expenses (including all salaries and expenses of its officers and employees performing legal or accounting duties), the expense of any annual audit, the fees and expenses incurred in connection with the listing of the securities to be registered on any securities exchange on which similar securities issued by the Corporation are then listed and rating agency fees and the fees and expenses of any Person, including special experts, retained by the Corporation.

The Corporation shall not be required to pay (i) fees and disbursements of any counsel retained by any Holder or by any underwriter (except as set forth in clauses (i)(B) and (vii) of the first paragraph of this Section 7), (ii) any underwriter’s fees (including discounts, commissions or fees of underwriters, selling brokers, dealer managers or similar securities industry professionals) relating to the distribution of the Registrable Securities (other than with respect to Registrable Securities sold by the Corporation), or (iii) subject to Section 8, any other expenses of the Holders not specifically required to be paid by the Corporation pursuant to the first paragraph of this Section 7.

Section 8. Indemnification.

(a) Indemnification by the Corporation. The Corporation shall, without limitation as to time, indemnify and hold harmless, to the fullest extent permitted by applicable law, each Holder whose Registrable Securities are covered by a Registration Statement or Prospectus, the officers, directors, partners, members, managers, shareholders, accountants, attorneys, agents and employees of each of them, each Person who controls each such Holder (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) and the officers, directors, partners, members, managers, shareholders, accountants, attorneys, agents and employees of each such controlling Person, each underwriter, if any, and each Person who controls (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) such underwriter, from and against any and all losses, claims, damages, liabilities, costs (including costs of preparation and reasonable attorneys’ fees and any legal or other fees or expenses incurred by such party in connection with any investigation or Proceeding), expenses, judgments, fines, penalties, charges and amounts paid in settlement or

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Proceedings in respect thereof (collectively, “Losses”), as incurred, arising out of or based upon any untrue statement (or alleged untrue statement) of a material fact contained in any Prospectus, offering circular, or other document (including any related Registration Statement, notification, or the like) or any amendment thereof or supplement thereto or any document incorporated by reference therein incident to any such registration, qualification, or compliance, or based on any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, or any violation by the Corporation of the Securities Act, the Exchange Act, any state securities law, or any rule or regulation thereunder applicable to the Corporation and (without limitation of the preceding portions of this Section 8(a)) will reimburse each such Holder, each of its officers, directors, partners, members, managers, shareholders, accountants, attorneys, agents and employees and each Person who controls each such Holder and the officers, directors, partners, members, managers, shareholders, accountants, attorneys, agents and employees of each such controlling Person, each such underwriter, and each Person who controls any such underwriter, for any legal and any other expenses reasonably incurred in connection with investigating and defending or settling any such Losses; provided, that the Corporation shall not be liable in any such case to the extent that any such Losses arises out of or is based on any untrue statement or omission by such Holder or underwriter, but only to the extent, that such untrue statement (or alleged untrue statement) or omission (or alleged omission) is made in such Registration Statement, disclosure package, Prospectus, offering circular or any amendment thereof or supplement thereto, or any document incorporated by reference therein or other document in reliance upon and in conformity with written information furnished to the Corporation by or on behalf of such Holder or underwriter for use therein. It is agreed that the indemnity agreement contained in this Section 8(a) shall not apply to amounts paid in settlement of any such Losses (or Proceedings in respect thereof) if such settlement is effected without the consent of the Corporation (which consent shall not be unreasonably withheld, conditioned or delayed by any Holder).

(b) Indemnification by Holder. The Corporation may require, as a condition to including any Registrable Securities in any Registration Statement filed in accordance with this Agreement, that the Corporation shall have received an undertaking reasonably satisfactory to it from the prospective seller of such Registrable Securities to indemnify, to the fullest extent permitted by law, severally and not jointly with any other Holders, the Corporation, its officers, directors, partners, members, managers, shareholders, accountants, attorneys, agents and employees and each Person who controls the Corporation (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act) and the officers, directors, partners, members, managers, shareholders, accountants, attorneys, agents, employees of each such controlling Person and all other prospective sellers, from and against all Losses arising out of or based on any untrue statement of a material fact contained in any such Registration Statement, Prospectus, offering circular, or other document, or any omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and to (without limitation of the portions of this Section 8(b)) reimburse the Corporation, its officers, directors, partners, members, managers, shareholders, accountants, attorneys, agents and employees and each Person who controls the Corporation (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act) and the officers, directors, partners, members, managers, shareholders, accountants, attorneys, agents, employees of each such controlling Person and all other prospective sellers for any legal or any other expenses reasonably incurred in connection with investigating or defending any such

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Losses, in each case to the extent, but only to the extent, that such untrue statement or omission is made in such Registration Statement, Prospectus, offering circular, or other document in reliance upon and in conformity with written information furnished to the Corporation by or on behalf of such Holder for inclusion in such Registration Statement, Prospectus, offering circular or other document; provided, however, that the obligations of such Holder hereunder shall not apply to amounts paid in settlement of any such Loss (or Proceedings in respect thereof) if such settlement is effected without the consent of such Holder (which consent shall not be unreasonably withheld, conditioned or delayed); and provided, further, that the liability of such Holder shall be limited to the net proceeds received by such selling Holder from the sale of Registrable Securities covered by such Registration Statement.

(c) Conduct of Indemnification Proceedings. If any Person shall be entitled to indemnity pursuant to Section 8(a) or Section 8(b) (an “Indemnified Party”), such Indemnified Party shall give prompt notice to the party from which such indemnity is sought (the “Indemnifying Party”) of any claim or of the commencement of any Proceeding with respect to which such Indemnified Party seeks indemnification or contribution pursuant hereto; provided, however, that the delay or failure to so notify the Indemnifying Party shall not relieve the Indemnifying Party from any obligation or liability except to the extent that the Indemnifying Party has been materially prejudiced by such delay or failure. The Indemnifying Party shall have the right, exercisable by giving written notice to an Indemnified Party promptly after the receipt of written notice from such Indemnified Party of such claim or Proceeding, to assume, at the Indemnifying Party’s expense, the defense of any such claim or Proceeding, with counsel reasonably satisfactory to such Indemnified Party; provided, however, that an Indemnified Party shall have the right to employ separate counsel in any such claim or Proceeding and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless: (i) the Indemnifying Party agrees to pay such fees and expenses; (ii) the Indemnifying Party fails promptly to assume the defense of any such claim or Proceeding, or in any event within thirty (30) days after the date the Indemnified Party’s notice of any claim or Proceeding for which indemnification or contribution is sought is given to the Indemnifying Party; (iii) the Indemnified Party reasonably concludes, based on the advice of counsel, that a conflict of interest exists between the Indemnifying Party and the Indemnified Party in the defense of such claim or Proceeding; or (iv) the Indemnifying Party fails to employ counsel reasonably satisfactory to such Indemnified Party, in which case the Indemnified Party shall have the right to employ separate counsel and to assume the defense of such claim or Proceeding at the Indemnifying Party’s expense; provided, further, however, that the Indemnifying Party shall not, in connection with any one such claim or Proceeding or separate but substantially similar or related claims or Proceedings in the same jurisdiction, arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one firm of attorneys (together with appropriate local counsel) at any time for all of the Indemnified Parties (unless there is an actual conflict of interest between one or more of the Indemnified Parties and the Indemnifying Party has been notified in writing of such conflict, in which case such conflicted Indemnified Parties or group of conflicted Indemnified Parties (as the case may be) may be represented by separate counsel, the fees and expenses of whom shall be borne by the Indemnifying Party), or for fees and expenses that are not reasonable. Whether or not such defense is assumed by the Indemnifying Party, such Indemnifying Party will not be subject to any liability for any settlement made without its consent (but such consent will not be unreasonably withheld, conditioned or delayed). The Indemnifying Party shall not consent to

entry of any judgment or enter into any settlement that (x) does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release, in form and substance reasonably satisfactory to the Indemnified Party, from all liability in respect of such claim or litigation for which such Indemnified Party would be entitled to indemnification hereunder or (y) involves the imposition of equitable remedies or any obligations on the Indemnified Party or materially adversely affects such Indemnified Party other than as a result of financial obligations for which such Indemnified Party would be entitled to indemnification hereunder.

(d) Contribution. If the indemnification provided for in this Section 8 is unavailable to an Indemnified Party in respect of any Losses (other than in accordance with its terms), then each applicable Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such Losses, (i) in such proportion as is appropriate to reflect the relative benefits received by the Indemnifying Party, on the one hand, and such Indemnified Party, on the other hand, from the sale of the Registrable Securities covered by such Registration Statement, or (ii) if the allocation provided by the foregoing clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above, but also the relative fault of the Indemnifying Party, on the one hand, and the Indemnified Party, on the other hand, in connection with the actions, statements or omissions that resulted in such Losses as well as any other relevant equitable considerations. The relative fault of such Indemnifying Party, on the one hand, and Indemnified Party, on the other hand, shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact, has been made (or omitted) by, or relates to information supplied by, such Indemnifying Party or Indemnified Party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent any such action, statement or omission. The Parties agree that it would not be just and equitable if contribution pursuant to this Section 8(d) were determined by *pro rata* allocation or by any other method of allocation that does not take account of the equitable considerations referred to in the immediately preceding sentence. Notwithstanding the provisions of this Section 8(d), an Indemnifying Party that is a selling Holder shall not be required to contribute any amount in excess of the amount that such Indemnifying Party has otherwise been, or would otherwise be, required to pay pursuant to Section 8(b) by reason of such untrue or alleged untrue statement or omission or alleged omission. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

(e) To the extent that any of the Holders is, or would be expected to be, deemed to be an underwriter of Registrable Securities pursuant to any SEC comments or policies or any court of law or otherwise, the Corporation agrees that (i) the indemnification and contribution provisions contained in this Section 8 shall be applicable to the benefit of such Holder in its role as deemed underwriter in addition to its capacity as a Holder (so long as the amount for which any other Holder is or becomes responsible does not exceed the amount for which such Holder would be responsible if the Holder were not deemed to be an underwriter of Registrable Securities) and (ii) such Holder and its representatives shall be entitled to conduct the due diligence which would normally be conducted in connection with an offering of securities

registered under the Securities Act, including receipt of customary opinions, Rule 10b-5 letters and comfort letters.

(f) Indemnification similar to that specified in the preceding provisions of this Section 8 (with appropriate modifications) shall be given by the Corporation and each seller of Registrable Securities with respect to any required registration or other qualification of securities under any law or regulation (other than the Securities Act) of any Governmental Authority.

(g) Notwithstanding the foregoing, to the extent that the provisions on indemnification and contribution contained in the underwriting agreement entered into in connection with the underwritten public offering are in conflict with the foregoing provisions, the provisions in the underwriting agreement shall control.

Section 9. Rule 144.

(a) After an IPO or QPO, the Corporation shall (i) use reasonable best efforts to file the reports required to be filed by it under the Securities Act and the Exchange Act in a timely manner (or, if the Corporation is not required to file such reports, upon the request of the Requisite Series A Preferred Holders, make publicly available such information), (ii) take such further action as any Holder may reasonably request to permit sales of Registrable Securities pursuant to Rule 144, and (iii) promptly furnish to each Holder forthwith upon written request, (x) a written statement by the Corporation as to its compliance with the reporting requirements of Rule 144, the Securities Act and the Exchange Act, (y) a copy of the most recent annual or quarterly report of the Corporation, and (z) such other reports and documents so filed by the Corporation as such Holder may reasonably request in availing itself of Rule 144, all to the extent required from time to time to enable such Holder to sell Registrable Securities without registration under the Securities Act within the limitations of the exemption provided by Rule 144. Upon the request of any Holder, the Corporation shall deliver to such Holder a written statement as to whether it has complied with such requirements and, if not, the specifics thereof.

(b) The foregoing provisions of this Section 9 are not intended to modify or otherwise affect any restrictions on Transfers contained in the Stockholders Agreement.

Section 10. Underwritten Registrations; Registration Participation Requirements.

(a) Subject to that certain investment banking services letter, dated as of December 4, 2016, by and between the Corporation and Macquarie Capital, in connection with any underwritten offering, the investment banker or investment bankers and managers shall be selected by the Corporation; provided, that, (i) in connection with a Demand Registration pursuant to Section 3(a) or initiating a Shelf-Takedown pursuant to Section 4(c), the Corporation shall in good faith consider any underwriter or market recommendations from the Demand Registration Holder or the Investors, but shall otherwise have no obligation to implement any such recommendations.

(b) No Person may participate in any registration hereunder, unless such Person (i) agrees to sell the Registrable Securities it desires to have covered by a

Registration Statement on the basis provided in any underwriting arrangements in customary form and (ii) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements in customary form and other documents required under the terms of such underwriting arrangements; provided, that (A) such Person shall not be required to make any representations or warranties other than those related to title and ownership of such Person's Registrable Securities being sold and as to the accuracy and completeness of statements made in a Registration Statement, Prospectus, offering circular, or other document in reliance upon and in conformity with written information furnished to the Corporation or the managing underwriter by such Person pertaining exclusively to such Person for use therein, (B) such Person shall not be required to sell more than the number of Registrable Securities that such Person has requested to include in any registration, and (C) if such Person disapproves of the terms of the underwriting, such Person may elect, prior to the effective date of the registration statement filed in connection with such registration, to withdraw therefrom by written notice to the Corporation, the managing underwriters and, in the case of a Demand Registration, a Demand Registration Holder that requested such Demand Registration.

Section 11. Miscellaneous.

(a) Amendments and Waivers. Except as otherwise expressly provided herein, this Agreement may be amended, modified or supplemented, and any provision hereof may be waived, only by a written instrument duly approved by the Corporation and the Requisite Series A Preferred Holders; provided, however, that an amendment or modification that (i) would affect an Investor (solely in its capacity as an Investor and not otherwise) in a manner disproportionately adverse as compared to the effect on any other Investor (solely in its capacity as an Investor and not otherwise) immediately prior to such amendment will be effective against the Investor so adversely and disproportionately affected only with the prior written consent of such Investor; (ii) materially adversely affects the right of the Sponsor to participate in a Demand Registration in accordance with the terms and subject to the conditions set forth in Section 3(b) or a Piggyback Registration as provided in Section 4(b), or (iii) amends the definition of "Priority Amount", will be effective only with the prior written consent of the Sponsor. Notwithstanding the foregoing, the Requisite Series A Preferred Holders shall have the right to (without the consent of the Board), and shall, amend this Agreement as requested by the Requisite Series A Preferred Holders to add new parties as "Investors" hereunder in connection with the issuance of additional shares of Series A Preferred Stock pursuant to the terms of that certain Subscription Agreement, dated on or about the date hereof, by and among the Corporation and the holders of Series A Preferred Stock. Notwithstanding anything to the contrary in this Agreement, Schedule A hereto may be amended (x) by the Corporation from time to time to add information regarding additional stockholders that become Investors pursuant to the Stockholders Agreement without the consent of the other Parties hereto and (y) by any Investor, in such Investor's sole discretion and without the consent or approval of any other Person, including the Corporation or any other Stockholder, to reflect any Transfer that is effected in accordance with the provisions of Section 2.5 of the Stockholders Agreement; provided, that, subject to such Investor's foregoing right, no Person may be designated as an "Investor" under this Agreement by an amendment of Schedule A by the Corporation or otherwise without the prior written consent of the Requisite Series A Preferred Holders.

(b) Notices.

(i) Except as otherwise expressly provided in this Agreement, all notices, requests and other communications to any Party hereunder shall be in writing (including a facsimile or similar writing) and shall be given to such Party at the address or facsimile number specified for such Party on Schedule A to the Stockholders Agreement (or in the case of the Corporation, Section 11(b)(ii)) or as such Party shall hereafter specify for the purpose by notice to the other Parties. Each such notice, request or other communication shall be effective (A) if personally delivered, on the date of such delivery, (B) if given by facsimile, at the time such facsimile is transmitted and the appropriate confirmation is received, (C) if delivered by an internationally-recognized overnight courier, on the next Business Day after the date when sent, (D) if delivered by registered or certified mail, three (3) Business Days (or, if to an address outside the United States, seven (7) days) after such communication is deposited in the mails with first-class postage prepaid, addressed as aforesaid, or (E) if given by any other means, when delivered at the address specified on Schedule A hereto or in Section 11(b)(ii):

(ii) All notices, requests or other communications to the Corporation hereunder shall be delivered to the Corporation at the following address and/or facsimile number in accordance with the provisions of Section 11(b):

Laureate Education, Inc.
650 S. Exeter Street
Baltimore, MD 21202
Attention: Robert W. Zentz, Senior Vice President and General Counsel
Facsimile: (410) 843-8544
E-mail: robert.zentz@laureate.net

with a copy to (which shall not constitute notice):

DLA Piper LLP (US)
6225 Smith Avenue
Baltimore, Maryland 21209
Attention: R.W. Smith, Jr., Esq.
Telecopy: (410) 580-3266
E-mail: jay.smith@dlapiper.com

To the Investors, as set forth on Schedule A hereto.

To the Sponsor as follows:

Wengen Alberta, Limited Partnership
9 West 57th Street, Suite 4200
New York, New York 10019
Attention: Brian Carroll
Telecopy: (212) 750-0003

with a copy to:

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, New York 10017
Attention: Gary Horowitz, Esq.
Telecopy: (212) 455-2502

(c) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and permitted assigns of each of the Parties, including Permitted Transferees of the Investors and subsequent Holders acquired, directly or indirectly, from the Investors; provided, however, that such successor or assign shall not be entitled to such rights unless the successor or assign shall have executed and delivered to the Corporation an Addendum Agreement substantially in the form of Exhibit A hereto (which shall also be executed by the Corporation) promptly following the acquisition of such Registrable Securities, in which event such successor or assign shall be deemed a Holder for purposes of this Agreement. This Agreement is not intended to confer any rights or remedies upon, and shall not be enforceable by any Person other than the actual Parties hereto, their respective successors and permitted assigns, and solely with respect to the provisions of Section 8, each Indemnified Party.

(d) Additional Parties. From and after the date hereof, any Person to whom Registrable Securities held by an Investor have been Transferred shall be joined as a Party and shall be deemed a Party as of the date hereof following the execution and delivery by such Person of an Addendum Agreement to the Corporation.

(e) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall constitute an original and all of which, when taken together, shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or pdf attachment to electronic mail shall be effective as delivery of a manually executed counterpart to this Agreement.

(f) Headings; Construction. The titles of Sections and paragraphs of this Agreement are for convenience only and do not define or limit the provisions hereof. The definitions in Section 1 shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. All references herein to Sections, exhibits and schedules and paragraphs shall be deemed to be references to Sections and paragraphs of, and exhibits to, this Agreement unless the context shall otherwise require. All exhibits attached hereto shall be deemed incorporated herein as if set forth in full herein. The terms "clause(s)" and "subparagraph(s)" shall be used herein interchangeably. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." All accounting terms not defined in this Agreement shall have the meanings determined by

United States generally accepted accounting principles as in effect from time to time. The words “hereof,” “herein” and “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. References to a Person are also to its permitted successors and permitted assigns. Unless otherwise expressly provided herein, any agreement, instrument or statute defined or referred to herein or in any agreement or instrument that is referred to herein means such agreement, instrument or statute as from time to time amended, modified, supplemented or restated, including (in the case of agreements or instruments) by waiver or consent and (in the case of statutes) by succession of comparable successor statutes and references to all attachments thereto and instruments incorporated therein.

(g) Schedules and Exhibits. All schedules and exhibits attached to this Agreement are incorporated and shall be treated as if set forth herein.

(h) Severability. If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future law, and if the rights or obligations of any Party under this Agreement shall not be materially and adversely affected thereby, (i) such provision shall be fully severable, (ii) this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof, (iii) the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom, and (iv) in lieu of such illegal, invalid or unenforceable provision, there shall be added automatically as a part of this Agreement a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible.

(i) Entire Agreement. This Agreement together with the Stockholders Agreement and the other agreements referenced in Section 5.4 of the Stockholders Agreement constitutes the entire agreement among the Parties pertaining to the subject matter hereof and thereof and supersedes all prior agreements and understandings of the Parties in connection herewith and therewith, and no covenant, representation or condition not expressed in this Agreement, the Stockholders Agreement or such other agreements referenced in Section 5.4 of the Stockholders Agreement shall affect, or be effective to interpret, change or restrict, the express provisions of this Agreement.

(j) Securities Held by the Corporation or its Subsidiaries. Whenever the consent or approval of Holders of a specified percentage of Registrable Securities is required hereunder, Registrable Securities held by the Corporation or its Subsidiaries shall not be counted in determining whether such consent or approval was given by the Holders of such required percentage.

(k) Specific Performance. The Parties acknowledge that money damages may not be an adequate remedy for breaches or violations of this Agreement and that any Party, in addition to any other rights and remedies which the Parties may have hereunder or at law or in equity, may, in its sole discretion, apply to a court of competent jurisdiction in accordance with Section 11(m) for specific performance or injunction or such other equitable relief as such court may deem just and proper in order to enforce this Agreement in the event of any breach of the provisions of this Agreement or prevent any violation hereof and, to the extent

permitted by applicable law, each Party hereby waives (i) any objection to the imposition of such relief, and (ii) any requirement for the posting of any bond or similar collateral in connection therewith.

(l) Term. This Agreement shall terminate with respect to an Investor or another Holder on the date on which such Holder ceases to directly or indirectly hold Registrable Securities; provided, that such Holders rights and obligations pursuant to Section 8, as well as the Corporation's obligations to pay expenses pursuant to Section 7, shall survive with respect to any Registration Statement in which any Registrable Securities of such Holder were included.

(m) Governing Law; Consent to Jurisdiction; Waiver of Jury Trial. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to principles of conflict of laws. The Parties hereby declare that it is their intention that this Agreement shall be regarded as made under the laws of the State of Delaware and that the laws of said State shall be applied in interpreting its provisions in all cases where legal interpretation shall be required. Each of the Parties: (i) agrees that this Agreement involves at least US \$100,000.00; (ii) agrees that this Agreement has been entered into by the Parties in express reliance upon 6 Del. C. § 2708(a); (iii) irrevocably and unconditionally submits to the exclusive jurisdiction of the courts of the State of Delaware and of the federal courts sitting in the State of Delaware with respect to all actions and proceedings arising out of or relating to this Agreement and the transactions contemplated hereby; (iv) agrees that all claims with respect to any such action or proceeding shall be heard and determined in such courts and agrees not to commence any action or proceeding relating to this Agreement or the transactions contemplated hereby except in such courts; (v) irrevocably and unconditionally waives any objection to the laying of venue of any action or proceeding arising out of this Agreement or the transactions contemplated hereby and irrevocably and unconditionally waives the defense of an inconvenient forum; (vi) irrevocably acknowledges and agrees that it is a commercial business entity and is a separate entity distinct from its ultimate equity holder and/or the executive organs of the government of any state and is capable of suing and being sued; (vii) agrees that its entry into this constitutes, and the exercise of its rights and performance of its obligations hereunder will constitute, private and commercial acts performed for private and commercial purposes that shall not be deemed as being entered into in the exercise of any public function; and (viii) agrees that, for the purpose of receiving service of process or other legal summons in connection with any such dispute, litigation, action or proceeding brought in such courts and agrees that, any such process or summons may be served on it by mailing a copy of such process or summons by an internationally-recognized courier service to the address set forth next to its name in Schedule A or with respect to the Corporation, the address set forth in Section 11(b)(ii), with such service deemed effective on the fifth day after the date of such mailing; and (ix) agrees that a final judgment in any such action or proceeding and from which no appeal can be made shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. The Parties agree that any violation of this Section 11(m) shall constitute a material breach of this Agreement and shall constitute irreparable harm. EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY

JURY IN RESPECT OF ANY CLAIM, ACTION, PROCEEDING OR LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED HEREBY.

(n) Representation by Counsel. Each of the Parties has been represented by and has had an opportunity to consult with legal counsel in connection with the drafting, negotiation and execution of this Agreement. No provision of this Agreement shall be construed against or interpreted to the disadvantage of any Party by any court or arbitrator or any Governmental Authority by reason of such Party having drafted or being deemed to have drafted such provision.

(o) Cumulative Remedies. No failure by any Party to insist upon the strict performance of any covenant, agreement, term or condition of this Agreement or to exercise any right or remedy consequent upon a breach of such or any other covenant, agreement, term or condition shall operate as a waiver of such or any other covenant, agreement, term or condition of this Agreement. Any Party by notice given in accordance with Section 11(b) may, but shall not be under any obligation to, waive any of its rights or conditions to its obligations hereunder, or any duty, obligation or covenant of any other Party. No waiver shall affect or alter the remainder of this Agreement but each and every covenant, agreement, term and condition hereof shall continue in full force and effect with respect to any other then existing or subsequent breach. The rights and remedies provided by this Agreement are cumulative and the exercise of any one right or remedy by any Party shall not preclude or waive its right to exercise any or all other rights or remedies.

(p) Further Assurances. Each Party agrees to execute, acknowledge, deliver, file and record such further certificates, amendments, instruments and documents, and to do all such other acts and things, as may be required by applicable Law or as, in the reasonable judgment of the Board, may be necessary or advisable to carry out the intent and purposes of this Agreement.

(q) No Inconsistent Agreements; Most Favored Nation. The Corporation shall not (x) enter into any agreement with respect to its securities that is inconsistent with or violates the rights, preferences or privileges granted to the Holders hereunder (for the avoidance of doubt, any agreement that grants or has the effect of granting to any Person demand registration rights or incidental or piggyback registration rights senior to or with priority over the rights held by the Holders hereunder, or on parity with the rights held by the Holders hereunder with respect to the Priority Amount, shall be deemed to be inconsistent with or violate the rights granted to the Holders herein), or (y) enter into any agreement with any holder or prospective holder of any securities of the Corporation giving such Person any registration rights that would be more favorable to such Person than the registration rights granted to the Investors or any of their respective Permitted Transferees under this Agreement.

(r) Reliance on Authority of Person Signing Agreement. If a Party is not a natural person, neither the Corporation nor any other Party will (i) be required to determine the authority of the individual signing this Agreement to make any commitment or undertaking on behalf of such entity or to determine any fact or circumstance bearing upon the existence of

the authority of such individual, or (ii) be responsible for the application or distribution of proceeds paid or credited to individuals signing this Agreement on behalf of such entity.

(s) Other Registration Rights. Except as set forth on Schedule 11(s) hereto, there are no registration rights or similar rights of any Person in respect of Registrable Securities or other equity securities of the Corporation.

(t) Public Announcements. None of the parties hereto may represent the Investors' views on any matter or suggest or imply that the Investors are responsible or liable for any activities of the Corporation or any of its Subsidiaries. Except as otherwise provided in this Section 11(t) and other than with respect to filings or notices required by Law or the Debt Documents (as defined in the Certificate of Designations), the Corporation may only reference the name and logo of an Investor and refer to the aggregate amount of Purchased Securities issued and sold pursuant hereto in (i) any presentations, materials or other disclosures prepared and/or made in connection with a Public Offering or any offering of debt securities of the Corporation (including in connection with roadshows and analyst meetings), or (ii) in connection with its customary marketing activities in the ordinary course of its business consistent with past practice. Other than with respect to filings or notices to the extent required by Law or the Debt Documents (as defined in the Certificate of Designations), the Corporation may not refer to an Individual Investor Purchase Price. Each Investor and any of their respective Affiliates may publicly disclose their participation (and solely their participation) in the transactions contemplated by this Agreement and the documents contemplated thereby, and in connection therewith may reference the name and logo of the Corporation. Except with respect to filings or notices required by Law or the Debt Documents (as defined in the Certificate of Designations), or as otherwise provided in the second, third and fourth sentences of this Section 11(t), each of the Parties will cooperate with each other in the development and distribution of all news releases and other public information disclosures with respect to this Agreement and any of the transactions contemplated by this Agreement, and no Party will make any such news release or public disclosure without first giving prior written notice and consulting with the other Parties and receiving their consent (which shall not be unreasonably withheld or delayed) and each Party shall coordinate with the other with respect to any such news release or public disclosure.

[Signature pages follow.]

33

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the date first above written.

LAUREATE EDUCATION, INC.

By: /s/ Eilif Serck-Hanssen
Name: Eilif Serck-Hanssen
Title: EVP, CFO

SPONSOR

WENGEN ALBERTA, LIMITED PARTNERSHIP

By: Wengen Investments Limited, its General Partner

By: /s/ Douglas L. Becker
Name: Douglas L. Becker
Title: CEO

DOUGLAS L. BECKER

By: /s/ Douglas L. Becker

Signature Page to Registration Rights Agreement

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the date first above written.

MACQUARIE SIERRA INVESTMENT HOLDINGS, INC.

By: /s/ Larry Handen
Name: Larry Handen
Title: Authorized Signatory

By: /s/ Tobias Bachteler
Name: Tobias Bachteler
Title: President

Signature Page to Registration Rights Agreement

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the date first above written.

ABRAAJ PLATINUM HOLDING, L.P.

By: Abraaj Platinum GP Limited, acting in its capacity as general partner of
Abraaj Platinum Holding, L.P.

By: /s/ Waqar Siddique
Name: Waqar Siddique
Title: Authorized Signatory

By: /s/ Rafique Lakhani
Name: Rafique Lakhani
Title: Authorized Signatory

Signature Page to Registration Rights Agreement

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the date first above written.

APOLLO SPECIAL SITUATIONS FUND, L.P.

By: Apollo Situations Advisors, L.P., its general partner

By: Apollo Special Situations Advisors GP, LLC, its general partner

By: /s/ Laurie D. Medley

Name: Laurie D. Medley

Title: Vice President

Signature Page to Registration Rights Agreement

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the date first above written.

AESI II, L.P.

By: Apollo European Strategic Management, L.P., its Investment Manager
By: Apollo European Strategic Management GP, LLC, its General Partner

By: /s/ Joseph D. Glatt

Name: Joseph D. Glatt

Title: Vice President

Signature Page to Registration Rights Agreement

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the date first above written.

APOLLO CENTRE STREET PARTNERSHIP, L.P.

By: Apollo Centre Street Advisors (APO DC), L.P., its General Partner

By: Apollo Centre Street Advisors (APO DC-GP), LLC, its General Partner

By: /s/ Joseph D. Glatt

Name: Joseph D. Glatt

Title: Vice President

Signature Page to Registration Rights Agreement

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the date first above written.

APOLLO ZEUS STRATEGIC INVESTMENTS, L.P.

By: Apollo Zeus Strategic Advisors, L.P., its General Partner

By: Apollo Zeus Strategic Advisors, LLC, its General Partner

By: /s/ Joseph D. Glatt

Name: Joseph D. Glatt

Title: Vice President

Signature Page to Registration Rights Agreement

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the date first above written.

AP INVESTMENT EUROPE III, L.P.

By: Apollo Europe Management III, LLC, its Investment Manager

By: /s/ Joseph D. Glatt

Name: Joseph D. Glatt

Title: Vice President

Signature Page to Registration Rights Agreement

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the date first above written.

APOLLO CREDIT OPPORTUNITY TRADING FUND III

By: Apollo Credit Opportunity Advisors III LP, its General Partner

By: Apollo Credit Opportunity Management III LLC, its Investment Manager

By: /s/ Joseph D. Glatt

Name: Joseph D. Glatt

Title: Vice President

Signature Page to Registration Rights Agreement

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the date first above written.

APOLLO HERCULES PARTNERS, L.P.

By: Apollo Hercules Advisors, L.P., its General Partner
By: Apollo Hercules Advisors GP, LLC, its General Partner

By: /s/ Joseph D. Glatt
Name: Joseph D. Glatt
Title: Vice President

Signature Page to Registration Rights Agreement

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the date first above written.

APOLLO UNION STREET PARTNERS, L.P.

By: Apollo Union Street Advisors, L.P., its General Partner

By: Apollo Union Street Capital Management, LLC, its General Partner

By: /s/ Joseph D. Glatt

Name: Joseph D. Glatt

Title: Vice President

Signature Page to Registration Rights Agreement

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the date first above written.

APOLLO THUNDER PARTNERS, L.P.

By: Apollo Thunder Management, LLC, its Investment Manager

By: /s/ Joseph D. Glatt

Name: Joseph D. Glatt

Title: Vice President

Signature Page to Registration Rights Agreement

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the date first above written.

APOLLO KINGS ALLEY CREDIT FUND, L.P.

By: Apollo Kings Alley Credit Advisors, L.P., its General Partner

By: Apollo Kings Alley Credit Capital Management, LLC, its General Partner

By: /s/ Joseph D. Glatt

Name: Joseph D. Glatt

Title: Vice President

Signature Page to Registration Rights Agreement

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the date first above written.

APOLLO A-N CREDIT FUND (DELAWARE), L.P.

By: Apollo A-N Credit Management, LLC

By: /s/ Joseph D. Glatt

Name: Joseph D. Glatt

Title: Vice President

Signature Page to Registration Rights Agreement

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the date first above written.

APOLLO TOWER CREDIT FUND, L.P.

By: Apollo Tower Credit Advisors, LLC, its General Partner

By: /s/ Joseph D. Glatt

Name: Joseph D. Glatt

Title: Vice President

Signature Page to Registration Rights Agreement

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the date first above written.

APOLLO LINCOLN PRIVATE CREDIT, L.P.

By: Apollo Lincoln Private Credit Management, LLC, its Investment Manager

By: /s/ Joseph D. Glatt

Name: Joseph D. Glatt

Title: Vice President

Signature Page to Registration Rights Agreement

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the date first above written.

RK GOLD (CAYMAN) HOLDINGS, L.P.

By: CFG (Cayman) Holdings Limited, its general partner

By: /s/ Jonathan Jacoby
Name: Jonathan Jacoby
Title: Vice President

Signature Page to Registration Rights Agreement

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the date first above written.

KKR 2006 FUND (OVERSEAS), LIMITED PARTNERSHIP

By: KKR Associates 2006 (Overseas), Limited Partnership, its General Partner

By: KKR 2006 Limited, its General Partner

By: /s/ William J. Janetschek

Name: William J. Janetschek

Title: Director

KKR PARTNERS II (INTERNATIONAL), LIMITED PARTNERSHIP

By: KKR PI-II GP Limited, its General Partner

By: /s/ William J. Janetschek

Name: William J. Janetschek

Title: Director

Signature Page to Registration Rights Agreement

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the date first above written.

SNOW, PHIPPS GROUP, L.P.

By: SPG GP, LLC, its general partner

By: /s/ Ian K. Snow
Name: Ian K. Snow
Title: Managing Member

SNOW, PHIPPS GROUP (RPV), L.P.

By: SPG GP, LLC, its general partner

By: /s/ Ian K. Snow
Name: Ian K. Snow
Title: Managing Member

SNOW, PHIPPS GROUP (OFFSHORE), L.P.

By: SPG GP, LLC, its general partner

By: /s/ Ian K. Snow
Name: Ian K. Snow
Title: Managing Member

SNOW, PHIPPS GROUP (B), L.P.

By: SPG GP, LLC, its general partner

By: /s/ Ian K. Snow
Name: Ian K. Snow
Title: Managing Member

S.P.G. CO-INVESTMENT, L.P.

By: SPG GP, LLC, its general partner

By: /s/ Ian K. Snow
Name: Ian K. Snow
Title: Managing Member

Signature Page to Registration Rights Agreement

Schedule A

Name of Investor

Macquarie Sierra Investment Holdings Inc.

Address for notices

125 W 55th Street, Level 17
New York, NY 10019
Attention: MacCap Legal and Melissa Toomey
E-mail: ibgcflegalna@macquarie.com; Melissa.Toomey@macquarie.com

with a copy to:

Goodwin Procter LLP
The New York Times Building
620 Eighth Avenue
New York, New York 10018
Attention: Ilan Nissan, Paul Cicero and Oreste Cipolla
Telecopy: +1 212 202 6392
E-mail: INissan@Goodwinlaw.com; PCicero@Goodwinlaw.com;
OCipolla@Goodwinlaw.com

AESI II, L.P.

AESI II, L.P.
One Manhattanville Road, Suite 201
Purchase, NY 10577
Attention: Joseph D. Glatt
E-mail: jglatt@apollolp.com

with a copy to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, NY 10019-6064
Attention: Brian Finnegan and Tracey Zaccone
Telecopy: +1 212 373 3000
E-mail: Bfinnegan@paulweiss.com; Tzaccone@paulweiss.com

Apollo Centre Street Partnership, L.P.

Apollo Centre Street Partnership, L.P.
One Manhattanville Road, Suite 201
Purchase, NY 10577
Attention: Joseph D. Glatt
E-mail: jglatt@apollolp.com

with a copy to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, NY 10019-6064
Attention: Brian Finnegan and Tracey Zaccone
Telecopy: +1 212 373 3000
E-mail: Bfinnegan@paulweiss.com; Tzaccone@paulweiss.com

Apollo Zeus Strategic Investments, L.P.

Apollo Zeus Strategic Investments, L.P.
One Manhattanville Road, Suite 201
Purchase, NY 10577
Attention: Joseph D. Glatt
E-mail: jglatt@apolloip.com

with a copy to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, NY 10019-6064
Attention: Brian Finnegan and Tracey Zaccone
Telecopy: +1 212 373 3000
E-mail: Bfinnegan@paulweiss.com; Tzaccone@paulweiss.com

Apollo Credit Opportunity Trading Fund III

Apollo Credit Opportunity Trading Fund III LP
One Manhattanville Road, Suite 201
Purchase, NY 10577
Attention: Joseph D. Glatt
E-mail: jglatt@apolloip.com

with a copy to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, NY 10019-6064
Attention: Brian Finnegan and Tracey Zaccone
Telecopy: +1 212 373 3000
E-mail: Bfinnegan@paulweiss.com; Tzaccone@paulweiss.com

AP Investment Europe III, L.P.

