GRAHAM HOLDINGS

2014 ANNUAL REPORT

REVENUE BY PRINCIPAL OPERATIONS

- EDUCATION 61%
- CABLE 23%
- TELEVISION BROADCASTING 10%
- OTHER BUSINESSES 6%

KAPLAN · GRAHAM MEDIA GROUP · CABLE ONE · SOCIAL CODE · trove

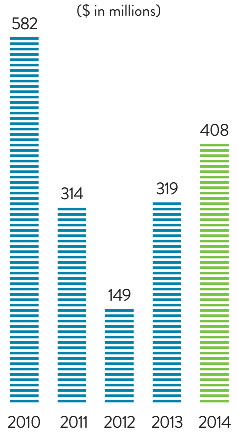
CELTIC HOSPICE & HOME HEALTH · residential home health hospice · FORNEY · JOYCE · Slate · FP · the ROOT

FINANCIAL HIGHLIGHTS

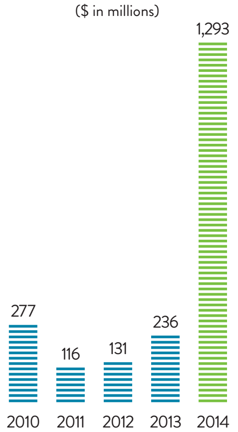
(in thousands, except per share amounts)	2014	2013	Change
Operating revenues	$3,535,166	$3,407,911	4%
Income from operations	$ 407,932	$ 319,169	28%
Net income attributable to common shares	$1,292,996	$ 236,010	–
Diluted earnings per common share from continuing operations	$ 138.88	$ 23.36	–
Diluted earnings per common share	$ 195.03	$ 32.05	–
Dividends per common share	$ 10.20	$ –	–
Common stockholders' equity per share	$ 541.54	$ 446.73	21%
Diluted average number of common shares outstanding	6,559	7,333	–11%

OPERATING REVENUES
($ in millions)

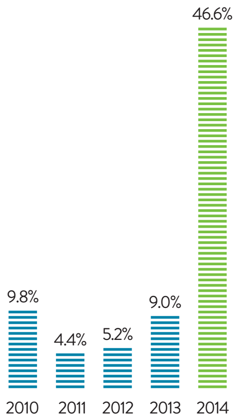
INCOME FROM OPERATIONS
($ in millions)



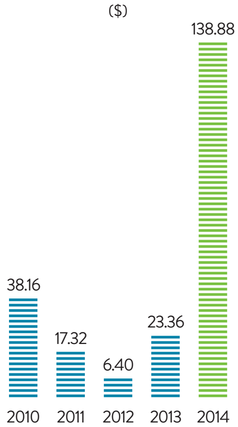
NET INCOME ATTRIBUTABLE TO COMMON SHARES
($ in millions)



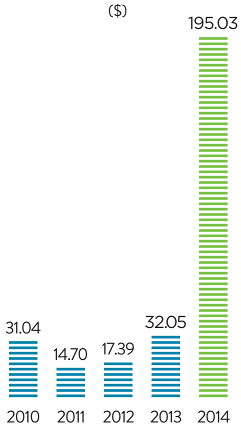
RETURN ON AVERAGE COMMON STOCKHOLDERS' EQUITY*



DILUTED EARNINGS PER COMMON SHARE FROM CONTINUING OPERATIONS
($)



DILUTED EARNINGS PER COMMON SHARE
($)



Computed on a comparable basis, excluding the impact of the adjustment for pensions and other postretirement plans on average common stockholders' equity.

TO OUR SHAREHOLDERS

Quite a lot happened in 2014.

- We wrapped up selling the remaining assets of The Washington Post newspaper.
- We completed a transaction with Berkshire Hathaway, trading our television station in Miami, WPLG, to Berkshire along with cash and some BRK stock in exchange for most of BRK's stake in our Company.
- We announced that in 2015 we will spin-off Cable ONE, making the cable company we've owned for almost 30 years an independent company.
- Toward the end of the year, Tim O'Shaughnessy, the 33-year-old founder of LivingSocial, started work as our president.
- Just as this report was going to press, Kaplan announced an agreement to sell its 38 U.S. college campuses (those are the vocational education campuses) to ECA. We aren't selling Kaplan University and the campuses affiliated with it, and we certainly aren't selling Kaplan. We'll be building around it. The sale requires regulatory approvals and won't be closed for months.

We have a world of opportunity in front of us. Our television business is one of the most profitable (as well as highest quality) in its industry. Education has a lot of growth opportunity in front of it, now and over the years.

As a result of all these transactions (plus the sale of The Washington Post and Newsweek in previous years), we have changed quite a bit as a company.

- We're smaller. In revenues, 2014 ended up at \$3.5 billion. In 2010, revenues were \$4.7 billion, reflecting our ownership of The Washington Post and higher revenues at Kaplan Higher Education. In 2015, with Cable ONE spun-off, we'll be smaller still.
- We have many fewer shares outstanding. At the beginning of 2010, the number was about 9.3 million. At the end of 2014, it was around 5.8 million — 38% fewer shares outstanding in five years.
- We're quite strong financially. On our balance sheet we have almost \$800 million in cash and \$194 million in stocks. The balance sheet will be strengthened at the time of the Cable ONE spin-off, when we receive a \$400 million to \$500 million dividend from Cable ONE, roughly equal to our tax basis in that company. Outstanding debt is about \$450 million, as it has been for years. And this means:
- We have a world of opportunity in front of us. Our television business is one of the most profitable (as well as highest quality) in its industry. Education has a lot of growth opportunity in front

of it, now and over the years. Our small acquisitions, made over the past few years, look good. We can invest in our familiar, traditional businesses; we can invest in new businesses; once in a great while, we can invest in starting a business (we promise not to get too carried away with ourselves for the amazing success of SocialCode); and, we can invest in stocks if, from time to time, they seem to us undervalued. And, of course, we can continue to buy in our own stock when it looks attractive.

Tim and I are different in many ways. (Irritatingly, he's a lot younger than I.) But the Graham and O'Shaughnessy families are alike in one way: we're heavily concentrated in GHC stock—in my case, it's well over 90% of my family's assets. We want to make the stock more valuable for us and for you, our shareholders/partners. Our outlook will be long term; as always, the focus on quarterly results around here will be zero. (If you are a shareholder and YOU care about our quarterly results, perhaps you should think about selling the stock.) The focus on long-term increase in value will be total.

