Risk Factors

The Company faces a number of significant risks and uncertainties in connection with its operations. The most significant of these are described below. These risks and uncertainties may not be the only ones facing the Company. Additional risks and uncertainties not presently known, or currently deemed immaterial, may adversely affect the Company in the future. In addition to the other information included in the Annual Report on Form 10-K and the subsequently filed information included on Forms 8-K, investors should carefully consider the following risk factors. If any of the events or developments described below occurs, it could have a material adverse effect on the Company's business, financial condition or results of operations.

The Company's Business, Results of Operations and Cash Flows Will Be Adversely Impacted by the Effects of the COVID-19 Pandemic, the Significance of Which Will Depend on the Longevity and Severity of the Virus.

The COVID-19 pandemic and measures taken to prevent its spread, such as travel restrictions, shelter in place orders and mandatory closures, have materially affected the Company's businesses, including the demand for its products and services. Travel restrictions and school closures have impeded and will continue to impede the ability of students to travel to undertake overseas study as long as they remain in place, and have reduced student applications for programs offered by Kaplan International's operations, including KI Languages, KI Pathways, Kaplan UK, Kaplan Australia, Kaplan Singapore and Mander Portman Woodward. Travel restrictions and decreased enrollments are expected to materially adversely affect Kaplan International and Kaplan's revenues, operating results and cash flows. Manufacturing restrictions, including plant closures and disruptions in the Company's supply chains, declines in demand for products and advertising, restaurant closures and other developments related to the COVID-19 pandemic have also adversely impacted the Company's other businesses. The Company cannot predict the duration or scope of the COVID-19 pandemic, what actions will be taken by governmental authorities and other third parties in response to the pandemic or when operations will return to full service. The Company expects the COVID-19 pandemic and related developments to negatively impact its financial results and such impact is expected to be material to the Company's financial results, operations and cash flows.

Difficulties of Managing Foreign Operations Could Negatively Affect Kaplan's Business.

Kaplan has operations and investments in a growing number of foreign countries and regions, including Australia, Canada, the People's Republic of China, Colombia, France, Germany, Hong Kong, India, Ireland, Japan, Myanmar, New Zealand, Nigeria, Saudi Arabia, Singapore, the U.K. and the United Arab Emirates. Operating in foreign countries and regions presents a number of inherent risks, including the difficulties of complying with unfamiliar laws and regulations, effectively managing and staffing foreign operations, successfully navigating local customs and practices, preparing for potential political and economic instability and adapting to currency exchange rate fluctuations. Failure to effectively manage these risks could have a material adverse effect on Kaplan's operating results.

Changes in International Regulatory and Physical Environments and Failure to Comply with Regulations Applicable to International Operations Could Negatively Affect International Student Enrollments and Kaplan's Business.

In response to the COVID-19 pandemic, governments have imposed student travel restrictions, made recommendations for their students to return home, closed physical campus locations, and professional bodies have postponed examination dates related to professional education programs, all of which have negatively affected Kaplan International's operations. Any significant changes to the regulatory environment, including changes to government policy or practice in oversight and enforcement, or other factors, including geopolitical instability, imposition or extension of international sanctions or a natural disaster in either the students' countries of origin or countries in which they desire to study, could also negatively affect Kaplan's ability to attract and retain students and negatively affect Kaplan's operating results. In addition, any significant changes to availability of government funding for education, visa policies or other administrative immigration requirements, or the tax environment, including changes to tax laws, policies and practices, in any one or more countries in which KI operates could negatively affect its operating results.

Kaplan is subject to a wide range of regulations relating to its international operations. These include domestic laws with extraterritorial reach, such as the U.S. Foreign Corrupt Practices Act, international laws, such as the U.K. Bribery Act, as well as the local regulatory regimes of the countries in which Kaplan operates. These regulations change frequently. Failure to comply with these laws and regulations can result in the imposition of significant penalties or revocation of Kaplan's authority to operate in the applicable jurisdiction, each of which could have a material adverse effect on Kaplan's operating results.

KI's operations, institutions and programs in the U.S. may be subject to state-level regulation and oversight by state regulatory agencies, whose approval or exemption from approval is necessary to allow an institution to operate in the state. These agencies may establish standards for instruction, qualifications of faculty, location and nature of facilities, financial policies and responsibility and other operational matters. Institutions that seek to admit international students are required to be federally certified and legally authorized to operate in the state in which the institution is physically located in order to be allowed to issue the relevant documentation to permit international students to obtain a visa.

A substantial portion of KI's revenue comes from programs that prepare international students to study and travel in English-speaking countries, principally the U.S., the U.K., Australia and Singapore. KI's ability to enroll students in these programs is directly dependent on its ability to comply with complex regulatory environments. For example, the impact of Brexit on KI will depend in part on the outcome of future negotiations regarding the terms of the U.K.'s withdrawal from the EU. Following a referendum in June 2016, in which voters in the U.K. approved Brexit, the U.K.'s withdrawal became effective on January 31, 2020. A transition period will apply to the end of 2020 (or later, if extended) during which the pre-Brexit legal regime will continue to apply while the U.K. and the EU negotiate rules that will apply to their future relationship. It is unknown how the future relationship will be structured, and there remains the possibility that no negotiated outcome will be reached by the end of the transition period. Uncertainty over the outcome of the Brexit negotiations and the possibility of a "no deal" exit may materially or significantly diminish interest in traveling to the U.K. for study. If the U.K. is no longer viewed as a favorable study destination, KI's ability to recruit international students will be adversely affected, which would result in material adverse impacts to KI's results of operations and cash flows.

While proposals for changes to criteria for student study visas were put forward in an Immigration White Paper in 2018, no assurances can be given that the new U.K. government will implement those proposed rules. Significant changes may be made to U.K. immigration laws by the new government. It is also unclear how international student recruitment agents and prospective international students may view the U.K. as a study destination after the introduction of any new immigration requirements, the EU exit

negotiations and the U.K.'s exit from the EU. The introduction of new visa and other administrative requirements for entry into the U.K., Brexit, and the perception of the U.K. as a less favorable study destination may have a materially adverse impact on KI's ability to recruit international students and KI's results of operations and cash flows.Additionally, if the U.K. does not receive a determination of adequacy under the EU General Data Protection Regulation, flows of personal data within KI or between KI and its clients, suppliers, business partners and affiliates may be substantially disrupted.