AP Investment Europe III, L.P.
9 West 57th Street, 43rd Floor
New York, NY 10019
Attention: Joseph D. Glatt
E-mail: jglatt@apolloip.com

with a copy to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, NY 10019-6064
Attention: Brian Finnegan and Tracey Zaccone
Telecopy: +1 212 373 3000
E-mail: Bfinnegan@paulweiss.com; Tzaccone@paulweiss.com

Apollo Hercules Partners, L.P.

Apollo Hercules Partners, L.P.
One Manhattanville Road, Suite 201
Purchase, NY 10577
Attention: Joseph D. Glatt
E-mail: jglatt@apollolp.com

with a copy to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, NY 10019-6064
Attention: Brian Finnegan and Tracey Zaccone
Telecopy: +1 212 373 3000
E-mail: Bfinnegan@paulweiss.com; Tzaccone@paulweiss.com

Apollo Union Street Partners, L.P.

Apollo Union Street Partners, L.P.
One Manhattanville Road, Suite 201
Purchase, NY 10577
Attention: Joseph D. Glatt
E-mail: jglatt@apollolp.com

with a copy to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, NY 10019-6064
Attention: Brian Finnegan and Tracey Zaccone
Telecopy: +1 212 373 3000
E-mail: Bfinnegan@paulweiss.com; Tzaccone@paulweiss.com

Apollo Thunder Partners, L.P.

Apollo Thunder Partners
One Manhattanville Road, Suite 201
Purchase, NY 10577
Attention: Joseph D. Glatt

E-mail: jglatt@apollolp.com

with a copy to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, NY 10019-6064
Attention: Brian Finnegan and Tracey Zaccone
Telecopy: +1 212 373 3000
E-mail: Bfinnegan@paulweiss.com; Tzaccone@paulweiss.com

Apollo Kings Alley Credit Fund, L.P.

Apollo Kings Alley Credit Fund, L.P.
One Manhattanville Road, Suite 201
Purchase, NY 10577
Attention: Joseph D. Glatt
E-mail: jglatt@apollolp.com

with a copy to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, NY 10019-6064
Attention: Brian Finnegan and Tracey Zaccone
Telecopy: +1 212 373 3000
E-mail: Bfinnegan@paulweiss.com; Tzaccone@paulweiss.com

Apollo Lincoln Private Credit Fund, L.P.

Apollo Lincoln Private Credit Fund, L.P.
One Manhattanville Road, Suite 201
Purchase, NY 10577
Attention: Joseph D. Glatt
E-mail: jglatt@apollolp.com

with a copy to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, NY 10019-6064
Attention: Brian Finnegan and Tracey Zaccone
Telecopy: +1 212 373 3000
E-mail: Bfinnegan@paulweiss.com; Tzaccone@paulweiss.com

Apollo A-N Credit Fund (Delaware), L.P.

Apollo A-N Credit Fund, L.P.
One Manhattanville Road, Suite 201
Purchase, NY 10577
Attention: Joseph D. Glatt
E-mail: jglatt@apollolp.com

with a copy to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, NY 10019-6064
Attention: Brian Finnegan and Tracey Zaccone
Telecopy: +1 212 373 3000
E-mail: Bfinnegan@paulweiss.com; Tzaccone@paulweiss.com

Apollo Tower Credit Fund, L.P.

Apollo Tower Credit Fund, L.P.
One Manhattanville Road, Suite 201
Purchase, NY 10577
Attention: Joseph D. Glatt
E-mail: jglatt@apollolp.com

with a copy to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, NY 10019-6064
Attention: Brian Finnegan and Tracey Zaccone
Telecopy: +1 212 373 3000
E-mail: Bfinnegan@paulweiss.com; Tzaccone@paulweiss.com

Apollo Special Situations Fund, L.P.

Apollo Special Situations Fund, L.P.
c/o Apollo Special Situations Advisors, L.P.
One Manhattanville, Suite 201
Purchase, NY 10577
Attn: General Counsel

with a copy to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, NY 10019-6064
Attention: Brian Finnegan and Tracey Zaccone
Telecopy: +1 212 373 3000

E-mail: Bfinnegan@paulweiss.com; Tzaccone@paulweiss.com

RK Gold (Cayman) Holdings, L.P.

c/o GCM Customized Fund Investment Group, L.P.
767 Fifth Avenue, 14th Floor
New York, NY 10153
Attention: General Counsel
E-mail: legal@gcmlp.com

with a copy to:

Gibson, Dunn & Crutcher LLP
200 Park Avenue
New York, NY 10166-0193
Attention: Edward Sopher and Glenn Pollner
Telecopy: +1 212 351 4000
E-mail: ESopher@gibsondunn.com; GPollner@gibsondunn.com

Abraaj Platinum Holding, L.P.

The Abraaj Group
Pedregal 24-801B
Molino del Rey, 11040
Mexico City, Mexico
Attention: Miguel Olea and Eduardo Cortina
Telecopy: +52 55 9178 9010
E-mail: miguel.olea@abraaj.com; eduardo.cortina@abraaj.com

with a copy to:

Weil, Gotshal & Manges LLP
100 Federal Street, 34th Floor
Boston, MA 02110-1802
Attention: Shayla Harlev
Telecopy: +1 617 772 8300
E-mail: Shayla.Harlev@weil.com

KKR 2006 Fund (Overseas), Limited Partnership

Kohlberg Kravis Roberts & Co.
9 West 57th St., Suite 4200
New York, NY 10019
Attention: General Counsel
Facsimile: +1 212 750 0003

with a copy to:

Kirkland & Ellis LLP
601 Lexington Avenue
New York, NY 10022
Attention: Sean D. Rodgers, P.C.
Telecopy: +1 212 446 4800
E-mail: Sean.rodgers@kirkland.com

KKR Partners II (International), Limited Partnership

Kohlberg Kravis Roberts & Co.
9 West 57th St., Suite 4200
New York, NY 10019
Attention: General Counsel
Facsimile: +1 212 750 0003

with a copy to:

Kirkland & Ellis LLP
601 Lexington Avenue
New York, NY 10022
Attention: Sean D. Rodgers, P.C.
Telecopy: +1 212 446 4800
E-mail: Sean.rodgers@kirkland.com

Snow, Phipps Group, L.P.

Snow, Phipps Group, LP.
667 Madison Avenue, 18th Floor
New York, NY 10021
Attention: Ian K. Snow
Telecopy:
E-mail: isnow@spgpartners.com

with a copy to:

Kirkland & Ellis LLP
601 Lexington Avenue
New York, NY 10022
Attention: Sean D. Rodgers, P.C.
Telecopy: +1 212 446 4800
E-mail: Sean.rodgers@kirkland.com

Snow, Phipps Group (RPV), L.P.

Snow, Phipps Group (RPV), L.P.
667 Madison Avenue, 18th Floor
New York, NY 10021
Attention: Ian K. Snow
Telecopy:
E-mail: isnow@spgpartners.com

with a copy to:

Kirkland & Ellis LLP
601 Lexington Avenue
New York, NY 10022
Attention: Sean D. Rodgers, P.C.
Telecopy: +1 212 446 4800
E-mail: Sean.rodgers@kirkland.com

Snow, Phipps Group (Offshore), L.P.

Snow, Phipps Group, LP.
667 Madison Avenue, 18th Floor
New York, NY 10021
Attention: Ian K. Snow
Telecopy:
E-mail: isnow@sppartners.com

with a copy to:

Kirkland & Ellis LLP
601 Lexington Avenue
New York, NY 10022
Attention: Sean D. Rodgers, P.C.
Telecopy: +1 212 446 4800
E-mail: Sean.rodgers@kirkland.com

Snow, Phipps Group (B), L.P.

Snow, Phipps Group (B), L.P.
667 Madison Avenue, 18th Floor
New York, NY 10021
Attention: Ian K. Snow
Telecopy:
E-mail: isnow@sppartners.com

with a copy to:

Kirkland & Ellis LLP
601 Lexington Avenue
New York, NY 10022
Attention: Sean D. Rodgers, P.C.
Telecopy: +1 212 446 4800
E-mail: Sean.rodgers@kirkland.com

S.P.G. Co-Investment, L.P.

S.P.G. Co-Investment, L.P.
667 Madison Avenue, 18th Floor
New York, NY 10021
Attention: Ian K. Snow
Telecopy:

E-mail: isnow@spppartners.com

with a copy to:

Kirkland & Ellis LLP
601 Lexington Avenue
New York, NY 10022
Attention: Sean D. Rodgers, P.C.
Telecopy: +1 212 446 4800
E-mail: Sean.rodgers@kirkland.com

Schedule B

IFC Investors

International Finance Corporation

International Finance Corporation
2121 Pennsylvania Avenue, N.W.
Washington, D.C. 20433
United States
Facsimile: +1 (202) 974-4392
Attention: Director, Manufacturing, Agribusiness and Services Department

IFC African, Latin American and Caribbean Fund, LP

IFC Asset Management Company, LLC
c/o International Finance Corporation
2121 Pennsylvania Avenue, N.W.
Washington, D.C. 20433
United States
Facsimile: +1 (202) 458 2239
Attention: Head, IFC African, Latin American and Caribbean Fund, LP

Schedule C

M&D Investors

Douglas L. Becker

Chairman & CEO
Laureate Education, Inc.
650 S. Exeter Street
Baltimore, Maryland 21202
(410) 843-8060 (FAX)

Brian F. Carroll

Member
Kohlberg Kravis Roberts & Co.
Stirling Square, 7 Carlton Gardens
London SW1Y 5AD ENGLAND
+44 (0)20 7104 2502 (FAX)

Andrew B. Cohen

Managing Director
Cohen Private Ventures, LLC
72 Cummings Point Road
Stamford, CT 06902
(203) 823-4104 (FAX)

Quentin Van Doosselaere

Co CEO
Bregal Investments
277 Park Avenue, 29th Floor
New York, NY 10172
(212)573-6234(FAX)

Darren M. Friedman

Partner
StepStone Group LLC
505 Fifth Avenue, 17th Floor
New York, NY 10017
(212) 351-6110

John A. Miller

President and CEO
North American Corporation
2101 Claire Court
Glenview, Illinois 60025
(847) 832-4014 (FAX)

George Muñoz

Principal
Munoz Investment Banking Group, LLC
2111 Wilson Blvd, Suite 850
Arlington, Virginia 22201
(703) 243-2874 (FAX)

Dr. Judith Rodin	President The Rockefeller Foundation 420 Fifth Ave New York, NY 10018 (212) 852-8277 (FAX)
Jonathan D. Smidt	Member Kohlberg Kravis Roberts & Co. 9 West 57 th Street, Suite 4200 New York, NY 10019 (212) 750-0003 (FAX)
Ian K. Snow	CEO & Partner Snow Phipps Group, LLC 667 Madison Avenue, 18th Floor New York, NY 10065 (212) 508-3334 (FAX)
Steven M. Taslitz	Senior Managing Director Sterling Partners 401 N. Michigan Avenue, Suite 3300 Chicago, IL 60611 (312) 465-7001 (FAX)
Robert B. Zoellick	101 Constitution Ave NW Suite 1000 East Washington DC 20001 (202) 525-3597 (FAX)
Timothy F. Daniels	Chief Executive Officer, Asia, Middle East and Africa Laureate Education, Inc. 650 S. Exeter Street Baltimore, Maryland 21202
Enderson Guimarães	President and Chief Operating Officer Laureate Education, Inc. 650 S. Exeter Street Baltimore, Maryland 21202
Alfonso Martinez	Chief Human Resources Officer Laureate Education, Inc. 650 S. Exeter Street Baltimore, Maryland 21202

Richard J. Patro	Chief Executive Officer, Global Products and Services Laureate Education, Inc. 650 S. Exeter Street Baltimore, Maryland 21202
Eilif Serck-Hanssen	Executive Vice President, Chief Financial Officer Laureate Education, Inc. 650 S. Exeter Street Baltimore, Maryland 21202
Karl D. Salnoske	Chief Information Officer Laureate Education, Inc. 650 S. Exeter Street Baltimore, Maryland 21202
Paula Singer	Chief Network Officer Laureate Education, Inc. 650 S. Exeter Street Baltimore, Maryland 21202
Ricardo Berckemeyer	Chief Executive Officer, LatAm Laureate Education, Inc. 650 S. Exeter Street Baltimore, Maryland 21202
Miguel Carmelo	Chief Executive Officer, Europe Laureate Education, Inc. 650 S. Exeter Street Baltimore, Maryland 21202
Robert W. Zentz	Senior Vice President, Secretary, General Counsel Laureate Education, Inc. 650 S. Exeter Street Baltimore, Maryland 21202

SCHEDULE 11(s)

Other Registration Rights

Capitalized terms used, but not otherwise defined herein, shall have the meanings ascribed thereto under the Agreement.

There are registration rights in respect of Registrable Securities or other equity securities of the Corporation pursuant to the following:

1. The Wengen Registration Rights Agreement.
 2. The Securityholders' Agreement, by and between Sponsor, Wengen Investments Limited and the other parties there to, dated as of July 11, 2007 as amended by Amendment No. 1 entered into as of August 17, 2007 and as amended by Amendment No. 2 entered into as of December 1, 2008 (as amended from time to time, the "**Wengen Securityholders' Agreement**").
 3. The Investors' Stockholders Agreement, dated January 16, 2013, as amended from time to time, by and among the Corporation, Sponsor, and the IFC Investors.
 4. Form of Management Stockholder's Agreement for equityholders by and among the Corporation, Sponsor and the M&D Investors party thereto (each such agreement the Company has entered into, as amended from time to time, a "**Management Stockholder's Agreement**").
 5. Form of Stockholders' Agreement for Entity-Appointed Directors by and among the Corporation, Sponsor and the M&D Investors party thereto (each such agreement the Company has entered into, as amended from time to time, an "**Entity Director Stockholder's Agreement**").
 6. Form of Stockholders' Agreement for Individual Directors by and among the Corporation, Sponsor and the M&D Investors party thereto (each such agreement the Company has entered into an "**Individual Director Stockholder's Agreement**" and collectively with the Entity Director Stockholder's Agreements and the Management Stockholder's Agreements, the "**Management and Director Stockholders Agreements**").
-

EXHIBIT A

ADDENDUM AGREEMENT

This Addendum Agreement is made this [] day of [], 20[], by and between [] (the "New Holder") and Laureate Education, Inc., a public benefit corporation organized under the laws of Delaware (the "Corporation"), pursuant to a Registration Rights Agreement dated as of December [•], 2016 (the "Agreement"), by and among the Corporation and the holders party thereto (the "Holders"). Capitalized terms used herein but not otherwise defined herein shall have the meanings ascribed to them in the Agreement.

WITNESSETH:

WHEREAS, the New Holder has acquired Registrable Securities directly or indirectly from a Holder; and

WHEREAS, the Corporation and the Holders have required in the Agreement that all persons desiring registration rights must enter into an Addendum Agreement binding the New Holder to the Agreement to the same extent as if it were an original party thereto.

NOW, THEREFORE, in consideration of the mutual promises of the parties hereto, the New Holder acknowledges that it has received and read the Agreement and that the New Holder shall be bound by, and shall have the benefit of, all of the terms and conditions set out in the Agreement to the same extent as if it were an original party to the Agreement and shall be deemed to be an Investor thereunder.

New Holder

Address:

AGREED TO on behalf of the Corporation pursuant to Section 11(d) of the Agreement.

LAUREATE EDUCATION, INC.

By: _____

Name:

Title:

STOCKHOLDERS AGREEMENT
OF
LAUREATE EDUCATION, INC.
DATED AS OF DECEMBER 20, 2016
BY AND AMONG
LAUREATE EDUCATION, INC.
AND
THE OTHER PARTIES HERETO

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STOCKHOLDERS AGREEMENT

This Stockholders Agreement (as amended from time to time, this “**Agreement**”) is entered into as of December 20, 2016, by and among Laureate Education, Inc., a public benefit corporation organized under the laws of Delaware (the “**Company**”), Wengen Alberta, Limited Partnership, a limited partnership under the laws of the Province of Alberta (“**Wengen**”), the investors set forth on Schedule A (the “**Investors**”), and any other stockholders that may become a party to this Agreement after the date hereof and pursuant to the terms hereof (collectively with the Investors, the “**Stockholders**”). Certain capitalized terms used herein are defined in Section 5.1. Capitalized terms used but not otherwise defined in this Agreement shall have the meanings ascribed in the Certificate of Designations.

RECITALS

WHEREAS, each Stockholder owns, as of the date hereof, that type and number of shares of Capital Stock of the Company as set forth opposite such Stockholder’s name on Exhibit I hereto;

WHEREAS, the Stockholders believe it to be in the best interest of the Company and the Stockholders to provide for the continued stability of the business and policies of the Company and its Subsidiaries, as the same may exist from time to time, and, to that end, the parties hereto set forth this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained in this Agreement, the sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE I TERMINATION

1.1 Termination of Agreement. Except with respect to such provisions as specifically set forth herein, this Agreement will automatically terminate upon the earlier to occur of (i) the consummation of an Exit Event, (ii) when all of the Investors collectively cease to hold more than one percent (1.0%) of the outstanding shares of Capital Stock, or (iii) subject to the following proviso, the effective time of a Public Offering: provided, however, that, notwithstanding the foregoing, (a) the provisions set forth in this Section 1.1, Section 2.1(f) and Section 2.4 (and the defined terms set forth therein) shall survive any such termination pursuant to clause (iii) above until the earlier to occur of (x) redemption of all the shares of Series A Preferred Stock pursuant to the terms of the Certificate of Designations, or (y) the earlier of (A) the date on which the Initial Follow-On Public Offering is consummated pursuant to the Certificate of Designations and the Registration Rights Agreement or (B) if then converted, the date which is 120 days (or if a registration is suspended, postponed or otherwise not available pursuant to the terms of the Registration Rights Agreement, then an additional number of days equal to the length of such suspension, postponement or lack of availability) after the date on which an amount of Conversion Stock equal to or more than the Priority Amount has been registered pursuant to an effective registration statement in accordance with the terms of the Registration Rights Agreement, or if earlier, the date on which at least the Priority Amount under

such registration statement has been sold, and (b) and the provisions set forth in Section 4.2 shall remain outstanding so long as any Investor holds any Series A Preferred Stock.

ARTICLE II
TRANSFERS AND ISSUANCES

2.1 Limitations on Transfer. Subject to and except as provided in this Agreement and applicable Law, an Investor shall be permitted to Transfer from time to time any or all of the Series A Preferred Stock and Conversion Stock beneficially owned by it without the consent or approval of any Person. Each Stockholder hereby agrees that:

(a) no Transfer of Capital Stock shall occur in any manner that violates the provisions of the Certificate of Incorporation or Bylaws of the Company, this Agreement, or any applicable Law, including federal or state securities Laws;

(b) no Stockholder may Transfer any shares of Series A Preferred Stock starting at the close of business on a date not more than fifteen (15) days before the date of the anticipated commencement of a *bona fide* roadshow for QPO (which date is notified by the Company in writing to the Stockholders before such date) and ending on the earlier of (i) the initial settlement date of the QPO, (ii) twenty-one (21) days (or, if such roadshow includes in-person meetings in any jurisdiction outside the United States, thirty (30) days) after the first day of such roadshow and (iii) fifteen (15) days after such notification by the Company if the roadshow has not commenced by such date; provided, however, that, for so long as this Agreement remains in effect, the Company agrees not to terminate, amend or supplement (or agree to terminate, amend or terminate) any equivalent or substantially similar transfer restrictions in that certain Note Exchange Agreement dated April 15, 2016 among the Company and the other parties there in any way that is substantially more favorable to the Person(s) subject thereto than as set forth herein unless and until the Company terminates, amends or supplements the restrictions set forth in this Section 2.1(b).

(c) during the period commencing on the effective time of a Public Offering and continuing until the earlier of (i) three hundred sixty-six (366) days from the effective time of such Public Offering and (ii) the date on which the shares of Series A Preferred Stock are converted into shares of Common Stock, each Stockholder agrees that it shall not enter into a transaction which would have the same effect, or enter into any swap, hedge or other similar arrangement that transfers, in whole or in part, any of the economic consequences of ownership of the Securities (but, for the avoidance of doubt, not the direct ownership of the shares of Series A Preferred Stock), whether any such aforementioned transaction or arrangement is to be settled by delivery of the Securities or such other securities, in cash or otherwise, or publicly disclose the intention to make any such offer, sale, pledge or disposition, or to enter into any such swap, hedge or other similar arrangement;

(d) no Stockholder may Transfer any shares of Series A Preferred Stock to any Person (any such Person, a “**Restricted Transferee**”) that is (A) a Competitor of the Company as determined by the Board in its good faith reasonable discretion, (B) listed on Schedule 2.1(d), (C) that is a target of any economic sanctions administered by the Office of Foreign Assets Control of the United States Treasury Department (“**Sanctions Target**”), or (D)

named on (x) a list promulgated by the United Nations Security Council or its committees pursuant to resolutions issued under Chapter VII of the United Nations Charter or (y) the World Bank Listing of Ineligible Firms; provided, however, that notwithstanding the foregoing, a Stockholder may at any time deliver to the Company's General Counsel (with copies to the Company's Chief Financial Officer, Treasurer and Corporate Secretary) a written list of potential transferees (including, for the avoidance of doubt, any potential Transferee the name of which is on any of the foregoing lists), and, if the Company does not indicate in writing within ten (10) Business Days after the submission of such list whether it considers, in the good faith reasonable judgment of the Board, all or any of such potential Transferees to be Restricted Transferee(s), then any such potential Transferee that has not been timely indicated by the Company to be a Restricted Transferee shall not be considered a Restricted Transferee and the Stockholder shall be permitted to Transfer to such Person pursuant to the terms of this Article II after the expiration of such ten (10) day period; and

(e) no Stockholder may Transfer any shares of Series A Preferred Stock to any:

(i) Person or member of such Person's family (as the term "family" is defined in 34 C.F.R. Section 668.174(c)(4)), that alone or together, (i) exercises or exercised Substantial Control (as the term "substantial control" is defined in 34 C.F.R. § 668.174(c) (3)) over another educational institution or third-party servicer (as that term is defined in 34 C.F.R. Section 668.2) that owes a liability for a violation of a Title IV Program requirement or (ii) owes a liability for a Title IV Program violation;

(ii) Person that has pled guilty to, pled *nolo contendere*, 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 or has been administratively or judicially determined to have committed fraud or any other material violation of Law involving funds of any Governmental Authority or Educational Agency; or

(iii) Person that has filed for relief in bankruptcy or had entered against it an order for relief in bankruptcy, or to the knowledge of such Person, has a Subsidiary that has filed for relief in bankruptcy or had entered against it an order for relief in bankruptcy.

(f) Notwithstanding anything in this Agreement or any other Transaction Documents to the contrary, starting immediately after the pricing of a Public Offering and continuing until the earlier of (x) the date on which the Initial Follow-On Public Offering is consummated pursuant to the Certificate of Designations and the Registration Rights Agreement or (y) if then converted, the date which is 120 days (or if a registration is suspended, postponed or otherwise not available pursuant to the terms of the Registration Rights Agreement, then an additional number of days equal to the length of such suspension, postponement or lack of availability) after the date on which an amount of Conversion Stock equal to or more than the Priority Amount has been registered pursuant to an effective

registration statement in accordance with the terms of the Registration Rights Agreement, or if earlier, the date on which at least the Priority Amount under such registration statement has been sold, neither Wengen nor Douglas L. Becker shall offer, sell or otherwise Transfer, or agree to offer, sell or otherwise Transfer, either directly or indirectly, any of such Person's Equity Securities in the Company, including pursuant to a Registration Statement or in a Public Offering; provided, however, the foregoing restriction shall not apply with respect to Becker Excluded Securities.

2.2 Effect of Void Transfers. Any Transfer made in breach of this Agreement shall be null and void and of no effect, and the Company shall not (i) recognize any purported Transfer of Capital Stock in violation of this Agreement, (ii) record or register any such Transfer of Capital Stock in its share registry, or (iii) cause any third party transfer agent to effect such Transfer, to the extent that it appoints one. In furtherance of the provisions of this Article II, the Company and its transfer agent and registrar are hereby authorized to decline to make any Transfer of shares of Securities if such Transfer would constitute a violation or breach of this Agreement. The Company shall promptly register each Transfer made pursuant to and in accordance with the terms of this Agreement on its books and records, provided that the failure of the Company to do so shall in no way impact or limit the effectiveness of such Transfer.

2.3 Preemptive Rights.

(a) Subject to Section 2.3(d), in the event that the Company proposes to issue additional Securities (collectively, "**New Issuances**"), the Company shall deliver to the Investors a written notice of such proposed New Issuance, setting forth the amount of the additional Securities, the price per share and the general terms of such New Issuance (the "**Participation Notice**"), at least thirty (30) days prior to the date of the proposed New Issuance (the period from the date of such notice until the date of such proposed New Issuance, the "**Subscription Period**").

(b) Subject to Section 2.3(d), each Investor shall have the right, exercisable at any time during the first fifteen (15) days of the Subscription Period by delivering written notice to the Company and on the same terms as those of the proposed New Issuance, to subscribe for not more than its New Issuance Ownership Percentage of any such additional Securities (each, a "**Participating Investor**", or, collectively, the "**Participating Investors**").

(c) Notwithstanding the foregoing provisions of this Section 2.3, in the event that the Board determines that time is of the essence in completing any New Issuance subject to this Section 2.3, the Company may proceed to complete such issuance prior to the expiration of the Subscription Period, so long as provision is made in such issuance such that subsequent to the Subscription Period either (i) the purchaser(s) will be obligated to Transfer that portion of such Securities to any Participating Investors properly electing to participate in such issuance pursuant to this Section 2.3 sufficient to satisfy the terms of this Section 2.3 or (ii) the Company shall issue such additional Securities to those Participating Investors properly electing to participate in such issuance pursuant to this Section 2.3, sufficient to satisfy the terms of this Section 2.3. Notwithstanding the foregoing, the Company may not avail itself of the terms of this Section 2.3(c), if as a result thereof, any regulatory requirement applicable to

the Company or its Subsidiaries would reasonably be expected to prevent one or more of the Investors from exercising their preemptive rights pursuant to this Section 2.3 by the Company's regulators.

(d) This Section 2.3 shall not apply to any of the following (provided that the Persons that subscribe for any such Securities execute a counterpart to this Agreement or are indirectly bound by this Agreement) to: (i) the issuance or grant of Securities to directors, officers, employees or consultants of the Company or any of its Subsidiaries, including Permitted Equity Issuances, after the date hereof pursuant to any management equity plan or other equity-based employee benefits plan of the Company, which in each case has been approved by the Board or any duly authorized committee thereof in its good faith reasonable judgment; (ii) the issuance or sale of Securities in a Public Offering; (iii) the issuance, grant or sale of Securities to a seller or its designee in connection with and as consideration for the Company's or any of its Subsidiaries' direct or indirect acquisition of, or business combination with, a Person (other than Wengen or an Affiliate of Wengen), which acquisition or other business combination has been approved by the Board or any duly authorized committee thereof; (iv) the issuance or sale of Securities pursuant to any joint venture, partnership or other strategic transaction with any Person (other than Wengen or an Affiliate of Wengen), and primarily for purposes other than raising capital, which in each case has been approved by the Board or any duly authorized committee thereof in its good faith reasonable judgment; (v) the issuance of Securities in connection with Permitted Acquisitions (as defined in the Debt Documents); (vi) the issuance of Securities in connection with Permitted Investments (as defined in the Debt Documents), *provided that*, in the case of the foregoing clauses (i) (solely with respect to Permitted Equity Issuances), (iii), (iv), (v), and (vi), the aggregate number of all Securities issuable pursuant thereto shall under no circumstance exceed, on a cumulative basis, ten percent (10%) of the total shares of Common Stock as of the Closing Date calculated on a fully diluted basis (the "**10% Threshold**"); and *provided, further*, that any issuance, grant or sale of Securities in connection with a transaction contemplated by any of the foregoing clauses (i) (solely with respect to Permitted Equity Issuances), (iii), (iv), (v) and (vi), shall not be included in the denominator when determining the calculation of the 10% Threshold; (vii) the issuance of Securities pursuant to the terms of Securities which have been issued, sold or granted in compliance with this Section 2.3; (viii) any issuance of Securities in connection with a Syndication Transaction or Forced Liquidity Transaction; or (ix) any issuance of Securities in connection with any stock split, stock dividend or recapitalization paid on a proportionate basis to all holders of the affected class of equity interest, which in each case has been approved by the Board or any duly authorized committee thereof.

(e) If any Participating Investor shall have elected to subscribe for the additional Securities pursuant to this Section 2.3, on either (x) the date such Securities are issued or (y) to the extent that such Participating Investor is required to make a capital call to fund the purchase price under its organizational documents, the later of the date such Securities are issued or twelve (12) Business Days following the capital call (provided that such capital call shall be made no later than the date on which the Subscription Period ends):

(i) such Participating Investor shall pay the applicable purchase price for the additional Securities that it has subscribed for to the Company;

(ii) the Company shall issue to such Participating Investor the Securities that such Participating Investor has subscribed for free and clear of all Liens or rights of third parties and cause such Participating Investor's name to be entered in the register of shareholders against payment of its applicable purchase price and deliver to such Participating Investor a certified copy of an extract of the Company's register of shareholders evidencing issuance of the Securities registered in the name of such Participating Investor; and

(iii) the Company and such Participating Investor shall take all other necessary actions to consummate the subscription.

(f) If at the end of sixty (60) days following the date of the effectiveness of the Participation Notice, the Company has not consummated the New Issuance on the terms and conditions specified in such Participation Notice, each Participating Investor will be released from any obligation to purchase the Securities in such New Issuance, the Participation Notice will be null and void, and it will be necessary for a separate Participation Notice to be furnished, and the terms and provisions of this Section 2.3 separately complied with in order to consummate any New Issuance subject to this Section 2.3.

(g) For purposes of this Section 2.3, each Participating Investor may aggregate, on a pro rata basis, its New Issuance Ownership Percentage with the New Ownership Percentage of any other Investors to the extent that such other Investors do not elect to purchase their respective New Issuance Ownership Percentage.

2.4 Tag-Along Rights. With respect to any proposed Transfer (other than Permitted Transfers) of shares of Capital Stock by Wengen (in such capacity, a "**Transferring Stockholder**") to any Person other than the Company or a Subsidiary of the Company, or to a Wengen Investor or its Affiliates (a "**Third Party**") (such a transfer, a "**Tag Along Transfer**"), the Transferring Stockholder shall have the obligation, and the Investors shall have the right, but not the obligation, to request the proposed Transferee to purchase from each Investor exercising such right (a "**Tagging Stockholder**") that number of shares of Capital Stock requested to be included by such Tagging Stockholder (such rights of the Tagging Stockholder to be referred to as "**tag-along rights**"); *provided, however*, that, if, subject to Section 2.4(b) below, such proposed Transferee refuses to purchase such shares of Capital Stock in accordance with the foregoing, each Tagging Stockholder shall have the right, but not the obligation, and the Transferring Stockholder shall have the obligation, to request the proposed Transferee to purchase from each Tagging Stockholder the number of shares of Capital Stock of such Tagging Stockholder determined by multiplying (i) the total number shares of Capital Stock proposed to be Transferred by the Transferring Stockholder by (ii) the Tag Along Ownership Percentage of such Tagging Stockholder. If the proposed Transferee is unwilling to purchase all of the shares of Capital Stock that the Tagging Stockholders have requested to be acquired by the proposed Transferee pursuant hereto, then the Transferring Stockholder shall not Transfer any shares of Capital Stock to such proposed Transferee unless

and until, simultaneously with the consummation of such Transfer, such proposed Transferee shall purchase such shares of Capital Stock from each Tagging Stockholder in accordance with the terms hereof. Each Tagging Stockholder shall Transfer its Capital Stock at the same price per share of Capital Stock and upon the same terms and conditions (including time of payment, form of consideration and option to elect form of consideration) as to be paid and given to the Transferring Stockholder; provided, however, that in order to be entitled to exercise its right to sell its Capital Stock to the proposed Transferee pursuant to this Section 2.4, unless waived by the Transferee, a Tagging Stockholder must agree to make to the proposed Transferee the same representations and warranties with respect to such Tagging Stockholder(s)' ownership of the Capital Stock to be sold by it (other than, for the avoidance of doubt, with respect to matters relating to the business of the Company and its Subsidiaries), covenants, indemnities (including with respect to representations and warranties relating to the business of the Company and its Subsidiaries) and agreements as the Transferring Stockholder agrees to make in connection with the proposed Transfer of the Capital Stock of the Transferring Stockholder (except that in the case of representations and warranties pertaining specifically to the Transferring Stockholder, a Tagging Stockholder shall make the comparable representations and warranties pertaining specifically to itself, and except that, in the case of covenants or agreements capable of performance only by certain Stockholders, such covenants or agreements shall be made only by such certain Stockholders); *provided, further*, that all representations and warranties, covenants, agreements and indemnities made by the Transferring Stockholder and the Tagging Stockholders pertaining specifically to themselves shall be made by each of them severally and not jointly; *provided, further*, that each Transferring Stockholder and each Tagging Stockholder shall be severally (but not jointly) liable for (i) indemnification obligations arising out of or relating to any breach of its representations and warranties, covenants and agreements and (ii) its pro rata portion (based on amount of proceeds received by such Person at the closing of such Transfer) of indemnification obligations arising out of or relating to any breach of representations and warranties pertaining to the Company and its Subsidiaries; provided, further, that no Tagging Stockholder shall be liable for a breach of the representations, warranties, covenants, fraud or indemnification obligations of any other Tagging Stockholder(s) or Transferring Stockholder(s); provided, further, that none of the Tagging Stockholders shall be required to enter into a non-competition, non-solicitation or equivalent covenant; provided, further, that in no event shall any Tagging Stockholder be liable for any amounts in excess of the amount of net proceeds actually received by such Tagging Stockholder in such Transfer.

(b) Notwithstanding anything to the contrary in this Agreement, each Transferring Stockholder shall give written notice (the "**Tag Notice**") to all other Stockholders of each proposed Transfer (excluding a Permitted Transfer), including the price per share of Capital Stock at which the proposed Transferee is willing to purchase such share, which shall be received at least thirty (30) Business Days prior to such Transfer, setting forth the name of the Transferring Stockholder(s), the number of shares of Capital Stock proposed to be so Transferred, the name and address of the proposed Transferee, the proposed amount and form of consideration (including, if the consideration consists in whole or in part of non-cash consideration, such information available to the Transferring Stockholder(s) as may be reasonably necessary for the Investors to properly analyze the economic value and investment risk of such non-cash consideration), any post-closing obligations imposed on the Tagging Stockholder and other terms and conditions offered by the proposed Transferee (including a

copy of the proposed or definitive purchase agreement and all exhibits/schedules thereto to the extent such documents exist at the of time the Tag Notice is given), and a representation that the proposed Transferee has been informed of the tag-along rights provided for in this Section 2.4 and has agreed to purchase the Capital Stock from any Tagging Stockholder or Tagging Stockholders in accordance with the terms hereof. The tag-along rights provided by this Section 2.4 must be exercised by each Tagging Stockholder within fifteen (15) Business Days following receipt of the notice required by the preceding sentence, by delivery of a written notice to the Transferring Stockholder indicating such Tagging Stockholder's election to exercise its rights pursuant to Section 2.4 and specifying the number of shares of Capital Stock that it elects to sell. If the proposed Transferee fails to purchase Capital Stock from any Tagging Stockholder that has duly exercised its tag-along rights, then the Transferring Stockholder shall not be permitted to make the proposed Transfer; provided that in the event the Transferee fails to purchase the Capital Stock from any Tagging Stockholder, upon prior and irrevocable written notice to such Tagging Shareholder, the Transferring Stockholder shall be entitled (but shall not be obligated) to purchase such Capital Stock from such Tagging Stockholder at a price of not less than the maximum price per share set forth in the notice and otherwise on terms and conditions in the aggregate not less favorable to the Tagging Stockholders than the terms set forth in the Tag Notice, and upon delivery of such notice, shall be permitted to complete the proposed Transfer within ninety (90) days of receipt of the notice from the Transferring Stockholder pursuant to this Section 2.4. Promptly after entering into a definitive agreement, a copy of such definitive agreement, including exhibits/schedules, together with ancillary documents available at such time, shall be delivered to the Tagging Stockholder.

(c) If any of the Tagging Stockholders exercises its rights under Section 2.4(a), the closing of the purchase of the Capital Stock with respect to which such rights have been exercised shall take place concurrently with the closing of the sale of the Transferring Stockholder's Capital Stock.

(d) Any Transfer pursuant to this Section 2.4 shall be consummated within ninety (90) days of receipt of the notice from the Transferring Stockholder to the other Stockholders and at a price of not more than the maximum price per share set forth in the notice and otherwise on terms and conditions in the aggregate not more favorable to the Transferring Stockholder and the Tagging Stockholders than were set forth in the Tag Notice. If, at the end of such ninety (90) day period, the Transferring Stockholder and the Tagging Stockholders have not completed the Transfer of the Capital Stock of the Transferring Stockholder and the Tagging Stockholders in accordance with the terms and conditions of the Tag Notice, all the restrictions on Transfer contained in this Agreement with respect to Capital Stock owned by the Transferring Stockholder and the Tagging Stockholders shall again be in effect.