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When we sold The Washington Post to Jeff Bezos in 2013, we included, along with the newspaper, several other assets: a printing plant in Springfield, VA, and the land around it; Robinson Terminal Warehouse Corp.; the weekly and semi-weekly newspapers originally called The Gazette Newspapers; Express and El Tiempo Latino; and Greater Washington Publishing. After asking Jeff if he was interested, we did not include our headquarters building at 1150 15th Street, NW; our stake in Classified Ventures; and some land in Alexandria, VA, that includes warehouses formerly used by Robinson Terminal.

All of these were sold in late 2013 and 2014, except the Alexandria land. (We hope to complete this sale in 2015, but the sale must be approved by local authorities.) The office building brought us almost $160 million, and, to our utter astonishment, our 16.5% stake in Classified Ventures brought us more than $500 million (both sums are pre-tax).

We want to make the stock more valuable for us and for you, our shareholders/partners. Our outlook will be long term.

The CV sale deserves some retrospective attention. It was the third of three newspaper-industry joint ventures we invested in in the 1990s. The first two, New Century Network and CareerPath, were expensive failures. One reason was the consortium form of management: each of our partners was a decent company, represented by excellent executives. But disagreements among us all led to slow decision making.

That CV survived and thrived in the face of the same problem was due to the talent and persistence of its CEO Dan Jauernig and an able team, among whom Dick Burke and Mitch Golub were long enduring. I would also like to thank Alan Spoon, *Early in 2014, Warren Buffett suggested we consider a transaction in which Graham Holdings would exchange our Miami television station and cash for most of Berkshire Hathaway's shares in Graham Holdings.*

Steve Hills and, particularly, the infinitely patient Gerry Rosberg—all board members—on behalf of our Company.

The total amount generated by the sale of the Post and affiliated properties was a bit over $900 million, plus whatever the Alexandria land ultimately brings. (It will not be a large sum in this context.)

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Early in 2014, Warren Buffett suggested we consider a transaction in which Graham Holdings would exchange our Miami television station and cash for most of Berkshire Hathaway's shares in Graham Holdings. Here's what was finally exchanged:

- We gave Berkshire WPLG, which had 2013 net revenues of $66 million and operating income of $26 million (it was valued at $438 million); $328 million in cash; and shares of Berkshire Hathaway, then worth $400 million.

- In exchange, we received approximately 1.6 million shares, about 22%, of our outstanding stock. After the repurchase, we have about 5.8 million shares outstanding.

The transaction represents a big change: WPLG had been part of our Company since the early 1970s, and we are proud of the station.

Warren had bought shares of The Washington Post Company in 1973, quickly joined our board and, in effect, become our lead director. (My mother, Katharine Graham, then our CEO, had to overcome some negative advice from people she normally trusted. But, after one meeting with Warren and Charlie Munger, she reached the conclusion that these were the smartest businesspeople she had ever met. The conclusion held up well over time.)

There was a period after 1986 when Warren left our board. (He had bought 20% of the stock of Capital Cities Communications, which had bought ABC; both companies owned TV stations in Detroit.) But he remained such a respected adviser to our Company that when people were discussing the then-new concept of lead directors at a conference she attended, Mrs. Graham said, "I have a lead director who's not a director."

I've recounted in past reports how much Warren's advice has been worth to The Washington Post Company/Graham Holdings. Kay took his advice and switched pension advisers in the late 1970s. Result: perhaps the most overfunded pension plan in the Fortune 1000. He also recommended that she consider repurchasing our stock, a most unusual thing for public companies at the time. Over the years, our share count decreased from 20 million at the time of our public offering to the much smaller number today.

Kay's memoir, *Personal History*, also recounts a number of acquisitions Warren slowed down—mostly of newspapers. Thank goodness.

And, thank goodness, again; Warren is still a phone call away.

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Later in the year, Tom Might, the CEO of Cable ONE since 1993, came to me and described a number of strategic challenges he thought Cable ONE could face in the future. We went through several alternative approaches and concluded that spinning Cable ONE into a separate public company made the best sense for our shareholders and for the future of the cable company. Our board approved the spin-off in November.

The stories of both Cable ONE and Tom Might go back to long-ago days. I was a young general manager of the Post in 1977, consumed with the challenges of getting the daily newspaper out on time. Looking for help, I found a young graduate of Harvard Business School who was a Georgia Tech engineer and a former captain in the U.S. Army, willing to plunge into the pressroom to investigate subjects like newsprint waste. Luckily for us, Tom preferred our offer to more glamorous ones; within two months of arriving, he was the project manager in charge of building the Springfield plant, ever since the principal home of printing The Washington Post. Tom moved through assignments in production, marketing and advertising, and, when the chance came to go to Cable ONE 15 years later, he was ready.

Kay Graham and Dick Simmons had bought Cable ONE from Capital Cities in 1986—"our most spectacular success and the best acquisition Dick and I made together," she wrote in *Personal History*.

Spinning Cable ONE into a separate public company made the best sense for our shareholders and for the future of the cable company.

For its first seven years, as Post–Newsweek Cable, the company performed as it had under Capital Cities. Tom took over in 1993, reshaped it (out of metropolitan areas and into small cities and towns, where he thought competition, acquisition costs and operating economics offered a more attractive ROI), renamed it, restaffed it and changed its strategy. His team—veterans like Julie Laulis, Steve Fox, Alan Silverman, Mike Bowker, Aldo Casartelli and a host of others—saw trends in the industry before others did and stayed away from huge investments others made that turned out to be unattractive. We have traditionally been a leader in cable industry customer satisfaction; had lower long-term operating and capital expense per subscriber than any larger cable company; and consistently made lots of money for shareholders long after every other mid-sized operator sold out.

Some years ago, networks (first ESPN, then all the rest) began ramping up their demands for compensation from cable companies (which really means from cable customers). Every time you read a news story about record-high payments from networks to sports teams or a record-high contract with an athlete, the plan is that almost all of those dollars will come from your pocket. This is true whether you ever watch sports on TV or not. All networks try to negotiate with cable companies, mandating that all their networks—the ones you watch and the ones you don't—are included on the "expanded basic" tier so all customers must pay for them. If the cable company won't agree to those terms, the company can't have the programs on any terms.