Changes to levels of direct and indirect government funding for international education programs would also materially affect the success of KI's operations. For example, if access to student loans or other funding were to be lost for KI operations that admit students who are entitled to receive the benefit of this funding, Kaplan's operating results could be materially adversely affected.

In January 2017, President Trump signed an Executive Order severely limiting the ability of citizens from certain countries to enter the U.S. The countries subject to, and restrictions imposed by, the initial order were subsequently modified, and the order has been upheld in court. Additional countries have since been subjected to similar travel restrictions pursuant to a Presidential Proclamation signed by President Trump in January 2020. It is unclear if the January 2020 proclamation will be challenged; however, the topic remains a subject of significant international press interest. Negative perceptions regarding travel to the U.S. could have a significant negative impact on KI's ability to recruit international students, and Kaplan's business could be adversely and materially affected.

In 2018, the Australian government introduced legislation that requires higher-level education standards, a compulsory national exam and other increased requirements in relation to continuing professional development for all financial advisors in Australia. These new requirements may result in financial advisors leaving the industry, which may result in a loss of those existing students for Kaplan Professional Australia.

In 2019, Australia faced severe wildfires. Although Kaplan was not directly affected, the wildfires were widely reported and may adversely affect KI's ability to recruit students to KI Languages and KI Pathways programs that may adversely affect Kaplan's results.

Changes in U.K. Tax Laws Could Have a Material Adverse Effect on Kaplan International.

Her Majesty's Revenue and Customs (HMRC), a department of the U.K. government responsible for the collection of taxes, has raised assessments against the Kaplan UK Pathways business for Value Added Tax (VAT) relating to 2017 and earlier years, which Kaplan has paid. In September 2017, in a case captioned *Kaplan International Colleges UK Limited* v*. The Commissioners for Her Majesty's Revenue and Customs*, Kaplan challenged these assessments. The Company believes it has met all requirements under U.K. VAT law for a cost sharing group VAT exemption to apply and is entitled to recover the £18.6 million related to the assessments and subsequent payments that have been paid through December 31, 2019. Following a hearing held in January 2019 before the First Tier Tax Tribunal, all issues related to law in the case were referred to the Court of Justice of the European Union. In the third quarter of 2019, the Company recorded a full provision of £17.3 million against a receivable to expense, due to developments in the case. Of this amount, £14.1 million relates to years 2014 to 2018. The Company recorded an additional annual VAT expense at the U.K. Pathways business of approximately $6.0 million related to this matter for 2019. If the Company ultimately prevails in this case, the provision will be reversed and a pre-tax credit will be recorded as a reduction to expense in the Company's Consolidated Statement of Operations. The result of the Court of Justice case is expected by the fall of 2020. Depending on the judgment of the Court of Justice, the litigation may conclude or some issues may be returned to the UK First Tier Tribunal.

In March 2018, HMRC issued new VAT guidance indicating a change of policy in relation to certain aspects of a cost sharing exemption that could affect the U.K. Pathways business adversely if this guidance were to become law. As of December 31, 2019, this guidance had not yet been incorporated into U.K. law.

In a separate matter, a legal case was determined by the U.K. Supreme Court in 2019. This case could have reversed or amended the law and guidance permitting private providers to qualify as a "college of a university" and therefore receive the benefit of an exemption from charging its students VAT on tuition fees. However, the Supreme Court decided the case in the college's favor. The result was more favorable to private providers working in collaboration with a university than the opposing view. The Supreme Court emphasized five key tests for a private provider to satisfy so that it could exempt its services as a "college of a university" even if it did not have a constitutional link to the university. Satisfying these tests would generally show that the college had a sufficiently close relationship with the university and its activities were sufficiently integrated with the university to constitute a "college of a university." Although the new tests have now been incorporated into official HMRC guidance, it is not yet clear how HMRC will apply the Supreme Court judgment and the five key tests in practice. If the HMRC's application of the Supreme Court judgment and the five key tests deems KI Pathways Colleges not to constitute "colleges of a university" and not entitled to a VAT exemption, KI Pathways Colleges' financial results may be materially adversely impacted if they are not able to meet any new requirements.

Failure to Comply with Statutory and Regulatory Requirements as a Third-Party Servicer to Title IV Participating Institutions Could Result in Monetary Liabilities or Subject Kaplan to Other Material Adverse Consequences.

KHE provides services to Purdue Global, Purdue University and other Title IV participating institutions. KHE also provides financial aid services to Purdue Global, and as such KHE meets the definition of a "third-party servicer" contained in Title IV regulations. As a result, KHE is subject to applicable statutory provisions of Title IV and ED regulations that, among other things, require KHE to be jointly and severally liable with its Title IV participating client institution(s) to the ED for any violation by such client institution(s) of any Title IV statute or ED regulation or requirement. Separately, if KHE provides financial aid services to more than one Title IV participating institution, it will be required to arrange for an independent auditor to conduct an annual Title IV audit of KHE's compliance with applicable ED requirements. KHE is also subject to other federal and state laws, including but not limited to information security requirements established by the Federal Trade Commission, as well as the applicable provisions of the Family Educational Rights and Privacy Act regarding the privacy of student records.