2.5 Macquarie Syndication Rights. Notwithstanding anything herein to the contrary, Macquarie, at any time and from time to time during the Syndication Period, may Transfer, directly or indirectly, in one or more transactions, to any Person or Persons any amount of the shares of Series A Preferred Stock purchased by Macquarie at the Closing (each such Transfer, a "Syndication Transaction"); provided, that, the Transferee or purchaser of such shares shall not be a Restricted Transferee (to be determined pursuant to Section 2.1(d)) and such

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Person agrees to execute a counterpart to this Agreement and the other Transaction Documents, and (ii) Macquarie may not Transfer, directly or indirectly, any shares of Series A Preferred Stock to more than ten (10) unaffiliated groups with each such group holding not less than a number of shares of Series A Preferred Stock having an aggregate Issue Amount lower than \$5,000,000. Notwithstanding anything contained herein to the contrary, no Syndication Transaction shall be subject to any of the restrictions set forth in this Article II, or confer on any other Stockholder or the Company any of the rights or benefits provided to such other Stockholder or the Company in this Agreement with respect thereto, including the rights set forth in Section 2.4.

2.6 Certain Redemption Rights. If any Mandatory Redemption Shares remain outstanding on the date that is forty-five (45) days following the fifth (5th) anniversary of the Issue Date, then, unless the Super Majority Requisite Holders determine otherwise, (x) (i) the size of the Board of Directors shall be increased by two (2) seats (the "Investor Seats") and, except as set forth in the following sentence, the size of the Board of Directors shall not be further increased without the consent of the Requisite Series A Preferred Holders, (ii) the Requisite Series A Preferred Holders shall be entitled to (A) nominate and appoint the individuals to fill the vacancies created by such increase, (B) nominate and appoint each successor to such individuals and (C) to direct the removal from the Board of Directors of any member nominated and appointed under the foregoing clauses (A) or (B), and (iii) such individuals so nominated and appointed shall thereafter serve on the Board of Directors until their removal by the Requisite Series A Preferred Holders, (y) notwithstanding anything herein or any other Transaction Documents to the contrary, the Series A-1 Dividend Rate with respect to such shares shall be increased to a rate of 18% per annum (without any discount if paid in cash) and the Series A-2 Dividend Rate with respect to such shares shall be increased to the greater of (a) a rate of 18% per annum (without any discount if paid in cash) and (b) cash dividends declared and paid on the number of shares of Common Stock into which such share of Series A-2 Preferred Stock is then convertible, and (z) during the one hundred twenty (120) days following the date of such appointment (the "Initial Sale Period"), the Company will work in good faith with the Requisite Series A Preferred Holders to structure a mutually agreeable capital fundraising transaction and obtain any consents that may be required to be obtained under the Debt Documents to repurchase or redeem the then outstanding shares of Series A Preferred Stock in accordance with the provisions of this Section 2.6 and the Certificate of Designations.

(b) If, after the Initial Sale Period, any shares of Series A Preferred Stock remain outstanding, then, unless all of the Super Majority Requisite Holders determine otherwise:

(i) the Requisite Series A Preferred Holders may request in writing that the Continuing Directors of the Company (1) increase the size of the Board of Directors by a number of seats such that, after giving effect to such increase, the number of vacant seats in the Board of Directors plus the Investor Seats constitutes a majority of the Board of Directors sufficient to effect the transactions contemplated herein, (2) nominate, approve and appoint the individuals nominated by the Requisite Series A Preferred Holders to fill each vacancy created by such increase (it being understood that, after giving effect to

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such nomination and appointment, the aggregate number of directors so nominated and appointed shall constitute a majority of the Board of Directors sufficient to effect the transactions contemplated herein) and any successor to such individuals from time to time nominated by the Requisite Series A Preferred Holders (each such individual, an “**Additional Investor Director**” and, collectively, the “**Additional Investor Directors**”), and (3) remove any such Additional Investor Director from the Board of Directors;

(ii) if the Continuing Directors do not so nominate, approve and appoint each Additional Investor Director within five (5) Business Days after receipt of the request by the Requisite Series A Preferred Holders pursuant to clause (i) above, then automatically, and without any action on the part of any Person (and notwithstanding any terms of the By-laws to the contrary) the Requisite Series A Preferred Holders shall be entitled to (A) increase the size of the Board of Directors by a number of seats such that, after giving effect to such increase, the number of vacant seats in the Board of Directors plus the Investor Seats constitutes a majority of the Board of Directors sufficient to effect the transactions contemplated herein, (B) nominate and appoint the Additional Investor Directors to the Board of Directors, (C) nominate and appoint each successor to each such Additional Investor Director, and (D) direct the removal from the Board of Directors of any individual nominated and appointed under the foregoing clauses (B) or (C);

(iii) each individual nominated and appointed under Section 2.6(b)(ii) shall thereafter serve on the Board of Directors until (A) his or her resignation, (B) his or her removal at the direction of the Requisite Series A Preferred Holders, or (C) redemption of all shares of Series A Preferred Stock; and

(iv) the Requisite Series A Preferred Holders shall have the right to cause an Exit Event and/or cause the Company to raise capital (whether debt or equity), in each case in an amount sufficient to repurchase or redeem the then outstanding shares of Series A Preferred Stock (or any outstanding portion thereof) in accordance with the terms of Section 2.6(a) (collectively, a “**Forced Liquidity Transaction**”). The Company shall use its reasonable best efforts to consummate a Forced Liquidity Transaction as promptly as practicable thereafter. Without limiting the generality of the foregoing, in connection with any such Forced Liquidity Transaction, (i) the Company shall cause each of its officers and employees, as the Requisite Series A Preferred Holders may reasonably request, to participate actively in the Forced Liquidity Transaction, including attending diligence meetings and responding to diligence requests, and (ii) Wengen (A) shall vote its shares of capital stock and take any and all other actions, execute and deliver any and all documents, in each case, as reasonably requested by the Requisite Series A Preferred to effect such Forced Liquidity Transaction, including any transfer agreements, sale agreements, escrow agreements, consents, assignments, releases of claims relating to their interest in the Company, waivers, applications, reports, returns, filings and other documents or instruments with any

governmental authorities, (B) to the extent that the Forced Liquidity Transaction is an equity or debt financing, shall cause all or a portion of the proceeds of the Forced Liquidity Transaction to be paid to the Holders of the Series A Preferred Stock as consideration for the redemption of their respective shares of Series A Preferred Stock (or any portion of such consideration that remains outstanding as a result of a partial redemption pursuant to Section 7(a)(1)), (C) irrevocably waives all consent or approval rights, preemptive rights, co-sale rights, rights of first refusal, right of first offer or similar rights that the Company or such stockholder (as the case may be) may have (including under the Stockholders Agreement) in connection with such Forced Liquidity Transaction, (D) acknowledges and agrees not to sue any Holders of shares of Series A Preferred Stock, the members of the Board of Directors designated by such Holders or any of their respective Affiliates in connection with any of their actions or omissions pursuant to this Section 2.6(b)(iv) other than for taking an action in breach of a covenant from the Holders in this Certificate of Designations, (E) irrevocably waives any dissenter's rights, appraisal rights or similar rights under Section 262 of the General Corporation Law of the State of Delaware or otherwise, and hereby waives all related claims (including any claims for breach of fiduciary duty arising out of or related to any actions taken or omissions, as the case may be, including claims relating to the fairness of a Forced Liquidity Transaction, the amount, nature, form or terms of consideration paid for shares of capital stock of the Company in such Forced Liquidity Transaction even if such Forced Liquidity Transaction results in no consideration being paid or payable to any or all of the holders other than the Holders of shares of Series A Preferred Stock, the process or timing of such Forced Liquidity Event or any similar claims), and (F) agrees to participate, up to such holder's pro rata portion of its proceeds in such Forced Liquidity Transaction, in any payments received by the buyer in an Exit Event purchase price adjustments, indemnification or other obligations that the sellers of shares of capital stock, other equity interests or assets are required to provide in connection with the Forced Liquidity Transaction such that proceeds will be distributed as if they had been distributed after giving effect to such adjustments, escrows, holdbacks, indemnifications and other obligations, other than any such obligations that relate solely to a particular stockholder of the Company, such as indemnification with respect to representations and warranties given by such stockholder regarding such stockholder's title to and ownership of securities, in respect of which only such stockholder will be liable; provided, however, that notwithstanding anything to the contrary in this Section 2.6, neither Wengen nor the Wengen Investors shall be bound by any Forced Liquidity Transaction that would: (1) treat the Common Stock held directly or indirectly by Wengen or any Wengen Investor in a manner that is disproportionate to the Common Stock held by any other holder of Common Stock, including by imposing an escrow, clawback or other form of indemnification with respect to the Common Stock held directly or indirectly by Wengen or such Wengen Investor that is not imposed upon the Common Stock of any other holder of the Common Stock, (2) require Wengen or any Wengen Investor to indemnify or hold harmless any buyer for any amounts in excess of the aggregate proceeds to be received, respectively,

by Wengen or such Wengen Investor, as applicable, in connection with such Forced Liquidity Transaction, (3) require Wengen or any Wengen Investor to indemnify or hold harmless any buyer for matters relating to the business of the Company and its Subsidiaries, (4) require an indemnity from or recourse to Wengen or any Wengen Investor for representations, warranties or covenants relating to the business of the Company or its Subsidiaries (excluding, for the avoidance of doubt, representations or warranties related to Wengen or any Wengen Investor's ownership of Common Stock to be Transferred by such Person (including such Person's ability to convey title free and clear of all liens, encumbrances, adverse claims or similar restrictions; no conflicts with agreements to which such Person is a party; no conflicts with law; authority; and enforceability) or (5) impose a non-compete on any Wengen Investor or its Affiliates. The Company shall promptly provide any directors nominated and appointed by such Requisite Series A Preferred Holders pursuant to this [Section 2.6\(b\)](#) with indemnification rights, advancement of expenses and exculpation, including indemnification agreements and any new directors' and officers' liability insurance policy or policies or any amendment to the existing policy or policies in form satisfactory to such directors.

(c) Wengen hereby: (i) irrevocably appoints (and upon any Transfer to a Transferee thereof, each such Transferee thereof shall be deemed to have irrevocably appointed) a Person designated by the Requisite Series A Preferred Holders (with full power of substitution and re-substitution), as such holder's proxy and attorney in fact (each, in such capacity, a "**Wengen Proxy Holder**") for and in the name, place and stead of such holder, to vote or cause to be voted (including by proxy or written consent, if applicable) its shares of Common Stock or other voting equity securities of the Company in connection with any vote, consent or approval necessary to consummate any Forced Liquidity Transaction that complies with the penultimate sentence of this [Section 2.6\(c\)](#); (ii) acknowledges and agrees that, to the maximum extent permitted from time to time under the laws of the State of Delaware, the proxy granted by operation of this [Section 2.6\(c\)](#) is not intended to create, and shall not create, a fiduciary duty or fiduciary or agency relationship between or among the Wengen Proxy Holder, on the one hand, and the Company or any other holder of capital stock of the Company, on the other; (iii) acknowledges and agrees not to sue the Wengen Proxy Holder or any of its Affiliates in connection with the Wengen Proxy Holder's exercise of the proxy and power of attorney granted it pursuant to clause (i) of this [Section 2.6\(c\)](#) other than for taking an action in breach of a covenant from the Holders in this Agreement; (iv) acknowledges and agrees not to be entitled to any dissenter's rights, appraisal rights or similar rights under Section 262 of the General Corporation Law of the State of Delaware or otherwise, and hereby irrevocably waives all related claims (including any claims for breach of fiduciary duty arising out of or related to any actions taken or omissions by the Wengen Proxy Holder (other than taking an action or omitting to take an action in breach of a covenant from the Holders in the Certificate of Designations), in connection with the Wengen Proxy Holder's exercise of the proxy and power of attorney granted it pursuant to clause (i) of this [Section 2.6\(c\)](#), as the case may be, including claims relating to the fairness of a Forced Liquidity Transaction, the amount, nature, form or terms of consideration paid for shares of capital stock of the Company in such Forced Liquidity Transaction even if such Forced Liquidity Transaction results in no consideration being paid or payable to any or all of the holders other than the Holders of shares

of Series A Preferred Stock, the process or timing of such Forced Liquidity Event or any similar claims); (v) represents to the Holders of shares of Series A Preferred Stock that no other irrevocable proxy in connection with its Common Stock has been granted prior to the date hereof, and agrees that any other proxies heretofore given by such holder of Common Stock (which, for the avoidance of doubt, does not include this proxy) are hereby revoked effective immediately; and (vi) affirms that this irrevocable proxy is given in consideration for the mutual agreements contained in this Agreement and in connection with such Stockholder's subscription for its Securities, and that this irrevocable proxy is coupled with an interest and may not, under any circumstances, be revoked. The Company hereby acknowledges receipt of and the validity of the foregoing irrevocable proxy, and agrees to recognize the Wengen Proxy Holder as the sole attorney and proxy for each such holder at all times prior to the termination date of such irrevocable proxy as hereinafter provided in this Section 2.6(c). Wengen acknowledges and agrees that the irrevocable proxy granted pursuant to this Section 2.6(c) will remain in effect until the earlier of (x) redemption in full all of the shares of the Series A Preferred Stock in accordance with this Certificate of Designations and (y) twenty (20) years from the date hereof. Notwithstanding anything in this Section 2.6(c) to the contrary, neither Wengen nor the Wengen Investors shall have any obligation to take action or cooperate with the Series A Preferred Stock in connection with, including voting in favor of, any Forced Liquidity Transaction that would: (A) treat the Common Stock held directly or indirectly by Wengen or any Wengen Investor in a manner that is disproportionate to the Common Stock held by any other holder of Common Stock, including by imposing an escrow, clawback or other form of indemnification with respect to the Common Stock held directly or indirectly by Wengen or such Wengen Investor that is not imposed upon the Common Stock of any other holder of the Common Stock, (B) require Wengen or any Wengen Investor to indemnify or hold harmless any buyer for any amounts in excess of the aggregate proceeds to be received, respectively, by Wengen or such Wengen Investor, as applicable, in connection with such Forced Liquidity Transaction, (C) require Wengen or any Wengen Investor to indemnify or hold harmless any buyer for matters relating to the business of the Company and its Subsidiaries, (D) require an indemnity from or recourse to Wengen or any Wengen Investor for representations, warranties or covenants relating to the business of the Company or its Subsidiaries (excluding, for the avoidance of doubt, representations or warranties related to Wengen or any Wengen Investor's ownership of Common Stock to be Transferred by such Person (including such Person's ability to convey title free and clear of all liens, encumbrances, adverse claims or similar restrictions; no conflicts with agreements to which such Person is a party; no conflicts with law; authority; and enforceability) or (E) impose a non-compete on any Wengen Investor or its Affiliates. The proxy granted by this Section 2.6(c) shall be governed by and construed and enforced in accordance with the internal laws of the State of Delaware without regard to principles of conflicts of law.

2.7 Additional Macquarie's Rights. In connection with the proposed Transfer of any Series A-1 Preferred Stock by Macquarie or an issuance and sale of securities pursuant to Section 2.5, the Company will reasonably cooperate with the Transferee to restructure, amend and/or modify the Series A-1 Preferred Stock to be transferred or securities to be issued and sold, as the case may be, in a manner that is tax efficient to such proposed Transferee and which does not materially adversely affect the Company. Any issuance of Securities by the Company in furtherance of the foregoing shall not be subject to any of the restrictions to Transfers set forth in this Article II, including Section 2.3. In connection therewith, each Stockholder hereby irrevocably agrees to take

such further action and execute such other instruments as may be reasonably necessary to effectuate the intent of the foregoing.

ARTICLE III
CORPORATE GOVERNANCE; FINANCIAL INFORMATION AND RELATED COVENANTS

3.1 **Corporate Governance.** For as long as any shares of Series A Preferred Stock are outstanding, commencing on the Closing Date and for as long as Abraaj Platinum Holding, L.P., a Cayman limited partnership (“**Abraaj**”) beneficially owns at least twenty percent (20%) (the “**Abraaj Threshold**”) or more of the Series A Preferred Stock acquired by it pursuant to the Subscription Agreement, Abraaj shall have the right to designate one (1) natural Person (a “**Non-Voting Observer**”) to be a non-voting observer to attend meetings of the Board and the Board of each Subsidiary on which a representative from KKR serves (each, a “**KKR Board**”); provided, however, if Abraaj fail to make the payment owed by it on the Abraaj Second Payment Date (as defined in the Subscription Agreement), if Abraaj fails to make the payment owed by it on the Abraaj Second Payment Date or beneficially owns a number shares of the Series A Preferred Stock in an amount less than the Abraaj Threshold, the Stockholders holding a majority of the outstanding shares of Series A Preferred Stock, voting together as a single class, shall have the right to appoint the Non-Voting Observer. The Company and each KKR Board shall provide the Non-Voting Observer with written notice of each Board and KKR Board meeting at the same time and in the same manner as notice is provided to the members of the Board and such KKR Board, and permit the Non-Voting Observer to attend, as a non-voting observer, all such meetings, either in person or by telephone conference; provided, however, that if any Non-Voting Observer’s attendance at any such meeting or any portion thereof, in the reasonable judgment of the Board or KKR Board, as the case may be, would jeopardize any attorney-client privilege, then the members of the Board or the KKR Board, as the case may be, may exclude such Non-Voting Observer from the portion of such meeting that would jeopardize such privilege. The Non-Voting Observer shall be entitled to receive all written materials provided to any Board or KKR Board member in connection with such regularly scheduled Board meetings at the same time such materials and information are provided to such Board or KKR Board members; provided, however, that to the extent that receipt of such materials or other information by the Non-Voting Observer would, based on the advice of outside legal counsel to the Company or the Company’s law department jeopardize any attorney-client privilege, the Board or the KKR Board, as the case may be, may elect to not provide these materials or information. The Non-Voting Observer shall be entitled to (i) share all written materials and other written information provided to it as a Non-Voting Observer with the Investors to the extent that such information would not disclose material non-public information and (ii) share his or her observations or information gained from his or her attendance at such meetings with the Investors. In addition, if the Board or any KKR Board is considering any transaction in which any Investor or any Affiliate of an Investor has an interest, then the Board or the KKR Board, as the case may be, may withhold from the Investors and the Non-Voting Observer written materials or other information relating thereto and the Non-Voting Observer shall excuse himself or herself from the portion of the meeting at which such transaction is discussed. The rights set forth in this Section 3.1 shall not apply and shall automatically terminate without any further action by the parties (A) if Abraaj fails to make the payment owed by Abraaj on the Abraaj Second Payment Date and (B) upon the earlier to occur of (i) the

consummation of a Public Offering or (ii) such time as the Investors who purchase shares of Series A Preferred Stock at the Closing fail to beneficially own at least twenty percent (20%) or more of the Series A Preferred Stock acquired by the Investors at the Closing (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series A Preferred Stock).

3.2 Information Rights.

Section 3.2(a): (a) So long as an Investor holds shares of Capital Stock, such Investor shall be entitled to the information set forth in this

(i) within one-hundred twenty (120) days after the end of each fiscal year of the Company, the Company shall deliver to such Investor a consolidating and consolidated balance sheet of the Company as at the end of such fiscal year, and consolidating and consolidated statements of income and cash flows of the Company for such year, prepared in accordance with USGAAP consistently applied, certified by independent public accountants of recognized national standing selected by the Company, together with appropriate management discussion and analysis;

(ii) within fifty (50) days after the end of each fiscal quarter of the Company, an unaudited consolidating and consolidated balance sheet of the Company as of the end of each such quarterly period, and unaudited consolidating and consolidated statements of income and cash flows of the Company for such period, prepared in accordance with USGAAP consistently applied, subject to changes resulting from normal year-end audit adjustments, together with appropriate management discussion and analysis;

(iii) prior to the start of each fiscal year of the Company, or when otherwise readily available, the Budget of the Company and its Subsidiaries (on a consolidated basis);

(iv) copies of all lender call presentation materials provided to the lenders who are party to the Debt Documents;

(v) as soon as available, but in no event later than the date on which they are delivered, copies of all compliance certificates provided to the Company's lenders who are party to the Debt Documents;

(vi) any information related to actual results, budgets, forecasts and key performance indicators given to the Board at regularly scheduled Board meetings;

(vii) (A) prompt written notice of any Major Health and Safety Incident or Major Environmental Incident (to the extent such Major Environmental Incident would be expected to have a Material Adverse Effect on the Company, taken as a whole) of the Company and/or any of its Subsidiaries, such written notice to specify in each case the (x) nature of the incident and (y)

the impact or effect arising or likely to arise therefrom, (B) prompt written notice of the measures the Company and/or the relevant Subsidiary, as applicable, is taking or plans to take to address such incident(s) and to prevent any future similar incident and (C) ongoing information with respect to the implementation of such remedial measures;

(viii) prompt written notice of any threatened or commenced material litigation (including, once commenced, notice of any motion or other material filing with a Governmental Authority that may be dispositive of such litigation) against or affecting the Company or any of its Subsidiaries, taken as a whole, including any class action, the Whistleblower Complaint (as defined in the Subscription Agreement) or other proceeding, audit or investigation by any applicable Governmental Authority, to the extent such litigation or investigation would be expected to have a Material Adverse Effect on the Company, taken as a whole; and

(ix) prompt written notice of any material development with respect to the Whistleblower Complaint (including, once commenced, notice of any motion or other material filing with a Governmental Authority that may be dispositive of such litigation) and the Financial Memoranda (as defined in the Subscription Agreement), including any development that would reasonably be expected to result in a change to the conclusions therein.

(b) So long as Macquarie beneficially owns not less than the number of shares of Series A Preferred Stock corresponding to an aggregate Issue Amount Per Share not less than \$10,000,000, Macquarie shall be entitled to the following additional information:

(i) on a monthly basis, when readily available, any such recurring financial reports provided to KKR;

(ii) prior to the start of each fiscal year of the Company, or when otherwise readily available, the “long range plan” of the Company and its Subsidiaries (on a consolidated basis);

(iii) all materials and information provided to any observer of the Board, including, budgets, forecasts and key performance indicators as applicable;

(iv) prompt written notice of (A) any default under the Debt Documents, and (B) any termination for cause of any named executive officer (as defined in Item 402(a) of Regulation S-K under the Securities Act of 1933, as amended);

(v) after the end of each fiscal year of the Company, and once scheduled, the Company shall provide Macquarie and Abraaj, as the case may be, with a schedule of anticipated meetings of the Board for the then current fiscal year; and

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(vi) from time to time, such other information regarding the business, financial condition, operations, property or affairs of the Company and its Subsidiaries as Macquarie or Abraaj may reasonably request.

(c) So long as Abraaj beneficially owns not less than the number of shares of Series A Preferred Stock corresponding to an aggregate Issue Amount Per Share not less than \$10,000,000, Abraaj shall be entitled to the additional information provided pursuant to Sections 3.2(b)(i)-(vi) hereof.

(d) Documents required to be delivered pursuant to Section 3.2 may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date (A) on which the Company posts such documents, or provides a link thereto, on the Company’s website on the Internet (or other website identified to the Stockholders); (B) on which such documents are posted on the Company’s behalf on another relevant website, if any, to which such Investor has free and unlimited access at no charge (whether a commercial or third-party website (including the SEC’s website)); or (C) on which the Company delivers such documents via electronic mail. All accounting terms not otherwise defined herein shall have the meanings assigned to them in conformity with USGAAP. Financial statements and other information required to be delivered by the Company to the Investors pursuant to Section 3.2 hereof shall be prepared in accordance with USGAAP (except for the lack of footnotes and being subject to year-end adjustments). If, in the good faith reasonable judgment of the Board, at any time any change in USGAAP would affect, to any material extent, the computation of any financial ratio or financial requirement set forth in this Agreement, the Company may amend such ratio or requirement to preserve the original intent thereof in light of such change in USGAAP.

(e) No Investor shall be entitled to obtain any information relating to the Company except as expressly provided in this Agreement or to the extent required by applicable Law; and to the extent an Investor is so entitled to such information, such Investor shall comply with the confidentiality obligations set forth on Annex A attached hereto and any applicable securities laws.

3.3 Financial Covenants.

(a) The Company covenants and agrees that so long as any shares of Series A Preferred Stock are outstanding:

(i) The Company and its Subsidiaries shall not incur Indebtedness (excluding a refinancing of Indebtedness outstanding as of the Issue Date in an amount less than or equal to the sum of (A) the amount of Indebtedness outstanding as of the date of such refinancing, plus (B) original issue discount in respect of any such permitted Indebtedness, plus (C) reasonable fees and expenses of the Company incurred in connection with any such permitted Indebtedness) if the Total Net Leverage, on a pro forma basis, after giving effect to each such incurrence of Indebtedness (but for the avoidance of doubt, excluding any incurrences of Indebtedness described in clauses (1) through (8) below) and the repayment and retirement of any Indebtedness, exceeds the following ratios for

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each of the applicable periods set forth in clauses (w) through (z): (w) 5.35:1.00 as of December 31, 2016 based on the consolidated audited financial statements of the Company for the Company's fiscal year ending December 31, 2016 delivered to Investors pursuant to Section 3.2(a)(i), (x) 5.35:1.00 as of March 31, 2017, based on the consolidated audited financial statements of the Company for the Company's fiscal year ending December 31, 2016 delivered to Investors pursuant to Section 3.2(a)(i) for purposes of determining Adjusted EBITDA, and based on the consolidated unaudited financial statements of the Company for the fiscal quarter ending March 31, 2017 delivered to Investors pursuant to Section 3.2(a)(ii) for purposes of determining Indebtedness and unrestricted cash, (y) 5.35:1.00 as of June 30, 2017, based on the consolidated unaudited financial statements of the Company for the fiscal quarter ending June 30, 2017 delivered to Investors pursuant to Section 3.2(a)(ii) and (z) 5.25:1.00 as of the end of each fiscal quarter of the Company thereafter based on, for any such fiscal quarter that is one of the first three quarters of the Company's fiscal year, the consolidated unaudited financial statements of the Company for such fiscal quarter delivered to Investors pursuant to Section 3.2(a)(ii) and, for any such fiscal quarter that is the fourth quarter of the Company's fiscal year, consolidated audited financial statements of the Company for the Company's fiscal year ending on the last day of such quarter delivered to Investors pursuant to Section 3.2(a)(i); provided that if the Total Net Leverage exceeds the amount set forth above as of the end of a specified period above, the foregoing restriction on Indebtedness shall no longer apply if the Total Net Leverage does not exceed the amount set forth above for a subsequent period, as applicable; provided, further, that, notwithstanding the foregoing, the Company or any of its Subsidiaries may incur the following Indebtedness (in each case without compliance with the Total Net Leverage set forth in the foregoing clauses (w), (x), (y), or (z)): (1) the refinancing of Indebtedness that does not increase the total amount of the Company's Indebtedness on a consolidated basis, excluding any fees or original issue discount associated with such refinancing, (2) the incurrence of Indebtedness to fund then current working capital requirements of the Company and its Subsidiaries as determined in the good faith reasonable judgment of the Board; (3) without duplication of the foregoing clause (2); ordinary course draws under the existing revolving loans as of the Issue Date, including letters of credit issued under the Series 2016 Revolving Credit Loans (as defined in the Debt Documents), provided that the Company may not increase the availability of credit under any such revolving loans, including the Series 2016 Revolving Credit Loans; (4) the incurrence of Indebtedness to complete construction projects then in progress not in excess of \$25,000,000; (5) incurrence of Capital Leases incurred in the ordinary course of business not in excess of \$25,000,000; (6) renewal of existing operating leases on market terms, regardless of whether operating leases become Capital Leases upon renewal; (7) Indebtedness with respect to letters of credit provided in the ordinary course of business, including, without limitation, each letter of credit issued to any Governmental Authority or other applicable department or agency of any Governmental Authority, at the request of the Company or any Subsidiary thereof; and (8) Indebtedness

constituting any loan or advance by the Company to any Subsidiary or by a Subsidiary to the Company or another Subsidiary.

(ii) Commencing with the fiscal quarter ended December 31, 2017 and for every fiscal quarter thereafter (each such quarterly period, a “**Test Period**”), on or before the applicable Test Period Delivery Date, the Company shall deliver to the Investors a certificate in substantially the form attached as Exhibit B-1 hereto (each, the “**2016-Based Test Period Certificate**”) specifying for such Test Period (a) the LTM Revenue determined as of the last date of such Test Period and whether it exceeds or is less than the Fiscal Year 2016 Revenue, (b) the LTM Adjusted EBITDA, and whether it exceeds or is less than Fiscal Year 2016 Adjusted EBITDA, and (c) Total Net Leverage, as of the last day of the applicable Test Period, and whether it exceeds or is less than the Total Net Leverage Threshold. In the event that the 3.3(b) Financial Covenant Trigger occurs, the 2016-Based Test Period Certificate shall be revised to include any reasonable additional accounting and financial information as from time to time reasonably requested by the Requisite Series A Preferred Holders to make any determination pursuant to clause (b) below.

(b) Notwithstanding any other provisions of this Agreement, if, so long as any shares of Series A Preferred Stock are outstanding, for two consecutive Test Periods (the “**2016-Based Financial Test**,” and the failure to satisfy such test as of such date, the “**3.3(b) Financial Covenant Trigger**”):

- and
- (i) the LTM Revenue determined as of the last day of each such Test Period is less than Fiscal Year 2016 Revenue;
 - (ii) the LTM Adjusted EBITDA is less than Fiscal Year 2016 Adjusted EBITDA; and
 - (iii) Total Net Leverage exceeds the Total Net Leverage Threshold;

then, subject to the last sentence of Section 3.3(e) (collectively, the “**2016 Investors’ Remedies**”):

(A) the Requisite Series A Preferred Holders may appoint, at the Company’s expense, by providing written notice to the Company, one (1) Person selected by the Requisite Series A Preferred Holders to advise the Board on improving growth and profitability of the Company and its Subsidiaries;

(B) the Company shall not and shall not permit any of its Subsidiaries, directly or indirectly, without the prior written consent of the Requisite Series A Preferred Holders, enter into any instrument, document or agreement to effect any acquisition of assets or securities of any Person, or establish any new universities, schools or other institutions; provided, however, the Company may consummate any acquisition of assets or

securities of any Person if a definitive agreement with respect to such transaction was executed prior to the date on which the Company failed to satisfy the 3.3(b) Financial Covenant Trigger;

(C) the Company shall not and shall cause its Subsidiaries not to incur, without the prior written consent of the Requisite Series A Preferred Holders, any additional Indebtedness; *provided*, that, notwithstanding the foregoing, the Company or any of its Subsidiaries may incur the following Indebtedness: (1) the refinancing of Indebtedness that does not increase the total principal amount of the Company's Indebtedness then outstanding on a consolidated basis, excluding any fees associated with such refinancing, (2) the incurrence of Indebtedness to satisfy current working capital requirements of the Company and its Subsidiaries consistent with past practice as determined in the good faith reasonable judgment of the Board, (3) without duplication of the foregoing clause (2), ordinary course draws under the then existing revolving loans, including letters of credit issued under the Series 2016 Revolving Credit Loans, but solely to the extent that such draws do not increase the availability of credit under any such revolving loans, including the Series 2016 Revolving Credit Loans, (4) the incurrence of Indebtedness to complete construction projects then in progress, (5) the incurrence of Capital Leases in the ordinary course of business in an amount such that the aggregate amount of Capital Leases outstanding immediately following such incurrence (including, for the avoidance of doubt, the amount of such newly incurred Capital Leases) does not exceed an amount equal to \$25,000,000 plus the aggregate amount of Capital Leases outstanding as of the last day of the Test Period in which the 3.3(b) Financial Covenant Trigger occurred, (6) the renewal of existing operating leases that upon such renewal are deemed Capital Leases to the extent such leases are renewed on substantially the same terms and conditions as in effect prior to such renewal, (7) Indebtedness with respect to letters of credit provided in the ordinary course of business, including, without limitation, each letter of credit issued to any Governmental Authority or other applicable department or agency of any Governmental Authority, at the request of the Company or any Subsidiary thereof), and (8) Indebtedness constituting any loan or advance by the Company to any Subsidiary or by a Subsidiary to the Company or another Subsidiary; and

(D) the Company shall not and shall cause its Subsidiaries not to, without the prior written consent of the Requisite Series A Preferred Holders, approve (such approval not to be unreasonably withheld): (I) the incurrence of any Capital Expenditures in excess of the applicable Qualified CapEx Threshold; (II) an increase in the Company's consolidated general and administrative expense set forth in the Budget for the applicable fiscal year (or any reclassification of any line items within or across any such level), including corporate-level general and administrative items and institution-level general and administrative items, which result in an aggregate increase in excess of the greater of (y) 2% or (z) the applicable rate of inflation for the jurisdiction in question (measured in local currency), in either case, over the prior fiscal

year; and (III) any divestitures (other than Transfers between the Company or any of its Subsidiaries and any other Subsidiary of the Company) that result in proceeds to the Company of less than an amount equal to the product of (1) six and (2) the amount of Adjusted EBITDA for the immediately preceding twelve month period ended on the last day of the Test Period immediately preceding the consummation of such divestiture.

(c) If, so long as any shares of Series A Preferred Stock are outstanding, notwithstanding any other provisions of this Agreement, Total Net Leverage as of December 31, 2017 is equal to or greater than 5.25 (such test, the “**2017 Leverage Test**,” and the failure to satisfy such test as of such date, the “**3.3(c) Financial Covenant Trigger**,” and together with the 3.3(b) Financial Covenant Trigger, the “**Financial Covenant Triggers**”), then, in addition to any other remedies set forth in this Agreement (together with the 2016 Investors’ Remedies, the “**Investors’ Remedies**”):

(A) the Company shall implement a reduction of operating costs (excluding teacher compensation, other direct variable cost and other direct costs and direct compensation) and Capital Expenditures which are recurring in nature by at least \$125,000,000 in the aggregate, by December 31, 2018 (it being understood however that once such a reduction is achieved, there is no ongoing reduction in future years); and

(B) the Company shall not, and shall cause its Subsidiaries not to, without the prior written consent of the Requisite Series A Preferred Holders, effect any acquisition of assets or securities of any Person, or establish any new universities, schools or other institutions.

For purposes of this Section 3.3(c), on the delivery of the financial statements for December 31, 2017 pursuant to Section 3.2(a)(i), the Company shall deliver to the Investors a certificate specifying the 2017 Leverage Test, in substantially the form attached as Exhibit B-2 hereto (the “**2017 Trigger Certificate**,” and together with the 2016-Based Test Period Certificates, the “**Test Certificates**”). In the event of that the 3.3(c) Financial Covenant Trigger occurs, the 2017 Trigger Certificates shall be revised to include any additional reasonable accounting and financial information as from time to time reasonably requested by the Requisite Series A Preferred Holders to make any determination pursuant to clause (d) below.

(d) From the date of delivery by the Company of any Test Certificate through and including the fifteenth (15th) Business Days after delivery of a Test Certificate (each such fifteen (15) Business Day period, an “**Inspection Period**”), Macquarie and Abraaj accompanied by, if applicable, their respective accountants and any Holder of shares of Series A Preferred Stock that has coordinated such visit through Macquarie or Abraaj, as the case may be, shall be permitted prompt and reasonable access during normal business hours to the Company’s and its Subsidiaries’ properties at which books and records supporting such Test Certificate are maintained to review the Company’s and its Subsidiaries’ books and records supporting such Test Certificate and may make inquiries of the Company and its Subsidiaries and their respective accountants or officers related to the

preparation of such Test Certificate, provided that (a) only Macquarie and Abraaj may exercise the access and review rights set forth in this [Section 3.3\(d\)](#), (b) Macquarie and Abraaj, as the case may be, shall not have access to any such properties of the Company and its Subsidiaries more frequently than one (1) time during any Inspection Period, (c) Macquarie and Abraaj, as the case may be, shall provide the Company with at least three (3) Business Days' written notice prior to such access ("**Inspection Notice**"), (d) the Company and its Subsidiaries shall not be responsible for any costs and expenses in any way relating to such access and review rights, and (e) the Company shall, and shall cause its Subsidiaries to use their commercially reasonable efforts to cause any such officers to cooperate with and respond to such inquiries as promptly as practicable. The Company agrees that it shall not, and shall cause its Subsidiaries not to, take any actions with respect to the accounting books and records of the Company and its Subsidiaries on which such Test Certificates are to be based that are inconsistent with USGAAP consistently applied, except as otherwise contemplated herein. If Macquarie or Abraaj, as the case may be, has an objection to a Test Certificate that Macquarie or Abraaj, as the case may be, reasonably believes could result in the exercise of an Investor Remedy, Macquarie or Abraaj, as the case may be, shall deliver to the Company's General Counsel (with copies to each of the Company's Chief Financial Officer, Treasurer and Corporate Secretary) a written statement setting forth in reasonable detail the items in dispute that Macquarie or Abraaj, as the case may be, reasonably believes could result in the exercise of an Investor Remedy, the amount thereof in dispute and the basis for its objections thereto (an "**Objections Statement**"). If an Objections Statement with respect to a Test Certificate is not delivered to the Company within thirty (30) Business Days after delivery of such Test Certificate, such Test Certificate shall be final, binding, indisputable and nonappealable by the parties hereto. Any matters not covered by the Objection Statement shall be final, binding, indisputable and non-appealable by the parties. Macquarie or Abraaj, as the case may be, on the one hand, and the Company, on the other hand, shall negotiate in good faith to resolve any objections set forth in the Objections Statement (and all such discussions related thereto shall, unless otherwise agreed by Macquarie or Abraaj, as the case may be, and the Company, be governed by Rule 408 of the Federal Rules of Evidence (and any applicable similar state rule)), but if they do not reach a final resolution within ten (10) Business Days after the delivery of the Objections Statement, Macquarie or Abraaj, as the case may be, on the one hand, and the Company, on the other hand, shall submit such dispute to the Accounting Referee. Macquarie or Abraaj, as the case may be, and the Company shall cooperate in good faith to promptly engage the Accounting Referee pursuant to an engagement letter that requires the Accounting Referee to make all determinations in accordance with USGAAP consistently applied. If any dispute is submitted to the Accounting Referee, each party will promptly upon request, furnish to the Accounting Referee (upon the Accounting Referee executing a customary confidentiality agreement with the disclosing party) such work papers and other documents and information relating to the disputed issues as the Accounting Referee may request and are available to that party or its accountants (including information of the Company and its Subsidiaries) and otherwise cooperate fully with the Accounting Referee's review of the dispute, and each party shall be afforded the opportunity to present the Accounting Referee (with a copy concurrently delivered to the other party) material relating to the determination and to discuss the determination with the Accounting Referee. The Accounting Referee shall resolve only those matters set forth in such Objections Statement or response of the Company that remain in dispute after the 30-day resolution period. With respect to any disputed item, the Accounting

Referee's determination shall be no greater than the higher amount calculated by Macquarie or Abraaj, as the case may be, on the one hand, or the Company, on the other hand, as the case may be, and no less than the lower amount calculated by Macquarie or Abraaj, as the case may be, on the one hand, or the Company, as the case may be, and in all events shall be calculated in accordance with USGAAP. It is the intent of the parties hereto that the process set forth in this Section 3.3(d) and the activities of the Accounting Referee in connection herewith are not intended to be and, in fact, are not arbitration and that no formal arbitration rules shall be followed (including rules with respect to procedures and discovery). Macquarie or Abraaj, as the case may be, on the one hand, and the Company, on the other hand, shall use their commercially reasonable efforts to cause the Accounting Referee to resolve all such disagreements as soon as practicable but in no event later than thirty (30) days after submission of the disputed issues to the Accounting Referee. The resolution of the dispute (the "**Resolution**") by the Accounting Referee shall be final, binding, indisputable and nonappealable on the parties hereto. The contested Test Certificate (and to the extent applicable, any future Test Certificate) shall be modified as necessary to reflect such determination. The fees and expenses of the Accounting Referee shall be paid (i) if the Resolution results in the Investors being entitled to the Investors' Remedies, by the Company and (ii) if the Resolution does not result in the Investors being entitled to the Investors' Remedies, solely by Macquarie or Abraaj, as the case may be (and, if such dispute is initiated or continued jointly by Macquarie and Abraaj, *pro rata* between Macquarie and Abraaj based on their respective Modified Liquidation Preference).