In April last year, with my enthusiastic approval, Cable ONE dropped all 15 networks offered by a huge programming company. Most of the 15 had declining audiences. But the company demanded more than a 100% rate increase. This has become typical. Networks know it's hard for cable companies to drop them, and in the confusing controversies that follow, it's always clear that the cable company is dropping the network, and it isn't always clear that the network is trying to gouge the consumer.

Thanks to this unfortunate programmer behavior and a growing consumer appetite for video over the Internet, Tom does not believe video offers a meaningful source of free cash-flow growth going forward. But residential Internet sales and business sales definitely do for many years to come. Tom is smartly and carefully focusing a soon-to-be independent Cable ONE on the future, not the past.

Tim's investment focuses will be different from mine. What Warren Buffett refers to as a "circle of competence" is quite different for me and for Tim. But one thing we share is a long-term orientation.

Tom and I believe an independent Cable ONE will be better able to address these and many other challenges and opportunities facing cable today. The new company can use its own significant cash flow, its own stock and its own debt to be more aligned with typical cable capitalization. I will be a major shareholder in Cable ONE personally, and I won't be selling a share of that company (or of Graham Holdings).

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The end of this long list of transactions may be a good place to thank Hal Jones and his team. Through years of deals, Hal has provided a stream of good advice to me and the board. He has also worked impossibly hard. He and Wally Cooney have put together a terrific team, and their work has benefited shareholders a lot.

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This may also be a good place to address a long-term frustration. I own a good deal of GHC stock in my own name, and I am a beneficiary of some trusts set up by my parents. So are my siblings; I am a trustee of some trusts for them.

I haven't sold a share of GHC or its predecessor since 1979. (On very rare occasions I have made charitable gifts of the stock.) Neither has any trust for my benefit. Trusts for my siblings have sold stock from time to time, and even sophisticated publications sometimes report these sales as if I were the seller. If you read that Don Graham is selling stock in GHC, you can assume it is my siblings' trusts that are selling, not me.

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Adding Tim O'Shaughnessy as president is a big step for us.

Tim is my son-in-law; a few years after graduating from Georgetown, he and three friends started a company called The Hungry Machine. A few business models later (at one time, they had built the largest-audience Facebook app), the company pivoted and became LivingSocial. That company took off like a rocket, changed business models rapidly and repeatedly and built a business with an impressive value.

Tim saw some innovations work out and some fail; he became a smart investor, both in start-ups and in traditional companies. He'll be focusing at first on how Graham Holdings invests its money.

Tim's investment focuses will be different from mine. What Warren Buffett refers to as a "circle of competence" is quite different for me and for Tim. But one thing we share is a long-term orientation.

A key part of Tim's compensation is a unique stock option. He joined the Company on November 3, 2014. The stock closed at $787. Tim's option is at $1,111—the closing price the day he joined plus 3.5% a year for ten years.

Adding our dividend (then roughly 1.3%), Tim won't get any reward unless shareholders first gain about 5% per year over the life of his option.

This is quite different from more common stock options, typically granted at the market price of the company on the day of the grant. As Warren has pointed out for years: companies retain some of their earnings, and by earning a normal—or even a slightly subnormal—amount on their capital employed (including retained earnings), executives can earn quite a bit over ten years even if shareholders get no reward at all. Tim will have an option on nearly 1% of our stock, but won't begin getting rewarded for it until shareholders do. You and I should hope he makes a fortune.

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How might Graham Holdings grow in the future?

First, we can acquire within our existing businesses. In 2014, Kaplan added a tiny business called Dev Bootcamp. It's one of many businesses aiming to train young people to become successful computer programmers/software developers. (In this case, the typical student is a college graduate who didn't major in computer science, but now wishes to change careers.) The business, the management team, the quality of the education provided and the placement rates of our graduates into careers have been as good as we hoped. This is a business that can grow.

The same is true of our wonderful TV station group, now known as Graham Media Group and headed by Emily Barr. In 2014, we added SocialNewsDesk, a start-up founded in Jacksonville by some entrepreneurs who used to work at WJXT. 1,200 newsrooms—radio, TV and newspaper—use SocialNewsDesk's products. Emily and GMG have been experimenting in local programming designed to further connect communities by providing advertisers something fresh. In addition, GMG's web and mobile sites grew in usage and advertising support; they're attracting a new generation of users. (2014 was an amazing year for our stations, especially for KPRC in Houston, our largest. Under Jerry Martin's leadership, the station had strong momentum at year-end and bids to join our Detroit, San Antonio and Jacksonville stations as market news leaders.)

Second, and even more important, we can grow the earnings of companies we already own. Kaplan's international businesses (there are dozens) have steadily grown. From providing about $20 million in earnings ten years ago, the collective earnings of our international businesses grew to almost $70 million in 2014. Our pathways and university hosting units partner with leading international colleges and universities to prepare students for higher learning. Along with our English-language training, these recruit students from all over the world. Local changes in the economy and student visa policies will see to it that those businesses fluctuate with time. But, over the years, our international businesses will grow.

We can grow the earnings of companies we already own. Kaplan's international businesses (there are dozens) have steadily grown.

Third, we can acquire companies in businesses we like, with management teams we admire, in new fields. In the past three years, we've added four businesses that have been successful so far and will be part of our Company for a long time. In 2014, we bought Residential Healthcare Group in Troy, MI, a leader in home health care in the Michigan market. Mike Lewis, David Curtis and Justin DeWitte make up an excellent management team. Results were equal to what we expected, and there are opportunities for growth.

Residential is our second company in the home health care business. If you think this means we are happy with the first one, you're right. Celtic Healthcare, run by Arnie Burchianti and Kurt Baumgartel, grew nicely and set the table for considerable future growth. At the end of 2014, Celtic signed a joint venture with Allegheny Health Network, the second-largest hospital system in Pittsburgh. The joint venture will offer home health care services throughout western Pennsylvania under the AHN brand; we couldn't be more delighted.

Further afield, we bought Joyce/Dayton Corp., the leading manufacturer of jacks, actuators and lifting systems in North America. (Don't think about the jack that lifts your car. Think about jacks that lift and stabilize heavy objects in industries like energy, communications and many more.) When CEO Mike Harris called to tell me about it, he brought a copy of their impressive 1917 catalogue. This record of long-term (really long-term) profitability is an important part of why we wanted Joyce/Dayton to be part of Graham Holdings.

Joyce/Dayton, along with Forney Corporation, which we acquired last year, gives us two small specialty-manufacturing businesses. We like both a lot.