Failure to comply with these and other federal and state laws and regulations could result in adverse consequences, including, for example:

- The imposition on KHE of fines or repayment obligations for Title IV funds to the ED or the termination or limitation of Kaplan's eligibility to provide services as a third-party servicer to any Title IV participating institution if KHE fails to comply with statutory or regulatory requirements applicable to such service providers;
- Adverse effects on Kaplan's business and operations from a reduction or loss in KHE's revenues under the TOSA or any other agreement with any Title IV participating institution if a client institution loses or has limits placed on its Title IV eligibility, accreditation, operations or state licensure or is subject to fines, repayment obligations or other adverse actions owing to noncompliance by KHE (or the institution) with Title IV, accreditor, federal or state agency requirements;

- Liability under the TOSA or any other agreement with any Title IV participating institution for noncompliance with federal, state or accreditation requirements arising from KHE’s conduct; and
- Liability for noncompliance with Title IV or other federal or state requirements occurring prior to the transfer of KU to Purdue.

Although KHE endeavors to comply with all U.S. Federal and state laws and regulations, KHE cannot guarantee that its implementation of the relevant rules will be upheld by the ED or other agencies or upon judicial review. The laws, regulations and other requirements applicable to KHE and its client institutions are subject to change and to interpretation. In addition, there are other factors related to KHE’s client institutions’ compliance with federal, state and accrediting agency requirements, some of which are outside of KHE’s control, that could have a material adverse effect on KHE’s client institutions’ revenues and, in turn, on KHE’s operating results.

Failure to Comply with the ED’s Title IV Incentive Compensation Rule Could Subject Kaplan to Liabilities, Sanctions and Fines.

Under the ED’s incentive compensation rule, an institution participating in Title IV programs may not provide any commission, bonus or other incentive payment to any person or entity engaged in any student recruiting or admission activities or in making decisions regarding the awarding of Title IV funds if such payment is based directly or indirectly on success in securing enrollments or financial aid. KHE is a third party providing bundled services to Title IV participating institutions, including recruiting and, in the case of Purdue Global, financial aid services. As such, KHE is also subject to the incentive compensation rules and cannot provide any commission, bonus or other incentive payment to any covered employees, subcontractors or other parties engaged in certain student recruiting, admission or financial aid activities based on success in securing enrollments or financial aid. In addition, Purdue Global’s tuition revenue sharing payments to KHE under the TOSA (as well as any other agreement with any Title IV participating institution) must comply with revenue sharing guidance provided by the ED related to bundled services agreements. In the 2011 guidance, the ED provided that in certain arrangements with Title IV participating institutions where student recruiting services are “bundled” with other non-recruiting services, revenue sharing may be allowable despite the incentive compensation rule’s general prohibition on such revenue sharing with entities or individuals that provide recruiting services. Because this guidance is not codified in any rule or law, but is instead an ED opinion on the applicability of the incentive compensation rule, such guidance can be revoked at any time and without notice. Some lawmakers, including certain 2020 presidential candidates, and states, such as California, have publicly called for the revocation of this guidance or sought to introduce legislation seeking to prevent any such revenue sharing. KHE cannot predict how the ED or a federal court will interpret, revise or enforce all aspects of the incentive compensation rule or the bundled service revenue sharing guidance in the future or how they would be applied to KHE’s agreements in any litigation. Any revisions or changes in interpretation or enforcement could require KHE and its client institutions to change their practices or renegotiate the tuition revenue sharing payment terms of KHE’s agreements with such client institutions and could have a material adverse effect on Kaplan’s business and results of operations. Additionally, failure to comply with the incentive compensation rule could result in litigation or enforcement actions against KHE or its clients and could result in liabilities, fines or other sanctions against KHE or its clients, which could have a material adverse effect on Kaplan’s business and results of operations.

Failure to Comply with the ED’s Title IV Misrepresentation Regulations Could Subject Kaplan to Liabilities, Sanctions and Fines.

A Title IV participating institution is required to comply with the ED regulations related to misrepresentations and with related federal and state laws. These laws and regulations are broad in

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

Compliance Reviews, Program Reviews, Audits and Investigations Could Result in Findings of Noncompliance With Statutory and Regulatory Requirements and Result in Liabilities, Sanctions and Fines.

KHE and its client institutions are subject to reviews, audits, investigations and other compliance reviews conducted by various regulatory agencies and auditors, including, among others, the ED, the ED's Office of the Inspector General, accrediting bodies and state and various other federal agencies. These compliance reviews can result in findings of noncompliance with statutory and regulatory requirements that can, in turn, result in the imposition of fines, liabilities, civil or criminal penalties or other sanctions against KHE and its client institutions. Separately, if KHE provides financial aid services to more than one Title IV participating institution, it will be required to arrange for an independent auditor to conduct an annual Title IV compliance audit of KHE's compliance with applicable ED requirements. KHE's client institutions are also required to arrange for an independent auditor to conduct an annual Title IV audit of their compliance with applicable ED requirements, including requirements related to services provided by KHE.
On September 3, 2015, Kaplan sold substantially all of the assets of the KHE Campuses. As part of the transaction, similar to the transfer of KU, Kaplan retained liability for the pre-sale conduct of the KHE schools. Although Kaplan no longer owns KU or the KHE Campuses, Kaplan may be liable to the current owners of KU and the KHE Campuses, for the pre-sale conduct of the schools.

Noncompliance with Regulations by KHE's Client Institutions May Adversely Impact Kaplan's Results of Operations.

KHE currently provides services to higher education institutions that are heavily regulated by federal and state laws and regulations and by accrediting bodies. Presently, a substantial portion of KHE's revenues are attributable to service fees it receives under its agreement with Purdue Global, which are dependent upon revenues generated by Purdue Global and upon Purdue Global's eligibility to participate in the Title IV federal student aid program. To maintain Title IV eligibility, Purdue Global and KHE's other client institutions must be certified by the ED as eligible institutions, maintain authorizations by applicable state education agencies and be accredited by an accrediting commission recognized by the ED. Purdue Global and KHE's other client institutions must also comply with the extensive statutory and regulatory requirements of the Higher Education Act and other state and federal laws and accrediting standards relating to their financial aid management, educational programs, financial strength, disbursement and return of Title IV funds, facilities, recruiting practices, representations made by the school and various other matters. Additionally, Purdue Global and other client institutions are subject to laws and regulations that, among other things, limit student default rates on the repayment of Title IV loans; permit borrower defenses to repayment of Title IV loans based on certain conduct of the institution; establish specific measures of financial responsibility and administrative capability; and require state authorization and