(e) The 2016 Investors' Remedies shall be automatically suspended (each such occurrence, a "**Suspension**") without any further action by the parties hereto if, for two consecutive Test Periods following the Test Period in which the 3.3(b) Financial Covenant Trigger occurred, (A) (i) the LTM Revenue determined as of the last day of each such Test Period shall exceed the Fiscal Year 2016 Revenue, and (ii) the LTM Adjusted EBITDA for each such Test Period shall exceed the Fiscal Year 2016 Adjusted EBITDA; or (B) the Total Net Leverage shall be less than the corresponding Total Net Leverage Threshold. Following a Suspension, if the 3.3(b) Financial Covenant Trigger subsequently occurs and the 2016 Investors' Remedies triggered, the determination of the next Suspension, if any, shall be made as if the Company never previously breached the 3.3(b) Financial Covenant nor were the 2016 Investors' Remedies ever triggered.

(f) For purpose of this Section 3.3, all conventions and principles to be used for calculating the metrics utilized in the Financial Covenants shall be based on the conventions and principles expressly set forth in the Company's Management Discussion & Analysis disclosures contained in the Company's quarterly financial statements reported to the Company's lenders with regard to metrics that are substantially equivalent to the metrics utilized in the Financial Covenants. For the avoidance of doubt, the Series A Preferred Stock shall not be deemed Indebtedness for purposes of the calculation of the Total Net Leverage under Section 3.3.

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ARTICLE IV CERTAIN COVENANTS AND AGREEMENTS

4.1 Covenants. So long as any shares of Series A Preferred Stock are outstanding:

(a) The Company will use its reasonable best efforts to preserve and maintain, and, unless the Board in its good faith reasonable judgment deems it not to be in the best interests of the Company, cause each Key Subsidiary to use its reasonable best efforts to preserve and maintain, its corporate existence, rights, franchises and privileges in the jurisdictions of its incorporation or organization, as the case may be, and qualify and remain qualified, and cause each Key Subsidiary to qualify and remain qualified, as a foreign corporation or other entity, as the case may be, in each jurisdiction in which such qualification is necessary or desirable in view of its business and operations or the ownership or lease of its properties, except when the failure to be so qualified would not have a Material Adverse Effect on the Company.

(b) The Company will use its commercially reasonable efforts to maintain all Educational Approvals and remain in material compliance with all Educational Laws, as those terms are defined in the Subscription Agreement, and shall notify the Investors in writing (i) of any proceedings to revoke, suspend, limit, condition, restrict or withdraw any Educational Approval and (ii) if any School is in violation of Educational Laws or any of the terms or conditions of any Educational Approval, or fails to hold or obtain any Educational Approval; provided, however, notwithstanding the foregoing, the Company shall only be obligated to deliver such notice to the Investors if and to the extent that the Company would be required to deliver a notice of any such proceeding, violation or failure to the lenders under the Credit Agreement and the delivery to the Investors of a copy any such notice to the lenders under the Credit Agreement shall be sufficient to satisfy the notice requirement hereunder.

(c) The Company shall maintain and preserve, and cause each Subsidiary to maintain and preserve, all of its material properties and assets necessary for the proper conduct of its business, in good repair, working order and condition, ordinary wear and tear excepted.

(d) The Company shall maintain insurance with responsible and reputable insurance companies or associations in such amounts and covering such risks as is customarily carried by companies of equivalent size, geographic reach, engaged in similar businesses and owning similar properties in the same areas and jurisdictions in which the Company directly and indirectly operates.

(e) The Company shall at all times maintain an effective Compliance Program reasonably designed and implemented to prevent and detect violations of the Company's Code of Conduct and Ethics, the Company's Foreign Corrupt Practices Act Compliance Program and Anti-Corruption Laws (as such term is defined in the Subscription Agreement) (collectively, the "**Compliance Program**"), including appointing a compliance officer responsible for overseeing and managing the implementation of the Compliance Program and reporting to the Board as needed but no less than annually regarding the operation

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of the Compliance Program and any significant allegations or investigations of potential or actual violations thereof.

4.2 Tax Matters.

(a) Tax Treatment. Solely for all U.S. federal and applicable state and local, income tax purposes, the Company, each Investor and its respective Affiliates intend that:

(i) the Series A-1 Preferred Stock shall be treated as preferred stock and shall not be treated as common stock or indebtedness, including for purposes of Code Sections 301 and 305 and the Treasury Regulations promulgated thereunder;

(ii) the Series A-2 Preferred Stock shall be treated as common stock and shall not be treated as preferred stock or indebtedness, including for purposes of Code Sections 301 and 305 and the Treasury Regulations promulgated thereunder;

(iii) Code Section 305(c) and Treasury Regulations Section 1.305-5(b)(1) applies to the Series A-1 Preferred Stock by way of Treasury Regulations Section 1.305-5(b)(2) and the “redemption premium” thereunder with respect to any shares of Series A-1 Preferred Stock shall equal the Preferred Return with respect to such shares less the original cost (or Issue Price Per Share in the case of a PIK Dividend Share) for such shares;

(iv) the payment of any PIK Dividend Shares on the Series A-1 Preferred Stock shall be treated as a distribution pursuant to Code Section 301 (by operation of Code Sections 305(b) or 305(c) or otherwise);

(v) any increase of the Series A-2 Liquidation Preference as a result of the non-cash payment of any Dividend Amount on the Series A-2 Preferred Stock shall not be treated as a distribution pursuant to Code Section 301 (by operation of Code Sections 305(b) or 305(c) or otherwise);

(vi) any payment by the Company in redemption to a holder of Series A Preferred Stock, whether such redemption is in part or in full, shall be treated as a redemption of such Series A Preferred Stock within the meaning of Code Section 317(b); and

(vii) the conversion of any Series A Preferred Stock for Conversion Stock shall be treated as a tax-free reorganization pursuant to Code Section 368(a)(1)(E).

The Company, each Investor and their respective Affiliates shall file all income tax returns and other income tax filings (including any IRS Forms 1099 to the extent required) consistent with this Section 4.2(a) and shall not take any tax position (including, without limitation, by way of withholding) on any tax return

or other tax filing, in any tax proceeding or tax audit, or otherwise that is inconsistent with this Section 4.2(a), unless otherwise required by a change in applicable Law after the date hereof or any subsequent written guidance issued by the Internal Revenue Service or other applicable Governmental Authority after the date hereof which purports to clarify applicable Law existing as of the date hereof. In addition, prior to any partial redemption of Series A Preferred Stock, the Company and its Affiliates will consult in good faith with the holders of the Series A Preferred Stock and their tax advisors to determine the U.S. federal and applicable state and local income tax treatment and tax reporting of, and tax withholding with respect to, any partial redemption of such Series A Preferred Stock (e.g., as a distribution under Section 301 of the Code or a redemption under Section 302 of the Code); provided that, the Company and its Affiliates shall be under no obligation to consult with the holders of the Series A Preferred Stock and their tax advisors with respect to any partial redemption of such Series A Preferred Stock if the Company independently determines to treat such redemption as a redemption under Section 302 of the Code.

(b) Tax Contests. The Company agrees to promptly notify each of the Holders of any audit, examination, notice, inquiry or other claim or contest by the Internal Revenue Service or other Governmental Authority of the Company which relates to the tax treatment of the Series A Preferred Stock or the tax treatment of any amounts paid or payable on the Series A Preferred Stock, including any payments in-kind, deemed dividends or distributions, increases with respect to the liquidation preference, or any redemption by the Company of the Series A Preferred Stock (each, a "Company Tax Contest"). The Company shall control the conduct and defense of any such Company Tax Contest; provided that, (i) any affected Holders shall be permitted to participate in the conduct and defense of any such Company Tax Contest at their own cost, (ii) the Company shall keep all Holders informed regarding all developments with respect to any such Company Tax Contest, and (iii) the Company shall not settle or otherwise dispose of any such Company Tax Contest without the prior written consent of the affected Holders, not to be unreasonably withheld, conditioned or delayed.

(c) Tax Cooperation. Each of the Company and Investors and their respective Affiliates shall provide the other party with such information and records, including information regarding current and accumulated earnings and profits, and shall make such of its officers, directors, employees and agents available as may reasonably be requested by such other party in connection with the preparation of any tax return or any tax audit (including any Company Tax Contest) or other tax proceeding that relates to the Company or, with respect to their ownership of Series A Preferred Stock, the Investors. Nothing in the preceding sentence shall be construed to require any of the Investors or their respective Affiliates to provide any information or any assistance of any sort to any other Investor or such Investor's Affiliates. Not in limitation of the foregoing, with respect to any taxable year during which Macquarie held any Series A-1 Preferred Stock, upon Macquarie's request, the Company shall reasonably cooperate with Macquarie in determining (x) the aggregate amount of distributions under Code Section 301 for such taxable year with respect to such Series A-1 Preferred Stock (whether deemed or actual or paid in cash or in kind, including, taking into account Code Section 305 and the Treasury Regulations promulgated thereunder) and (y) whether any such distributions

should be treated as a “dividend” or “return of capital” for U.S. federal, and applicable state and local, income tax purposes.

ARTICLE V
MISCELLANEOUS

5.1 Certain Defined Terms.

(a) *Definitions.* Capitalized Terms used and not otherwise defined herein shall have the meanings ascribed thereto under the Certificate of Designations.

(b) As used in this Agreement, the following terms shall have the meanings set forth or as referenced below:

“**10% Threshold**” has the meaning set forth in Section 2.3(d).

“**2016-Based Financial Test**” has the meaning set forth in Section 3.3(b).

“**2016-Based Test Period Certificate**” has the meaning set forth in Section 3.3(a)(ii).

“**2016 Investors’ Remedies**” has the meaning set forth in Section 3.3(b).

“**2017 Leverage Test**” has the meaning set forth in Section 3.3(c).

“**2017 Trigger Certificate**” has the meaning set forth in Section 3.3(c).

“**3.3(b) Financial Covenant Trigger**” has the meaning set forth in Section 3.3(b).

“**3.3(c) Financial Covenant Trigger**” has the meaning set forth in Section 3.3(c).

“**Abraaj Threshold**” has the meaning set forth in Section 3.1.

“**Accounting Referee**” means an independent nationally recognized accounting firm of similar standing mutually acceptable to the parties.

“**Adjusted EBITDA**” means, as of any date of determination, net income or loss, before or appropriately adjusted for the following items: (i) gain or loss on sales of discontinued operations, net of tax, (ii) income or loss from discontinued operations, net of tax, (iii) equity in net loss (income) of Affiliates, net of tax (iv) income tax expense (benefit), (v) foreign currency exchange loss (income), net, (vi) other (income) expense, net, (vii) loss (gain) on derivatives, (viii) loss on debt extinguishment, (xi) interest expense, (x) interest income, (xi) depreciation and amortization, (xii) stock-based compensation expense, (xiii) loss on impairment of assets, (xiv) restructuring charges, business optimization expenses or reserves (including restructuring costs related to acquisitions consummated after the date hereof, closure and/or consolidation of facilities, and/or the Company’s Excellence in Process initiative), limited in the aggregate to (A) \$50,000,000 in the calendar year 2016, \$35,000,000 in the calendar year 2017, and (B) \$15,000,000 for any twelve (12) month period commencing January 1, 2018, (xv) any pro forma increase or decrease, as the case may be, in the Acquired EBITDA arising out of events

occurring after the Closing Date that (a) are directly attributable to a specific transaction, (b) are factually supportable and are expected to have a continuing impact, and (c) are in each case (except for adjustments in the aggregate not exceeding \$15,000,000 for any twelve month period immediately preceding such determination date) determined on a basis consistent with Article 11 of Regulation S-X promulgated under the Securities Act of 1933, as amended, and as interpreted by the staff of the SEC, (xvi) other material non-recurring items, or non-cash expenses or accounting adjustments or charges, and (xvii) gain or loss on a sale of a Subsidiary. Notwithstanding the foregoing, as of any date of determination, for any twelve month period preceding such date, the amount of the add-back in (xiv) above shall not exceed: \$50,000,000 for any such twelve month period ending prior to December 31, 2017; \$35,000,000 for any such twelve month period ending on or after December 31, 2017, but prior to September 30, 2018; and \$15,000,000 for any such twelve month period ending on or after September 30, 2018.

“**Affiliate**” of any particular Person means any other Person Controlling, Controlled by or under common Control with such particular Person; provided, however, that Persons shall not be deemed “Affiliates” of one another or the Company solely as a result of this Agreement or the Subscription Agreement; provided, further, that, when the term “Affiliate” is used with reference to (i) any Wengen Investors, it shall also include any Related Party of Wengen, and (ii) any natural person, shall also include such person’s Immediate Family Members. “**Affiliated with**” shall have a correlative meaning to the term “Affiliate”.

“**Agreement**” has the meaning set forth in the preface.

“**Becker Excluded Securities**” means shares of Common Stock acquired by Mr. Becker as a result of a written agreement between the Company and/or Wengen (or Wengen’s Affiliates) and Douglas L. Becker in effect on or before the date hereof, including any shares of Common Stock acquired as a result of the exercise of fully vested options to be granted to Mr. Becker upon the consummation of an IPO or QPO pursuant to a written agreement between the Company and/or Wengen (or Wengen’s Affiliates) and Mr. Becker in force and effect on or prior to the date hereof.

“**Board**” means the Board of Directors of the Company.

“**Budget**” means the annual budget of the Company and its Subsidiaries for each fiscal year of the Company.

“**Business Day**” means a day that is a Monday, Tuesday, Wednesday, Thursday or Friday and is not a day on which banking institutions in New York City generally are authorized or obligated by Law or executive order to close.

“**Bylaws**” means the bylaws of the Company, as they may be amended from time to time.

“**Capital Expenditures**” shall mean, for any period, the aggregate of all expenditures (whether paid in cash or accrued as liabilities and including in all events all amounts expended or capitalized under Capital Leases) by the Company and its Subsidiaries during such period that, in conformity with USGAAP, are required to be included as Purchase of property and land use rights on a consolidated statement of cash flows of the Company and its Subsidiaries.

“**Capital Leases**” means, as applied to the Company or any of its Subsidiaries, any lease of any property (whether real, personal or mixed) by the Company or any of its Subsidiaries as lessee that, in conformity with USGAAP, is, or is required to be, accounted for as a capital lease on the balance sheet of the Company or any of its Subsidiaries.

“**Capital Stock**” means all shares of capital stock of the Company.

“**Capitalized Lease Obligations**” means, as applied to the Company, all obligations under Capital Leases of the Company or any of its Subsidiaries, in each case taken at the amount thereof accounted for as liabilities in accordance with USGAAP.

“**Certificate of Designations**” means the certificate of designations relating to the Series A Preferred Stock, as it may be amended from time to time.

“**Certificate of Incorporation**” means the certificate of incorporation of the Company, as it may be amended from time to time, and shall include this Certificate of Designations.

“**Class A Common Stock**” means the Company’s Class A Common Stock, par value US\$0.001 per share, if any is issued.

“**Class B Common Stock**” means the Company’s Class B Common Stock, par value US\$0.001 per share, if any is issued.

“**Closing**” has the meaning set forth in the Subscription Agreement.

“**Closing Date**” has the meaning set forth in the Subscription Agreement.

The term “**closing date**”, when used in reference to a Public Offering, means the date on which the Company has received the funds from the sale of shares of Common Stock in such Public Offering on the Relevant Market pursuant to an effective registration statement.

“**Code**” means the Internal Revenue Code of 1986, as amended.

“**Common Stock**” means mean (a) the Class A Common Stock, (b) the Class B Common Stock, (c) any other Capital Stock of the Company, however designated, authorized on or after the date hereof, which shall neither be limited to a fixed sum or percentage of par value in respect of the rights of the holders thereof to participate in dividends nor entitled to a preference in the distribution of assets upon the voluntary or involuntary liquidation, dissolution or winding up of the Company and (d) any other securities into which or for which any of the securities described in clause (a), (b) or (c) may be converted or exchanged pursuant to a plan of recapitalization, reorganization, merger, consolidation, sale of assets or other similar transaction, and, following the closing date of a Public Offering, the class of shares of Capital Stock issued by the Company to the public.

“**Common Stock Outstanding**” at any given time shall mean the number of shares of Common Stock of all classes issued and outstanding at such time.

“**Company**” has the meaning set forth in the preface.

“**Competitor**” means any Person that (either on its/his/her own account or through any of its/his/her Subsidiaries), at the relevant time of determination, (i) owns more than 10% of voting securities in and/or (ii) manages or operates, in either case, for-profit, private, post-secondary institutions, and, solely with respect to entities operating in the United States, Title IV participating institutions, in the same or substantially similar manner as those owned and/or managed or operated by the Company as of the date hereof in a jurisdiction where the Company currently operates.

“**Compliance Program**” has the meaning set forth in [Section 4.1\(e\)](#).

“**Control**” means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, or otherwise, and the terms “**Controlling**” and “**Controlled**” shall have meanings correlative thereto

“**Conversion Stock**” means the shares of the class of Common Stock issued and sold by the Company in a Public Offering and which class of Common Stock shall be issued upon the conversion of the shares of Series A Preferred Stock, such shares each having such rights, restrictions and privileges as are (or are to be) contained in or accorded by the Certificate of Incorporation or Bylaws.

“**Credit Agreement**” means that certain Amended and Restated Credit Agreement, dated as of June 16, 2011, among the Company, as the Parent Borrower, Iniciativas Culturales de España S.L., as the Foreign Subsidiary Borrower, the several lenders party thereto from time to time, and Citibank, N.A. as successor Administrative Agent and Collateral Agent, as amended by that certain First Amendment to Amended and Restated Credit Agreement, dated as of January 18, 2013, that certain Second Amendment to Amended and Restated Credit Agreement, dated as of April 23, 2013, that certain Third Amendment to Amended and Restated Credit Agreement, dated as of October 3, 2013, that certain Fourth Amendment to Amended and Restated Credit Agreement and Amendment to the U.S. Obligations Security Agreement and the U.S. Pledge Agreement, dated as of July 7, 2015, that certain Fifth Amendment to Amended and Restated Credit Agreement, dated as of June 3, 2016 and that certain Sixth Amendment to Amended and Restated Credit Agreement, dated as of July 7, 2016, as amended, restated, refinanced, replaced, supplemented or otherwise modified from time to time.

“**Credit Documents**” means the Credit Agreement, and all notes, guarantees, collateral and security documents, instruments and agreements executed in connection therewith, and in each case, as amended, restated, refinanced, replaced, supplemented or otherwise modified from time to time

“**Data**” has the meaning set forth on [Annex A](#) hereto.

“**Debt Documents**” means the Credit Documents and the Note Documents.

“**Divested Asset**” has the meaning set forth in the definition of Fiscal Year 2016 Revenue.

The term “**effective time**” means, when used in reference to a Public Offering, the time at which the United States Securities and Exchange Commission declares the registration statement filed in connection with such Public Offering effective.

“**Exchange Act**” means the Securities Exchange Act of 1934, as from time to time amended.

“**Fair Market Value**” of a security of the Company means (i) if such security is listed on a securities exchange or the over-the-counter market, the VWAP of such security, (ii) if such security is not listed in any public market, then the value shall be equal to the price at which a willing and able seller would sell, and a willing and able unaffiliated Third Party buyer would buy, such security in an all-cash sale, having full knowledge of the facts, and assuming such party acts on an arm’s-length basis with the expectation of concluding the purchase and sale within a reasonable time, as determined pursuant to [Section 5.17](#).

“**Financial Covenants**” means, collectively, the covenants set forth in [Section 3.3\(b\)](#) and [Section 3.3\(c\)](#).

“**Financial Covenant Triggers**” has the meaning set forth in [Section 3.3\(c\)](#).

“**Fiscal Year 2016 Adjusted EBITDA**” means the Adjusted EBITDA of the Company and its Subsidiaries, on a consolidated basis, for the fiscal year ending December 31, 2016, which shall

exclude the Adjusted EBITDA of the Company and its Subsidiaries, on a consolidated basis, earned from one or more Divested Asset, but solely if the amount received by the Company in connection with the sale of such Divested Asset(s) exceeds an amount equal the product of (i) six (6.0) and (ii) the Adjusted EBITDA for the immediately preceding twelve month period ended on the last day of the Test Period immediately preceding the consummation of such divestiture, and

include the full year 2016 Adjusted EBITDA (including the Adjusted EBITDA for the fiscal year ended December 31, 2016) earned from any assets that is acquired by the Company or any of its Subsidiaries after January 1, 2016 and on or prior to December 31, 2016.

The term “**on fully diluted basis**” means all outstanding shares of Common Stock assuming the exercise and/or conversion of all options, and other outstanding, exercisable and/or convertible Capital Stock (excluding shares of Series A Preferred Stock), if any (subject to appropriate adjustment for stock splits, stock dividends, combinations, recapitalizations (in which all shares of an applicable class are treated in the same manner) and the like).

“**Fiscal Year 2016 Revenue**” means the Company’s revenue, on a consolidated basis, for the fiscal year ending December 31, 2016, calculated in conformity with USGAAP consistently applied, referred to therein which shall

exclude the revenue of the Company and its Subsidiaries, on a consolidated basis, earned in the Company’s fiscal year ended December 31, 2016 from one or

more assets owned by the Company or any of its Subsidiaries as of January 1, 2016 that have been divested (regardless of whether such divestiture occurs prior to or after December 31, 2016) (each, a “**Divested Asset**”), but solely if the amount received by the Company in connection with the sale of such Divested Asset(s) exceeds an amount equal the product of (i) six (6.0) and (ii) the Adjusted EBITDA for the immediately preceding twelve month period ended on the last day of the Test Period immediately preceding the consummation of such divestiture, and

include the full year 2016 revenue (including the annual revenue for the fiscal year ended December 31, 2016) earned from any assets that is acquired by the Company or any of its Subsidiaries after January 1, 2016 and on or prior to December 31, 2016.

“**FMV Determination Date**” has the meaning set forth in [Section 5.17](#).

“**Forced Liquidity Transaction**” has the meaning set forth in [Section 2.6\(a\)](#).

“**Holder**” means the record holder of one or more shares of Series A Preferred Stock, as shown on the books and records of the Company.

“**Immediate Family Member**” shall mean spouse, domestic partner, descendants (whether by blood or adoption, and including stepchildren), parents or siblings, including in each case in-laws and adoptive relations, and the spouses and domestic partners of such persons.

“**Indebtedness**” shall mean (a) all indebtedness of the Company and any of its Subsidiaries for borrowed money, (b) all obligations of the Company and any of its Subsidiaries evidenced by bonds, debentures, notes, loan agreements or other similar instruments, (c) the amount of all drafts drawn under any and all letters of credit issued for the account of the Company or any of its Subsidiaries (but only to the extent of any unreimbursed drawings under any letter of credit), (d) all Indebtedness of any other Person secured by any Lien on any property owned by the Company or any of its Subsidiaries, whether or not such Indebtedness has been assumed by the Company or any of its Subsidiaries (but only to the extent it becomes non-contingent), and (e) the principal component of any Capitalized Lease Obligations of the Company or any of its Subsidiaries in each case actually owed on such date and to the extent appearing as a debt or liability on the balance sheet of the Company determined on a consolidated basis in accordance with GAAP (provided that the amount of any Capitalized Lease Obligations or any such Indebtedness issued at a discount to its face value shall be determined in accordance with GAAP).

“**Initial Sale Period**” has the meaning set forth in [Section 2.6\(a\)](#).

“**Inspection Period**” has the meaning set forth in [Section 3.3\(d\)](#).

“**Investor**” has the meaning set forth in the preface.

“**Investor Seats**” has the meaning set forth in [Section 2.6\(a\)](#).

“**Investors’ Remedies**” has the meaning set forth in [Section 3.3\(c\)](#).

“**KKR**” means KKR 2006 Fund (Overseas), Limited Partnership and KKR Partners II (International), Limited Partnership, and any other party to the Sponsor Securityholder Agreement that is a controlled Affiliate of any of the foregoing, collectively.

“**KKR Board**” has the meaning set forth in [Section 3.1](#).

“**Law**” means all statutes, laws (whether civil, criminal, corporate or administrative), ordinances, rules and regulations of any Governmental Authority.

“**Lien**” means any encumbrance, restriction, claim, mortgage, pledge, charge, assignment, hypothecation, security interest, title retention, banker’s lien, privilege or priority of any kind having the effect of security .

“**LTM Adjusted EBITDA**” means, as of any date, the Company’s Adjusted EBITDA on a consolidated basis for any applicable preceding twelve (12) month period.

“**LTM Revenue**” means, as of any date, the Company’s revenue on a consolidated basis for any applicable immediately preceding twelve (12) month period, in conformity with USGAAP.

“**Macquarie**” means Macquarie Sierra Investment Holdings Inc.

“**Major Environmental Incident**” means an material environmental incident or a series of incidents which resulted in or is likely to result in one or more of the following: (a) actual or potential material harm to the health or safety of people (to the extent medical treatment is required); (b) material damage to wildlife or the natural environment; (c) material human or environmental damage arising from the incident that cannot be remediated; (d) a material rehabilitation bond or guarantee being called by a relevant Governmental Authority; or (e) legal proceedings, regulatory investigations or regulatory prosecution in connection with the foregoing.

“**Major Health and Safety Incident**” means any incident involving the death or permanent disablement (including by injury or illness) of an employee, contractor or any other individual at one of the Company or its Key Subsidiary’s premises.

“**New Issuances**” has the meaning set forth in [Section 2.3\(a\)](#).

“**New Issuance Equity Value**” means the implied enterprise value of the Company in connection with an New Issuance of additional Securities pursuant to [Section 2.3](#), (i) *plus* unrestricted cash of the Company and its Subsidiaries as of the closing of such New Issuance, (ii) *less* (a) all Indebtedness then-outstanding, and (b) transaction expenses or change of control payments incurred by or on behalf of the Company or any of its Subsidiaries in connection with such New Issuance, and (iii) *plus* or *minus*, as the case may be, any other amounts added or deducted, as the case may be, in calculating the price per share of additional Securities that are subject to the New Issuance, in each case, as determined in good faith by the Board and delivered in writing to the Holders of shares of Series A Preferred Stock prior to such Issuance; provided that, for the avoidance of doubt, the Requisite Series A Preferred Holders may challenge whether any such value was determined by the Board in good faith and in accordance

with the terms of this Agreement, and any such challenge that cannot be resolved by the parties within ten (10) Business Days shall be referred to the Accounting Referee for final resolution (provided that “baseball style” arbitration shall be used and the fees and expenses of the Accounting Referee shall be borne by the party whose final calculation submitted is not selected by the Accounting Referee).

“**New Issuance Ownership Percentage**” means, as of any time of determination:

(a) for each Investor holding shares of Series A Preferred Stock, with respect to such shares, the quotient, expressed as a percentage, obtained by dividing (i) the number of shares of Common Stock issuable upon conversion of such shares of Series A Preferred Stock, assuming a conversion of such shares of Series A Preferred Stock pursuant to Section 8(a)(ii) of the Certificate of Designations in connection with a Sale of the Company at an aggregate purchase price equal to the New Issuance Equity Value, divided by (ii) the total number of shares of Common Stock Outstanding as of such date; and

(b) for each Investor holding shares of Common Stock, with respect to such shares, the quotient, expressed as a percentage, obtained by dividing (i) the number of shares of Common Stock held by such Investor as of such date, by (ii) the total number of shares of Common Stock Outstanding as of such date.

“**Non-Voting Observer**” has the meaning set forth in Section 3.1.

“**Note Documents**” means the Indenture, and all notes, guarantees, collateral and security documents, instruments and agreements executed in connection therewith, and in each case, as amended, restated, refinanced, replaced, supplemented or otherwise modified from time to time.

“**Parent**” has the meaning set forth in the definition of “Exit Event.”

“**Participating Investor**” or “**Participating Investors**” has the meaning set forth in Section 2.3(b).

“**Participation Notice**” has the meaning set forth in Section 2.3(a).

“**Permitted Equity Issuances**” means the issuance or grant of Securities to (i) Douglas Becker, including any options to purchase Common Stock that will be granted to Mr. Becker upon the liquidation of executive profits interests held by Mr. Becker in Wengen as of the date hereof upon the consummation an IPO or QPO, or (ii) any Affiliates or full-time employees of Wengen or any Wengen Investor, in each case, pursuant to a binding commitment between any such Person and the Company, in effect as of the Initial Issue Date, to issue or grant such Securities to such Person.

“**Permitted Transfers**” means, with respect to any Transfer by an Affiliate of Wengen who is an individual, the Transfer by such Affiliate of any or all of such Affiliate’s shares of Capital Stock, either during such Affiliate’s lifetime or on death by will or the laws of descent and distribution, to one or more members of such Affiliate’s immediate family, to a trust for the exclusive benefit of such Affiliate or such Immediate Family Members (so long as such individual controls such trust and guarantees the obligations of such entity in connection with

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any of the provisions herein), to any other entity owned exclusively by such Affiliate or such Immediate Family Members, or to any combination of the foregoing; provided, however, that no such Transfer will be effective until the holders of the beneficial interests of such Transferee have delivered to the Company a written acknowledgement and agreement in form and substance reasonably satisfactory to the Company that they will not Transfer any such beneficial interests or permit such Transferee to issue any such beneficial interests except to the extent such Transfer or issuance (treating such issuance as a Transfer by such holders) would be permitted under this Agreement if the beneficial interests were shares of Common Stock; provided, further that, such Affiliate will retain Control of such Transferred shares, whether by proxy or other arrangement.

“**Person**” means an individual, a partnership, a joint venture, a corporation, an association, a joint stock company, a limited liability company, a trust, an unincorporated organization or a government or any department or agency or political subdivision thereof, or any group (within the meaning of Section 13(d)(3) of the Exchange Act or any successor provision) consisting of one or more of the foregoing. For purposes of this Agreement, when used in reference to an Investor, the term “group” shall have the meaning set forth in Section 13(d)(3) of the Exchange Act or any successor provision; *provided, however*, that no inference, presumption or conclusion that two or more Investors constitute a “group” within the meaning of Section 13(d)(3) of the Exchange Act or Rule 13d-5 thereunder shall be raised from the fact that such Investors collectively may exercise or refrain from exercising the rights under this Agreement in the same manner, that such Investors may be represented by a single law firm or advisor or that such rights were negotiated with the Company at the same time or amended or modified with the Company and such Investors in the same or a similar manner.

“**Preferred Return**” of a share of Series A Preferred Stock means an amount equal to the product of 1.15 multiplied by the sum of: (i) the Issue Amount Per Share plus (ii) any declared but unpaid dividends.

“**Priority Amount**” means shares of Registrable Securities (as defined in the Registration Rights Agreement) constituting Conversion Stock in a dollar amount equal to, as of any date of determination, the greater of (a) 25% of the aggregate offering price of all Common Stock proposed to be offered and sold in the Initial Follow-On Public Offering, and (b) \$275 million.

“**Proxy Holder**” has the meaning set forth in Section 2.6(b).

“**Public Offering**” means either a QPO or an IPO of the Company.

“**Qualified CapEx Threshold**” means:

(a) for the first Test Period following the Test Period in which the 3.3(b) Financial Covenant Trigger occurred, 6.50% of the reported LTM Revenue determined as of the last day of the first Test Period;

(b) for the second Test Period following the Test Period in which the 3.3(b) Financial Covenant Trigger occurred, 6.25% of the

reported LTM Revenue determined as of the last day of the second Test Period;

(c) for the third Test Period following the Test Period in which the 3.3(b) Financial Covenant Trigger occurred, 6.00% of the reported LTM Revenue determined as of the last day of the third Test Period;

(d) for the fourth Test Period following the Test Period in which the 3.3(b) Financial Covenant Trigger occurred, 5.75% of the reported LTM Revenue determined as of the last day of the fourth Test Period;

(e) for the fifth Test Period following the Test Period in which the 3.3(b) Financial Covenant Trigger occurred, 5.50% of the reported LTM Revenue determined as of the last day of the fifth Test Period;

(f) for the sixth Test Period following the Test Period in which the 3.3(b) Financial Covenant Trigger occurred, 5.25% of the reported LTM Revenue determined as of the last day of the sixth Test Period;

(g) for the seventh Test Period following the Test Period in which the 3.3(b) Financial Covenant Trigger occurred, 5.0% of the reported LTM Revenue determined as of the last day of the seventh Test Period;

(h) for the eighth Test Period following the Test Period in which the 3.3(b) Financial Covenant Trigger occurred, 4.75% of the reported LTM Revenue determined as of the last day of the eighth Test Period; and

(i) for the ninth Test Period and each Test Period thereafter following the Test Period in which the 3.3(b) Financial Covenant Trigger occurred, 4.50% of the reported LTM Revenue determined as of the last day of the ninth Test Period.

“**Registration Rights Agreement**” means that certain Registration Rights Agreement, of even date hereof, by and among the Company and the Investors, in substantially the form attached as Exhibit A hereto, as amended, modified or supplemented from time to time.

“**Related Party**” shall mean, with respect to any specified Person, such Person’s Affiliates and the directors, officers, employees, agents, trustees and advisors of such Person and any Person that possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of such Person, whether through the ability to exercise voting power, by contract or otherwise.

“**Released Parties**” has the meaning set forth in Section 5.12.

“**Representatives**” has the meaning set forth in Annex A hereto.

“**Requisite Series A Preferred Holders**” shall mean, as of any date of determination, the Holders of two thirds or more of the aggregate Modified Liquidation Preference as of such date, voting together as a separate class; provided that, from the date hereof until the Abraj Second Payment Date (as defined in the Subscription Agreement), such amount shall be determined as if Abraj has paid its entire Investor Initial Purchase Price (as defined in the Subscription Agreement), including, for the avoidance of doubt, the portion to be funded on the Abraj

Second Payment Date. Notwithstanding the foregoing or the applicable provisions of the General Corporation Law of the State of Delaware, including Section 242(b) thereof, shares of Series A Preferred Stock held by the Current Stockholders (as defined in the Subscription Agreement) or any Affiliates of the Current Stockholders, if any, shall not be counted for purposes of determining whether the Requisite Series A Preferred Holders threshold has been satisfied (and shall be disregarded in the numerator and the denominator of that determination); provided, that, such restriction shall automatically terminate without any further action upon the Transfer of shares of Series A Preferred Stock by the Current Stockholders or any Affiliates of the Current Stockholders, as applicable, to an unaffiliated Third Party (as defined in the Subscription Agreement) and such unaffiliated Third Party shall be entitled to vote or consent to the actions subject to a vote or consent of the Requisite Series A Preferred Holders pursuant hereto.

“**Restricted Transferee**” has the meaning set forth in Section 2.1(c).

“**Sale of the Company**” has the meaning that the term “Sale of the Corporation” has under the Certificate of Designations.

“**Sanctions Target**” has the meaning set forth in Section 2.1(d).

“**School**” means any educational institution owned and/or operated by the Company or any of its Subsidiaries.

“**SEC**” means the Securities and Exchange Commission.

“**Securities**” means (i) the Common Stock or other equity securities (including securities convertible into equity securities), including shares of Series A Preferred Stock, issued from time to time by the Company, (ii) equity securities (including securities convertible into equity securities) issued from time to time by any Subsidiary of the Company, but only to the extent that Wengen or a Wengen Investor elects to purchase such equity securities, and (iii) debt securities issued from time to time by the Company but only to the extent that Wengen or a Wengen Investor elects to purchase such debt securities.