What kinds of businesses do we want to buy? Businesses we can understand. Businesses with a proven record of profitability and a management team that wants to continue to run the company after selling it to us. And, businesses that aren't too capital intensive.

I'd like to thank Gerry Rosberg, our longtime senior vice president in charge of planning and acquisitions, for helping us buy these companies. And, Gerry and I would both like to tell you that Stuart Farrell, the youngest member of the Graham Holdings senior corporate team, has been a star at identifying companies that are sensible acquisition prospects for us.

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I mentioned earlier that we sold The Washington Post building at 15th and L Streets, NW, our Company's home since 1950. This meant moving. With a prolonged gulp, knowing that two of our businesses (education and health care) are federally regulated, we decided to move our Company's headquarters to Northern Virginia, where we might see what it's like to have two home-state senators. We've learned (to our sorrow—more later) the importance of educating members of Congress on issues that are important to us. Our new headquarters is located at 1300 North 17th Street in Arlington, a couple of blocks from the Rosslyn Metro stop.

We can acquire companies in businesses we like, with management teams we admire, in new fields. In the past three years, we've added four businesses that have been successful so far and will be part of our Company for a long time.

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Since I have written about it in the past, I must record the outcome of the Obama administration's "gainful employment" regulation.

The regulations, published last fall, are dreadful. They will make success less likely on many goals that are important to the administration and the country. A smart regulation would throw out bad programs, but see to it that the number of seats in good programs expanded and that good institutions were encouraged to serve low-income students. A good regulation would also encourage innovation.

The debate on economic inequality has highlighted the importance of a college education. American adults with college degrees consistently show higher incomes and a greater likelihood of employment.

The gainful employment regulations will mean fewer students, fewer degrees, much less attention to low-income students and much less innovation.

The debate on economic inequality has highlighted the importance of a college education. American adults with college degrees consistently show higher incomes and a greater likelihood of employment. No one has said so more eloquently than the President and the First Lady, who continue to highlight the particular importance of college degrees to students from the lowest income families. The President has introduced programs to try to improve college attendance and college graduation.

All this good work will be undone by the administration's approach to for-profit education. Those who wrote the regulations aimed at punishing the sector will end up punishing the country and, in particular, its low-income students.

Kaplan University has historically focused on non-traditional students who are older, have been out of school for a period and need flexibility in their programs. Typically, these are working adults who have children and are seeking an education to climb the economic ladder. Kaplan does a good job understanding and meeting the needs of these students; our students attain a higher graduation rate than similar students do, on average.

Our sector has its critics and some (not all) of the criticism is deserved. Some of the criticism is silly. Do students at for-profit colleges include a higher percentage of those who default? Yes, but so do all low-income college students, regardless of what kind of college they attend. (They default more because their families have no money so they carry more debt.)

When our students graduate, they have a low likelihood of default. (The default rate of Kaplan University graduates is 4%.) They typically already have jobs when they enroll (the average age of KU students is 34), and they enroll in the hope of improving their advancement prospects.

The regulation does not address how well our programs work or how much our students learn. Instead, in hundreds of pages added to thousands of pages of already-existing regulations, it tries to establish ratios showing how much of a student's income should go to paying off student loans (no more than 8% of a student's income or 20% of discretionary income). You get a college education to prepare for a career that may last a lifetime. The regulations focus on earnings in the first few years after graduation. Our students' average incomes, obviously, will go down when there's a major national recession. In a recession, many programs will close just when students need them most.

One of the worst effects of the regulation may be a benefit for Kaplan. It's hard to imagine there will be many new entrants into the for-profit education business. (The uncertainty associated with all the regulations and the high compliance costs will see to that.) We have a profitable business and will cautiously see what we can make of it. The regulations will make Kaplan's U.S. higher education business worse for now.

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Two of our top executives, Ann McDaniel and Ronnie Dillon, announced that they will be retiring in March. Our shareholders owe them both a lot.

I first met Ann when she was a young Newsweek reporter covering the George H. W. Bush White House. She moved up slowly within Newsweek: she became Washington bureau chief, then managing editor. Since personal reasons kept Ann from moving to New York, the magazine's home, she had gone as far as she could go there, and she listened to my offer to become our senior vice president in charge of human resources for the Company. She turned out to be great at it.

Once she settled in, Ann added an unusual array of additional duties. She supervised our public and press communications, was involved in all our senior hiring and had Newsweek and every smaller editorial business reporting to her from time to time—a daily newspaper in Washington State, weeklies near Washington, DC, Slate and The Root. Ann's been a uniquely helpful adviser to me during every high-pressure situation the Company has faced. Her duties will be assumed by the team she has led, headed by Denise Demeter, who takes over as our top human resources executive.

Ronnie came to Kaplan in 1991—she says she was looking for a lower pressure job after working in a law firm.

Big mistake.

But what great luck for our Company. We lean on our lawyers, and in Ronnie, we found someone whose advice was always excellent. She was Kaplan's lawyer during countless deals; she became an operating executive for a while. She came to corporate in 2007 at my request. Here, she was invaluable during the times of turmoil in for-profit education and worked to ensure that Kaplan's compliance process was strong. Ronnie worked ceaselessly and well through the blizzard of activity at WPO/GHC the past few years.

Ronnie will be succeeded by someone she hired—Nicole Maddrey, her longtime deputy. We, and you, have been lucky indeed to have all these folks work here.

Donald E. Graham
Chairman of the Board and
Chief Executive Officer

February 20, 2015

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, 2014

Commission file number 1-6714

Graham Holdings Company

(Exact name of registrant as specified in its charter)

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

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

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

Title of each class	Name of each exchange on which registered
Class B Common Stock, par value $1.00 per share	New York Stock Exchange

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 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 Website, 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, or a smaller reporting company. See the definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

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

Aggregate market value of the registrant's common equity held by non-affiliates on June 30, 2014, based on the closing price for the Company's Class B Common Stock on the New York Stock Exchange on such date: approximately $3,200,000,000.

Shares of common stock outstanding at February 20, 2015:

Class A Common Stock – 974,823 shares
Class B Common Stock – 4,849,741 shares

Documents partially incorporated by reference:

Definitive Proxy Statement for the registrant's 2015 Annual Meeting of Stockholders (incorporated in Part III to the extent provided in Items 10, 11, 12, 13 and 14 hereof).