institutional and programmatic accreditation. In addition, the Coronavirus Aid, Relief, and Economic Securities ("CARES") Act and subsequent guidance from the ED have created changes in the administration of federal financial assistance programs, the interpretation of which may not yet be fully understood. If the ED finds that Purdue Global or any other KHE client institution has failed to comply with Title IV requirements or improperly disbursed or retained Title IV program funds, it may take one or more of a number of actions, including fining the school, requiring the school to repay Title IV program funds, limiting or terminating the school's eligibility to participate in Title IV programs, initiating an emergency action to suspend the school's participation in the Title IV programs without prior notice or opportunity for a hearing, transferring the school to a method of Title IV payment that would adversely affect the timing of the institution's receipt of Title IV funds, requiring the submission of a letter of credit, denying or refusing to consider the school's application for renewal of its certification to participate in the Title IV programs or for approval to add a new campus or educational program and referring the matter for possible civil or criminal investigation. There can be no assurance that the ED will not take any of these or other actions in the future, whether as a result of lawsuits, program reviews or otherwise. If Purdue Global loses or has limits placed on its Title IV eligibility, accreditation or state licensure, or if Purdue Global is subject to fines, repayment obligations, or other adverse actions owing to its or Kaplan's noncompliance with Title IV regulations, accreditor, or state agency requirements, or other state or federal laws, Kaplan's financial results of operations could be adversely effected.

In turn, any of the aforementioned consequences could have a material adverse effect on Kaplan's operating results even though such institution's compliance is affected by circumstances beyond Kaplan's control, including, for example:

- a reduction or loss in KHE's revenues under the TOSA or other client agreements if Purdue Global or any other KHE client institution loses or has limits placed on its Title IV eligibility, accreditation or state licensure;
- a reduction or loss in KHE's revenues under the TOSA or other client agreements if Purdue Global or any other client institution is subject to fines, repayment obligations or other adverse actions owing to noncompliance by Purdue Global (or Kaplan) with Title IV, accreditor or state agency requirements;
- the imposition on KHE of fines or repayment obligations to the ED or the termination or limitation on KHE's eligibility to provide services to Purdue Global or other Title IV participating institutions if findings of noncompliance by Purdue Global or such other institution result in a determination that Kaplan failed to comply with statutory or regulatory requirements applicable to service providers; and
- liability under the TOSA or other client agreements for noncompliance with federal, state or accreditation requirements arising from KHE's conduct.

Kaplan May Fail to Realize the Anticipated Benefits of the Purdue Global Transaction.

Kaplan's ability to realize the anticipated benefits of the Purdue Global transaction will depend in part on its ability to successfully and efficiently provide services to Purdue Global. Achieving the anticipated benefits is subject to a number of uncertainties, including whether the services can be provided in the manner and at the cost Kaplan anticipated and whether Purdue Global is able to realize anticipated student enrollment levels. If Kaplan is unable to effectively execute its post-transaction strategy, it may take longer than anticipated to achieve the benefits of the transaction or it may not realize those benefits at all.

Regulatory Changes and Developments Could Negatively Impact Kaplan's Results of Operations.

Any legislative, regulatory or other development that has the effect of materially reducing the amount of Title IV financial assistance or other federal, state or private financial assistance available to the students of Purdue Global or any other client institution could have a material adverse effect on Kaplan's business and results of operations. In addition, any development that has the effect of making the terms on which Title IV financial assistance or other financial assistance funds are available to Purdue Global's or other client institutions' students materially less attractive could have a material adverse effect on Kaplan's business and results of operations.

The laws, regulations and other requirements applicable to KHE or any KHE client institutions are subject to change and to interpretation. In addition, there are other factors related to Purdue Global's and other client institutions' compliance with federal, state and accrediting agency requirements—many of which are largely outside of Kaplan's control—that could have a material adverse effect on Purdue Global's and other client institutions' revenues and, in turn, on Kaplan's operating results, including, for example:

Reduction in Title IV or other federal, state or private financial assistance: KHE receives revenue based on its agreements with client institutions and particularly from Purdue Global revenue under the TOSA. Purdue Global is expected to derive a significant percentage of its tuition revenues from its participation in Title IV programs. Any legislative, regulatory or other development that materially reduces the amount of Title IV, federal, state or private financial assistance available to the students of Purdue Global and other client institutions could have a material adverse effect on Kaplan's business and results of operations. In addition, any development that makes the terms of such financial assistance less attractive could have a material adverse effect on Kaplan's business and results of operations.

Compliance reviews and litigation: Institutions participating in the Title IV programs, including Purdue Global and other client institutions, are subject to program reviews, audits, investigations and other compliance reviews conducted by various regulatory agencies and auditors, including, among others, the ED, the ED's Office of the Inspector General, accrediting bodies and state and various other federal agencies, as well as annual audits by an independent certified public accountant of compliance with Title IV statutory and regulatory requirements. Purdue Global and other client institutions also may be subject to various lawsuits and claims related to a variety of matters, including but not limited to alleged violations of federal and state laws and accrediting agency requirements. These compliance reviews and litigation matters could extend to activities conducted by KHE on behalf of Purdue Global or other client institutions and to KHE itself as a third-party servicer subject to Title IV regulations.