“**Series A Preferred Stock**” means the Series A-1 Preferred Stock and/or the Series A-2 Preferred Stock, as the context may from time to time require.

“**Series A-1 Preferred Stock**” means the Preferred Stock of the Company designated as Convertible Redeemable Preferred Stock, Series A-1, par value US\$0.001 per share, together with the Series A-1 PIK Dividend Shares.

“**Series A-2 Preferred Stock**” means the Preferred Stock of the Company designated as Convertible Redeemable Preferred Stock, Series A-2, par value US\$0.001 per share.

“**Sponsor Securityholder Agreement**” means the Securityholders Agreement dated as of July 11, 2007 among Wengen and the other parties thereto, as amended prior to the date hereof and as further amended from time to time.

“**Stockholder**” has the meaning set forth in the preface.

“**Subscription Agreement**” means the subscription agreement dated as of the date hereof between the Company and the Investors, as amended, modified or supplemented from time to time.

“**Subscription Period**” has the meaning set forth in Section 2.3(a).

“**Suspension**” has the meaning set forth in Section 3.3(e).

“**Syndication Period**” shall mean six (6) months following the Closing Date.

“**Syndication Transaction**” has the meaning set forth in Section 2.5.

“**Tag Along Equity Value**” means the implied enterprise value of the Company in connection with a Tag Along Transfer pursuant to Section 2.4, (i) *plus* unrestricted cash of the Company and its Subsidiaries as of the closing of such Tag Along Transfer, (ii) *less* (a) all Indebtedness then-outstanding, and (b) transaction expenses and change of control payments incurred by or on behalf of the Company or any of its Subsidiaries in connection with such Tag Along Transfer (or which would have been incurred upon a Sale of the Company at such time), and (iii) *plus* or *minus*, as the case may be, any other amounts added or deducted, as the case may be, in calculating the price per share in such Tag Along Transfer, in each case, as determined in good faith by the Board and delivered in writing to the Holders of shares of Series A Preferred Stock prior to the closing of such Tag Along Transfer; provided that, for the avoidance of doubt, the Requisite Series A Preferred Holders may challenge whether any such value was determined by the Board in good faith and in accordance with the terms of this Agreement, and any such challenge that cannot be resolved by the parties within ten (10) Business Days shall be referred to the independent Accounting Referee for final resolution (provided that “baseball style” arbitration shall be used and the fees and expenses of the such Accounting Referee shall be borne by the party whose final calculation submitted is not selected by the Accounting Referee).

“**Tag Along Ownership Percentage**” means, as of any time of determination:

(a) for each Investor holding shares of Series A Preferred Stock, the quotient, expressed as a percentage, obtained by dividing, (i) the number of shares of Common Stock issuable upon conversion of such shares of Series A Preferred Stock, assuming a conversion of such shares of Series A Preferred Stock pursuant to Section 8(a)(ii) of the Certificate of Designations in connection with a Sale of the Company at an aggregate purchase price equal to the Tag Along Equity Value, divided by (ii) the sum of (x) the total number of shares of Common Stock held (or deemed to be held pursuant to this clause (a)(i) of this paragraph) by all Tagging Stockholders, plus (y) the total number of shares of Common Stock held by the Transferring Stockholder, plus (z) the number of shares of Common Stock held by those members of management of the Company that have tag-along rights under a written agreement with the Company that is in force and effect as of the date hereof and solely to the extent such rights are exercised in connection with the applicable Tag Along Transfer; and

(b) for each Investor holding shares of Common Stock, with respect to such shares, the quotient, expressed as a percentage, obtained by dividing (i) the number of shares of Common Stock held by such Investor as of such date, by (ii) the sum of (x) the

total number of shares of Common Stock held (or deemed to be held pursuant to clause (a)(i) of this definition) by all Tagging Stockholders plus (y) the total number of shares of Common Stock held by the Transferring Stockholder.

“**tag-along rights**” has the meaning set forth in [Section 2.4\(a\)](#).

“**Tag Along Transfer**” has the meaning set forth in [Section 2.4\(a\)](#).

“**Tag Notice**” has the meaning set forth in [Section 2.4\(b\)](#).

“**Tagging Stockholder**” has the meaning set forth in [Section 2.4\(a\)](#).

“**Test Certificates**” has the meaning set forth in [Section 3.3\(c\)](#).

“**Test Period**” has the meaning set forth in [Section 3.3\(a\)\(ii\)](#).

“**Test Period Delivery Date**” means a date that is on or before (A) with respect to Test Periods ending on December 31, as soon as available and in any event within five (5) days after the date on which such financial statements are required to be filed with the SEC (after giving effect to any permitted extensions) (or, if such financial statements are not required to be filed with the SEC, on or before the date that is one hundred five (105) days after the end of each such fiscal year), or (B) with respect to Test Periods ending on March 31, June 30 and September 30, the date that is sixty (60) days following such date, and in any event within five (5) days after the date on which the Company’s financial statements are required to be filed with the SEC (after giving effect to any permitted extensions) (or, if such financial statements are not required to be filed with the SEC, on or before the date that is sixty (60) days after the end of each such quarterly accounting period).

“**Third Party**” has the meaning set forth in [Section 2.4\(a\)](#).

“**Total Net Leverage**” means, as of any date of determination, the amount determined from the quotient of (A) Indebtedness as of the last day of the Test Period or as of the last day of the test period specified in [Section 3.3\(a\)\(i\)](#), as applicable, immediately preceding such date of determination, minus any unrestricted cash appearing on the balance sheet of the Company and (B) Adjusted EBITDA for the applicable trailing twelve (12) month period ending on the last day of such Test Period or as of the last day of the test period specified in [Section 3.3\(a\)\(i\)](#), as applicable.

“**Total Net Leverage Threshold**” means, with respect to each Test Period:

- (a) for each Test Period through September 30, 2018, 4.5;
- (b) for each Test Period following September 30, 2018 through September 30, 2019, 4.0; and
- (c) for each Test Period following September 30, 2019, 3.5.

“**Transaction Documents**” has the meaning set forth in the Subscription Agreement.

“**Transfer**” means (in either the noun or the verb form, including with respect to the verb form, all conjugations thereof within their correlative meanings) with respect to any security, the transfer, conveyance, issuance, gift, sale, assignment, pledge, hypothecation, encumbrance or creation of a security interest in or Lien on, placing in trust (voting or otherwise) or other disposition (whether for or without consideration, whether directly or indirectly, and whether voluntary, involuntary or by operation of Law) of such security or any interest therein. The terms “**Transferred**”, “**Transferor**” and “**Transferee**” have correlative meaning.

“**Transferring Stockholder**” has the meaning set forth in Section 2.4(a).

“**USGAAP**” means United States generally accepted accounting principles in effect on the date of this Agreement; provided, however, that the Company may notify the Holders of the Series A Preferred Stock that the Company is eliminating the effect of any change occurring after the Initial Issue Date in GAAP or in the application thereof on the operation of any provision in this Agreement.

“**VWAP**” means, per each security on any Trading Day, the volume-weighted average price per share of such security in respect of the period from 9:30 a.m. to 4:00 p.m. (New York City time) on such Trading Day, as displayed under the heading “Bloomberg VWAP” on the Bloomberg page on which the Common Stock is listed; provided, however, that if such volume-weighted average price shall not be available on such Trading Day, then VWAP on such Trading Day shall be determined, using a volume-weighted average method, pursuant to Section 5.17

“**Wengen**” has the meaning set forth in the preface.

“**Wengen Investor**” means all Affiliates and limited partners of Wengen.

“**World Bank**” means the International Bank for Reconstruction and Development and the International Development Association.

“**World Bank Group**” means the World Bank, the Multilateral Investment Guarantee Agency and the International Centre for Settlement of Investment Disputes.

“**World Bank Listing of Ineligible Firms**” means the list, as updated from time to time, of persons or entities ineligible to be awarded a World Bank-financed contract or otherwise sanctioned by the World Bank Group sanctions board for the periods indicated on the list because they were found to have violated the fraud and corruption provisions of the World Bank Group anticorruption guidelines and policies. The list may be found at <http://www.worldbank.org/debarr> or any successor website or location.

(c) *Interpretation.* Except where otherwise expressly provided or unless the context otherwise necessarily requires, in this Agreement: (i) reference to a given Article, Section, Subsection, clause, Exhibit or Schedule is a reference to an Article, Section, Subsection, clause, Exhibit or Schedule of this Agreement, unless otherwise specified; (ii) the terms “hereof”, “herein”, “hereto”, “hereunder” and “herewith” refer to this Agreement as a whole; (iii) reference to a given agreement, instrument, document or Law is a reference to that agreement, instrument, document, Law or regulation as modified, amended, supplemented and restated through the date as to which such reference was made, and, as to any Law or regulation, any

successor Law or regulation; (iv) accounting terms have the meanings given to them under USGAAP, and in any cases in which there exist elective options or choices in USGAAP determinations relating to the Company or any of its Subsidiaries, or where management discretion is permitted in classification, standards or other aspects of USGAAP related determinations relating to the Company or any of its Subsidiaries, the historical accounting principles and practices of the Company or such Subsidiaries, as applicable, shall continue to be applied on a consistent basis; (v) reference to a Person includes its predecessors, successors and permitted assigns and transferees; (vi) the singular includes the plural and the masculine includes the feminine, and vice versa; (vii) the words “include”, “includes” or “including” means “including, for example and without limitation”; and (viii) references to “days” means calendar days.

5.2 Legends.

(a) Stockholders Agreement. Each certificate or instrument evidencing shares of Capital Stock, if any, and each certificate or instrument, if any, issued in exchange for or upon the Transfer of any such shares of Capital Stock (if such securities remain subject to this Agreement after such Transfer) shall be stamped or otherwise imprinted with a legend (as appropriately completed under the circumstances) in substantially the following form:

“THE SECURITIES REPRESENTED BY THIS CERTIFICATE CONSTITUTE SECURITIES UNDER A CERTAIN INVESTORS’ STOCKHOLDERS AGREEMENT (THE “STOCKHOLDERS AGREEMENT”) AMONG LAUREATE EDUCATION, INC. (THE “COMPANY”), THE INVESTORS AND CERTAIN OF THE COMPANY’S OTHER STOCKHOLDERS AND, AS SUCH, ARE SUBJECT TO CERTAIN VOTING PROVISIONS, PURCHASE RIGHTS AND RESTRICTIONS ON TRANSFER SET FORTH IN THE STOCKHOLDERS AGREEMENT. A COPY OF SUCH STOCKHOLDERS AGREEMENT WILL BE FURNISHED WITHOUT CHARGE BY THE COMPANY TO THE HOLDER HEREOF UPON WRITTEN REQUEST.”

(b) Restricted Securities. Each instrument or certificate, if any, evidencing shares of Capital Stock and each instrument or certificate, if any, issued in exchange or upon the Transfer of any shares of Capital Stock shall be stamped or otherwise imprinted with a legend substantially in the following form:

“THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR UNDER ANY OTHER APPLICABLE SECURITIES LAWS, AND MAY NOT BE OFFERED, SOLD, ASSIGNED, PLEDGED OR OTHERWISE DISPOSED OF AT ANY TIME WITHOUT EFFECTIVE REGISTRATION UNDER THE SECURITIES ACT AND LAWS

OR EXEMPTION THEREFROM, AND COMPLIANCE WITH THE OTHER RESTRICTIONS ON TRANSFERABILITY SET FORTH HEREIN.”

(c) Removal of Legends. Whenever in the opinion of the Company and, if reasonably requested by the Investors pursuant to the terms hereof, the opinion of counsel reasonably satisfactory to the Company (which opinion shall be delivered to the Company in writing) the restrictions described in any legend set forth above cease to be applicable to any shares of Capital Stock, the holder thereof shall be entitled to receive from the Company, without expense to the holder, a new instrument or certificate not bearing a legend stating such restriction.

5.3 Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable Law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable Law or rule in any jurisdiction, (a) such provision will be fully severable from this Agreement; and (b) this Agreement will be reformed, construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof.

5.4 Entire Agreement. Except as otherwise expressly set forth herein, this Agreement and the other Transaction Documents constitute the entire agreement among the parties hereto pertaining to the subject matters hereof and thereof, and fully supersede any and all prior or contemporaneous agreements or understandings between the parties hereto pertaining to the subject matter hereof.

5.5 Successors and Assigns. Except as otherwise provided herein, this Agreement shall bind and inure to the benefit of and be enforceable by the Company and its successors and assigns and the Stockholders and any subsequent holders of shares of Capital Stock and the respective successors and assigns of each of them, so long as they hold shares of Capital Stock. For the avoidance of doubt, it shall be a condition to any Transfer that such Transferee agrees to be bound by this Agreement, and, upon such Transfer, such Transferee shall have the same rights and obligations as those of the transferor under this Agreement.

5.6 Counterparts. This Agreement may be executed in separate counterparts each of which shall be an original and all of which taken together shall constitute one and the same agreement.

5.7 Remedies. The Company and the parties hereto shall be entitled to enforce their rights under this Agreement specifically, to recover damages by reason of any breach of any provision of this Agreement (including costs of enforcement) and to exercise all other rights existing in their favor.

5.8 Notices. All notices, requests, demands and other communications hereunder shall be in writing and, except to the extent otherwise provided in this Agreement, shall be deemed to have been duly given on the date set forth below if delivered by same-day or next-day courier or mailed, first class postage prepaid, or transmitted by facsimile or email as described below:

Company:

Laureate Education, Inc.
650 S. Exeter Street
Baltimore, MD 21202
Attention: Robert W. Zentz, Senior Vice President and General Counsel
Facsimile: (410) 843-8544
E-mail: robert.zentz@laureate.net

with a copy to:

DLA Piper LLP (US)
6225 Smith Avenue
Baltimore, Maryland 21209
Attention: R.W. Smith, Jr., Esq.
Telecopy: (410) 580-3266
E-mail: jay.smith@dlapiper.com

Investors:

to the Investors as set forth on Schedule A hereto

5.9 Governing Law; Jurisdiction; Waiver of Jury Trial.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, United States, without giving effect to principles or rules of conflict of laws to the extent such principles or rules would require or permit the application of the laws of another jurisdiction.

(i) The Stockholders and the Company irrevocably agree that any legal action, suit or proceeding arising out of or relating to this Agreement shall be brought against it exclusively in the Court of Chancery of the State of Delaware (or, if (and only if) the Court of Chancery of the State of Delaware declines to accept or does not have jurisdiction over a particular matter, the Superior Court of the State of Delaware or any federal court sitting in the State of Delaware). By the execution of this Agreement, the Stockholders irrevocably submit to the exclusive jurisdiction of any such court in any such action, suit or proceeding.

(ii) Final judgment against any of the parties in any such action, suit or proceeding shall be conclusive and may be enforced in any other jurisdiction, including the United States, by suit on the judgment, a certified or exemplified copy of which shall be conclusive evidence of the judgment, or in any other manner provided by Law.

(b) Each of the parties also irrevocably consents to the service of process being made by mailing copies of the papers by registered United States mail, postage prepaid, to the parties at their respective addresses specified pursuant to Section 5.8 (*Notices*).

(c) Service in the manner provided in Section 5.8 in any action, suit or proceeding will be deemed personal service, will be accepted by the parties as such and will be valid and binding upon the parties for all purposes of any such action, suit or proceeding.

(d) Each of the parties irrevocably waives to the fullest extent permitted by applicable Law: (i) any objection which it may have now or in the future to the laying of the venue of any action, suit or proceeding in any court referred to in this Section; (ii) any claim that any such action, suit or proceeding has been brought in an inconvenient forum; and (iii) any and all rights to demand a trial by jury in any such action, suit or proceeding brought against such party.

(e) To the extent that any of the parties may be entitled in any jurisdiction to claim for itself or its assets immunity in respect of its obligations under this Agreement from any suit, execution, attachment (whether provisional or final, in aid of execution, before judgment or otherwise) or other legal process or to the extent that in any jurisdiction that immunity (whether or not claimed) may be attributed to it or its assets, each of such parties irrevocably agrees not to claim and irrevocably waives such immunity to the fullest extent permitted now or in the future by the Laws of such jurisdiction.

(f) To the extent that any of the parties may, in any action, suit or proceeding brought in any of the courts referred to in this Section 5.9 or a court of the United States or elsewhere arising out of or in connection with this Agreement, be entitled to the benefit of any provision of Law requiring an Investor in such action, suit or proceeding to post security for the costs of any of the parties, or to post a bond or to take similar action, each of the parties hereby irrevocably waives such benefit, in each case to the fullest extent now or in the future permitted under the laws of the United States or, as the case may be, the jurisdiction in which such court is located.

(g) EACH PARTY HERETO ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT.

5.10 Descriptive Headings. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

5.11 Further Assurances. Each of the parties hereto covenants and agrees on behalf of itself, its successors and its assigns, without further consideration, to prepare, execute, acknowledge, file, record, publish and deliver such other instruments, documents and statements,

and to take such other action, as may be required by Law or reasonably necessary to effectively carry out the purposes of this Agreement and the intentions of the parties expressed herein.

5.12 No Recourse.

(a) Neither the Company nor any of its Subsidiaries shall enter into any agreement which shall provide for recourse to any Stockholder. No recourse to (a) any assets or properties of any members, partners or shareholders of any Stockholder (or any Person that controls or controlled such member, partner or shareholder within the meaning of Section 15 of the Securities Act of 1933, as amended, or Section 20 of the Exchange Act), (b) any current or former Affiliate of any Stockholder, or (c) any former, current or future officer, director, agent, general or limited partner, member, shareholder, employee or Affiliate of the Company or any Stockholder or any former, current or future officer, director, agent, general or limited partner, member, shareholder, employee or Affiliate of the foregoing shall be had and no judgment relating to the obligations of any Stockholder under this Agreement (except to the extent that any such Person expressly is individually liable thereunder) or for any payment obligations under this Agreement (except to the extent any such Person expressly is individually liable thereunder), or any part thereof, or for any claim based thereon or otherwise in respect thereof or related thereto, shall be obtainable by the Company or any Stockholder against any direct or indirect member, partner, shareholder, incorporator, employee or Affiliate, past, present or future, of the Company or any Stockholder.

(b) Notwithstanding anything that may be expressed or implied in this Agreement, and notwithstanding the fact that the Company and certain of the parties hereto may be partnerships or limited liability companies, the Company and each party hereto covenants, agrees and acknowledges that no recourse under this Agreement or any documents or instruments delivered in connection with this Agreement shall be had against any former, current or future directors, officers, agents, affiliates, general or limited partners, members, managers or stockholders of the Company or any party hereto or their respective Related Parties (the "**Released Parties**"), as such, whether by the enforcement of any assessment or by any legal or equitable proceeding, or by virtue of any statute, regulation or other applicable Law, it being expressly agreed and acknowledged that no personal liability whatsoever shall attach to, be imposed on or otherwise be incurred by any of the Released Parties, as such, for any obligation of the Company or any party hereto under this Agreement or any documents or instruments delivered in connection with this Agreement for any claim based on, in respect of or by reason of such obligations or their creation.

5.13 Other Covenants. Each Stockholder entitled to vote on matters submitted to a vote of the Stockholder, as the case may be, agrees to vote the shares of Capital Stock owned by such Stockholder upon all matters arising under this Agreement submitted to a vote of the Stockholders, as the case may be, in a manner that will implement the terms of this Agreement.

5.14 Saving Rights. No course of dealing and no failure or delay by a party hereto in exercising any power, remedy, discretion, authority or other right under this Agreement or any other agreement shall impair, or be construed to be a waiver of or an acquiescence in, that or any other power, remedy, discretion, authority or right under this Agreement, or in any manner preclude its additional or future exercise.

5.15 Public Announcements. None of the parties hereto may represent the Investors' views on any matter or suggest or imply that the Investors are responsible or liable for any activities of the Company or any of its Subsidiaries. Except as otherwise provided in this Section 5.15 and other than with respect to filings or notices required by Law or the Debt Documents, the Company may only reference the name and logo of an Investor and refer to the aggregate amount of Purchased Securities issued and sold pursuant hereto in (i) any presentations, materials or other disclosures prepared and/or made in connection with a Public Offering or any offering of debt securities of the Company (including in connection with roadshows and analyst meetings), or (ii) in connection with its customary marketing activities in the ordinary course of its business consistent with past practice. Other than with respect to filings or notices required by Law or the Debt Documents, the Company may not refer to an Individual Investor Purchase Price. Each Investor and any of its respective Affiliates may publicly disclose their participation (and solely their participation) in the transactions contemplated by this Agreement and the documents contemplated thereby, and in connection therewith may reference the name and logo of the Company. Except with respect to filings or notices required by Law or the Debt Documents, or as otherwise provided in the second, third and fourth sentences of this Section 5.15, each of the parties hereto will cooperate with each other in the development and distribution of all news releases and other public information disclosures with respect to this Agreement and any of the transactions contemplated by this Agreement, and no party hereto will make any such news release or public disclosure without first giving prior written notice and consulting with the other parties hereto and receiving its consent (which shall not be unreasonably withheld or delayed) and each party shall coordinate with the other with respect to any such news release or public disclosure.

5.16 Amendments, Waivers and Consents.

(a) Any term of this Agreement may be amended or terminated and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only by a written instrument executed by the Company and the Requisite Series A Preferred Holders; provided, however, that any amendment or modification to Section 4.2 (Tax Matters) shall require the consent of all Investors (solely in their capacity as Investors and not otherwise); and provided, further, any amendment or modification that would affect an Investor (solely in its capacity as an Investor and not otherwise) in a material and adverse manner will be effective against the Investor so materially and adversely effected only with the prior written consent of such Investor; and provided, further, that (x) any amendment to Section 2.1(f) or (y) any amendment to Section 2.4 that would adversely affect Wengen, shall, in each case, require the prior written consent of Wengen. Any such amendment, termination or waiver effected in accordance with this Section 5.16 shall be binding on all parties hereto, even if they do not execute such consent. No waivers or exceptions to any term, condition or provision of this Agreement, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver of any such term, condition or provision. Notwithstanding anything to the contrary in this Section 5.16, any right, privilege or preference that is expressly granted hereunder to Macquarie or Abraaj and not the other Investors, including Macquarie's rights under Section 2.5 and Macquarie and Abraaj's rights under Section 3.1, may be waived solely by Macquarie or Abraaj, as the case may be, in a written instrument executed by Macquarie or Abraaj, as the

case may be, and the terms related thereto may be amended or terminated solely pursuant to a written instrument executed by the Company and Macquarie or Abraaj, as the case may be.

(b) Notwithstanding anything to the contrary in this Agreement, Schedule A hereto may be amended (i) by the Company from time to time to add information regarding additional Stockholders without the consent of the other parties hereto and (ii) by Macquarie, in its sole discretion and without the consent or approval of any other Person, including the Company and any other Stockholder, to reflect any Transfer that is effected in accordance with the provisions of Section 2.5 of the Agreement; provided, that, subject to Macquarie's right under the preceding clause (ii), no Person (other than an Investor's Transferee permitted successor or assign) may be designated as an "Investor" under this Agreement by an amendment of Schedule A by the Company or otherwise without the prior written consent of the Requisite Series A Preferred Holders.

5.17 Determination of Fair Market Value. Fair Market Value shall be determined by agreement of the Company and the Requisite Series A Preferred Holders. If the Company and the Requisite Series A Preferred Holders fail to reach agreement on the Fair Market Value within ten (10) Business Days following the date on which such determination is required to be made pursuant to this Agreement (the "**FMV Determination Date**"), then the value shall be determined by an independent, nationally recognized valuation firm selected by the Company and the Requisite Series A Preferred Holders. If the foregoing parties cannot agree on such independent, nationally recognized valuation firm within thirty (30) days following the FMV Determination Date, then the Board, on the one hand, and the Requisite Series A Preferred Holders, on the other hand, each shall select a valuation firm and such valuation firms in turn shall select a third valuation firm the appraisal of which shall be controlling. The determination of such valuation firm (as finally selected hereunder) shall be final and binding upon the parties, and the fees and expenses of such appraiser shall be borne by the Company.

[SIGNATURE PAGES FOLLOW]

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IN WITNESS WHEREOF, the parties hereto have executed this Stockholders Agreement on the day and year first above written.

LAUREATE EDUCATION, INC.

By: /s/ Eilif Serck-Hanssen
Name: Eilif Serck-Hanssen
Its: EVP, CFO

WENGEN ALBERTA, LIMITED PARTNERSHIP

BY: WENGEN INVESTMENTS LIMITED, ITS GENERAL PARTNER

By: /s/ Douglas L. Becker
Name: Douglas L. Becker
Its: CEO

[Signature Page to Stockholders Agreement]

KKR 2006 FUND (OVERSEAS), LIMITED PARTNERSHIP

By: KKR Associates 2006 (Overseas), Limited Partnership, its General Partner

By: KKR 2006 Limited, its General Partner

By: /s/ William J. Janetschek

Name: William J. Janetschek

Title: Director

KKR PARTNERS II (INTERNATIONAL), LIMITED PARTNERSHIP

By: KKR PI-II GP Limited, its General Partner

By: /s/ William J. Janetschek

Name: William J. Janetschek

Title: Director

[Signature Page to Stockholders Agreement]

SNOW, PHIPPS GROUP, L.P.

By: SPG GP, LLC, its general partner

By: /s/ Ian K. Snow

Name: Ian K. Snow

Title: Managing Member

SNOW, PHIPPS GROUP (RPV), L.P.

By: SPG GP, LLC, its general partner

By: /s/ Ian K. Snow

Name: Ian K. Snow

Title: Managing Member

SNOW, PHIPPS GROUP (OFFSHORE), L.P.

By: SPG GP, LLC, its general partner

By: /s/ Ian K. Snow

Name: Ian K. Snow

Title: Managing Member

SNOW, PHIPPS GROUP (B), L.P.

By: SPG GP, LLC, its general partner

By: /s/ Ian K. Snow

Name: Ian K. Snow

Title: Managing Member

S.P.G. CO-INVESTMENT, L.P.

By: SPG GP, LLC, its general partner

By: /s/ Ian K. Snow

Name: Ian K. Snow

Title: Managing Member

[Signature Page to Stockholders Agreement]

IN WITNESS WHEREOF, the parties hereto have executed this Stockholders Agreement on the day and year first above written.

MACQUARIE SIERRA INVESTMENT HOLDINGS, INC.

By: /s/ Larry Handen
Name: Larry Handen
Title: Authorized Signatory

By: /s/ Tobias Bachteler
Name: Tobias Bachteler
Title: President

[Signature Page to Stockholders Agreement]

IN WITNESS WHEREOF, the parties hereto have executed this Stockholders Agreement on the day and year first above written.

ABRAAJ PLATINUM HOLDING, L.P.

By: Abraaj Platinum GP Limited, acting in its capacity as general partner of
Abraaj Platinum Holding, L.P.

By: /s/ Waqar Siddique
Name: Waqar Siddique
Title: Authorized Signatory

By: /s/ Rafique Lakhani
Name: Rafique Lakhani
Title: Authorized Signatory

[Signature Page to Stockholders Agreement]

IN WITNESS WHEREOF, the parties hereto have executed this Stockholders Agreement on the day and year first above written.

APOLLO SPECIAL SITUATIONS FUND, L.P.

By: Apollo Situations Advisors, L.P., its general partner

By: Apollo Special Situations Advisors GP, LLC, its general partner

By: /s/ Laurie D. Medley_____

Name: Laurie D. Medley

Title: Vice President

[Signature Page to Stockholders Agreement]

IN WITNESS WHEREOF, the parties hereto have executed this Stockholders Agreement on the day and year first above written.

AESI II, L.P.

By: Apollo European Strategic Management, L.P., its Investment Manager
By: Apollo European Strategic Management GP, LLC, its General Partner

By: /s/ Joseph D. Glatt
Name: Joseph D. Glatt
Title: Vice President

[Signature Page to Stockholders Agreement]

IN WITNESS WHEREOF, the parties hereto have executed this Stockholders Agreement on the day and year first above written.

APOLLO CENTRE STREET PARTNERSHIP, L.P.

By: Apollo Centre Street Advisors (APO DC), L.P., its General Partner

By: Apollo Centre Street Advisors (APO DC-GP), LLC, its General Partner

By: /s/ Joseph D. Glatt

Name: Joseph D. Glatt

Title: Vice President

[Signature Page to Stockholders Agreement]

IN WITNESS WHEREOF, the parties hereto have executed this Stockholders Agreement on the day and year first above written.

APOLLO ZEUS STRATEGIC INVESTMENTS, L.P.

By: Apollo Zeus Strategic Advisors, L.P., its General Partner

By: Apollo Zeus Strategic Advisors, LLC, its General Partner

By: /s/ Joseph D. Glatt

Name: Joseph D. Glatt

Title: Vice President

[Signature Page to Stockholders Agreement]

IN WITNESS WHEREOF, the parties hereto have executed this Stockholders Agreement on the day and year first above written.

AP INVESTMENT EUROPE III, L.P.

By: Apollo Europe Management III, LLC, its Investment Manager

By: /s/ Joseph D. Glatt
Name: Joseph D. Glatt
Title: Vice President

[Signature Page to Stockholders Agreement]

IN WITNESS WHEREOF, the parties hereto have executed this Stockholders Agreement on the day and year first above written.

APOLLO CREDIT OPPORTUNITY TRADING FUND III

By: Apollo Credit Opportunity Advisors III LP, its General Partner

By: Apollo Credit Opportunity Management III LLC, its Investment Manager

By: /s/ Joseph D. Glatt

Name: Joseph D. Glatt

Title: Vice President

[Signature Page to Stockholders Agreement]

IN WITNESS WHEREOF, the parties hereto have executed this Stockholders Agreement on the day and year first above written.

APOLLO HERCULES PARTNERS, L.P.

By: Apollo Hercules Advisors, L.P., its General Partner

By: Apollo Hercules Advisors GP, LLC, its General Partner

By: /s/ Joseph D. Glatt

Name: Joseph D. Glatt

Title: Vice President

[Signature Page to Stockholders Agreement]

IN WITNESS WHEREOF, the parties hereto have executed this Stockholders Agreement on the day and year first above written.

APOLLO UNION STREET PARTNERS, L.P.

By: Apollo Union Street Advisors, L.P., its General Partner

By: Apollo Union Street Capital Management, LLC, its General Partner

By: /s/ Joseph D. Glatt _____

Name: Joseph D. Glatt

Title: Vice President

[Signature Page to Stockholders Agreement]

IN WITNESS WHEREOF, the parties hereto have executed this Stockholders Agreement on the day and year first above written.

APOLLO THUNDER PARTNERS, L.P.

By: Apollo Thunder Management, LLC, its Investment Manager

By: /s/ Joseph D. Glatt
Name: Joseph D. Glatt
Title: Vice President

[Signature Page to Stockholders Agreement]

IN WITNESS WHEREOF, the parties hereto have executed this Stockholders Agreement on the day and year first above written.

APOLLO KINGS ALLEY CREDIT FUND, L.P.

By: Apollo Kings Alley Credit Advisors, L.P., its General Partner

By: Apollo Kings Alley Credit Capital Management, LLC, its General Partner

By: /s/ Joseph D. Glatt

Name: Joseph D. Glatt

Title: Vice President

[Signature Page to Stockholders Agreement]

IN WITNESS WHEREOF, the parties hereto have executed this Stockholders Agreement on the day and year first above written.

APOLLO A-N CREDIT FUND (DELAWARE), L.P.

By: Apollo A-N Credit Management, LLC

By: /s/ Joseph D. Glatt

Name: Joseph D. Glatt

Title: Vice President

[Signature Page to Stockholders Agreement]

IN WITNESS WHEREOF, the parties hereto have executed this Stockholders Agreement on the day and year first above written.

APOLLO LINCOLN PRIVATE CREDIT, L.P.

By: Apollo Lincoln Private Credit Management, LLC, its Investment Manager

By: /s/ Joseph D. Glatt

Name: Joseph D. Glatt

Title: Vice President

[Signature Page to Stockholders Agreement]

IN WITNESS WHEREOF, the parties hereto have executed this Stockholders Agreement on the day and year first above written.

APOLLO TOWER CREDIT FUND, L.P.

By: Apollo Tower Credit Advisors, LLC, its General Partner

By: /s/ Joseph D. Glatt

Name: Joseph D. Glatt

Title: Vice President

[Signature Page to Stockholders Agreement]

IN WITNESS WHEREOF, the parties hereto have executed this Stockholders Agreement on the day and year first above written.

RK GOLD (CAYMAN) HOLDINGS, L.P.

By: CFIG (Cayman) Holdings Limited, its general partner

By: /s/ Jonathan Jacoby
Name: Jonathan Jacoby
Title: Vice President

[Signature Page to Stockholders Agreement]

Annex A

Confidentiality Provisions

1. (A) Subject to paragraph (C) below, all (i) written information about the Company furnished by the Company (I) to any Investor that is clearly and conspicuously identified as “Confidential Information,” and (II) to the Non-Voting Committee Observer at a KKR Board meeting is referred to herein as “**Data**.” The Company shall submit to an Investor information identified as “Confidential Information” only if it in good faith reasonably believes that such information is in fact confidential.

(B) Each Investor agrees to hold the Data in confidence. Each Investor will not reveal any Data to any person without the consent of the Company, which consent shall not be unreasonably delayed, withheld or conditioned, other than to officers, directors, employees, attorneys, independent auditors, rating agencies, contractors, consultants (including, by way of example, technical and financial advisors) of such Investor and its Affiliates (such Persons receiving Data, collectively, “**Representatives**”) who are deemed appropriate by the Investor in its reasonable judgment; provided, however, that to the extent that any of the Representatives is not an employee of such Investor, prior to furnishing Data to such Representative, such Investor will inform such Representative about the confidential nature of the Data to be disclosed; and cause such Representative that will receive the Data from such Investor to enter into a confidentiality agreement with provisions substantially the same as those set forth herein. Additionally, any Investor shall be allowed to disclose any Data to potential purchasers and their Representatives relating to a potential sale of all or part of the Securities held by such Investor; provided, further, that, prior to furnishing Data to such persons, such Investor shall cause the potential purchasers that will receive the Data from such Investor to enter into a confidentiality agreement with provisions substantially the same as those set forth herein.

(C) The term “**Data**” shall not apply to information which:

- (i) is or becomes available to the public other than as a result of a disclosure in violation of the provisions set forth herein;
 - (ii) was available to an Investor prior to its disclosure to such Investor by the Company under this Agreement;
 - (iii) was or is developed by an Investor independently of, and without reference to, the Data;
 - (iv) is required to be disclosed by action of any court, tribunal, regulatory authority, self-regulatory organization or by any requirement of law, legal process, regulation, or governmental order, decree or rule or necessary or desirable for an Investor to disclose in connection with any proceeding in any court, tribunal or before any regulatory authority in order to preserve its rights;
 - (v) the Company agrees may be disclosed; or
-

(vi) is or becomes available to an Investor from sources which to such Investor's knowledge are under no obligation of confidentiality to the Company.

2. Except in connection with the agreement of the Investor expressly contained herein to keep Data confidential, an Investor shall not incur any liability or obligation to the Company by reason of or arising out of such Investor's inspection and evaluation of the Data. An Investor will not be liable for any loss, cost, liability or other claim in connection with the Data beyond reasonably foreseeable losses and will not be liable for lost profits or consequential or punitive damages.

3. An Investor's obligation of confidentiality set forth herein with respect to any Data disclosed to it shall expire two (2) years after the disclosure of such Data to such Investor.