GRAHAM HOLDINGS COMPANY 2014 FORM 10-K

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PART I

Item 1. Business.

Graham Holdings Company (the Company) is a diversified education and media company. The Company's Kaplan subsidiary provides a wide variety of educational services, both domestically and outside the United States (U.S.). The Company's media operations comprise the ownership and operation of cable systems, television broadcasting (through the ownership and operation of five television broadcast stations), Slate and Foreign Policy magazines. In November 2014, the Company announced its intention to spin-off its cable operations to the Company's stockholders.

Information concerning the consolidated operating revenues, consolidated income from operations and identifiable assets attributable to the principal segments of the Company's business for the past three fiscal years is contained in Note 19 to the Company's Consolidated Financial Statements appearing elsewhere in this Annual Report on Form 10-K, as required by Item 101(b) and 101(d) of Regulation S-K. Revenues for each segment are shown in Note 19 gross of intersegment sales. Consolidated revenues are reported net of intersegment sales, which did not exceed 0.1% of consolidated operating revenues.

The Company's operations in geographic areas outside the U.S. consist primarily of Kaplan's non-U.S. operations. During the fiscal years 2014, 2013 and 2012, these operations accounted for approximately 20%, 19% and 19%, respectively, of the Company's consolidated revenues, and the identifiable assets attributable to non-U.S. operations represented approximately 14% and 11% of the Company's consolidated assets at December 31, 2014 and 2013, respectively.

Education

Kaplan, Inc., a subsidiary of the Company, provides an extensive range of education and related services worldwide for students and professionals. Kaplan conducts its operations through three segments: Kaplan Higher Education, Kaplan Test Preparation and Kaplan International. In addition, the results of the Kaplan Corporate segment include investment activities, identifying and investing in high-growth-potential education technology companies, as well as Colloquy, which enables its university partners to develop online educational programs by providing an array of research, marketing and design services.

The following table presents revenues for each of Kaplan's segments:

	Year Ended December 31		
(in thousands)	**2014**	2013	2012
Kaplan Higher Education	**$1,010,058**	$1,080,908	$1,149,407
Kaplan Test Preparation	**304,662**	293,201	284,252
Kaplan International	**840,915**	783,588	741,826
Kaplan Corporate and Intersegment Eliminations	**4,782**	6,037	9,047
Total Kaplan Revenue	**$2,160,417**	$2,163,734	$2,184,532

Kaplan Higher Education

Kaplan Higher Education (KHE) provides a wide array of certificate, diploma and degree programs—on campus and online—designed to meet the needs of students seeking to advance their education and career goals.

In 2014, Kaplan's U.S.-based KHE division included the following businesses: Kaplan University and KHE Campuses. Each of these businesses is described briefly below.

Kaplan University. Kaplan University specializes in online education, is accredited by the Higher Learning Commission of the North Central Association of Colleges and Schools and holds other programmatic accreditations. Most of Kaplan University's programs are offered online, while some are offered in a traditional classroom format at 11 campuses in Iowa, Maine, Maryland and Nebraska, and four Kaplan University Learning Centers in four states. Kaplan University also includes Concord Law School, a fully online law school. At year-end 2014, Kaplan University had approximately 36,000 students enrolled in online programs and approximately 6,400 students enrolled in its classroom-based programs.

Also residing within Kaplan University is the School of Professional and Continuing Education (PACE). PACE offers a wide range of education solutions to assist professionals in advancing their careers by obtaining professional licenses, designations and certifications. This includes solutions for insurance, securities, mortgage and appraisal licensing exams and for advanced designations, such as CFA® and CPA exams. PACE serves more than 3,000 business-to-business clients, including more than 70 Fortune 500 companies. In 2014, approximately 482,000 students used PACE's exam preparation offerings.

KHE Campuses. At the end of 2014, the KHE Campuses business comprised 42 schools in 12 states that were providing classroom-based instruction to approximately 14,300 students, which did not include the approximately 6,400 students enrolled at Kaplan University's on-ground campuses. Each of these schools is accredited by one of several regional or national accrediting agencies recognized by the U.S. Department of Education (ED).

During 2014, Kaplan ceased enrollment at its Atlanta (Bauder), Cleveland and Jacksonville ground campuses. In each case, KHE has taught and will continue to teach all courses in progress at the campuses until their completion. Revenues at these three campuses represented approximately 1.2% of KHE's total revenues and 0.6% of Kaplan, Inc.'s total revenues for 2014. In 2014, Kaplan completed the teach-out of previously announced campus closures in Dearborn, MI, and Phoenix, AZ, and announced closures of Mount Washington College campuses in Portsmouth, Concord, Nashua and Salem, NH.

On February 15, 2015, Kaplan and KHE entered into an agreement to sell substantially all the assets of its KHE Campuses business, consisting of 38 nationally accredited ground campuses, and certain related assets. The transaction is subject to regulatory and accrediting agency approvals.

Program Offerings and Enrollment

Kaplan University and KHE Campuses offer certificate and degree programs in a variety of subject areas. Among them are the following:

Certificate	Associate's	Bachelor's	Master's
• Arts and Sciences	• Arts and Sciences	• Arts and Sciences	• Arts and Sciences
• Business Management*+	• Business/Management	• Business/Management	• Business/Management
• Criminal Justice~	• Criminal Justice	• Criminal Justice	• Criminal Justice
• Education Studies*	• Fire Safety and Emergency Management	• Fire Safety and Emergency Management	• Health Sciences
• Health Sciences	• Health Sciences	• Health Sciences	• Education Studies
• Information Systems and Technology*+	• Information Systems and Technology	• Information Systems and Technology	• Information Systems and Technology
• Legal and Paralegal Studies+	• Legal and Paralegal Studies	• Legal and Paralegal Studies	• Legal and Paralegal Studies
• Nursing~+	• Nursing	• Nursing	• Nursing
• Trades~	• Public Administration	• Political Science and Public and Environmental Policy	• Public and Environmental Policy

~ certificate/diploma
* graduate certificate
\+ post-baccalaureate certificate

Kaplan University and KHE Campuses enrollments by certificate and degree programs were as follows:

	At December 31		
	2014	2013	2012
Certificate	**20.6%**	21.7%	23.2%
Associate's	**27.4%**	29.7%	29.1%
Bachelor's	**34.2%**	32.3%	33.8%
Master's	**17.8%**	16.3%	13.9%
Total	**100.0%**	100.0%	100.0%