Legislative and regulatory change: Congress periodically revises the Higher Education Act and other laws and enacts new laws governing the Title IV programs and annually determines the funding level for each Title IV program and may make changes in the laws at any time. The ED also may issue new regulations and guidance or change its interpretation of new regulations at any time. For example, on September 23, 2019, the ED released new final regulations affecting the ability of student borrowers to obtain discharges of their obligations to repay certain Title IV loans that were first disbursed on or after July 1, 2020, and loans disbursed between July 2017 and July 1, 2020. The new regulations, among other things, expand the ability of borrowers to obtain loan discharges based on substantial misrepresentations. Application of these regulations to Purdue Global or other client institutions could materially affect revenue and result in liabilities to the ED. In addition, application of these regulations to KHE for loans disbursed between July 1, 2017, and March 22, 2018, the close of the Purdue Global transaction, could materially affect Kaplan's revenues. Additionally, changes to the ability of students to discharge loans owing to

prior school closures could impose liability on Kaplan for loans made to students at institutions previously owned by Kaplan and closed during Kaplan's ownership. Any action by Congress or the ED that significantly reduces funding for Title IV programs or the ability of Purdue Global or other client institutions to receive funding through these programs could reduce Purdue Global's or other client institutions' enrollments and tuition revenues and, in turn, the revenues KHE receives under the TOSA or other agreements. Any action by Congress or the ED that impacts the ability of Purdue Global or other client institutions to contract with KHE to provide bundled services in exchange for a share of tuition revenue could require KHE to modify the TOSA, other agreements and its practices and could impact the revenues KHE may receive under such agreements. Congress, the ED and other federal and state regulators may create new laws or take actions that may require Purdue Global, other client institutions or KHE to modify practices in ways that could have a material adverse effect on Kaplan's business and results of operations.

Increased regulatory scrutiny of postsecondary education and service providers: The increased scrutiny of online schools that offer programs similar to those offered by Purdue Global or other client institutions has resulted, and may continue to result, in additional enforcement actions, investigations and lawsuits by the ED, other federal agencies, state Attorneys General and state licensing agencies. Recent enforcement actions have resulted in substantial liabilities, restrictions and sanctions and in some cases have led to the loss of Title IV eligibility and closure of institutions. This increased activity and other current and future activity may result in further legislation, rule making and other governmental actions affecting the amount of student financial assistance for which Purdue Global's or other client institutions' students are eligible, or Kaplan's participation in Title IV programs as a third-party servicer to Purdue Global or such other client institutions. In addition, increased scrutiny and legislative proposals restricting the ability of entities like KHE that provide certain recruiting services to Title IV participating institutions under revenue sharing arrangements could impact KHE agreements. Such scrutiny could result in requests to Kaplan for information or negative publicity that could adversely affect KHE and its client institutions.

Changes in the Extent to Which Standardized Tests Are Used in the Admissions Process by Colleges or Graduate Schools and Increased Competition Could Reduce Demand for KTP Offerings.

One source of KTP's income is fees charged for courses that prepare students for a broad range of admissions examinations that are considered by colleges and graduate schools. Historically, colleges and graduate schools have required standardized tests as part of the admissions process. As a result of the COVID-19 pandemic, a number of colleges and graduate schools have waived standardized tests as part of the admissions process for the upcoming academic year, admissions examinations have been postponed and KTP has provided students with an extension of time to access their programs so that students could continue their preparation. These changes have had a negative impact on KTP's results of operations. In addition, there had already been some movement away from the historical reliance on standardized admissions tests among certain colleges, which have adopted "test-optional" admissions policies. Additionally, there is litigation pending against a public university regarding that university's use of standardized test scores for admissions, alleging that the SAT and ACT requirements discriminate against applicants who cannot afford test preparation. Any significant reduction in the use of standardized tests, whether caused by the outcome of the aforementioned claim or otherwise, in the college or graduate school admissions processes could have an adverse effect on Kaplan's operating results.

Additionally, KTP faces increased competition from competitors offering lower cost or free test prep products that may be used by students to piece together alternatives to traditional comprehensive test prep programs. Kaplan's operating results may be adversely affected if student demand for KTP's

traditional comprehensive programs shifts to KTP's lower-cost, standalone offerings, or if competitors offer lower-cost, standalone offerings or free test prep products.

Postponement of Examinations and Changes in the Extent to Which Licensing and Proficiency Examinations Are Used to Qualify Individuals to Pursue Certain Careers Could Reduce Demand for Kaplan's Offerings.

A substantial portion of Kaplan Professional (KP) and KI's revenue comes from preparing individuals for licensing or technical proficiency examinations in various fields. Any significant relaxation or elimination of licensing or technical proficiency requirements in those fields served by KP and KI's businesses could negatively affect Kaplan's operating results. As a result of the COVID-19 pandemic, a number of professional certification examinations have been postponed and Kaplan has provided students with an extension of time to access their programs so that students could continue their preparation. These changes together with student decisions to defer preparation entirely have had a negative impact on Kaplan's results of operations.

Liability under Real Estate Lease Guarantees for Certain Real Estate Leases That Were Assigned to Education Corporation of America Could Have a Material Adverse Effect on the Company's Results.

On September 3, 2015, Kaplan sold to ECA substantially all of the assets of the KHE Campuses. The transaction included the transfer of certain real estate leases that were guaranteed or purportedly guaranteed by Kaplan. ECA is currently in receivership, has terminated all of its higher-education operations and has sold, or is in the process of selling or liquidating, its remaining assets (including New England College of Business). Additionally, the receiver has repudiated all of ECA's real estate leases. Although ECA is required to indemnify Kaplan for any amounts Kaplan must pay due to ECA's failure to fulfill its obligations under the real estate leases guaranteed by Kaplan, ECA's current financial condition and the amount of secured and unsecured creditor claims outstanding against ECA make it unlikely that Kaplan will recover from ECA. If Kaplan is not successful in mitigating these liabilities, the Company's results could be materially adversely impacted. In the second half of 2018, the Company recorded an estimated $17.5 million in losses on guarantor lease obligations in connection with this transaction in other non-operating expense. The Company recorded an additional estimated $1.1 million in non-operating expense in 2019 consisting of legal fees and lease costs. The Company continues to monitor the status of these obligations.

Changing Perceptions about the Effectiveness of Television Broadcasting in Delivering Advertising Could Adversely Affect the Profitability of Television Broadcasting.

Historically, television broadcasting has been viewed as a cost-effective method of delivering various forms of advertising. There can be no guarantee that this historical perception will guide future decisions by advertisers. To the extent that advertisers shift advertising expenditures away from television to other media outlets, the profitability of the Company's television broadcasting business could be adversely affected.