Schedule A
List of Investors

<u>Name and Address of Investor</u>	<u>Type and Number of Securities</u>	<u>Purchase Price</u>
Macquarie Sierra Investment Holdings Inc. 125 W 55th Street, Level 17 New York, New York 10019 Attention: MacCap Legal and Melissa Toomey E-mail: ibgcflegalna@macquarie.com; Melissa.Toomey@macquarie.com	23,000 shares of Series A-1 Preferred Stock	\$ 23,000,000
<u>with a copy to:</u>		
Goodwin Procter LLP The New York Times Building 620 Eighth Avenue New York, NY 10018 Attention: Ilan Nissan, Paul Cicero and Oreste Cipolla Telecopy: +1 212 202 6392 E-mail: INissan@Goodwinlaw.com; PCicero@Goodwinlaw.com; OCipolla@Goodwinlaw.com		
AESI II, L.P. One Manhattanville Road, Suite 201 Purchase, NY 10577 Attention: Joseph D. Glatt E-mail: jglatt@apollolp.com	2,367.285 shares of Series A-2 Preferred Stock	\$ 2,367,285
<u>with a copy to:</u>		
Paul, Weiss, Rifkind, Wharton & Garrison LLP 1285 Avenue of the Americas New York, NY 10019-6064 Attention: Brian Finnegan and Tracey Zacccone Telecopy: +1 212 373 3000 E-mail: Bfinnegan@paulweiss.com; Tzacccone@paulweiss.com		
Apollo Centre Street Partnership, L.P. One Manhattanville Road, Suite 201 Purchase, NY 10577	6,554.247 shares of Series A-2 Preferred Stock	\$ 6,554,247

Attention: Joseph D. Glatt
E-mail: jglatt@apolloip.com

with a copy to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, NY 10019-6064
Attention: Brian Finnegan and Tracey Zaccane
Telecopy: +1 212 373 3000
E-mail: Bfinnegan@paulweiss.com; Tzaccane@paulweiss.com

Apollo Zeus Strategic Investments, L.P. One Manhattanville Road, Suite 201 Purchase, NY 10577 Attention: Joseph D. Glatt E-mail: jglatt@apolloip.com	3,528.554 shares of Series A-2 Preferred Stock	\$	3,528,554
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with a copy to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, NY 10019-6064
Attention: Brian Finnegan and Tracey Zaccane
Telecopy: +1 212 373 3000
E-mail: Bfinnegan@paulweiss.com; Tzaccane@paulweiss.com

Credit Opportunity Trading Fund III One Manhattanville Road, Suite 201 Purchase, NY 10577 Attention: Joseph D. Glatt E-mail: jglatt@apolloip.com	29,200.064 shares of Series A-2 Preferred Stock	\$	29,200,064
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with a copy to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, NY 10019-6064
Attention: Brian Finnegan and Tracey Zaccane
Telecopy: +1 212 373 3000
E-mail: Bfinnegan@paulweiss.com;

Tzaccone@paulweiss.com

AP Investment Europe III, L.P. 9 West 57th Street, 43rd Floor New York, NY 10019 Attention: Joseph D. Glatt E-mail: jglatt@apollolp.com	2,931.087 shares of Series A-2 Preferred Stock	\$	2,931,087
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with a copy to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, NY 10019-6064
Attention: Brian Finnegan and Tracey Zacccone
Telecopy: +1 212 373 3000
E-mail: Bfinnegan@paulweiss.com; Tzaccone@paulweiss.com

Apollo Hercules Partners, L.P. One Manhattanville Road, Suite 201 Purchase, NY 10577 Attention: Joseph D. Glatt E-mail: jglatt@apollolp.com	2,620.847 shares of Series A-2 Preferred Stock	\$	2,620,847
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with a copy to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, NY 10019-6064
Attention: Brian Finnegan and Tracey Zacccone
Telecopy: +1 212 373 3000
E-mail: Bfinnegan@paulweiss.com; Tzaccone@paulweiss.com

Apollo Union Street Partners, L.P. One Manhattanville Road, Suite 201 Purchase, NY 10577 Attention: Joseph D. Glatt E-mail: jglatt@apollolp.com	1,905.419 shares of Series A-2 Preferred Stock	\$	1,905,419
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with a copy to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP

1285 Avenue of the Americas
New York, NY 10019-6064
Attention: Brian Finnegan and Tracey Zaccone
Telecopy: +1 212 373 3000
E-mail: Bfinnegan@paulweiss.com; Tzaccone@paulweiss.com

Apollo Thunder Partners, L.P. One Manhattanville Road, Suite 201 Purchase, NY 10577 Attention: Joseph D. Glatt E-mail: jglatt@apollolp.com	2,184.039 shares of Series A-2 Preferred Stock	\$	2,184,039
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with a copy to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, NY 10019-6064
Attention: Brian Finnegan and Tracey Zaccone
Telecopy: +1 212 373 3000
E-mail: Bfinnegan@paulweiss.com; Tzaccone@paulweiss.com

Apollo Kings Alley Credit Fund, L.P. One Manhattanville Road, Suite 201 Purchase, NY 10577 Attention: Joseph D. Glatt E-mail: jglatt@apollolp.com	2,185.317 shares of Series A-2 Preferred Stock	\$	2,185,317
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with a copy to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, NY 10019-6064
Attention: Brian Finnegan and Tracey Zaccone
Telecopy: +1 212 373 3000
E-mail: Bfinnegan@paulweiss.com; Tzaccone@paulweiss.com

Apollo Lincoln Private Credit, L.P. One Manhattanville Road, Suite 201 Purchase, NY 10577 Attention: Joseph D. Glatt E-mail: jglatt@apollolp.com	2,130.770 shares of Series A-2 Preferred Stock	\$	2,130,770
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with a copy to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, NY 10019-6064
Attention: Brian Finnegan and Tracey Zaccone
Telecopy: +1 212 373 3000
E-mail: Bfinnegan@paulweiss.com; Tzaccone@paulweiss.com

Apollo A-N Credit Fund (Delaware), L.P. One Manhattanville Road, Suite 201 Purchase, NY 10577 Attention: Joseph D. Glatt E-mail: jglatt@apollolp.com	2,352.370 shares of Series A-2 Preferred Stock	\$	2,352,370
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with a copy to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, NY 10019-6064
Attention: Brian Finnegan and Tracey Zaccone
Telecopy: +1 212 373 3000
E-mail: Bfinnegan@paulweiss.com; Tzaccone@paulweiss.com

Apollo Tower Credit Fund, L.P. One Manhattanville Road, Suite 201 Purchase, NY 10577 Attention: Joseph D. Glatt E-mail: jglatt@apollolp.com	5,540.001 shares of Series A-2 Preferred Stock	\$	5,540,001
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with a copy to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, NY 10019-6064
Attention: Brian Finnegan and Tracey Zaccone
Telecopy: +1 212 373 3000
E-mail: Bfinnegan@paulweiss.com; Tzaccone@paulweiss.com

Apollo Special Situations Fund, L.P. c/o Apollo Special Situations Advisors, L.P. One Manhattanville, Suite 201 Purchase, NY 10577 Attn: General Counsel	63,500.000 shares of Series A-2 Preferred Stock	\$	63,500,000
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with a copy to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, NY 10019-6064
Attention: Brian Finnegan and Tracey Zaccone
Telecopy: +1 212 373 3000
E-mail: Bfinnegan@paulweiss.com; Tzaccone@paulweiss.com

RK Gold (Cayman) Holdings, L.P. c/o GCM Customized Fund Investment Group, L.P. 767 Fifth Avenue, 14th Floor New York, NY 10153 Attention: General Counsel E-mail: legal@gcmlp.com	48,000 shares of Series A-2 Preferred Stock	\$	48,000,000
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with a copy to:

Gibson, Dunn & Crutcher LLP
200 Park Avenue
New York, NY 10166-0193
Attention: Edward Sopher and Glenn Pollner
Telecopy: +1 212 351 4000
E-mail: ESopher@gibsondunn.com; GPollner@gibsondunn.com

Abraaj Platinum Holding, L.P. The Abraaj Group Pedregal 24-801B Molino del Rey, 11040 Mexico City, Mexico Attention: Miguel Olea and Eduardo Cortina Telecopy: +52 55 9178 9010 E-mail: miguel.olea@abraaj.com; eduardo.cortina@abraaj.com	127,000 shares of Series A-2 Preferred Stock	\$	127,000,000
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with a copy to:

Weil, Gotshal & Manges LLP
100 Federal Street, 34th Floor
Boston, MA 02110-1802
Attention: Shayla Harlev
Telecopy: +1 617 772 8300
E-mail: Shayla.Harlev@weil.com

KKR 2006 Fund (Overseas), Limited Partnership c/o Kohlberg Kravis Roberts & Co. 9 West 57 th St., Suite 4200 New York, NY 10019 Attention: General Counsel Facsimile: +1 212 750 0003	59,350.000 shares of Series A-2 Preferred Stock	\$	59,350,000
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with a copy to:

Kirkland & Ellis LLP
601 Lexington Avenue
New York, NY 10022
Attention: Sean D. Rodgers, P.C.
Telecopy: +1 212 446 4800
E-mail: Sean.rodgers@kirkland.com

KKR Partners (International), Limited Partnership Kohlberg Kravis Roberts & Co. 9 West 57 th St., Suite 4200 New York, NY 10019 Attention: General Counsel Facsimile: +1 212 750 0003	650.000 shares of Series A-2 Preferred Stock	\$	650,000
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with a copy to:

Kirkland & Ellis LLP
601 Lexington Avenue
New York, NY 10022
Attention: Sean D. Rodgers, P.C.
Telecopy: +1 212 446 4800
E-mail: Sean.rodgers@kirkland.com

Snow, Phipps Group, LP. 667 Madison Avenue, 18th Floor New York, NY 10021	13,669.987 shares of Series A-2 Preferred Stock	\$	13,669,987
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Attention: Ian K. Snow
Telecopy:
E-mail: isnow@spgpartners.com

with a copy to:

Kirkland & Ellis LLP
601 Lexington Avenue
New York, NY 10022
Attention: Sean D. Rodgers, P.C.
Telecopy: +1 212 446 4800
E-mail: Sean.rodgers@kirkland.com

S.P.G. Co-Investment, L.P. 667 Madison Avenue, 18th Floor New York, NY 10021 Attention: Ian K. Snow Telecopy: E-mail: isnow@spgpartners.com	45 shares of Series A-2 Preferred Stock	\$	45,000
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with a copy to:

Kirkland & Ellis LLP
601 Lexington Avenue
New York, NY 10022
Attention: Sean D. Rodgers, P.C.
Telecopy: +1 212 446 4800
E-mail: Sean.rodgers@kirkland.com

Snow, Phipps Group (B), L.P. 667 Madison Avenue, 18th Floor New York, NY 10021 Attention: Ian K. Snow Telecopy: E-mail: isnow@spgpartners.com	131.324 shares of Series A-2 Preferred Stock	\$	131,324.17
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with a copy to:

Kirkland & Ellis LLP
601 Lexington Avenue
New York, NY 10022
Attention: Sean D. Rodgers, P.C.
Telecopy: +1 212 446 4800
E-mail: Sean.rodgers@kirkland.com

Snow, Phipps Group (Offshore), L.P. 667 Madison Avenue, 18th Floor New York, NY 10021 Attention: Ian K. Snow Telecopy: E-mail: isnow@spgpartners.com	441.838 shares of Series A-2 Preferred Stock	\$	441,838.33
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with a copy to:

Kirkland & Ellis LLP
601 Lexington Avenue
New York, NY 10022
Attention: Sean D. Rodgers, P.C.
Telecopy: +1 212 446 4800
E-mail: Sean.rodgers@kirkland.com

Snow, Phipps Group (RPV), L.P. 667 Madison Avenue, 18th Floor New York, NY 10021 Attention: Ian K. Snow Telecopy: E-mail: isnow@spgpartners.com	711.851 shares of Series A-2 Preferred Stock	\$	711,850.60
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with a copy to:

Kirkland & Ellis LLP
601 Lexington Avenue
New York, NY 10022
Attention: Sean D. Rodgers, P.C.
Telecopy: +1 212 446 4800
E-mail: Sean.rodgers@kirkland.com

ix

Schedule 2.1(d)
Restricted Transferees

1. Providence Equity Partners LLC and any of their Affiliates

x

Exhibit A
Registration Rights Agreement

[See Attached]

Exhibit B-1
2016-Based Test Period Certificate

[See Attached]

Exhibit B-2
2017 Trigger Certificate

[See Attached]



October 27, 2017

Jean-Jacques Charhon
Greenwich, CT

Dear Jean-Jacques,

It is our pleasure to extend to you our offer of employment to join Laureate Education, Inc. (the "Company") as Executive Vice President and Chief Financial Officer reporting to Eilif Serck-Hanssen. This position is based in Baltimore and your start date will be a January 1, 2018 ("Start Date").

This offer is contingent upon satisfactory credit check and submission of the appropriate paperwork. As a condition to employment, you will be required to sign our Confidentiality, Non-Disclosure and Covenant Not to Compete Agreement ("NDA"). Your employment will be on an "at will" basis, and will be subject to the terms and conditions contained in our Employee Handbook, our general employment policies and practices, and such other reasonable and lawful policies, practices and restrictions as the Company shall from time to time establish for its similarly situated executives.

Laureate is centered on the premise of being "Here for Good," reflecting our goal of operating with purpose and permanence. We believe that you will be an excellent addition to our organization, thus helping us to achieve this common goal. In return, we believe our culture will offer an excellent growth platform for your career.

For this opportunity, we have prepared the following competitive offer:

- Position:** Executive Vice President and Chief Financial Officer
- Base Salary:** \$600,000/annually, subject to review and adjustment by the Compensation Committee of the Company's Board of Directors (the "Compensation Committee").
- Annual Bonus:**
 - Your target annual bonus is 100% of Base Salary, payable in the year following the performance year, customarily in March, upon meeting the applicable performance criteria established by the Compensation Committee. You must remain continuously employed through the bonus payment date to receive any payment.
 - For Performance year 2018, and only for that year, your target annual bonus will be 50% of your annual Base Salary and will be paid in accordance with the terms set out above.
 - Performance criteria for the 2018 Annual Incentive Plan and for subsequent years, will be determined at the same time they are

determined for other similarly situated executives. Any bonus payment shall be subject to the terms of any applicable incentive compensation plan adopted by the Company.

Benefits:

You will be eligible for the standard Laureate United States employee benefits package on the first day of the month following one full calendar month of employment. The Company reserves the right to add, terminate and/or amend any employee benefit plans, policies, programs and/or arrangements from time to time in accordance with the terms thereof and applicable law.

For the period between your Start Date and the date on which you become eligible for Laureate benefits, to the extent that you are enrolled in the Consolidated Omnibus Budget Reconciliation Act ("COBRA"), the company will pay 100% of the monthly cost of you and your family medical, dental and vision COBRA, including the (2%) premium for administration.

Vacation:

4 weeks / 20 days paid vacation, which will accrue at the rate of 13.34 hours per month.

Long Term Incentive (LTI):

Subject to the approval of the Compensation Committee, beginning in 2018 you will be eligible to participate in an equity-based compensation program with an annual target award equal to 100% of your base salary. For year 2020 and beyond, your annual target award will be adjusted to 150% of your base salary subject to the same approval process. Awards may be a mix of (i) restricted stock units; (ii) performance share units; and/or (iii) stock options, each with respect to the Company's Class A common stock, par value \$0.004 per share (the "Class A Common Stock"). Additionally, in January 2018, you shall receive a onetime, time-based grant of \$600,000 in options with expiration date 5 years from the date of grant, of which 50% will vest on December 31, 2018 and the remaining 50% will vest on December 31, 2019. The exercise price per share of any stock options will be equal to the fair market value of the Class A Common Stock on the grant date. Awards will be subject to the terms and conditions of the Company's Amended and Restated 2013 Long-Term Incentive Plan (the "Plan") and one or more award agreements that you must sign and accept, which will include time and/or performance-based vesting.

In addition, as soon as practicable on or after your start date, management will recommend to the Compensation Committee that the Company grant you a one-time equity award consisting of 32,000 performance share units (“PSUs”) and 17,000 performance stock options with a strike price per share equal to the higher of (i) \$17.89 or (ii) the fair market value of the Class A Common Stock on the grant date. One-third of each of the performance stock options and PSUs granted under this award will be eligible to vest after December 31, 2018 and the remainder of the options and units will be eligible to vest after December 31, 2019, in each case subject to the Compensation Committee’s determination that (A) the applicable 2018 and 2019 Adjusted EBITDA targets have been achieved, and (B) Management’s annual report on its internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) and the Company’s independent registered public accounting firm’s audit report on the effectiveness of the Company’s internal control over financial reporting included in the Company’s audited financial statements for the year ended December 31, 2018 included in the Company’s Annual Report on Form 10-K, do not disclose any material weaknesses, and otherwise will contain the Company’s customary terms and conditions for such grants. The Compensation Committee will consider additional equity awards to you in future years, in its sole discretion.

Relocation:

The Company will provide relocation assistance for you and your family at the time you relocate to Baltimore, MD. For the home sale assistance benefit, the Company will extend the benefit for up to twenty-four months from your Start Date, subject to the terms and conditions of the Company’s relocation policy and an Employee Reimbursement Agreement, which you must sign and accept. Laureate’s Human Resources department will assist you with your relocation activities and will work with the Company’s relocation provider to process relocation related expense reimbursement. Relocation assistance includes:

- For the initial 9 months of your employment with Laureate and before you permanently relocate to Baltimore, MD; the company will reimburse you for your reasonable lodging and commuting expenses. Lodging
-

reimbursement should follow the Company's relocation policy for temporary living.

- On your relocation date, we will provide five days of destination services to assist with area orientation, home finding, and settling in.
- Final move of household goods from Connecticut to Baltimore, MD.
- Reimbursement of final move train fare, mileage, meals and incidentals incurred during final trip, for you and your family, to Baltimore, MD.
- Temporary living reimbursement for up to 15 days.
- A miscellaneous, non-accountable allowance of \$10,000 net, to be used for any relocation expenses you may incur upon relocating to the Baltimore area.
- Payment or reimbursement of all taxes on your relocation benefits (by December 31 of the year following the year in which you remit the taxes).
- If you voluntarily terminate employment or your employment is terminated by the Company for Cause (as defined in the Plan) within 12 months after receiving any assistance, you are responsible for reimbursing the company 100% of the relocation costs.

Severance:

Subject to the approval of the Compensation Committee, if your employment with the Company is terminated by the Company for reasons other than Cause (as defined in the Plan) or your disability (as determined by the Company), subject to your execution and non-revocation of a release of claims in a form provided by the Company, so that it becomes effective by the 60th day after your termination of employment, and your continued compliance with the NDA, you will be eligible to receive severance in an amount equal to two times your then current Base Salary on the date of such termination. Such amount shall be paid in equal installments according to the Company's regular payroll schedule over the twelve (12) month period following the date of termination; provided, however, that each installment due during the first 60 days after the date of termination shall be paid with the first installment due after such 60 days.

Section 409A: Tax:

This offer letter is intended to comply with Section 409A of the Internal Revenue Code (“Section 409A”) or an exemption thereunder and shall be construed and administered in accordance with Section 409A. Notwithstanding any other provision of this offer letter, payments provided under this offer letter may only be made upon an event and in a manner that complies with Section 409A or an applicable exemption. Any payments under this offer letter that may be excluded from Section 409A either as separation pay due to an involuntary separation from service or as a short-term deferral shall be excluded from Section 409A to the maximum extent possible. For purposes of Section 409A, each installment payment provided under this offer letter shall be treated as a separate payment. Any payments to be made under this offer letter upon a termination of employment shall only be made upon a “separation from service” under Section 409A. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this offer letter comply with Section 409A and in no event shall the Company be liable for all of any portion of any taxes, penalties, interest or other expenses that may be incurred by you on account of non-compliance with Section 409A.

Notwithstanding any other provision of this offer letter, if any payment or benefit provided to you in connection with termination of employment is determined to constitute “nonqualified deferred compensation” within the meaning of Section 409A and you are determined to be a “specified employee” as defined in Section 409A(a)(2)(b)(i), then such payment or benefit shall not be paid until the first payroll date to occur following the six-month anniversary of your termination date (the “Specified Employee Payment Date”) or, if earlier, on the date of your death. The aggregate of any payments that would otherwise have been paid before the Specified Employee Payment Date shall be paid to you in a lump sum on the Specified Employee Payment Date and thereafter, any remaining payments shall be paid in accordance with their original schedule.

With respect to any reimbursement of expenses of, or any provision of in-kind benefits to you, such reimbursement of expenses or provisions of in-kind benefits shall be subject to the following conditions: (1) the expenses eligible for reimbursement or the amount of in-kind benefits provided in one taxable year shall not affect the expenses eligible for reimbursement or the amount of in-kind benefits provided in any other taxable year; (2) the reimbursement of an eligible expense shall be made no later than the end of the year after the year in which such expense was

incurred; and (3) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit.

Compensation paid by the Company shall be reduced by applicable withholdings and payroll taxes.

This letter will be governed by and construed in accordance with the laws of the State of Maryland without giving effect to any choice of law provisions or principles thereof.

People come to us because we think differently. We teach bigger thinking. We foster game changers. We light fuses on ideas that take off. We are Laureate and we are transforming the world of education for the better. We welcome your spark!

Please indicate your acceptance of this offer by signing in the space provided below and returning it to my attention, retaining a copy for your files.

By signing below, you confirm that you have no contractual commitments or other legal obligations that would prohibit you from performing your duties for the Company.

We are looking forward to you joining our team. If you have any unanswered questions or if there is any way we can assist you further, please do not hesitate to contact me.

Sincerely,

/s/ Luis Novelo

Luis Novelo
Vice President, Human Resources
Laureate Education, Inc.

Accepted: /s/ Jean-Jacques Charhon
Jean-Jacques Charhon

Date: 11-6-2017

TRANSITIONAL EMPLOYMENT AGREEMENT

This **TRANSITIONAL EMPLOYMENT AGREEMENT** (the “**Agreement**”) is entered into effective November 9, 2017 (the “**Effective Date**”), by and between Paula Singer (the “**Executive**”) and Laureate Education, Inc. (the “**Company**”). Each of the Company and Executive are a “**Party**” and, collectively, they are the “**Parties.**”

In consideration of the mutual promises and covenants contained herein, the Parties agree to the following:

1. EMPLOYMENT BY THE COMPANY.

1.1 **Term.** The term of this Agreement shall commence on the Effective Date and continue until December 31, 2019 (the “**Retention Date**”), immediately after which date Executive’s employment will automatically terminate, unless (a) her employment is terminated prior thereto as provided in Section 4, or (b) the Parties agree in writing that her employment will continue after December 31, 2019 (the “**Term**”). The Parties agree that the designation of a Term herein does not confer any rights with respect to continuation of employment by the Company for the duration of the Term or any other specified period, nor interfere with the right of the Parties to terminate this Agreement at any time as set forth in Section 4 below. The Parties further agree that Executive shall not be entitled to any additional payment beyond what is expressly set forth in Section 2 if Executive’s employment continues after the Retention Date pursuant to Section 1.1(b) above.

1.2 **Position.** Subject to the terms set forth herein, the Company agrees to continue to employ Executive in the position of Chief Learning & Innovation Officer and Executive hereby accepts such employment.

1.3 **Duties.** Executive will report to the Chief Operating Officer of the Company. During the Term, Executive will devote Executive’s best efforts and substantially all of Executive’s business time and attention to the business of the Company. Nothing in this provision shall be deemed to prohibit Executive’s service on the board of directors of entities that are not affiliated with the Company, provided, however, that Executive has sought and obtained the Company’s consent to such service, with consent not to be unreasonably withheld by the Company, and such service does not violate the Confidentiality Agreement or any other duty owed by the Executive to the Company.

1.4 **Company Policies.** The employment relationship between the Parties shall continue to be subject to the Company’s personnel policies and procedures as they may be interpreted, adopted, revised or deleted from time to time in the Company’s sole discretion. Notwithstanding the foregoing, in the event that the terms of this Agreement differ from or are in conflict with the Company’s general employment policies or practices, this Agreement shall control.

2. **COMPENSATION.**

2.1 **Salary.** During the Term,

(a) Executive shall continue to receive base salary at the rate of \$710,495 on an annualized basis for the remainder of 2017 ("**2017 Base Salary**"); and

(b) effective as of January 1, 2018, Executive shall receive for Executive's services to be rendered under this Agreement a base salary of \$450,000 on an annualized basis, payable subject to standard federal and state payroll withholding requirements in accordance with the Company's standard payroll practices ("**Transitional Base Salary**").

2.2 **Bonus.** During the Term, Executive shall be eligible to earn an annual target cash bonus of 100% of 2017 Base Salary or Transitional Base Salary, as applicable, pursuant to the terms of the Company's Annual Incentive Plan (the "**Plan**"). Any bonus, if earned, will be paid to Executive within the time period set forth in the Plan. The Executive must be continuously employed with the Company from the Effective Date through the payment date of any bonus under the Plan in order to receive any bonus under the Plan; provided however, that any annual bonus for 2019 will be paid in 2020 if and when the Company determines whether the applicable goals were attained and so long as the Executive remains employed through the end of the Term and the Release becomes effective and irrevocable. In addition, during the Term, Executive shall be eligible to earn a special long term bonus in the amount of \$300,000, less all applicable withholdings and deductions (the "**Special LTB**"), if (i) the Company and Executive satisfy the performance goals set forth in a separate bonus arrangement agreed to by Executive and the Chief Operating Officer, (ii) Executive remains employed with the Company through the Retention Date, (iii) Executive signs and does not revoke a Release (as defined in Section 4.2(b) below), and (iv) Executive complies with the obligations in Section 4.2(b) below. The Special LTB, if earned, will be paid in 2020 when the Chief Operating Officer determines whether the goals were attained and so long as the Release becomes effective and irrevocable.

2.3 **Equity Compensation.** In 2018, and subject to action by the Compensation Committee and Executive's continued employment through the grant date, Executive shall be eligible for an annual stock option and/or restricted stock units grant with a combined total grant date fair value of \$450,000. The number of restricted stock units granted will be determined based on the Company's stock price at grant. The number of stock options will be determined by applying a Black-Scholes valuation. The actual grant date will be established by the Compensation Committee when the Compensation Committee grants the awards. The awards will be subject to the terms and conditions provided by the Compensation Committee in the award agreement and the incentive plan maintained by the Company pursuant to which the Compensation Committee grants the awards. The Parties agree that execution and delivery of this Agreement shall be deemed written notice of Executive's intention to terminate employment for purposes of calculating "Retirement" with respect to all of Executive's outstanding stock option agreements.

2.4 **Retention.** As consideration for Executive's execution of this Agreement and compliance with its terms, the Company will pay to Executive \$500,000, less all applicable withholdings and deductions (the "**Retention Payment**"), in a single lump sum as soon as

practicable on or after December 31, 2017, provided that the Agreement Effective Date (as defined in Section 5(b) below) occurs before such date.

2.5 **Benefits.** Executive will continue to be eligible to participate on the same basis as similarly situated employees in the Company's benefit plans in effect from time to time during Executive's employment. Payment of Executive's balances under the Company's deferred compensation plans will be made in accordance with such plans' terms and conditions. All matters of eligibility for coverage or benefits under any benefit plan shall be determined in accordance with the provisions of such plan. The Company reserves the right to change, alter, or terminate any benefit plan in its sole discretion.

3. **CONFIDENTIALITY, NON-COMPETITION AND NON-SOLICIT OBLIGATIONS.** The Parties have entered into a Confidentiality, Non-Competition and Non-Solicit Agreement ("**Confidentiality Agreement**"), which may be amended by the Parties from time to time without regard to this Agreement, and which contains provisions that are intended by the Parties to survive and do survive termination of this Agreement.

4. **TERMINATION OF EMPLOYMENT.** The Parties acknowledge that either Party may terminate the employment relationship at any time, with or without Cause. The provisions of Section 4 govern the amount of compensation, if any, to be provided to Executive if her employment is terminated prior to the Retention Date.

4.1 **Accrued Obligations Upon Termination.** Either Party shall have the right to terminate Executive's employment with the Company at any time by giving notice as described in Section 6.1 of this Agreement. Upon termination of Executive's employment for any reason, the Company will pay the following to Executive on the Company's first payroll date after Executive's date of termination or earlier if required by law (collectively, the "**Accrued Obligations**"): (i) Executive's accrued but unpaid salary through the date of termination, (ii) any unreimbursed business expenses incurred by Executive payable in accordance with the Company's standard expense reimbursement policies, and (iii) benefits owed to Executive under any qualified retirement plan or health and welfare benefit plan in which Executive was a participant in accordance with applicable law and the provisions of such plan.

4.2 **Severance Benefits Upon Termination Without Cause.**

(a) If the Company terminates Executive's employment without Cause (as defined below) before the Retention Date, then Executive shall be entitled to receive the Accrued Obligations (which, for avoidance of doubt, will not include any portion of the Special LTB or annual bonus under the Plan) and, subject to Executive's compliance with the obligations in Section 4.2(b) below, Executive shall also be entitled to receive an amount equal to the result of: (x) Twenty Seven Thousand Five Hundred dollars (\$27,500.00) multiplied by (y) the number of whole months remaining in the Term (the "**Severance Benefit**"), payable in a single lump sum on the Company's first regularly scheduled payroll date following the Release Effective Date (as defined in Section 4.2(b) below).

(b) Executive shall receive the Severance Benefit pursuant to Section 4.2(a) of this Agreement if: (i) Executive signs and delivers to the Company an effective, general release

of claims in favor of the Company and its affiliates and representatives, in a form acceptable to the Company (the "**Release**"), by the 60th day following the termination date or such earlier date as set forth in the Release, which cannot be revoked in whole or part (if applicable) by such date or such earlier date as set forth in the Release (the date that the Release can no longer be revoked is referred to as the "**Release Effective Date**"); (ii) if Executive holds any other positions with the Company, Executive resigns such position(s) to be effective no later than the date of Executive's termination date (or such other date as requested by the Board of Directors); (iii) Executive returns all Company property in proper order and condition (including, but not limited to, all books, documents, papers, materials and any other property or assets relating to the business or affairs of the Company which may be in the Executive's possession or under Executive's control but excluding copies of records related to the Executive's compensation from the Company and any equity ownership in the Company); (iv) Executive complies with all post-termination obligations under this Agreement and the Confidentiality Agreement; and (v) Executive complies with the terms of the Release, including without limitation any non-disparagement and confidentiality provisions contained in the Release. To the extent that the Severance Benefit is deferred compensation under Section 409A (as defined below), and is not otherwise exempt from the application of Section 409A, then, if the period during which Executive may consider and sign the Release spans two calendar years, the payment of such Severance Benefit will not be made until the later calendar year, subject to the Release becoming effective. If Executive violates any post-termination obligations under this Agreement or the Confidentiality Agreement, then Executive must repay the Severance Benefit to the Company immediately upon demand by the Company.

(c) No payment or benefit other than the Accrued Obligations will be paid or provided to Executive upon Executive's resignation for any reason, the termination of Executive's employment by the Company for Cause or due to death or disability, or any termination on or after the Retention Date.

(d) "**Cause**" for termination shall mean that the Company has determined in its sole discretion that the Executive has engaged in any of the following: (i) gross negligence or willful malfeasance by Executive in connection with the performance of Executive's duties with respect to the Company, any of its affiliates or a successor to the Company or an affiliate, (ii) conviction of, or pleading guilty or nolo contendere to any felony, or any crime involving moral turpitude (iii) theft, embezzlement, fraud, dishonesty or other similar conduct by Executive in connection with the performance of her duties with the Company, any of its affiliates or a successor to the Company or an affiliate, (iv) improper disclosure of proprietary information or trade secrets of the Company or its business, (v) falsification of any records or documents of the Company, (vi) intentional or gross misconduct that injures the business or reputation of the Company, (vii) the Executive's failure to improve her work performance to an acceptable level after the Executive was previously warned in writing by the Company about poor performance and was given no less than sixty (60) days after her receipt of that writing to improve her work performance, or (viii) a willful and material breach of any other applicable agreements with the Company, any of its affiliates or a successor to the Company or an affiliate including, without limitation, engaging in any action in breach of any applicable restrictive covenants.

4.3 **Application of Section 409A.**

(a) The Company intends that this Agreement complies with or satisfies an exemption from application of Section 409A of the Internal Revenue Code of 1986, as amended, and the applicable guidance thereunder ("**Section 409A**"). The preceding provision, however, shall not be construed as a guarantee by the Company of any particular tax effect to Executive under this Agreement. The Company shall not be liable to Executive for any payment made under this Agreement which is determined to result in an additional tax, penalty or interest under Section 409A, nor for reporting in good faith any payment as an amount includible in gross income under Section 409A.

(b) If any payments or benefits under this Agreement are "deferred compensation" subject to Section 409A, no payments or benefits upon Executive's termination of employment will be paid under this Agreement unless Executive's termination of employment constitutes a "separation from service" (as defined under Treasury Regulation Section 1.409A-1(h)). For purposes of Section 409A, the right to a series of installment payments under this Agreement shall be treated as a right to a series of separate payments.

(c) If a payment obligation under this Agreement or other compensation arrangement arises on account of Executive's separation from service while Executive is a "specified employee" (as defined under Section 409A), any payment of "deferred compensation" (as defined under Treasury Regulation Section 1.409A-1(b)(1), after giving effect to the exemptions in Treasury Regulation Sections 1.409A-1(b)(3) through (b)(12)) that is scheduled to be paid within six (6) months after such separation from service shall accrue without interest and shall be paid within 15 days after the end of the six-month period beginning on the date of such separation from service or, if earlier, within 15 days after the appointment of the personal representative or executor of Executive's estate following Executive's death.

5. **GENERAL RELEASE OF CLAIMS.**

(a) **General Release.** "**Executive**" (defined for the purpose of this Section as Executive and Executive's agents, representatives, attorneys, assigns, heirs, executors, and administrators) fully and unconditionally releases the "**Released Parties**" (hereby defined as the Company and any of its parents, equity holders, affiliates, subsidiaries, predecessors, successors, and assigns, and any of its past or present employees, officers, partners, members, managers, portfolio companies, trustees, investors, agents, insurers, attorneys, administrators, officials, directors, shareholders, divisions, employee benefit plans, and the sponsors, fiduciaries, or administrators of employee benefit plans) from, and agrees not to bring any action, proceeding or suit against any of the Released Parties regarding, any and all known or unknown claims, causes of action, liabilities, damages, fees, or remunerations of any sort, arising out of or are in any way related to events, acts, conduct, or omissions occurring at any time up to and including the Agreement Effective Date, including but not limited to claims:

(i) arising out of or in any way related to Executive's employment with the Company, or any change in compensation, duties, responsibilities, or title, or Executive's equity interests in the Company; and/or

(ii) for violation of any written or unwritten contract, agreement, policy, benefit plan, retirement or pension plan, equity incentive or option plan or agreement with the

Company, or covenant of any kind, or failure to pay wages, bonuses, employee benefits, other compensation, attorneys' fees, damages, or any other remuneration (including any equity, ownership interest, management fee, carried interest, partnership interest, distributions, dividends or participation or ownership in any business venture related to the Company); and/or

(iii) for discrimination, harassment, or retaliation on the basis of any characteristic protected under applicable law, including but not limited to race, color, national origin, sex, sexual orientation, religion, immigration status, disability, marital or parental status, age, union activity or other protected activity; and/or

(iv) for violation of, or denial of protection or benefits under, any statute, ordinance, employee order, or regulation, including but not limited to claims under Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Civil Rights Act of 1866, the Age Discrimination in Employment Act ("ADEA") the Older Workers Benefit Protection Act, the Americans with Disabilities Act, the Family and Medical Leave Act of 1993 ("FMLA"), the Workers' Adjustment and Retraining Notification, the Employee Retirement Income Security Act of 1974, the Equal Pay Act, the National Labor Relations Act (the "NLRA"), the Rehabilitation Act of 1973, Sections 1981 through 1988 of Title 42 of the United States Code, the Genetic Information Nondiscrimination Act, Maryland's anti-discrimination statute (MD. CODE ANN., STATE GOV'T §§ 20-101 to 20-1203), the Maryland Constitution, each as may have been amended, or any other federal, state or local law, statute, ordinance, or any other federal, state or local statute, ordinance, or regulation regarding employment, termination of employment, wage and hour issues, discrimination, harassment, retaliation, or other employment-related matter; and/or

(v) for violation of any public policy or common law of any state relating to employment or personal injury, including but not limited to claims for wrongful discharge, defamation, invasion of privacy, infliction of emotional distress, fraud, negligence, or interference with contract; and/or

(vi) for any breach of fiduciary duty, or implied duty of good faith, or any other similar duty or obligation, or any matter related to Executive's employment with the Company.

(b) ADEA Waiver and Effective Date. Executive acknowledges that Executive is knowingly and voluntarily waiving and releasing any rights Executive may have under the ADEA, and that the consideration given to her for the waiver and release in this Agreement is in addition to anything of value to which she was already entitled. Executive further acknowledges that she has been advised by this writing, as required by the ADEA and the Older Workers Benefit Protection Act, that: (a) her waiver and release does not apply to any rights or claims that may arise after the date she signs this Agreement; (b) she should consult with an attorney prior to signing this Agreement (although she may voluntarily decide not to do so); (c) she has twenty-one (21) days to consider this Agreement (although she may choose voluntarily to sign this Agreement sooner); (d) she has seven (7) days following the date she executes this Agreement to revoke this Agreement; (e) this Agreement will not be effective until the date upon which the revocation period has expired unexercised, which will be the eighth day after Executive signs this Agreement provided that she does not revoke it (the "Agreement");

Effective Date). If this Agreement is revoked, Executive will not be entitled to the Retention Payment or any other payments or benefits under this Agreement. Nothing in this Agreement prevents or precludes Executive from challenging or seeking a determination in good faith of the validity of this waiver under the ADEA, nor does it impose any condition precedent, penalties, or costs for doing so, unless specifically authorized by federal law.

(c) **Excluded Claims**. Notwithstanding the broad scope of the general release, the following are not included in the Released Claims (the **“Excluded Claims”**): (i) any rights or claims for indemnification Executive may have pursuant to any written indemnification agreement with the Company to which Executive is a party, the charter, bylaws, or operating agreements of the Company, or under applicable law; and (ii) any rights that, as a matter of law, whether by statute or otherwise, may not be waived, such as claims for workers’ compensation benefits or unemployment insurance benefits; however, to the extent permitted by law, Executive waives any right or ability to be a class or collective action representative or to otherwise participate in any putative or certified class, collective or multi-party action or proceeding based on any Excluded Claims in which any of the Released Parties is a party. In addition, nothing in this Agreement prevents Executive from filing a charge or complaint, reporting to, cooperating with, communicating with, or participating in any proceeding before the Securities and Exchange Commission, the Equal Employment Opportunity Commission, the Occupational Safety and Health Administration, the United States Department of Labor, the National Labor Relations Board, or other similar state or local agency (the **“Government Agencies”**), or from exercising any rights pursuant to Section 7 of the NLRA, or from taking any action protected under the whistleblower provisions of any federal securities law (**“Protected Activities”**), none of which activities shall constitute a breach of this Agreement. Executive understands that in connection with such Protected Activity, Executive is permitted to disclose documents or other information as permitted by law, and without giving notice to, or receiving authorization from, the Company. Notwithstanding the foregoing, Executive agrees to take all reasonable precautions to prevent any unauthorized use or disclosure of any information that may constitute Company confidential information to any parties other than the Government Agencies. Executive further understands that “Protected Activity” does not include the disclosure of any Company attorney-client privileged communications, and that any such disclosure without the Company’s written consent shall constitute a material breach of this Agreement.