Financial Aid Programs and Regulatory Environment

Funds provided under the U.S. Federal student financial aid programs that have been created under Title IV of the U.S. Federal Higher Education Act of 1965, as amended (Higher Education Act), historically have been responsible for a majority of KHE revenues. During 2014, funds received under Title IV programs accounted for approximately $806 million, or approximately 80%, of total KHE revenues, and 37% of Kaplan, Inc. revenues. The Company estimates that funds received from students borrowing under third-party private loan programs comprised approximately 0.4% of KHE revenues. Beginning in 2008 and continuing through 2014, as the private loan market deteriorated, KHE provided loans directly to some Kaplan students under its third-party institutional loan program. Lending under Kaplan's institutional loan program totaled approximately 0.1% of KHE revenues in 2014. Direct student payments, funds received under various state and agency grant programs and corporate reimbursement under tuition assistance programs accounted for most of the remaining 2014 KHE revenues. The significant role of Title IV funding in the operations of KHE is expected to continue.

Title IV programs encompass various forms of student loans and non-repayable grants. In some cases, the U.S. Federal government subsidizes part of the interest expense of Title IV loans. Subsidized loans and grants are only available to students who can demonstrate financial need. During 2014, about 82% of the approximate $806 million of Title IV funds received by KHE came from student loans, and approximately 18% of such funds came from grants.

Title IV Eligibility and Compliance With Title IV Program Requirements. To maintain eligibility to participate in Title IV programs, a school must comply with extensive statutory and regulatory requirements relating to its financial aid management, educational programs, financial strength, administrative capability, compensation practices, facilities, recruiting practices and various other matters. In addition, the school must be licensed, or otherwise legally authorized, to offer postsecondary educational programs by the appropriate governmental body in the state or states in which it is physically located or is otherwise subject to state authorization requirements, be accredited by an accrediting agency recognized by the ED and be certified to participate in the Title IV programs by the ED. Schools are required periodically to apply for renewal of their authorization, accreditation or certification with the applicable state governmental bodies, accrediting agencies and the ED. In accordance with ED regulations, some KHE schools operate individually, while others are combined into groups of two or more schools for the purpose of determining compliance with certain Title IV requirements, and each school or school group is assigned its own identification number, known as an OPEID number. As a result, as of the end of 2014, the schools in KHE have a total of 25 OPEID numbers. No assurance can be given that the Kaplan schools, or individual programs within schools, will maintain their Title IV eligibility, accreditation and state authorization in the future or that the ED might not successfully assert that one or more of such schools have previously failed to comply with Title IV requirements.

The ED may place a school on provisional certification status under certain circumstances, including, but not limited to, failure to satisfy certain standards of financial responsibility or administrative capability or upon a change in ownership resulting in a change of control. Provisional certification status carries fewer due process protections than full certification. As a result, the ED may withdraw an institution's provisional certification more easily than if it is fully certified. In addition, the ED may subject an institution on provisional certification status to greater scrutiny in some instances, for example, when it applies for approval to add a new location or program or makes another substantive change. Provisional certification does not otherwise limit access to Title IV program funds by students attending the institution. As of December 31, 2014, no KHE OPEID is provisionally certified.

In addition, if the ED finds that a school 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 a lawsuit, program review or otherwise. This list is not exhaustive. There may be other actions the ED may take and other legal theories under which a school could be sued as a result of alleged irregularities in the administration of student financial aid. See Item 1A. Risk Factors, including Failure to Comply With Statutory and Regulatory Requirements Could Result in Loss of Access to U.S. Federal Student Loans and Grants Under Title IV, a Requirement to Pay Fines or Monetary Liabilities or Other Sanctions.

Student Default Rates. A school may lose its eligibility to participate in Title IV programs if student defaults on the repayment of Title IV loans exceed specified rates, referred to as "cohort default rates." The ED calculates a cohort default rate for each of KHE's OPEID numbers. The schools in an OPEID number whose cohort default rate exceeds 40% for any single year lose their eligibility to participate in the U.S. Federal Pell Grant and Direct Loan programs for at least two fiscal years, effective 30 days after notification from the ED. The schools in an OPEID number whose cohort default rate equals or exceeds 30% for three consecutive years lose their Title IV eligibility to participate in the U.S. Federal Family Education Loan (FFEL), Direct Loan and U.S. Federal Pell Grant programs effective 30 days after notification from the ED and for at least two fiscal years. The schools in an OPEID number whose cohort default rate equals or exceeds 30% in two of the three most recent fiscal years for which rates have been issued by the ED may be placed on provisional certification by the ED.

The enactment in August 2008 of the U.S. Federal Higher Education Opportunity Act (HEOA), which reauthorized the Higher Education Act, changed the methodology used to calculate cohort default rates. Under the revised law, the period of time for which student defaults are tracked and included in the cohort default rate calculation was increased from two years to three years. This change increased the cohort default rates for most institutions. The change to the calculation period became effective with the calculation of institutions' official three-year cohort default rates for the U.S. Federal fiscal year ending September 30, 2009; those rates were issued by the ED in 2012. The ED did not impose sanctions based on rates calculated under this new methodology until official rates for three consecutive years were fully calculated and issued by the ED, which occurred in September 2014. The three-year cohort default rate is the percentage of a school's borrowers who enter repayment on certain FFEL or Direct Loan Program loans during a particular federal fiscal year, October 1 to September 30, and default or meet other specified conditions prior to the end of the second following fiscal year.

The revised law also increased the threshold for ending an institution's participation in certain Title IV programs from 25% to 30% for three consecutive years, effective for three-year cohort default rates issued beginning in fiscal year 2012. In addition, the revised law changed the threshold for potential placement on provisional certification to 30% for two of the three most recent fiscal years for which the ED has published official three-year cohort default rates.

As mandated by the HEOA, schools receive only a three-year cohort default rate as the ED no longer calculates two-year rates.

The three-year cohort default rates for Kaplan University for the U.S. Federal fiscal years ending September 30, 2011 and 2010, were 20.4% and 26.2% respectively. The three-year cohort default rates for the remaining KHE reporting units for those U.S. Federal fiscal years ranged from 14.1% to 35.3% for 2010 and from 10.3% to 27.7% for 2011.