Increased Competition Resulting from Technological Innovations in News, Information and Video Programming Distribution Systems and Changing Consumer Behavior Could Adversely Affect the Company's Operating Results.

The continuing growth and technological expansion of Internet-based services has increased competitive pressure on the Company's media businesses. Examples of such developments include online delivery of programming, technologies that enable users to fast-forward or skip advertisements and devices that

allow users to consume content on demand and in remote locations while avoiding traditional commercial advertisements or cable and satellite subscriptions. Changing consumer behavior may also put pressure on the Company's media businesses to change traditional distribution methods. The Company obtains significant revenue from its transmission consent agreements with traditional cable and satellite distributors. These payments are on a per-subscriber basis and payments to the Company may decrease as customers "cut the cord" and cancel their cable and satellite subscriptions. Anticipating and adapting to changes in technology and consumer behavior on a timely basis will affect the Company's media businesses' ability to continue to increase their revenue. The development and deployment of new technologies and changing consumer behavior have the potential to negatively and significantly affect the Company's media businesses in ways that cannot now be reliably predicted and that may have a material adverse effect on the Company's operating results.

Changes in the Nature and Extent of Government Regulations Could Adversely Affect the Company's Television Broadcasting Business and Other Businesses.

The Company's television broadcasting business operates in a highly regulated environment. Complying with applicable regulations has significantly increased, and may continue to increase, the costs, and has reduced the revenues, of the business. Changes in regulations have the potential to negatively impact the television broadcasting business, not only by increasing compliance costs and reducing revenues through restrictions on certain types of advertising, limitations on pricing flexibility or other means, but also by possibly creating more favorable regulatory environments for the providers of competing services. In addition, changes to the FCC's rules governing broadcast ownership may affect the Company's ability to expand its television broadcasting business and/or may enable the Company's competitors to improve their market positions through consolidation. More generally, all of the Company's businesses could have their profitability or their competitive positions adversely affected by significant changes in applicable regulations.

Transition to the New Technical Standard for Broadcast Television Stations May Alter the Competitive Environment in the Company's Stations' Markets or Cause the Company to Incur Increased Costs.

The Company cannot predict how the market will react to the new broadcast television station technical standard, ATSC 3.0, as the period for voluntary transition to the new standard has only recently begun. ATSC 3.0-capable consumer devices are not yet widely available in the U.S., although the first U.S. consumer television receivers equipped with ATSC 3.0 capabilities are expected to become available in 2020. As part of the voluntary transition, many station groups are beginning to test ATSC 3.0 streams. Notably, there is a large consortium led by the Pearl Media Group (of which GMG is a member) that is leading test trials in the Phoenix and Dallas markets. Competing stations that transition to ATSC 3.0 may increase competition for the Company's stations and/or create competitive pressure for the Company's stations to launch ATSC 3.0 streams. As noted above, GMG's WDIV station is scheduled to commence broadcast of a ATSC 3.0 stream in 2020. The transition to ATSC 3.0 may cause the Company to incur substantial costs. More generally, the deployment of ATSC 3.0 may have other material effects on the Company's media businesses that cannot now be reliably predicted and that may have a material adverse effect on the Company's operating results.

Potential Liability for Intellectual Property Infringement Could Adversely Affect the Company's Businesses.

The Company periodically receives claims from third parties alleging that the Company's businesses infringe on the intellectual property rights of others. It is likely that the Company will continue to be subject to similar claims, particularly as they relate to its media businesses. Other parts of the Company's

business could also be subject to such claims. Addressing intellectual product claims is a time-consuming and expensive endeavor, regardless of the merits of the claims. In order to resolve such claims, the Company may have to change its method of doing business, enter into licensing agreements or incur substantial monetary liability. It is also possible that one of the Company's businesses could be enjoined from using the intellectual property at issue, causing it to significantly alter its operations. Although the Company cannot predict the impact at this time, if any such claim is successful, the outcome would likely affect the business utilizing the intellectual property at issue and could have a material adverse effect on that business's operating results or prospects.

System Disruptions and Security Threats to the Company's Information Technology Infrastructure Could Have a Material Adverse Effect on Its Businesses and Results of Operations.

The Company relies extensively on information technology systems, networks and services, including Internet sites, data hosting and processing facilities and tools and other hardware, software, and technical platforms, some of which are managed, hosted, provided and/or used by third parties or their vendors, to assist in conducting the Company's business.

The Company's systems and the third-party systems on which it relies are subject to damage or interruption from a number of causes, including power outages; computer and telecommunications failures; computer viruses; security breaches; cyberattacks, including the use of ransomware; catastrophic events such as fires, floods, earthquakes, tornadoes and hurricanes; acts of war or terrorism; and design or usage errors by our employees, contractors or third-party service providers. Although the Company and the third-party service providers seek to maintain their respective systems effectively and to successfully address the risk of compromise of the integrity, security and consistent operations of these systems, such efforts may not be successful. As a result, the Company or its service providers could experience errors, interruptions, delays or cessations of service in key portions of the Company's information technology infrastructure, which could significantly disrupt its operations and be costly, time-consuming and resource-intensive to remedy. To the extent that such vulnerabilities require remediation, such remedial measures could require significant resources and may not be implemented before such vulnerabilities are exploited. As the cybersecurity landscape evolves, the Company may also find it necessary to make significant further investments to protect data and infrastructure. Any of these events could have a material adverse effect on the Company's businesses and results of operations.

Sustained or repeated system failures or security breaches that interrupt the Company's ability to process information in a timely manner or that result in a breach of proprietary or personal information could have a material adverse effect on the Company's operations and reputation.

Failure to Comply With Privacy Laws or Regulations Could Have an Adverse Effect on the Company's Businesses.