(d) **Representations**. By her signature below, Executive represents that: (a) the consideration given to her in exchange for the waiver and release in this Agreement is in addition to anything of value to which she was already entitled; (b) Executive has been provided by the Company all wages, severance, vacation, benefits, commissions, bonuses, expense reimbursements, or other amounts owed to Executive by the Company, other than benefits and pay specifically promised in this Agreement; (c) Executive has not been denied any request for leave to which she believes she was legally entitled, and Executive was not otherwise deprived of any of her rights under the FMLA or any similar state or local statute; (d) Executive is knowingly and voluntarily executing this Agreement waiving and releasing any claims she may have as of the date she executes it; and (e) she has not assigned or transferred, or purported to assign or transfer, to any person, entity, or individual whatsoever, any of the Released Claims. Executive affirms that she has not filed or caused to be filed, and is not presently a party to, a Released Claim against any of the Released Parties. Executive further affirms that she has no known workplace injuries or occupational diseases for which Executive has not already filed a

claim. Executive represents and warrants that she has not willfully engaged in conduct that would constitute fraud or material dishonesty with respect to her job duties for the Company.

6. GENERAL PROVISIONS.

6.1 **Notices.** Any notices required hereunder to be in writing shall be deemed effectively given: (a) upon personal delivery to the Party to be notified, (b) when sent by electronic mail or confirmed facsimile if sent during normal business hours of the recipient, and if not, then on the next business day, (c) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent to the Company at its primary office location and to Executive at Executive's address as listed on the Company payroll, or at such other address as the Company or Executive may designate by ten (10) days advance written notice to the other.

6.2 **Severability.** Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provisions had never been contained herein.

6.3 **Survival.** Provisions of this Agreement which by their terms must survive the termination of this Agreement in order to effectuate the intent of the Parties will survive any such termination, whether by expiration of the term, termination of Executive's employment, or otherwise, for such period as may be appropriate under the circumstances.

6.4 **Waiver.** If either Party should waive any breach of any provisions of this Agreement, it shall not thereby be deemed to have waived any preceding or succeeding breach of the same or any other provision of this Agreement.

6.5 **Complete Agreement.** This Agreement constitutes the entire agreement between Executive and the Company with regard to the subject matter hereof. This Agreement is the complete, final, and exclusive embodiment of their agreement with regard to this subject matter and supersedes any prior oral discussions or written communications and agreements. This Agreement is entered into without reliance on any promise or representation other than those expressly contained herein, and it cannot be modified or amended except in writing signed by Executive and an authorized officer of the Company. The Parties have entered into a separate Confidentiality Agreement and have entered or may enter into separate agreements related to equity and the Special LTB. These separate agreements govern other aspects of the relationship between the Parties, have or may have provisions that survive termination of Executive's employment under this Agreement, may be amended or superseded by the Parties without regard to this Agreement and are enforceable according to their terms without regard to the enforcement provision of this Agreement.

6.6 **Headings.** The headings of the sections hereof are inserted for convenience only and shall not be deemed to constitute a part hereof nor to affect the meaning thereof.

6.7 **Successors and Assigns.** The Company shall assign this Agreement and its rights and obligations hereunder in whole, but not in part, to any Company or other entity with or into which the Company may hereafter merge or consolidate or to which the Company may transfer all or substantially all of its assets, if in any such case said Company or other entity shall by operation of law or expressly in writing assume all obligations of the Company hereunder as fully as if it had been originally made a Party, but may not otherwise assign this Agreement or its rights and obligations hereunder. The Executive may not assign or transfer this Agreement or any rights or obligations hereunder, other than to Executive's estate upon death.

6.8 **Withholding.** All amounts payable hereunder shall be subject to applicable tax withholding.

6.9 **Choice of Law.** This Agreement shall be governed by and construed in accordance with the laws and judicial decisions of the State of Maryland, without regard to its principles of conflicts of laws. Executive and the Company waive their respective rights to a jury trial of any claims and causes of action arising under this Agreement, and each party agrees to have any matter heard and decided solely by a court of competent jurisdiction located in Baltimore, Maryland.

6.10 **Counterparts.** This Agreement may be executed in separate counterparts, any one of which need not contain signatures of more than one Party, but all of which taken together will constitute one and the same Agreement. Facsimile signatures and signatures transmitted by PDF shall be equivalent to original signatures.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the day and year first written above.

LAUREATE EDUCATION, INC.

By: /s/ Eilif Serck-Hanssen

Name: Eilif Serck-Hanssen

Title: President and CAO

Executive:

/s/ Paula Singer

PAULA SINGER

Release Agreement

Whereas, **Enderson Guimarães** (the “Executive”) and Laureate Education, Inc. (the “Company”) previously entered into a Separation Agreement and General Release dated March 28, 2017 (the “Separation Agreement”) in connection with the termination of Executive’s employment as of **September 30, 2017** (the “Separation Date”); and

Now, therefore, in consideration for the payments and benefits provided by Company as set forth in the Separation Agreement and the payments provided in this Release Agreement, the sufficiency of which is hereby acknowledged by Executive, and in consideration of the obligations of Executive under the Separation Agreement and this Release Agreement, the sufficiency of which is hereby acknowledged by Company, Executive and Company hereby agree as follows:

1. REPATRIATION PAYMENT

(a) Provided that Executive completes the sale of his residence in Miami, Florida on or before December 31, 2018, Company agrees to reimburse Executive for eligible and documented costs, expenses and losses incurred before December 31, 2017 and associated with Executive’s repatriation to Montreal, Quebec, Canada (the “Repatriation Payment”). Notwithstanding any provision of this Release Agreement to the contrary, the Repatriation Payment shall not exceed Two Hundred Thousand dollars (\$200,000). For purposes of this Release Agreement, eligible expenses include:

(i) the closing costs attributable to “Seller” on line 1400 of the form HUD-1 signed by both Buyer and Seller in connection with the sale of Executive’s residence in Florida, which HUD-1 will be provided by Executive to Company promptly following its execution;

(ii) reasonable costs related to shipping of Executive’s household goods from Miami, Florida to Montreal, Quebec, Canada;

and

(iii) other reasonable costs, expenses and losses incurred by Executive and associated with the sale of his residence and/or repatriation to Canada.

(b) The Repatriation Payment will be paid to Executive in one lump-sum cash payment, less all applicable withholdings and deductions required by law, no later than one month following the date of execution of the HUD-1.

(c) All obligations of the Company to Executive under this Release Agreement shall terminate on the first to occur of: (i) the payment of the Repatriation Payment; (ii) January 31, 2019; or (iii) the payment by the Company to Executive of Two Hundred Thousand dollars (\$200,000), less all applicable withholdings and deductions required by law, in lieu of the Repatriation Payment.

(d) The Repatriation Payment and other benefits under this Release Agreement are intended to comply with Internal Revenue Code Section 409A and applicable guidance issued thereunder (“Section 409A”) or comply with an exemption from the application

of 409A and, accordingly, all provisions of this Release Agreement shall be construed and administered in accordance with Section 409A. Notwithstanding any of the provisions of this Release Agreement, Company shall not be liable to Executive for any excise taxes or interest if any payment or benefit which is to be provided pursuant to this Release Agreement and which is considered deferred compensation subject to Section 409A otherwise fails to comply with, or be exempt from, the requirements of Section 409A.

If a payment obligation under this Agreement arises on account of Executive's separation from service while Executive is a "specified employee" (as defined under Section 409A), any payment of "deferred compensation" (as defined under Treasury Regulation Section 1.409A-1(b)(1), after giving effect to the exemptions in Treasury Regulation Sections 1.409A-1(b)(3) through (b)(12)) that is scheduled to be paid within six (6) months after such separation from service shall accrue without interest and shall be paid within 15 days after the end of the six-month period beginning on the date of such separation from service or, if earlier, within 15 days after the appointment of the personal representative or executor of Executive's estate following Executive's death.

If the Repatriation Payment may be deemed deferred compensation subject to Section 409A, then (1) the expenses eligible for reimbursement in one taxable year shall not affect the expenses eligible for reimbursement in any other taxable year; and (2) the right to reimbursement shall not be subject to liquidation or exchange for another benefit.

2. GENERAL RELEASE OF ALL CLAIMS.

(a) General Release. "Executive" (defined for the purpose of this Section 1 as Executive and Executive's agents, representatives, attorneys, assigns, heirs, executors, and administrators) fully and unconditionally releases the "Released Parties" (hereby defined as the Company and any of its parents, equity holders, affiliates, subsidiaries, predecessors, successors, and assigns, and any of its past or present employees, officers, partners, members, managers, portfolio companies, trustees, investors, agents, insurers, attorneys, administrators, officials, directors, shareholders, divisions, employee benefit plans, and the sponsors, fiduciaries, or administrators of employee benefit plans) from, and agrees not to bring any action, proceeding or suit against any of the Released Parties regarding, any and all known or unknown claims, causes of action, liabilities, damages, fees, or remunerations of any sort, arising at any time up to and including the Second Release Effective Date, including but not limited to claims:

(i) that are in any way related to events, acts, conduct, or omissions occurring in connection with Executive's employment with or termination of employment from the Company or with Executive's equity interests in the Company; and/or

(ii) for violation of any written or unwritten contract, agreement, policy, benefit plan, retirement or pension plan, equity incentive or option plan or agreement with the Company, or covenant of any kind, or failure to pay wages, bonuses, employee benefits, other compensation, attorneys' fees, damages, or any other remuneration (including any equity, ownership interest, management fee, carried interest, partnership interest, distributions, dividends or participation or ownership in any business venture related to the Company); and/or

(iii) for discrimination, harassment, or retaliation on the basis of any characteristic protected under applicable law, including but not limited to race, color, national origin, sex, sexual orientation, religion, immigration status, disability, marital or parental status, age, union activity or other protected activity; and/or

(iv) for violation of, or denial of protection or benefits under, any statute, ordinance, employee order, or regulation, including but not limited to claims under Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Civil Rights Act of 1866, the Age Discrimination in Employment Act (“ADEA”), the Older Workers Benefit Protection Act, the Americans with Disabilities Act, the Family and Medical Leave Act of 1993 (“FMLA”), the Workers’ Adjustment and Retraining Notification, the Employee Retirement Income Security Act of 1974, the Equal Pay Act, the National Labor Relations Act (the “NLRA”), the Rehabilitation Act of 1973, Sections 1981 through 1988 of Title 42 of the United States Code, the Genetic Information Nondiscrimination Act, the Florida Civil Rights Act, the Florida Whistleblower Protection Act, the Florida Workers’ Compensation Retaliation provision, the Florida Minimum Wage Act, the Florida Constitution, Maryland’s anti-discrimination statute (MD. CODE ANN., STATE GOV’T §§ 20-101 to 20-1203), the Maryland Constitution, each as may have been amended, or any other federal, state or local law, statute, ordinance, or any other federal, state or local statute, ordinance, or regulation regarding employment, termination of employment, wage and hour issues, discrimination, harassment, retaliation, or other employment-related matter; and/or

(v) for violation of any public policy or common law of any state relating to employment or personal injury, including but not limited to claims for wrongful discharge, defamation, invasion of privacy, infliction of emotional distress, fraud, negligence, or interference with contract; and/or

(vi) for any breach of fiduciary duty, or implied duty of good faith, or any other similar duty or obligation, or any matter related to Executive’s employment with the Company.

(b) ADEA Waiver and Effective Date. Executive acknowledges that he is knowingly and voluntarily waiving and releasing any rights he may have under the ADEA, and that the consideration given to him for the waiver and release in Separation Agreement and this Release Agreement is in addition to anything of value to which he was already entitled. Executive further acknowledges that he has been advised by this writing, as required by the ADEA and the Older Workers Benefit Protection Act, that: (a) his waiver and release does not apply to any rights or claims that may arise after the date he signs this Release Agreement; (b) he should consult with an attorney prior to signing this Release Agreement (although he may voluntarily decide not to do so); (c) he has twenty-one (21) days to consider this Release Agreement (although he may choose voluntarily to sign this Release Agreement sooner); (d) he has seven (7) days following the date he executes this Release Agreement to revoke this Release Agreement; (e) this Release Agreement will not be effective until the date upon which the revocation period has expired unexercised, which will be the eighth day after Executive signs this Agreement provided that he does not revoke it (the “Second Release Effective Date”). If this Release Agreement is revoked, Executive will not be entitled to the Separation Benefits under the Separation Agreement or this Release Agreement. Nothing in this Release Agreement

prevents or precludes Executive from challenging or seeking a determination in good faith of the validity of this waiver under the ADEA, nor does it impose any condition precedent, penalties, or costs for doing so, unless specifically authorized by federal law.

(c) Excluded Claims. Notwithstanding the broad scope of the general release, the following are not included in the Released Claims (the "**Excluded Claims**"): (i) any rights or claims for indemnification Executive may have pursuant to any written indemnification agreement with the Company to which Executive is a party, the charter, bylaws, or operating agreements of the Company, or under applicable law; (ii) any rights that, as a matter of law, whether by statute or otherwise, may not be waived, such as claims for workers' compensation benefits or unemployment insurance benefits; however, to the extent permitted by law, Executive waives any right or ability to be a class or collective action representative or to otherwise participate in any putative or certified class, collective or multi-party action or proceeding based on any Excluded Claims in which any of the Released Parties is a party; and (iii) any claims for breach of this Release Agreement. In addition, nothing in this Release Agreement prevents Executive from filing a charge or complaint, reporting to, cooperating with, communicating with, or participating in any proceeding before the Securities and Exchange Commission, the Equal Employment Opportunity Commission, the Occupational Safety and Health Administration, the United States Department of Labor, the National Labor Relations Board, or other similar state or local agency (the "**Government Agencies**"), or from exercising any rights pursuant to Section 7 of the NLRA, or from taking any action protected under the whistleblower provisions of any federal securities law ("**Protected Activities**"), none of which activities shall constitute a breach of the release, cooperation, non-disparagement or confidentiality clauses of this Release Agreement. Executive understands that in connection with such Protected Activity, Executive is permitted to disclose documents or other information as permitted by law, and without giving notice to, or receiving authorization from, the Company. Notwithstanding the foregoing, Executive agrees to take all reasonable precautions to prevent any unauthorized use or disclosure of any information that may constitute Company confidential information to any parties other than the Government Agencies. Executive further understands that "Protected Activity" does not include the disclosure of any Company attorney-client privileged communications, and that any such disclosure without the Company's written consent shall constitute a material breach of this Release Agreement.

(d) Acknowledgement. By his signature below, Executive represents that: (a) the consideration given to him in exchange for the waiver and release in this Release Agreement is in addition to anything of value to which he was already entitled; (b) Executive has been provided by the Company all wages, severance, vacation, benefits, commissions, bonuses, expense reimbursements, or other amounts owed to Executive by the Company, other than benefits and the severance pay specifically promised in the Separation Agreement and this Release Agreement; (c) Executive has not been denied any request for leave to which he believes he was legally entitled, and Executive was not otherwise deprived of any of his rights under the FMLA or any similar state or local statute; (d) Executive is knowingly and voluntarily executing this Release Agreement waiving and releasing any claims he may have as of the date he executes it; and (e) he has not assigned or transferred, or purported to assign or transfer, to any person, entity, or individual whatsoever, any of the Released Claims. Executive affirms that he has not filed or caused to be filed, and is not presently a party to, a Released Claim against any of the Released Parties. Executive further affirms that he has no known workplace injuries or

occupational diseases for which Executive has not already filed a claim. Executive represents and warrants that he has not willfully engaged in conduct that would constitute fraud or material dishonesty with respect to his job duties for the Company.

By: /s/ Luis H. Novelo

Name: Luis H. Novelo

Title: HR VP

/s/ Enderson Guimarães

Enderson Guimarães

Date: November 9, 2017

Chairman Compensation Agreement

This Chairman Compensation Agreement dated as of December 29, 2017 (this "Agreement") by and among LAUREATE EDUCATION, INC., a Delaware corporation (the "Company"), WENGEN ALBERTA, LIMITED PARTNERSHIP, an Alberta limited partnership ("Wengen"), and Douglas L. Becker ("Becker").

WITNESSETH:

WHEREAS, Becker is the chief executive officer of the Company and will cease to be the chief executive officer as of the close of business on December 31, 2017 (the "Termination Date"); and

WHEREAS, the board of directors of the Company (the "Board") has elected Becker as chairman of the Board effective January 1, 2018; and

WHEREAS, Becker and the Company want to set forth Becker's compensation as chairman; and

WHEREAS, pursuant to (1) the Management Stockholder's Agreement, dated as of October 2, 2013 (the "First Stockholder's Agreement"), among the Company, Becker and Wengen, (2) the Management Stockholder's Agreement, dated as of October 25, 2016 (the "Second Stockholder's Agreement" and, together with the First Stockholder's Agreement, the "Stockholder's Agreements"), among the Company, Becker and Wengen, and (3) the Second Amended and Restated Executive Interest Subscription Agreement, dated as of August 31, 2010 (the "Subscription Agreement"), between Becker and Wengen, Becker has agreed to certain confidentiality, non-competition and non-solicitation covenants with the Company and Wengen, respectively (the "Restrictive Covenants"); and

WHEREAS, Becker has received and shall receive from the Company good and valuable consideration for his role as chief executive officer of the Company and chairman of the Board; and

WHEREAS, Becker, Wengen and the Company want to amend the Restrictive Covenants in the manner set forth herein.

NOW THEREFORE, in order to implement the foregoing and in consideration of the mutual representations, warranties, covenants and agreements contained herein, the parties hereto agree as follows:

1. Definitions. All defined terms used in this Agreement (unless otherwise defined in this Agreement) shall have their respective meanings set forth in the applicable Stockholder's Agreement or the Subscription Agreement, as applicable.

(a) "Business" shall mean the business of providing post-secondary degree granting higher education.

(b) "Competitive Business" shall mean (i) any Business that provides the same degree in the same subject matter online in the United States as is provided online by the Company or its Subsidiaries in the United States, (ii) any Business that provides the same degree in the same subject matter online in any other geographic area as is provided online by the Company or any of its Subsidiaries in such geographic area, or (iii) any Business that provides the same degree in the same subject matter, whether online or through a physical location, in any geographic area where the Company or any of its Subsidiaries provides such a program through a physical location; *provided, however*, that if Becker has ceased to be a member of the Board, "Competitive Business" shall not include Business conducted in any geographic area unless the Company or its Subsidiaries: (1) was offering such degree in such geographic area on the date

Becker ceased to be a member of the Board, and (2) is offering such degree in such geographic area at the time Becker is to enter the Business there.

(c) “Confidential Information” shall mean all non-public information concerning trade secret, know-how, software, developments, inventions, processes, technology, designs, financial data, strategic business plans or any proprietary or confidential information, documents or materials in any form or media.

(d) “Customer” shall mean all persons (including students) or entities who have used Laureate services at any time during the two year period preceding the Termination Date.

(e) “Non-Competition Period” shall mean the period from January 1, 2018 to December 31, 2019.

(f) “Sterling Affiliate” shall mean each of Sterling Capital Partners, LLC, a Delaware limited liability company, Sterling Capital Partners, L.P., a Delaware limited partnership, Sterling Capital Partners II, LLC, a Delaware limited liability company, Sterling Capital Partners II, L.P., a Delaware limited partnership, Sterling Capital Partners III, LLC, a Delaware limited liability company, Sterling Capital Partners III, L.P., a Delaware limited partnership, Sterling Capital Partners IV, LLC, a Delaware limited liability company, Sterling Capital Partners IV, L.P., a Delaware limited partnership, Sterling Venture Partners, LLC, a Delaware limited liability company, Sterling Venture Partners, L.P., a Delaware limited partnership, Sterling Venture Partners II, LLC, a Delaware limited liability company, Sterling Venture Partners II, L.P., a Delaware limited partnership, Sterling Partners 2009, LLC, a Delaware limited liability company, Sterling Partners — Small Market Growth 2009, L.P., a Delaware limited partnership, Sterling Education Partners, LLC, a Delaware limited liability company, Sterling Small Market Education Fund, L.P., a Delaware limited partnership, Sterling Fund Management, LLC

("SFM"), a Delaware limited liability company, Shorelight Holdings, LLC, a Delaware limited liability company, and the subsidiaries and any current or future Affiliates of any of the foregoing, including but not limited to future private equity funds managed by SFM and/or with general partners' controlled by the current principal members of SFM.

2. Compensation.

(a) The Company shall pay Becker \$400,000 ("Base Compensation") in calendar year 2018 for his service as chairman of the Board, which amount shall be payable in equal installments quarterly in arrears; *provided that*, if Becker ceases to be chairman of the Board as a result of resignation, permanent disability or death, Becker (i) shall not be entitled to any payment for the period after Becker ceases to be chairman and (ii) shall receive a pro-rated payment for the quarter in which such event occurs calculated by multiplying the Base Compensation by a fraction, (A) the numerator of which is the number of days in such quarter in which Becker served as chairman and (B) the denominator of which is ninety (90).

(b) The Company shall pay Becker (or, at Becker's option, to such other payee as Becker shall indicate) up to \$100,000 for the documented out of pocket expenses of his home or other office so long as such expenses are incurred within one year from the date hereof.

3. Amendment to the Stockholder's Agreement. Section 22 of each of the Stockholder's Agreements hereby is deleted in its entirety.

4. Retirement. Effective at the close of December 31, 2017, Becker's employment with the Company shall be deemed to be terminated "by reason of Retirement" for purposes of Section 3.2(b) of the Stock Option Agreements. The Company acknowledges and agrees that Becker served as Chief Executive Officer of the Company for the entirety of 2017 and shall be qualified for any equity vesting through and including December 31, 2017. Becker

acknowledges and agrees that any options scheduled to vest in 2018 or thereafter will vest only if approved in advance by the Company's Compensation Committee.

5. Restrictive Covenants. Effective as of the date hereof:

(a) In consideration of the Company entering into this Agreement with Becker, Becker hereby agrees that he shall not, directly or indirectly, without the Company's prior written consent:

(i) disclose or use Confidential Information pertaining to the business of the Company or any of its subsidiaries, except (A) when required to perform his duties to the Company or one of its subsidiaries, (B) as required by applicable law, regulation or government action or (C) in order to enforce Becker's rights under this Agreement or any of the other agreements referenced herein;

(ii) during the Non-Competition Period, for his own behalf or as a partner, owner, director, officer, stockholder, member, employee, agent, consultant, or independent contractor of any Person, engage in a Competitive Business.

(iii) at any time from January 1, 2018 to December 31, 2020, directly or indirectly (A) solicit Customers or business partners of the Company or any of its Subsidiaries to terminate their relationship with the Company or any of its Subsidiaries or otherwise solicit such Customers or business partners to engage in a Competitive Business; or (B) solicit, offer employment to, hire, direct any other Person to hire or suggest to any other Person that such Person hire (as an employee, consultant or independent contractor) any Person who is, or has been at any time during the twelve (12) months immediately prior to such solicitation, offer or hiring, an employee of the Company or any of its Subsidiaries; *provided, however*, that such restriction shall not

apply to any Person who was no longer employed by the Company as of December 31, 2017, or who is involuntarily terminated from the Company at any time, and *provided further* that as to any Person who voluntarily resigned from the Company, Becker may seek the Company's consent to solicit, offer employment to or hire such Person and the Company shall not unreasonably withhold, condition or delay its consent;

(iv) during the Non-Competition Period, acquire a financial interest in, or otherwise become actively involved with, any Competitive Business, directly or indirectly, as an individual, partner, shareholder, officer, director, principal, agent, or trustee.

(b) Notwithstanding anything to the contrary in the foregoing, for the purposes of this Section 5, Becker may, directly or indirectly own, solely as an investment, securities of any Person engaged in a Competitive Business that is publicly traded on a national stock exchange if Becker (i) is not a controlling person of, or a member of a group which controls, such Person, (ii) does not, directly or indirectly, own 1% or more of any class of securities of such Person and (iii) does not serve as a director of, or have any rights to designate or nominate any director for such Person or any of its Affiliates.

(c) Notwithstanding anything to the contrary in the foregoing, Becker shall not be deemed to violate this Section 5 solely by virtue of Becker's direct or indirect ownership of the outstanding securities of any Sterling Affiliate (or of any Person through a Sterling Affiliate), *provided, however*, that Becker's direct or indirect ownership of such Sterling Affiliate does not exceed 5% of the outstanding securities of such Sterling Affiliate and that, during the Non-Competition Period, Becker shall:

(i) refrain from any activity that is intended to create, acquire, maintain or otherwise operate a Competitive Business through such Sterling Affiliate, or that would reasonably be expected to result in a misappropriation of a Business Opportunity (as hereinafter defined) of the Company or its Subsidiaries;

(ii) not, directly or indirectly, participate in, or attempt to influence, the management, direction or policies of (other than through the exercise of any voting rights held by Becker in connection with such securities) any such Sterling Affiliate that is engaged in a Competitive Business; and

(iii) only while Becker is a member of the Board, (A) no later than thirty (30) days following Becker's acquisition of a direct or indirect ownership interest in any Competitive Business and/or Becker's receipt of information that any Sterling Affiliate in which he has an ownership interest (or Person in which Becker has an ownership interest through a Sterling Affiliate) not previously a Competitive Business has become or is reasonably likely to become a Competitive Business, Becker shall provide written notice to the Board of such development; and (B) on a quarterly basis, Becker shall provide a report to the Board setting forth, in reasonable detail, a general description of the business activities and plans of such Competitive Business, and any other material information relating to the scope of Becker's activities with respect thereto; *provided, however,* that no disclosure requirement in this paragraph shall require Becker to breach any fiduciary duties and/or duties of confidentiality that may be owed to such Sterling Affiliate or Competitive Business.

(d) For purposes of this Agreement, "Business Opportunity" shall mean one or more transactions or other corporate opportunities available to the Company or any of its

Subsidiaries that Becker learns about as a direct result of his service to the Company and its Subsidiaries. Notwithstanding anything to the contrary in this Agreement, (x) the Board, by majority vote of those directors not designated by a Sterling Affiliate, or any duly designated committee of the Board, may waive (in writing or by resolution) any noncompetition provisions described in this Section 6 in its discretion; and (y) Becker's membership on the board of managers (or similar body) of any Sterling Affiliate shall not in and of itself constitute a breach hereof.

(e) If at any time a court holds that the restrictions stated in Section 5(a) are unreasonable or otherwise unenforceable under circumstances then existing, the parties hereto agree that the maximum period, scope or geographic area determined to be reasonable under such circumstances by such court will be substituted for the stated period, scope or area. Because Becker's services are unique and because Becker has had access to Confidential Information, the parties hereto agree that while the Company may ask for monetary damage for a breach by Becker of this Agreement, monetary damages shall be an inadequate remedy for any such breach of this Agreement. In the event of a breach or threatened breach of this Agreement, the Company or its subsidiaries or their respective successors or assigns shall, in addition to other rights and remedies existing in their favor, shall be entitled to an injunction, restraining order or other equitable relief (in each case, without the posting of a bond) to prevent breaches of the provisions of this Agreement and to specifically enforce the terms and provisions hereof in any court of competent jurisdiction in the United States or any state thereof.

6. Termination of Subscription Agreement. The parties agree that the Subscription Agreement is terminated as of the date hereof.

7. Representations and Warranties. Each of Wengen and the Company represents and warrants that this Agreement has been duly authorized by it. Each Person party hereto represents and warrants that this Agreement has been executed and delivered by such Person and is enforceable against such Person in accordance with the terms hereof.

8. Service At the Board's Discretion. Nothing contained in this Agreement prohibits or restricts the Board, in the exercise of its fiduciary duties, from removing Becker as chairman of the Board at any time, and Becker hereby acknowledges and agrees that neither the Company nor any other person has made any representations or promises whatsoever to Becker concerning Becker's continued role as the chairman of the Board.

9. Applicable Law; Jurisdiction; Arbitration; Legal Fees.

(a) The laws of the State of Maryland applicable to contracts executed and to be performed entirely in such state shall govern the interpretation, validity and performance of the terms of this Agreement.

(b) Except as provided in Section 9(d) hereof, in the event of any controversy among the parties hereto arising out of, or relating to, this Agreement that cannot be settled amicably by the parties, such controversy shall be finally, exclusively and conclusively settled by mandatory arbitration administered by JAMS in accordance with its rules for the resolution of an employment dispute and conducted before a single arbitrator. Such arbitration process shall take place in Baltimore, Maryland. The decision of the arbitrator shall be final and binding upon all parties hereto and shall be rendered pursuant to a written decision, which contains a detailed recital of the arbitrator's reasoning.

(c) In the event of any arbitration or other disputes with regard to this Agreement or any other document or agreement referred to herein, each Party shall pay its own legal fees and expenses, unless otherwise determined by the arbitrator.

(d) Notwithstanding anything to the contrary in the foregoing, each of the parties hereto shall be entitled to pursue equitable relief and enforcement of any arbitration award in any court with jurisdiction over such matter.

10. Notices. All notices, consents, payments, demands and other communications required or permitted for herein shall be in writing and sent by electronic mail (if an address is provided for notice pursuant to this provision) and shall be (a) delivered personally to the Person or to an officer of the Person to whom the same is directed, or (b) sent by electronic mail, facsimile, overnight courier or registered or certified mail, return receipt requested, postage prepaid. Any notice or other communication hereunder shall be deemed duly delivered, given and received for all purposes as of: (i) the date so delivered, if delivered personally; (ii) upon receipt, if sent by electronic mail, facsimile or overnight courier; or (iii) on the date of receipt or refusal indicated on the return receipt, if sent by registered or certified mail, return receipt requested, postage or charges prepaid and properly addressed. All communications shall be sent to such party's address as set forth below or at such other address or to such other person as the party shall have furnished to each other party in writing in accordance with this provision:

(a) If to the Company, to it at the following address:

Laureate Education, Inc.
1001 Fleet Street
Baltimore, MD 21202-4382
Attention: General Counsel
Telecopy: (410) 843-8544

(b) If to Wengen, to it at the following address:

Wengen Alberta, Limited Partnership
c/o Kohlberg Kravis Roberts & Co.
9 West 57th Street, Suite 4200
New York, NY 10019
Attention: General Counsel
Telecopy: (212) 750-0003

And, with a copy (which shall not constitute notice to Wengen) to:

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, NY 10017
Attention: Gary Horowitz
Telecopy: (212) 455-2502

(c) If to Becker, to him at the following address:

200 Biscayne Blvd Way, Apt 5401
Miami FL 33131
Email: dbecker66@gmail.com

and, with a copy (which shall not constitute notice to Becker) to:

Katten Muchin Rosenman LLP
525 W. Monroe Street
Chicago, IL 60661
Attention: Saul E. Rudo
Telecopy: (312) 577-8870
Email: Saul.Rudo@kattenlaw.com

11. Counterparts. This Agreement may be executed in counterparts, all of which taken together shall constitute one and the same agreement.

12. Assignment; Successors and Assigns. The parties hereto shall not assign their rights nor delegate their obligations hereunder, except by operation of law. This Agreement shall be binding upon the successors and permitted assigns of the parties hereto.

13. Entire Agreement. This Agreement constitutes the entire agreement, and supersedes all other prior agreements both written and oral, among the parties with respect to the subject matters hereof.

14. Construction. Each party has been represented by counsel, and, therefore, each party waives the application of any law, regulation, holding or rule of construction providing that ambiguities in an agreement will be construed against the party drafting such agreement.

[Remainder of page left intentionally blank.]

IN WITNESS WHEREOF, the parties hereto have executed this Chairman Compensation Agreement on the date first written above.

LAUREATE EDUCATION, INC.

By: /s/ Eilif Serck-Hanssen
Name: Eilif Serck-Hanssen
Title: President and CAO

WENGEN ALBERTA, LIMITED PARTNERSHIP

By: WENGEN INVESTMENTS LIMITED
Its: General Partner

By: /s/ Eilif Serck-Hanssen
Name: Eilif Serck-Hanssen
Title: Chief Accounting Officer and Treasurer

DOUGLAS BECKER

/s/ Douglas Becker

STOCK OPTION AGREEMENT

THIS AGREEMENT (the "Agreement"), dated as of [] (the "Grant Date") is made by and between Laureate Education, Inc., a Delaware public benefit corporation (hereinafter referred to as "Laureate"), and the individual whose name is set forth on the signature page hereof, who is an Eligible Individual, hereinafter referred to as the "Optionee." Any capitalized terms herein not otherwise defined in this Agreement shall have the meaning set forth in the Laureate Education, Inc. Amended and Restated 2013 Long-Term Incentive Plan, as it may be amended from time to time (the "Plan").

WHEREAS, Laureate wishes to carry out the Plan, the terms of which are hereby incorporated by reference and made a part of this Agreement; and

WHEREAS, the Administrator has determined that it would be to the advantage and best interest of Laureate and its shareholders to grant the Option provided for herein to the Optionee as an incentive for increased efforts during the Optionee's service relationship with the Company, and has advised Laureate thereof and instructed the undersigned officers to issue said Option.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and other good and valuable consideration, receipt of which is hereby acknowledged, the parties hereto do hereby agree as follows:

ARTICLE I

DEFINITIONS

Whenever the following terms are used in this Agreement, they shall have the meaning specified below unless the context clearly indicates to the contrary.

Section 1.1. Cause

"Cause" shall mean "Cause" as such term may be defined in any employment or service agreement in effect at the time of termination of employment or service between the Optionee and the Company, or, if there is no such employment or service agreement or such term is not defined therein, "Cause" shall mean (i) gross negligence or willful malfeasance by the Optionee in connection with the performance of his or her duties with respect to the Company, (ii) the Optionee's conviction of, or pleading guilty or *nolo contendere* to any felony, (iii) theft, embezzlement, fraud or other similar conduct by the Optionee in connection with the performance of his or her duties with the Company, or (iv) the Optionee's willful and material breach of any other applicable agreements with the Company including, without limitation, engaging in any action in breach of any applicable restrictive covenants.

Section 1.2. Company

"Company" shall mean Laureate and its Subsidiaries.

Section 1.3. Eligible Individual

“Eligible Individual” shall mean an officer or employee of, and other individual, including a non-employee director, who is a natural person providing bona fide services to or for, Laureate or any of its Subsidiaries, provided that such services are not in connection with the offer or sale of securities in a capital-raising transaction and do not directly or indirectly promote or maintain a market for Laureate’s securities.

Section 1.4. Good Reason

“Good Reason” shall mean “Good Reason” as such term may be defined in any employment agreement in effect at the time of termination of employment between the Optionee and Laureate or any of its Subsidiaries, or, if there is no such employment agreement or such term is not defined therein, “Good Reason” shall mean, without the consent of the Optionee, (i) a material reduction in base salary (other than a general reduction in base salary that affects all similarly situated employees), (ii) a substantial diminution in the Optionee’s title, duties and responsibilities, other than any isolated, insubstantial and inadvertent failure by the Company that is not in bad faith, or (iii) a transfer of the Optionee’s primary workplace by more than fifty (50) miles from his or her current workplace; provided, however, that in any event, such conduct is not cured within ten (10) business days after the Optionee gives the Company notice of such event.

Section 1.5. Option

“Option” shall mean the option granted under Section 2.1 of this Agreement.

Section 1.6. Permanent Disability

“Permanent Disability” shall mean “Disability” as such term is defined in any employment agreement between the Optionee and the Company, or, if there is no such employment agreement or such term is not defined therein, “Permanent Disability” shall mean a total and permanent disability as defined in the long-term disability plan of Laureate or the Subsidiary, as applicable, with which the Optionee is employed on the date as of which the existence of a Permanent Disability is to be determined.

Section 1.7. Retirement

“Retirement” shall mean the voluntary termination of the Optionee’s employment with the Company if (a) the Optionee has provided the Company with no less than twelve months’ written notice of the Optionee’s intention to terminate employment; (b) the Optionee signs and returns to the Company a release of claims for the benefit of the Company, in the form provided by the Company, that has become irrevocable by its terms; and (c) on the effective date of Optionee’s termination of employment, the sum of (1) the length of time the Optionee has been in the continuous employment of Company (which must be no fewer than five (5) years) and (2) the age of the Optionee equals seventy (70) or more. For the avoidance of doubt, service with the Company in any capacity other than as an employee of the Company will not be counted toward the determination of the Optionee’s length of continuous

employment nor will employment with any entity prior to the Company's acquisition of such entity be counted toward the requisite five year period of continuous employment.

Section 1.8. Secretary

"Secretary" shall mean the Secretary of Laureate.

Section 1.9. Share

"Share" shall mean a share of Common Stock.

ARTICLE II

GRANT OF OPTION

Section 2.1. Grant of Option

For good and valuable consideration, on and as of the Grant Date, Laureate grants to the Optionee an Option to purchase the number of Shares set forth on the signature page hereof, on the terms and conditions set forth in this Agreement.

Section 2.2. Exercise Price

Subject to Section 2.5, the exercise price per Share covered by the Option (the "Exercise Price") shall be as set forth on the signature page hereof.

Section 2.3. No Guarantee of Employment or Service Relationship

Nothing in this Agreement or in the Plan shall confer upon the Optionee any right to continue in the employ or service of the Company or shall interfere with or restrict in any way the rights of the Company, which are hereby expressly reserved, to terminate the employment or service of the Optionee at any time for any reason whatsoever, with or without cause or notice, subject to the applicable provisions of, if any, the Optionee's employment or service agreement with or offer letter provided by the Company to the Optionee and subject to applicable law. Nothing in this Agreement or in the Plan shall serve as a limitation of the right of the Company to discharge the Optionee at any time with or without cause or notice, subject to applicable law, and whether or not such discharge results in the failure of any portion of the Option to become exercisable or any other adverse effect on the Optionee's interests under the Plan.