Kaplan believes that student loan default rates tend to correlate directly to a student's family income level, such that lower income students will have higher default rates. KHE's student population generally tends to come from lower income groups than those of other providers of higher education, including other for-profit providers. In addition, because KHE receives a significantly lower level of taxpayer-funded grants and subsidies than community colleges, state schools and not-for-profit schools, KHE's schools are more dependent on tuition, and its students are more dependent on loans.

Kaplan has dedicated resources to help students who are at risk of default. Kaplan personnel contact students and provide assistance, which includes providing students with specific loan repayment information, lender contact information and debt counseling. Kaplan has also implemented a financial literacy and counseling program for current students and provides career counseling services. In addition, Kaplan implemented the Kaplan Commitment program in 2010, which provides first-time students with a risk-free trial period. Students who withdraw or are subject to dismissal during the risk-free trial period do not incur any significant financial obligation. However, no assurances can be given that these resources or programs will enable Kaplan's schools to maintain cohort default rates below the thresholds for sanctions.

New Program Integrity Rulemaking

Negotiated Rulemaking. The ED convened a negotiated rulemaking committee for meetings between February and April 2014. The sessions focused on Program Integrity and Improvement requirements and included the following topics:

- State authorization for programs offered through distance education or correspondence education;
- Cash management of funds provided under the Title IV Federal student aid programs, including the use of debit cards and the handling of Title IV credit balances;
- State authorization for foreign locations of institutions located in a state;
- Clock to credit-hour conversion;
- The definition of "adverse credit" for borrowers in the Federal Direct PLUS Loan Program; and
- The application of the repeat coursework provisions to graduate and undergraduate programs.

We believe that the ED will likely reinstate the distance-education state authorization requirements and may require the online programs at Kaplan University and Mount Washington College to be registered in additional states. However, we cannot predict the ultimate scope and content of the regulations or their impact on our business.

Gainful Employment. In June 2011, the ED issued final regulations that tie an education program's Title IV eligibility to whether the program leads to gainful employment (GE). On June 30, 2012, the U. S. District Court for the District of Columbia overturned most of the final regulations on gainful employment.

The ED convened a negotiated rulemaking committee in September 2013 to develop new proposed gainful employment regulations. A final regulation was released on October 31, 2014. The final regulation implements debt-to-earnings thresholds that, effective July 1, 2015, will require each program subject to the GE regulations (which are all of Kaplan's programs) to show that its graduates' debt payments on loans taken to attend the program are no more than specified percentages of annual or discretionary income. The ED will calculate this debt-to-earnings ratio using income information gained from the Social Security Administration and federal Title IV and private loan data provided by the schools. If a program's graduates' debt payments exceed 8% of the graduates' mean and median annual earnings and 20% of the graduates' mean and median discretionary earnings, the program will be placed on a warning status requiring certain disclosures to the public. Four consecutive years on a warning status will result in the program becoming ineligible for federal aid Title IV participation. If a program's graduates' debt payments exceed 12% of the graduates' mean and median annual earnings and 30% of the graduates' mean and median discretionary earnings, the program will fail the gainful employment test. If a program fails the test two times within three years, it will become ineligible for federal aid Title IV participation.

The regulation also includes revised requirements for program approval and public disclosure of certain outcomes (graduation, placement, repayment rates and other consumer information). In addition, the regulation includes a "certification" requirement that each program be included in the school's accreditation grant and have programmatic level accreditation if required for licensure in the occupation. This "certification" requirement may have a material negative impact on Kaplan University's Concord Law School's Juris Doctor program, which accounted for less than 0.1% of KHE 2014 revenue. Because it is completely online, that program does not have accreditation necessary to allow graduates to take the Bar Exam in any state other than California. Accordingly, unless the ED provides guidance that narrows the rule as written, Concord may be required to cease enrollments in multiple states.

Some of the data needed to compute program eligibility under the regulatory language are not readily accessible, including graduate incomes, which will be compiled by the Social Security Administration. In addition, the continuing eligibility of programs for Title IV funding may be affected by factors beyond Kaplan's control, such as changes in the actual or deemed income level of its graduates, changes in student borrowing levels, increases in interest rates, changes in the U.S. Federal poverty income level relevant for calculating one of the proposed metrics and other factors. As a result, the ultimate outcome of GE regulations and their impact on Kaplan's operations are still uncertain. Kaplan is making efforts to mitigate the potential negative impact of GE. These efforts include increasing career services support, implementing financial literacy counseling, creating program-specific tuition reductions and scholarships, and revising the pricing model to implement a tuition cap for at-risk programs. Although Kaplan is taking these and other steps to address compliance with GE regulations, there can be no guarantee that these measures will be adequate to prevent a material number of programs from either failing the GE tests or being put on warning status. This could cause Kaplan to eliminate or limit enrollments in certain educational programs at some or all of its schools, result in the loss of student access to Title IV programs and have a material adverse effect on KHE's revenues, operating income, cash flows and the estimated fair value of the reporting unit.

Incentive Compensation. Under the incentive compensation rule, an institution participating in Title IV programs may not provide any commission, bonus or other incentive payment based directly or indirectly on success in securing enrollments or financial aid to any person or entity engaged in any student recruiting or admission activities or in making decisions regarding the awarding of Title IV funds. Effective July 1, 2011, the ED enacted changes to the incentive compensation rule that reduced the scope of permissible payments under the rule and expanded the scope of payments and employees subject to the rule. Prior to the effective date of the rule, the ED issued a "Dear Colleague Letter," providing guidance on these rules. Kaplan has taken steps to comply fully with these rules and the guidance. Among the actions taken, Kaplan has revised its compensation plans for admissions personnel and eliminated enrollment results as a component in the determination of compensation. Kaplan believes that this change in its approach to recruiting has adversely impacted, and will continue to adversely impact, its enrollment rates, operating costs, business and results of operation. Kaplan cannot predict how the ED will interpret and enforce all aspects of the revised incentive compensation rule in the future.