Various federal, state and international laws and regulations govern the collection, use, retention, sharing and security of consumer data. This area of the law is evolving, and interpretations of applicable laws and regulations differ. Legislative activity in the privacy area may result in new laws that are relevant to the Company's operations, including the use of consumer data for marketing or advertising, that could result in exposure to material liability. For example, general data privacy regulations adopted by the European Union known as the General Data Protection Regulation (GDPR), became effective in May 2018. These regulations require companies to meet requirements regarding the handling of personal data, including its use, protection and transfer and the ability of persons whose data is stored to correct or delete such data about themselves. Failure to meet the GDPR could result in fines of up to 4% of the Company's annual global revenues. Further, Brexit has created uncertainty with regard to the status of the U.K. as an

“adequate country” for the purposes of data transfers outside the European Economic Area. It remains unclear how the U.K. data protection laws or regulations will develop in the medium to long term and how data transfers to and from the U.K. will be regulated.

Additionally, the California Privacy Act of 2018 (CCPA), which became effective on January 1, 2020, provides a new private right of action for data breaches and requires companies that process information on California residents to make new disclosures to consumers about their data collection, use and sharing practices and allows consumers to opt out of certain data sharing with third parties. Compliance with the GDPR, the CCPA and other applicable international and U.S. privacy laws can be costly and time-consuming. If the Company fails to properly respond to security breaches of its or its third-party’s information technology systems or fails to properly respond to consumer requests under these laws, the Company could experience damage to its reputation, adverse publicity, loss of consumer confidence, reduced sales and profits, complications in executing the Company’s growth initiatives and regulatory and legal risk, including criminal penalties or civil liabilities.

Claims of failure to comply with the Company’s privacy policies or applicable laws or regulations could form the basis of governmental or private party actions against the Company and could result in significant penalties. Such claims and actions could cause damage to the Company’s reputation and could have an adverse effect on the Company’s businesses.

Extensive Regulation of the Healthcare Industry Could Adversely Affect the Company’s Healthcare Businesses and Results of Operations.

The home health and hospice industries are subject to extensive federal, state and local laws, with regulations affecting a wide range of matters, including licensure and certification, quality of services, qualifications of personnel, confidentiality and security of medical records, relationships with physicians and other referral sources, operating policies and procedures, and billing and coding practices. These laws and regulations change frequently, and the manner in which they will be interpreted is subject to change in ways that cannot be predicted.

Effective January 1, 2020, the Center for Medicare and Medicaid Services (CMS) implemented a new payment model, the “patient driven groupings model” (PDGM) which will decrease reimbursement for cases with high therapy utilization and increase billing costs by significantly increasing billing requirements. In addition, CMS has implemented a rigorous system of claim reviews to identify improper home health billing and limit fraudulent claims. Pre-claim review disrupts the current healthcare delivery model and results in additional home health operational costs for chart reviews, preparation and response to CMS.

Reimbursement for services by third-party payers, including Medicare, Medicaid and private health insurance providers, continues to decline, while authorization, audit and compliance requirements continue to add to the cost of providing those services.

Managed-care organizations, hospitals, physician practices and other third-party payers continue to consolidate in response to the evolving regulatory environment, thereby enhancing their ability to influence the delivery of healthcare services and decreasing the number of organizations serving patients. This consolidation could adversely impact Graham Healthcare Group’s businesses if they are unable to maintain their ability to participate in established networks.

GHG is also subject to periodic and routine reviews, audits and investigations by federal and state government agencies and private payers, which could result in negative findings that adversely impact the business. CMS increasingly uses third-party, for-profit contractors to conduct these reviews, many of which share in the amounts that CMS denies. These reviews, audits and investigations consume significant staff and financial resources and may take years to resolve.

Failure to Comply with Environmental, Health, Safety and Other Laws Applicable to the Company's Manufacturing Operations Could Negatively Impact the Company's Business.

The Company's manufacturing operations are subject to extensive federal, state and local laws and regulations relating to the environment, as well as health and workplace safety, including those set forth by the Occupational Safety and Health Administration (OSHA), the Environmental Protection Agency (EPA) and state and local regulatory authorities in the U.S. Such laws and regulations affect manufacturing operations and require compliance with various environmental registrations, licenses, permits, inspections and other approvals. The Company incurs substantial costs to comply with these regulations, and any failure to comply may expose the Company to civil, criminal and administrative fees, fines, penalties and interruptions in operations that could have a material adverse impact on the Company's results of operations, financial position or cash flows.

The Company May Be Subject to Liability Claims That Could Have a Material Adverse Effect on Its Business.

The Company's manufacturing operations are subject to hazards inherent in manufacturing and production-related facilities. An accident involving these operations or equipment may result in losses due to personal injury; loss of life; damage or destruction of property, equipment or the environment; or a suspension of operations. Insurance may not protect the Company against liability for certain kinds of events, including those involving pollution or losses resulting from business interruption. Any damages caused by the Company's operations that are not covered by insurance, or are in excess of policy limits, could materially adversely affect the Company's result of operations, financial position or cash flows.

Failure to Recruit and Retain Employees in the Company's Restaurants Could Adversely Impact the Company's Restaurant Business.

Competition among restaurant companies for qualified management and staff is very high. The Company's ability to recruit and retain managers and staff to operate the Company's restaurants is critical to a customer's dining experience. Failure to recruit and retain employees, low levels of unemployment or high turnover levels could negatively affect the Company's restaurant business.

The COVID-19 Pandemic, Food-Borne Illness Concerns and Damage to the Company's Reputation Could Harm the Company's Restaurant Business.

As a result of the COVID-19 pandemic, the Company's restaurant business has temporarily closed other than for takeout and delivery and decreases in customer traffic could remain even after the stay-at-home orders are lifted. In addition, reports of food-borne illness or food safety issues, even if caused by food suppliers or distributors, could have a negative effect on restaurant sales. Because food safety issues could be experienced at the source by food suppliers or distributors, food safety could, in part, be out of the Company's control. Even instances of food-borne illness at a location served by one of the Company's competitors could result in negative publicity regarding the food service industry generally and could negatively impact restaurant revenue. Regardless of the source or cause, negative publicity about food-borne illness or other food safety issues could adversely impact the Company's reputation. Similarly, publicity about litigation, violence, complaints or government investigations could have a negative effect on restaurant sales.