Section 2.4. Nonqualified Nature of the Option

The Option is not intended to qualify as an incentive stock option within the meaning of Code section 422, and this Agreement shall be so construed.

Section 2.5. Adjustments to Option

The Option shall be subject to the adjustment provisions of Sections 10, 11 and 12 of the Plan.

ARTICLE III

PERIOD OF EXERCISABILITY

Section 3.1. Commencement of Exercisability

(a) So long as the Optionee continues to be an Eligible Individual performing bona fide services to or for the Company through the applicable vesting date(s) below (each, a “Vesting Date”), the Option shall become vested and exercisable pursuant to the following schedule:

<u>Vesting Date</u>	<u>Number of Option Shares that become vested:</u>
December 31, 2018	[]
December 31, 2019	[]

(b) Notwithstanding the foregoing, if, before the final Vesting Date, but on or within the eighteen (18) months after a Change in Control, the Optionee ceases to be an Eligible Individual either because the Company or its successor terminates the Optionee’s employment or other service relationship without Cause or the Optionee terminates due to Good Reason the Option shall become exercisable as to 100% of the Shares subject to the Option on such termination date (but only to the extent such Option has not otherwise terminated or become exercisable).

(c) If, before a Vesting Date, the Optionee ceases to be an Eligible Individual due to the Optionee’s death or Permanent Disability, the Optionee will vest on the Optionee’s termination date in the number of Shares subject to the Option that would have vested had the Optionee remained employed until the next scheduled Vesting Date.

(d) No portion of the Option shall become exercisable as to any additional Shares following the time the Optionee ceases to be an Eligible Individual, and any portion of the Option which is unexercisable as of the Optionee’s cessation of service as an Eligible Individual shall immediately expire without payment therefor.

Section 3.2. Expiration of Option

The Optionee may not exercise any vested portion of the Option to any extent after the first to occur of the following events:

- (a) The fifth anniversary of the Grant Date so long as the Optionee remains an Eligible Individual through such date;
- (b) The fifth anniversary of the date of the Optionee’s termination of employment with the Company, if the Optionee’s employment is terminated by reason of Retirement;

(c) The second anniversary of the date of the Optionee's termination of employment with the Company, if the Optionee's employment is terminated by reason of death or Permanent Disability;

(d) Except as otherwise provided in this Section 3, ninety (90) days after the date the Optionee ceases to be an Eligible Individual by reason of the Optionee's voluntary resignation or the Company's termination of the employment or service relationship without Cause (for any reason other than as set forth in clause (b) above), or by reason of the entity for which services are performed by the Optionee ceasing to be Laureate or a Subsidiary;

(e) Immediately upon the date the Optionee ceases to be an Eligible Individual for Cause; or

(f) At the discretion of the Company, if the Administrator so determines pursuant to Section 11 of the Plan.

In no event may the Option be exercised after the Expiration Date of the Option set forth on the signature page hereof.

ARTICLE IV

EXERCISE OF OPTION

Section 4.1. Person Eligible to Exercise

During the lifetime of the Optionee, only the Optionee (or his or her duly authorized legal representative) may exercise the Option or any portion thereof. After the death of the Optionee, any exercisable portion of the Option may, prior to the time when the Option becomes unexercisable under Section 3.2, be exercised by his personal representative or by any person empowered to do so under the Optionee's last will and testament or under the then applicable laws of descent and distribution.

Section 4.2. Partial Exercise

Any exercisable portion of the Option or the entire Option, if then wholly exercisable, may be exercised in whole or in part at any time prior to the time when the Option or portion thereof becomes unexercisable under Section 3.2; provided, however, that any partial exercise shall be for whole Shares only.

Section 4.3. Manner of Exercise

The Option, or any exercisable portion thereof, may be exercised solely by delivering to the Secretary all of the following prior to the time when the Option or such portion becomes unexercisable under Section 3.2:

(a) Notice in writing signed by the Optionee or the other person then entitled to exercise the Option or portion thereof, stating that the Option or portion thereof is thereby exercised, such notice complying with all applicable rules established by the Administrator;

(b) (i) Full payment (in cash, by check or by a combination thereof) for the Shares with respect to which such Option or portion thereof is exercised, (ii) to the extent permitted by the Administrator in a manner that is compliant with the terms of the Plan, indication that the Optionee elects to have the number of Shares that would otherwise be issued to the Optionee reduced by a number of Shares having an equivalent Fair Market Value to the payment that would otherwise be made by the Optionee to Laureate pursuant to clause (i) of this subsection (b), or (iii) a broker-assisted cashless exercise through a brokerage firm designated or approved by the Administrator;

(c) (i) Full payment (in cash, by check or by a combination thereof) to satisfy the withholding tax obligation with respect to which such Option or portion thereof is exercised or (ii) to the extent permitted by the Administrator in a manner that is compliant with the terms of the Plan, indication that the Optionee elects to have the number of Shares that would otherwise be issued to the Optionee upon exercise of such Option (or portion thereof) reduced by a number of Shares having an aggregate Fair Market Value, on the date of such exercise, equal to the payment to satisfy the minimum withholding tax obligation that would otherwise be required to be made by the Optionee to the Company pursuant to clause (i) of this subsection (c); and

(d) In the event the Option or portion thereof shall be exercised pursuant to Section 4.1 by any person or persons other than the Optionee, appropriate proof of the right of such person or persons to exercise the Option.

(e) At the time the Option is exercised, in whole or in part, or at any time thereafter as requested by the Company, the Optionee hereby authorizes withholding from payroll or any other payment of any kind due to the Optionee and otherwise agrees to make adequate provision for foreign (non-US), federal, state and local taxes required by law to be withheld, if any, which arise in connection with the Option. The Company may require the Optionee to make a cash payment to cover any withholding tax obligation as a condition of exercise of the Option or issuance of Shares upon exercise.

Section 4.4. Conditions to Issuance of Stock Certificates

The Shares deliverable upon the exercise of the Option, or any portion thereof, may be either previously authorized but unissued Shares or issued Shares, which have then been reacquired by Laureate. Such Shares shall be fully paid and nonassessable. In its discretion, Laureate may deliver share certificates or may retain such Shares in uncertificated book-entry form. Laureate shall not be required to issue Shares or deliver any certificate or certificates for shares of stock purchased upon the exercise of an Option or portion thereof prior to fulfillment of all of the following conditions:

(a) The obtaining of approval or other clearance from any state or federal governmental agency which the Administrator shall, in its reasonable and good faith discretion, determine to be necessary or advisable; and

(b) The lapse of such reasonable period of time following the exercise of the Option as the Administrator may from time to time establish for reasons of administrative convenience or as may otherwise be required by applicable law.

Section 4.5. Rights as Stockholder

The holder of an Option shall not be, nor have any of the rights or privileges of, a stockholder of Laureate in respect of any Shares purchasable upon the exercise of the Option or any portion thereof unless and until certificates representing such Shares shall have been issued by Laureate to such holder upon satisfaction of the conditions set forth in Section 4.4 or unless book entry representing such Shares has been made and such Shares have been deposited with the appropriate registered book-entry custodian. Upon fulfillment of such conditions, Laureate shall be required to issue and deliver such certificate or certificates, unless book entry representing such Shares has been made and such Shares have been deposited with the appropriate registered book-entry custodian.

ARTICLE V

RESTRICTIVE COVENANTS

Section 5.1. Confidential Information; Covenant Not to Compete; Covenant Not to Solicit

(a) In consideration of this Option grant, unless otherwise provided in any employment or severance agreement entered into by and between the Optionee and the Company (in which case the corresponding provisions therein shall control), the Optionee hereby agrees effective as of the date of the Optionee's commencement of employment with the Company, without the Company's prior written consent, the Optionee shall not, directly or indirectly:

(i) at any time during or after the Optionee's employment with the Company, disclose or use any Confidential Information (as defined below) pertaining to the business of the Company or Affiliates, except when required to perform Optionee's duties to the Company, by law or judicial process;

(ii) at any time during the Optionee's employment with the Company and for a period of two years thereafter, directly or indirectly, act as a proprietor, investor, director, officer, employee, substantial stockholder, consultant, or partner in any business that directly competes, at the relevant determination date, with the post-secondary business of the Company or any of its Affiliates in any geographic area where the Company or its Affiliates manufactures, produces, sells, leases, rents, licenses or otherwise provides products or services; and

(iii) at any time during the Optionee's employment with the Company and for a period of two years thereafter, directly or indirectly (A) solicit customers or clients of the Company or Affiliates to terminate their relationship with the Company or Affiliates or otherwise solicit such customers or clients to compete with any business of the Company or Affiliates or (B) solicit or offer employment to any person who is, or has been at any time during the twelve (12) months immediately preceding the termination of the Optionee's employment employed by the Company or Affiliates.

For the purposes of subsection (a)(ii) above, the Optionee may, directly or indirectly own, solely as an investment, securities of any entity engaged in the business of the Company or its Affiliates which are publicly traded on a national or regional stock exchange or quotation system or on the over-the-counter market if the Optionee (I) is not a controlling person of, or a member of a group which controls, such entity, and (II) does not, directly or indirectly, own 5% or more of any class of securities of such entity.

If the Optionee is bound by any other agreement with the Company regarding the use or disclosure of Confidential Information, the provisions of this Section shall be read in such a way as to further restrict and not to permit any more extensive use or disclosure of Confidential Information.

(b) Notwithstanding clause (a) above, if at any time a court holds that the restrictions stated in such clause (a) are unreasonable or otherwise unenforceable under circumstances then existing, the parties hereto agree that the maximum period, scope or geographic area determined to be reasonable under such circumstances by such court will be substituted for the stated period, scope or area. Because the Optionee's services are unique and because the Optionee has had access to Confidential Information, the Optionee agrees that money damages will be an inadequate remedy for any breach of this Section. In the event of a breach or threatened breach of this Section, the Company or its successors or assigns may, in addition to other rights and remedies existing in their favor, apply to any court of competent jurisdiction for specific performance and/or injunctive relief in order to enforce, or prevent any violations of, the provisions hereof (without the posting of a bond or other security).

(c) In the event that the Optionee breaches any of the provisions of this Section, in addition to all other remedies that may be available to the Company, the Option shall terminate immediately for no consideration, and if any portion of the Option was exercised, the Optionee shall be required to pay to the Company the amount by which, at the time of exercise, the Fair Market Value of the Shares was greater than the aggregate Exercise Price paid for the Shares, on a net after-tax basis.

For purposes of this Section, "Confidential Information" shall mean all non-public information concerning trade secret, know how, software, developments, inventions, processes, technology, designs, the financial data, strategic business plans or any proprietary or confidential information, documents or materials in any form or media.

ARTICLE VI

MISCELLANEOUS

Section 6.1. Administration

The Administrator shall have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules. All actions taken and all

interpretations and determinations made by the Administrator shall be final and binding upon the Optionee, the Company and all other interested persons. No member of the Administrator shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or the Option. In its absolute discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Administrator under the Plan and this Agreement.

Section 6.2. Option Not Transferable

Neither the Option nor any interest or right therein or part thereof shall be liable for the debts, contracts or engagements of the Optionee or his or her successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect; provided, however, that this Section 6.2 shall not prevent transfers by will or by the applicable laws of descent and distribution.

Section 6.3. Notices

Any notice to be given under the terms of this Agreement to the Company shall be addressed to Laureate in care of its Secretary, and any notice to be given to the Optionee shall be addressed to the Secretary at the physical or electronic address given beneath the Secretary's signature hereto. By a notice given pursuant to this Section 6.3, either party may hereafter designate a different address for notices to be given to him or it. Any notice, which is required to be given to the Optionee, shall, if the Optionee is then deceased, be given to the Optionee's personal representative if such representative has previously informed the Company of his status and address by written notice under this Section 6.3. Any notice shall have been deemed duly given when (i) delivered in person, (ii) enclosed in a properly sealed envelope or wrapper addressed as aforesaid, deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service, (iii) enclosed in a properly sealed envelope or wrapper addressed as aforesaid, deposited (with fees prepaid) in an office regularly maintained by FedEx, UPS, or comparable non-public mail carrier, or (iv) delivered by email to an electronic mail address provided by the Optionee.

Section 6.4. Titles; Pronouns

Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement. The masculine pronoun shall include the feminine and neuter, and the singular the plural, where the context so indicates.

Section 6.5. Applicability of Plan and Recoupment Policy

The Option and the Shares issued to the Optionee (or other proper holder of the Option) upon exercise of the Option shall be subject to all of the terms and provisions of the Plan. In the event of any conflict between this Agreement and the Plan, the terms of the Plan shall control. The Optionee acknowledges that the Optionee has received a copy of the Recoupment Policy and acknowledges and agrees that the terms of the Recoupment Policy shall

be applicable to the Option and any Shares issued as a result of the Optionee's exercise of the Option.

Section 6.6. Service and Employment Acknowledgments.

By accepting the Option and signing this Agreement, the Optionee acknowledges and agrees that: (i) the Plan is established voluntarily by the Company, is discretionary in nature and may be modified, amended, suspended or terminated by the Company at any time, unless otherwise provided in the Plan or this Agreement; (ii) the Optionee is voluntarily participating in the Plan; (iii) the award of an Option is a one-time benefit which does not create any contractual or other right to receive future awards of Options, or compensation or benefits in lieu of Options, even if Options have been awarded repeatedly in the past; (iv) all determinations with respect to any such future awards, including, but not limited to, the times when Options shall be awarded or shall become vested or exercisable and the number of Options subject to each award, will be at the sole discretion of the Administrator; (v) the value of the Option is an extraordinary item of compensation which is outside the scope of the Optionee's employment or service contract, if any; (vi) the value of the Option is not part of normal or expected compensation or salary for any purpose, including, but not limited to, calculating any termination, severance, resignation, redundancy, end of service payments or similar payments, or bonuses, long-service awards, pension, welfare or retirement benefits; (vii) the vesting of the Option ceases upon termination of service with the Company or transfer of employment from the Company, or other cessation of eligibility for any reason, except as may otherwise be explicitly provided in this Agreement; (viii) the value of the Options and the underlying Shares cannot be predicted with certainty and will change over time and the Company does not guarantee any future value; (ix) if the Optionee is not an employee of the Company, the Option grant will not be interpreted to form an employment contract or relationship with the Company; nothing in this Agreement shall confer upon the Optionee any right to continue in the service of the Company or interfere in any way with any right of the Company to terminate the Optionee's service as a director, an employee or consultant, as the case may be, at any time, subject to applicable law; the Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Optionee's participation in the Plan or the Optionee's acquisition or sale of the Shares underlying the Option; and (x) no claim or entitlement to compensation or damages arises if the value of the Option or the underlying Shares decreases and in consideration for the grant of the Option the Optionee irrevocably releases the Company from any claim or entitlement to compensation or damages that does arise in connection with the Option.

Section 6.7. Personal Data.

For purposes of the implementation, administration and management of the Option and the Plan or the effectuation of any acquisition, equity or debt financing, joint venture, merger, reorganization, consolidation, recapitalization, business combination, liquidation, dissolution, share exchange, sale of stock, sale of material assets or other similar corporate transaction involving the Company (a "Corporate Transaction"), the Optionee explicitly and unambiguously consents, by accepting this Agreement, to the collection, receipt, use, retention and transfer, in electronic or other form, of the Optionee's personal data by and among the Company and its third party vendors or any potential party to a potential Corporate Transaction. The Optionee understands that personal data (including but not limited to, name, home address,

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telephone number, employee number, employment status, social insurance number, tax identification number, date of birth, nationality, job title or duties, salary and payroll location, data for tax withholding purposes and Options awarded, cancelled, vested and unvested) is held by the Company and may be transferred to any broker designated by the Administrator or third parties assisting in the implementation, administration and management of the Options or the Plan or the effectuation of a Corporate Transaction and the Optionee expressly authorizes such transfer as well as the retention, use, and the subsequent transfer of the data, in electronic or other form, by the recipient(s) for these purposes. The Optionee understands that these recipients may be located in the Optionee's country or elsewhere, and that the recipient's country may have different data privacy laws and protections than the Optionee's country. The Optionee understands that personal data will be held only as long as is necessary to implement, administer and manage the Option or Plan or effect a Corporate Transaction. The Optionee understands that, to the extent required by applicable law, the Optionee may, at any time, request a list with the names and addresses of any potential recipients of the personal data, view data, request additional information about the storage and processing of data, require any necessary amendments to data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing the Company's Secretary. The Optionee understands, however, that refusing or withdrawing the Optionee's consent may affect the Optionee's ability to accept an award of Options or otherwise participate in the Plan.

Section 6.8. Electronic Delivery of Documents.

(a) Methods of Delivery. The Company may from time to time electronically deliver, via e-mail or posting on the Company's website, this Agreement, information with respect to the Plan or the Option, any amendments to the Agreement, and any reports of the Company provided generally to the Company's stockholders. The Optionee may receive from the Company, at no cost, a paper copy of any electronically delivered documents by contacting the Secretary.

(b) Consent and Acknowledgment. By signing this Agreement, the Optionee (i) consents to the electronic delivery of this Agreement, all information with respect to the Plan and the Option and any reports of the Company provided generally to the Company's stockholders; (ii) acknowledges that the Optionee may receive from the Company a paper copy of any documents delivered electronically at no cost to the Optionee by contacting the Company by telephone or in writing; (iii) further acknowledges that the Optionee may revoke the Optionee's consent to the electronic delivery of documents at any time by notifying the Company of such revoked consent by telephone, postal service or electronic mail; and (iv) further acknowledges that the Optionee understands that the Optionee is not required to consent to electronic delivery of documents.

Section 6.9. Amendment; Entire Agreement

This Agreement may be amended from time to time by the Administrator in its discretion; provided, however, that this Agreement may not be modified in a manner that would have a materially adverse effect on the Option or Shares as determined in the discretion of the Administrator, except as provided in the Plan or in a written document signed by the Optionee and the Company. This Agreement constitutes the entire agreement among the parties with

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respect to any agreements regarding the equity-based incentive awards referenced on the Optionee's signature page hereto and supersedes all prior and contemporaneous agreements (including any change in control, executive retention, employment or other agreements regarding the vesting of the equity-based incentive awards referenced on the Optionee's signature page hereto, or payment of cash or Shares in respect of these equity-based awards upon a termination of the Optionee's employment with the Company or other termination of status as an Eligible Individual), discussions, understandings and negotiations, whether written or oral, with respect to any of the foregoing.

Section 6.10. Governing Law

The laws of the State of Maryland shall govern the interpretation, validity and performance of the terms of this Agreement regardless of the law that might be applied under principles of conflicts of laws.

Section 6.11. Resolution of Disputes

Any dispute or disagreement which shall arise under, or as a result of, or pursuant to or relating to, this Agreement shall be determined by the Administrator in good faith in its absolute and uncontrolled discretion, and any such determination or any other determination by the Administrator under or pursuant to this Agreement and any interpretation by the Administrator of the terms of this Agreement, will be final, binding and conclusive on all persons affected thereby. The Optionee agrees that before the Optionee may bring any legal action arising under, as a result of, pursuant to or relating to, this Agreement the Optionee will first exhaust his or her administrative remedies before the Administrator. The Optionee further agrees that in the event that the Administrator does not resolve any dispute or disagreement arising under, as a result of, pursuant to or relating to, this Agreement to the Optionee's satisfaction, no legal action may be commenced or maintained relating to this Agreement more than twenty-four (24) months after the Administrator's decision.

Section 6.12. Section 409A

This Agreement and the Option granted hereunder are intended to be exempt from Section 409A of the Code. This Agreement and the Option shall be administered, interpreted and construed in a manner consistent with this intent. Nothing in the Plan or this Agreement shall be construed as including any feature for the deferral of compensation other than the deferral of recognition of income until the exercise of the Option. Should any provision of the Plan or this Agreement be found not to comply with, or otherwise be exempt from, the provisions of Section 409A of the Code, it may be modified and given effect, in the sole discretion of the Administrator and without requiring the Optionee's consent, in such manner as the Administrator determines to be necessary or appropriate to comply with, or to effectuate an exemption from, Section 409A of the Code. The foregoing, however, shall not be construed as a guarantee or warranty by the Company of any particular tax effect to the Optionee.

Section 6.13. Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall constitute one and the same

instrument. Counterpart signature pages to this Agreement transmitted by facsimile transmission, by electronic mail in portable document format (.pdf), 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 an original signature.

Signature Pages to follow.

IN WITNESS WHEREOF, this Agreement has been executed and delivered by the parties hereto.

LAUREATE EDUCATION, INC.

By: _____

Name: Victoria E. Silbey

Title: Senior Vice President, Secretary and Chief Legal Officer

[signature page to the Stock Option Agreement]

OPTIONEE NAME: Jean-Jacques Charhon

I acknowledge that I have carefully read the Agreement, the Plan, and Plan prospectus. I agree to be bound by all of the provisions set forth in the Agreement and Plan. I acknowledge that I have received a copy of the Recoupment Policy and acknowledge and agree that the terms of the Recoupment Policy shall be applicable to the Option and any Shares issued upon exercise of the Option. I also consent to electronic delivery of all notices or other information with respect to the Option or the Company.

OPTIONEE SIGNATURE: _____

Address: (to be completed by Optionee:)

Shares subject to Option: []

Grant Date: []

Exercise Price: \$[] per share

Expiration Date: 10 years from the Grant Date

[signature page to the Stock Option Agreement]

Laureate Education, Inc.
List of Subsidiaries as of March 16, 2018

Company	Jurisdiction of Organization	D/B/A
Blue Mountains International Hotel Management School Pty Limited	Australia	
BM Hospitality Holdings Pty Ltd.	Australia	
GNUCO Pty Ltd.	Australia	
Laureate Education Services Australia Pty. Ltd.	Australia	
LEI Australia Education, Pty. Ltd.	Australia	
LEI Australia Holdings Pty Ltd.	Australia	
LEI Higher Education Holdings Pty Ltd.	Australia	
LESA Education Services Holding Pty Ltd.	Australia	
Monash South Africa Ltd.	Australia	
Think: Colleges Pty Ltd.	Australia	APM College of Business and Communication, Australasian College of Natural Therapies, Billy Blue College of Design, Jansen Newman Institute, Southern School of Natural Therapies, William Blue College of Hospitality Management, Australian National College of Beauty, CATC Design School
Think: Education Group Pty Ltd.	Australia	
Think: Education Services Pty Ltd.	Australia	
Torrens University Australia Limited	Australia	
Educacao Interativa do Brasil, Ltda.	Brazil	
FACS Serviços Educacionais Ltda.	Brazil	Universidade Salvador
Faculdades Metropolitanas Unidas Educacionais Ltda.	Brazil	Centro Universitario das Faculdades Metropolitanas Unidas ("FMU")
FADERGS—Faculdade de Desenvolvimento do Rio Grande do Sul Ltda.	Brazil	
Fundação Encontro das Aguas	Brazil	Centro Universitario do Norte
Instituto Brasileiro de Medicina de Reabilitação, Ltda.	Brazil	Centro Universitario IBMR
ISCP—Sociedade Educacional Ltda.	Brazil	Universidade Anhembi Morumbi
Rede Internacional de Universidades Laureate Ltda.	Brazil	
Sociedade Capibaribe de Educação e Cultura Ltda.	Brazil	Faculdade dos Guararapes
Sociedade de Desenvolvimento Cultural do Amazonas Ltda.	Brazil	Centro Universitario do Norte—UniNorte
Sociedade de Educação Ritter dos Reis Ltda.	Brazil	Centro Universitario Ritter dos Reis—Uniritter
Sociedade de Ensino Superior da Bahia	Brazil	
Sociedade Educacional Luiz Tarquinio	Brazil	
Sociedade Paraibana de Educação e Cultura Ltda.	Brazil	Faculdade Internacional da Paraiba
Sociedade Potiguar de Educação e Cultura Ltda.	Brazil	Universidade Potiguar
LEI Combination Holdings Limited	Cayman Islands	
LE University Holding Company Limited	Cayman Islands	
CAMPVS Mater, SpA	Chile	
Center for Executive Education IEDE SpA	Chile	
Centro de Formación Técnica Instituto AIEP Regional SpA	Chile	
Centro de Formación Técnica Instituto AIEP SpA	Chile	
Centro de Innovación y Emprendimiento UVV Limitada	Chile	
Corporación Universidad Nacional Andrés Bello	Chile	Universidad Andrés Bello

Fleet Street Development Company SpA	Chile	
IEDE Chile Institute for Executive Development SpA	Chile	
Inmobiliaria e Inversiones San Genaro Dos SpA	Chile	
Inmobiliaria e Inversiones San Genaro SpA	Chile	
Inmobiliaria Educativa SpA	Chile	
Instituto Nacional de Computación y Administración de Empresas INDAE Limitada	Chile	
Instituto Profesional AIEP SpA	Chile	
Instituto Profesional Escuela Moderna de Musica SpA	Chile	
Laureate Chile II SpA	Chile	
Laureate Desarrollos Educativos SpA	Chile	
Servicios Andinos SpA	Chile	
Servicios Profesionales Andrés Bello SpA	Chile	
Sociedad Educativa Campvs SpA	Chile	
Universidad de Las Américas	Chile	
Universidad de Viña del Mar	Chile	Universidad Viña del Mar
Beijing INTI Management College	China	
Blue Mountains Hotel Management Consulting (Shanghai) Co. Ltd.	China	Blue Mountains International Hotel Management School
DeZen Education Training (China) Co., Ltd.	China	
Hunan International Economics University	China	
Hunan International Economics University Vocational Skills Training Center	China	
Hunan Lie Ying Industry Co., Ltd.	China	
Hunan Lie Ying Mechanic School	China	
Hunan Lie Ying Property Management Co., Ltd.	China	
Laureate Investment Consulting (Shanghai) Co., Ltd.	China	
Laureate Holding Costa Rica S.R.L.	Costa Rica	
Lusitania S.R.L.	Costa Rica	Universidad Latina de Costa Rica
Universidad Americana UAM S.R.L.	Costa Rica	
Universidad U Latina S.R.L.	Costa Rica	Universidad Latina de Costa Rica
A.S. Cyprus College (Lamaca) Limited	Cyprus	
Ermis Research and Incubator Center (ERIC), Ltd.	Cyprus	
EUC Health Services Ltd.	Cyprus	
European University—Cyprus Ltd.	Cyprus	
S P S Institute of Education Ltd.	Cyprus	
Servicios Profesionales Ad Portas Cia. Ltda.	Ecuador	
University of Applied Sciences Europe — Iserlohn, Berlin, Hamburg GmbH	Germany	University of Applied Sciences Europe — Iserlohn, Berlin, Hamburg GmbH
Laureate Academies GmbH	Germany	HTK Academy of Design; BTK Academy of Design
Laureate Germany Holding GmbH	Germany	
Fleet Street Development Company Honduras, S. de R.L. de C.V.	Honduras	
Fundación Para el Desarrollo de la Educación y Fomento de la Iniciativa Empresarial	Honduras	
Laureate Honduras, S. de R.L. de C.V.	Honduras	
Universidad Tecnológica Centroamericana	Honduras	Universidad Tecnológica Centroamericana; Centro Universitario Tecnológico
INTI College Hong Kong Ltd.	Hong Kong	
INTI Education (International) Ltd.	Hong Kong	
Jia Yue Investment Limited	Hong Kong	
Laureate Education Asia Limited	Hong Kong	
LEI China Limited	Hong Kong	
LEI Holdings, Limited	Hong Kong	

LEI Lie Ying Limited	Hong Kong	
Merit International (HK) Limited	Hong Kong	
Academe Education Private Limited	India	
Collegiate Educational Services Private Limited	India	
Creative Arts Education Society	India	Pearl Academy of Fashion; Pearl Academy of Fashion Management
Data Ram Sons Private Limited	India	
Energy Education	India	
Hydrocarbons Education & Research Society	India	
India Centric Education Hub Private Limited	India	
Laureate Education India Private Limited	India	
M-Power Energy India Private Limited	India	
NuovoEtude Intellect Advisory Services Private Limited	India	
Pearl Retail Solutions Private Limited	India	Indian Retail School
Sagacity Education Solutions Private Limited	India	
Scholastic Knowledge Private Limited	India	
South Asia International Institute Charitable Society	India	
Sylvan Learning India Private Limited	India	
University of Petroleum and Energy Studies	India	
Laureate Italy, S.r.l.	Italy	
Nuova Accademia S.r.l.	Italy	Nuova Accademia di Belle Arti Milano; Domus Academy
LEI Japan Holdings K.K.	Japan	
Fleet Street Investments Sarl	Luxembourg	
Erti Utama Sdn Bhd	Malaysia	
Exeter Street Holdings Sdn. Bhd.	Malaysia	
Genting INTI Education Sdn. Bhd.	Malaysia	Genting INTI International College
Human Capital Development Academy Sdn Bhd	Malaysia	
INTI Asset Management Sdn Bhd.	Malaysia	
INTI Assets Holdings Sdn Bhd.	Malaysia	
INTI Education Holdings Sdn Bhd.	Malaysia	
INTI Education Sdn Bhd.	Malaysia	
INTI Higher Learning Centre Sdn Bhd.	Malaysia	
INTI IABS Sdn. Bhd.	Malaysia	INTI College Sarawak
INTI Instruments (M) Sdn Bhd.	Malaysia	INTI International College Subang
INTI International College Kuala Lumpur Sdn Bhd.	Malaysia	INTI International College Kuala Lumpur
INTI International College Penang Sdn Bhd.	Malaysia	INTI International College Penang
INTI International Education Sdn Bhd.	Malaysia	INTI International University
INTI Kinabalu Sdn Bhd.	Malaysia	INTI College Sabah
INTI Management Services Sdn Bhd.	Malaysia	
INTI Universal Holdings Sdn. Bhd.	Malaysia	
LEI Management Asia, Sdn Bhd.	Malaysia	
MIM-IMS Education Sdn Bhd.	Malaysia	MIM-INTI Management Institute
PJ College of Art & Design Sdn Bhd.	Malaysia	
Colegio Americano de Veracruz, S.C.	Mexico	Universidad del Valle de Mexico
Colegio Villa Rica Coatzacoalcos, S.C.	Mexico	Universidad del Valle de Mexico
Colegio Villa Rica, S.C.	Mexico	Universidad del Valle de Mexico
Corparación Educativa de Celaya, S.C.	Mexico	
Fundación UVM S.C.	Mexico	
Estrater, S.A. de C.V. SOFOM ENR	Mexico	
Grupo Educativo UVM, S.C.	Mexico	Universidad del Valle de Mexico
Institute for Executive Development Mexico S.A. de C.V.	Mexico	
Laureate Education Mexico, S. de R.L. de C.V.	Mexico	
Planeacion de Sistemas, S.A.P.I. de C.V.	Mexico	
Servicios Regionales Universitarios LE, S.C.	Mexico	

Universidad Autónoma de Veracruz, S.C.	Mexico	Universidad del Valle de Mexico
Universidad del Valle de Mexico del Noreste, S.C.	Mexico	Universidad del Valle de Mexico
Universidad del Valle de México, S.C.	Mexico	Universidad del Valle de Mexico
Universidad Tecnológica de Mexico, S.C.	Mexico	Universidad Tecnológica de México; Universidad del Valle de Mexico
UVM Educación, S.C.	Mexico	Universidad del Valle de Mexico
UVM Formación, S.C.	Mexico	Universidad del Valle de Mexico
Laureate Somed Education Holding	Morocco	Université Internationale de Casablanca
CH Holding Netherlands B.V.	Netherlands	
Education Trademark B.V.	Netherlands	
Fleet Street International Universities C.V.	Netherlands	
Hispano Trademark Holding, B.V.	Netherlands	
Laureate I B.V.	Netherlands	
Laureate Coöperatie U.A.	Netherlands	
Laureate Education—Turkey B.V.	Netherlands	
Laureate International B.V.	Netherlands	
Laureate Middle East Holdings B.V.	Netherlands	
Laureate Online Education B.V.	Netherlands	University of Liverpool; University of Roehampton
Laureate Real Estate Holdings B.V.	Netherlands	
Laureate Trademark Holding B.V.	Netherlands	
Laureate-University of Liverpool Ventures B.V.	Netherlands	
LEI AMEA Investments B.V.	Netherlands	
LEI Bahrain Investments B.V.	Netherlands	
LEI European Investments, B.V.	Netherlands	
LEI New Zealand Holdings B.V.	Netherlands	
Online Higher Education B.V.	Netherlands	
LEI New Zealand	New Zealand	
Media Design School	New Zealand	
Visam Properties Limited	New Zealand	
Castro Harrigan Asociados Panamá, S. de R.L.	Panama	
Desarrollos Urbanos Educativas, S. de R.L.	Panama	
Laureate Panamá S. de R.L.	Panama	
Ulatec, S. de R.L.	Panama	
Universidad Interamericana de Panamá, S. de R.L.	Panama	
Cibertec Perú S.A.C.	Peru	CIBERTEC; Instituto Tecnológico del Norte
Inversiones Educativas Perú S.R.L.	Peru	
Laureate Education Perú S.R.L.	Peru	
Metramark S.A.C.	Peru	
Universidad Peruana de Ciencias Aplicadas S.A.C.	Peru	
Universidad Privada del Norte S.A.C.	Peru	
OIE Support spółka z ograniczoną odpowiedzialnością w organizacji	Poland	
Associação de Estudos e de Investigação	Portugal	Científica do Isla Lisboa
Ensilis—Educação e Formação, Ltda.	Portugal	Universidade Europeia
Europeia ID—Associação para a Investigação em Design, Marketing e Comunicação	Portugal	
Laureate Vocational Saudi Limited	Saudi Arabia	
Laureate Middle East Saudi Arabia Limited	Saudi Arabia	
LEI Singapore Holdings Pte. Ltd.	Singapore	
Laureate South Africa Pty. Ltd.	South Africa	
Fundacion General de la Universidad Europea de Madrid	Spain	
ICE Inversiones Brazil, S.L.	Spain	
Iniciativa Educativa UEA, SLU.	Spain	
Iniciativas Culturales de España SL	Spain	

Iniciativas Educativas de Mallorca, SLU.	Spain	
Universidad Europea de Canarias S.L.U.	Spain	
Universidad Europea de Madrid, S.L.U.	Spain	Universidad Europea de Madrid; IEDE Business School; Collaboration with Real Madrid International School
Universidad Europea de Valencia S.L.U.	Spain	Universidad Europea de Valencia; Escuela de Negocios Estema; Centro Superior de Edificacion, Arquitectura e Ingenieria (PROY3CTA)
Stamford International University	Thailand	
Thai Education Holdings Company Limited	Thailand	
Bilgi Egitim Ve Kultur Vakfi	Turkey	
Bilgili Halkla İlişkiler ve İletişim Limited Şirketi	Turkey	
Bilgi İletişim Grubu Yayıncılık Müzik Yapım Ve Haber Ajansı Ltd. Şti	Turkey	
Bilgili Temizlik ve Tadilat Hizmetleri Limited Şirketi	Turkey	
Bilgili Yapımcılık Ticaret Limited Şirketi	Turkey	
Istanbul Bilgi University	Turkey	
Media Com Halkla İlişkiler Ve İletişim Limited Şirketi	Turkey	
Öztan Temizlik Ve Tadilat Hizmetleri Ticaret Ltd. Şti	Turkey	
Ulet Uluslararası Danışmanlık Eğitim Teknolojileri Sanayi ve Ticaret Limited Şirketi Ortaklar Kurulu Kararı	Turkey	
Laureate-Obeikan, Ltd.	United Arabs Emirates	
Canter and Associates, LLC	Delaware, USA	
Educational Satellite Services, Inc.	Delaware, USA	
Exeter Street Holdings LLC	Maryland, USA	
Fleet Street Aviation, LLC	Washington, USA	
Fleet Street International University Holdings, LLC	Maryland, USA	
FSIUH Holding Company	Maryland, USA	
Kendall College LLC	Illinois, USA	
LEI Administration, LLC	Maryland, USA	
National Hispanic University, LLC	California, USA	
NewSchool of Architecture and Design, LLC	California, USA	
Post-Secondary Education Acquisition Corporation	Delaware, USA	
The Canter Group of Companies, LLC	California, USA	
University of St. Augustine for Health Sciences, LLC	California, USA	
Walden e-Learning, LLC	Delaware, USA	
Walden University, LLC	Florida, USA	
Wall Street International Holdings-US I, Inc.	Maryland, USA	

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-217010) of Laureate Education, Inc. of our report dated March 20, 2018 relating to the financial statements, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Baltimore, Maryland
March 20, 2018

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Eilif Serck-Hanssen, certify that:

1. I have reviewed this Annual Report on Form 10-K of Laureate Education, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information related to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 20, 2018

/s/ EILIF SERCK-HANSSEN

Eilif Serck-Hanssen
Chief Executive Officer

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Jean-Jacques Charhon, certify that:

1. I have reviewed this Annual Report on Form 10-K of Laureate Education, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information related to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 20, 2018

/s/ JEAN-JACQUES CHARHON

Jean-Jacques Charhon
Executive Vice President and Chief Financial Officer

Certificate Pursuant to Section 906 of the Sarbanes-Oxley Act Of 2002

In connection with the Annual Report of Laureate Education, Inc. on Form 10-K for the annual period ended December 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of Laureate Education, Inc. does hereby certify, to the best of such officer's knowledge and belief, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 20, 2018

/s/ EILIF SERCK-HANSEN

Eilif-Serck-Hanssen
Chief Executive Officer

/s/ JEAN-JACQUES CHARHON

Jean-Jacques Charhon
Executive Vice President and Chief Financial Officer

The certification set forth above is being furnished as an exhibit solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and is not being filed as part of the Report as a separate disclosure document of Laureate Education, Inc. or the certifying officers.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Laureate Education, Inc. and will be retained by Laureate Education, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