Concentration of the Company’s Restaurants in the Washington, DC Region Subjects the Company's Restaurant Business to Regional Economic Conditions.

The concentration of the Company’s restaurants in the Washington, DC region subjects it to adverse economic conditions and trends in the region that are out of the Company's control. For example, increases in the level of unemployment, a temporary government shutdown, or a decrease in tourism would decrease customers’ disposable income available for discretionary spending. These and other national, regional and local economic pressures could result in decreases in customer traffic and lower sales and profits.

Termination or Non-renewal of a Dealership Agreement by an Automobile Manufacturer and Limitations on the Company’s Ability to Acquire Additional Dealerships Could Adversely Affect the Company’s Automotive Business and Results of Operations.

The Company’s automobile dealerships are dependent on maintaining strong relationships with manufacturers, and the Company’s ownership and operation of automobile dealerships is subject to its ability to comply with various requirements established by automobile manufacturers. The Company’s dealerships operate under separate agreements with each applicable automobile manufacturer. Manufacturers may terminate their agreements for a variety of reasons, including a dealership’s failure to meet a manufacturer’s standards for financial and sales performance, customer satisfaction, facilities and the quality of dealership management; and any unapproved change in ownership or management. These agreements also limit the Company’s ability to acquire multiple dealerships of the same brand within a particular market and preclude the Company from establishing new dealerships within an area already served by another dealer of the same vehicle brand. In addition, dealerships controlled by related parties of the management team operating the Company’s dealerships may restrict the Company’s ability to acquire new dealerships within an area in which such dealerships operate. Manufacturers also have the right of first refusal if the Company seeks to sell dealerships and may limit the Company’s ability to transfer ownership of a dealership without the prior approval of the manufacturer. Failure to maintain ownership of the dealerships in compliance with manufacturer agreements could constitute a breach of the agreements and could result in termination or non-renewal of existing dealer agreements. If one of the Company’s manufacturers does not renew its dealer agreement or terminates the agreement, the Company’s dealership would be unable to sell or distribute new vehicles or perform manufacturer authorized warranty service, which would adversely affect the Company’s automotive business.

Negative Changes Affecting an Automobile Manufacturer Could Adversely Affect the Company’s Automotive Business.

The Company’s dealerships are dependent on the products and services offered by the brand of automobiles that our dealerships sell. The ability of the Company’s dealerships to sell and service these brands may be adversely affected by negative conditions faced by manufacturers such as negative changes to a manufacturer’s financial condition, negative publicity concerning a manufacturer or vehicle model, declines in consumer demand or brand preferences, disruptions in production and delivery, including those caused by natural disasters or labor strikes, new laws or regulations, including more stringent fuel economy and greenhouse gas emission standards, and technological innovations in ride-sharing, electric vehicles and autonomous driving.

Changes to State Dealer Franchise Laws to Permit Manufacturers to Enter the Retail Market Directly and Technological Innovations Could Adversely Impact the Company's Traditional Dealership Model.

Changes to state dealer franchise laws to permit the sale of new vehicles without the involvement of franchised dealers could adversely affect the Company's dealerships. Certain manufacturers have been challenging state dealer franchise laws in many states and some have expressed interest in selling directly to customers. The Company's dealership model could be adversely affected if new vehicle sales are allowed to be conducted on the Internet without the involvement of franchised dealers.

Changes in a Manufacturer's Incentive Programs Could Adversely Affect the Dealerships' Sales Volume and Profit Margins.

Automobile manufacturers offer various marketing and sales incentive programs to promote and support new vehicle sales. These programs include customer rebates, dealer incentives on new vehicles, employee pricing, manufacturer floor plan interest, advertising assistance and product warranties. A reduction or discontinuation of a manufacturer's incentive programs could adversely affect vehicle demand and results of operations.

Failure to Successfully Integrate Acquired Businesses Could Negatively Affect the Company's Business.

Acquisitions involve various inherent risks and uncertainties, including difficulties in efficiently integrating the service offerings, accounting and other administrative systems of an acquired business; the challenges of assimilating and retaining key personnel; the consequences of diverting the attention of senior management from existing operations; the possibility that an acquired business does not meet or exceed the financial projections that supported the purchase price; and the possible failure of the due diligence process to identify significant business risks or liabilities associated with the acquired business. A failure to effectively manage growth and integrate acquired businesses could have a material adverse effect on the Company's operating results.

Changes in Business Conditions May Cause Goodwill and Other Intangible Assets to Become Impaired.

Goodwill generally represents the purchase price paid in excess of the fair value of net tangible and intangible assets acquired in a business combination. Goodwill is not amortized and remains on the Company's balance sheet indefinitely unless there is an impairment or a sale of a portion of the business. Goodwill is subject to an impairment test on an annual basis and when circumstances indicate that an impairment is more likely than not. Such circumstances include an adverse change in the business climate for one of the Company's businesses or a decision to dispose of a business or a significant portion of a business. Each of the Company's businesses faces uncertainty in its business environment due to a variety of factors. The Company may experience unforeseen circumstances that adversely affect the value of the Company's goodwill or intangible assets and trigger an evaluation of the amount of the recorded goodwill and intangible assets. There also exists a reasonable possibility that changes to the discounted cash-flow model used to perform the quantitative goodwill impairment review, including a decrease in the assumed projected cash flows or long-term growth rate, or an increase in the discount rate assumption, could result in an impairment charge. Future write-offs of goodwill or other intangible assets as a result of an impairment in the business could materially adversely affect the Company's results of operations and financial condition. The Company recorded goodwill and other intangible asset impairment charges in the first quarter of 2020. Given the impact of the COVID-19 pandemic it is possible

that additional impairment charges could occur in the future, given changes in market conditions and the inherent variability in projecting future operating performance.