The 90/10 Rule. Under regulations referred to as the 90/10 rule, a KHE school would lose its eligibility to participate in Title IV programs for a period of at least two fiscal years if the institution derives more than 90% of its receipts from Title IV programs, as calculated on a cash basis in accordance with the Higher Education Act and applicable ED regulations, in each of two consecutive fiscal years. An institution with Title IV receipts exceeding 90% for a single fiscal year would be placed on provisional certification and may be subject to other enforcement measures. The 90/10 rule calculations are performed for each OPEID unit. The largest OPEID reporting unit in KHE in terms of revenue is Kaplan University, which accounted for approximately 73% of the Title IV funds received by the division in 2014. In 2014, Kaplan University derived less than 81% of its receipts from the Title IV programs, and other OPEID units derived between 65% and 91% of their receipts from Title IV programs. Kaplan's Cleveland ground campus is the only OPEID that received more than 90% of its receipts in 2014 from Title IV programs, which was due in part to the announced closure of the school. Kaplan expects that all courses in progress at the Cleveland location will be completed by the end of the first quarter of 2015, at which time all operations at the campus will cease. In 2013, Kaplan University derived less than 81% of its receipts from Title IV programs, and other OPEID units derived between 69% and 89% of their receipts from Title IV programs.

A majority of KHE students are enrolled in certificate and associate's degree programs. Revenue from certificate and associate's degree programs is composed of a higher percentage of Title IV funds than is the case for revenue from KHE's bachelor's and other degree programs. KHE is taking various measures to reduce the percentage of its receipts attributable to Title IV funds, including modifying student payment options; emphasizing direct-pay and employer-paid education programs; encouraging students to evaluate carefully the amount of their Title IV borrowing; eliminating some programs; cash-matching; and developing and offering additional non-Title IV-eligible certificate preparation, professional development and continuing education programs. Kaplan has taken steps to ensure that revenue from programs acquired by a KHE campus is eligible to be counted in that campus' 90/10 calculation. However, there can be no guarantee that the ED will not challenge the inclusion of revenue from any acquired program in KHE's 90/10 calculations or will not issue an interpretation of the 90/10 rule that would exclude such revenue from the calculation. Absent the adoption of the changes mentioned above, and if current trends continue, management estimates that in 2015, three of the KHE Campuses' OPEID units, representing approximately 2.6% of KHE's 2014 revenues, could have a 90/10 ratio over 90%. As noted above, Kaplan is taking steps to address compliance with the 90/10 rule; however, there can be no guarantee that these measures will be adequate to prevent the 90/10 ratio at some or all schools from exceeding 90% in the future.

Change of Control. If one or more of Kaplan's schools experience a change of control under the standards of applicable state agencies, accrediting agencies or the ED, the applicable schools governed by such agencies must seek the approval of the relevant agencies. A school that undergoes a change of control, which may include a change of control of a school's parent corporation or other owners, must be reviewed and recertified by the ED and obtain approvals from certain state agencies and accrediting bodies, in some cases prior to the change of control. The standards pertaining to a change of control are not uniform and are subject to interpretation by the respective agencies. Certifications obtained from the ED following a change in control are granted on a provisional basis that permits the school to continue participating in Title IV programs, but provides fewer procedural protections than full certifications. As a result, the ED may withdraw an institution's provisional certification more easily than if it is fully certified. In addition, the ED may subject an institution on provisional certification status to greater scrutiny in some instances, for example, when it applies for approval to add a new location or program or makes another substantive change.

Standards of Financial Responsibility. An institution participating in Title IV programs must maintain a certain level of financial responsibility as determined under the Higher Education Act and under ED regulations. The ED measures an institution's financial responsibility by compiling a composite score ranging from 0 to 3.0, pursuant to a formula that incorporates various financial data from annual financial statements submitted to the ED. If an institution fails to achieve a composite score of 1.5 or fails to comply with other financial responsibility standards, the ED may place conditions on the institution's participation in the Title IV programs and may require the institution to submit to the ED a letter of credit in an amount of from 10% to 50% of the institution's annual Title IV participation for its most recent fiscal year. For the 2014 fiscal year, Kaplan expects KHE to have a composite score of 2.77, based on its own assessment using ED methodology. However, the ED will make its determination once it receives and reviews Kaplan's audited financial statements for the 2014 fiscal year.

Administrative Capability. The Higher Education Act, as reauthorized, directs the ED to assess the administrative capability of each institution to participate in Title IV programs. The failure of an institution to satisfy any of the criteria used to assess administrative capability may cause the ED to determine that the institution lacks administrative capability and subject the institution to additional scrutiny, deny eligibility for Title IV programs or impose other sanctions. 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;
- Have procedures in place for awarding, disbursing and safeguarding Title IV funds and for maintaining required records;
- Administer Title IV programs with adequate checks and balances in its system of internal control over financial reporting;
- Not be, and not have any principal or affiliate who is, debarred or suspended from U.S. Federal contracting or engaging in activity that is cause for debarment or suspension;
- Provide financial aid counseling to its students;
- Refer to the ED's Office of the 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 in a timely way all required reports and financial statements; and
- Not otherwise appear to lack administrative capability.

Although Kaplan endeavors to comply with the administrative capability requirements, Kaplan cannot guarantee that it will continue to comply with the administrative capability requirements or that its interpretation or application of the relevant rules will be upheld by the ED or other agencies or upon judicial review.

State Authorization. Kaplan's institutions and programs are subject to state-level regulation and oversight by state licensing agencies, whose approval is necessary to allow an institution to operate and grant degrees or diplomas in the state. State laws may establish standards for instruction, qualifications of faculty, location and nature of facilities, financial policies and responsibility and other operational matters. Institutions that participate in Title IV programs must be legally authorized to operate in the state in which the institution is physically located or is otherwise subject to state authorization requirements.

Some states have sought to assert jurisdiction over online educational institutions that offer education services to residents in the state or to institutions that advertise or recruit in the state, notwithstanding the lack of a physical location in the state. 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 are subject to change. If KHE is found not to be in compliance with an applicable state regulation and a state seeks to restrict one or more of KHE's business activities within its boundaries, KHE may not be able to recruit or enroll students in that state and may have to cease providing services and advertising in that state.

The ED regulations that became effective on July 1, 2011, expanded the requirements for an institution to be considered legally authorized in the state in which it is physically located for Title IV purposes. In some cases, the regulations required states to revise their current requirements and/or to license schools in order for institutions to be deemed legally authorized in those states and, in turn, to participate in the Title IV programs. If a state's requirements are found not to be in compliance with these ED regulations or if KHE institutions do not receive state approvals where necessary, the institutions could be deemed to lack the state authorization necessary to participate in the Title IV programs and be subject to loss of Title IV eligibility, repayment obligations and other sanctions. Due to an exemption, Kaplan University's home state of Iowa does not require Kaplan University to be registered in Iowa. However, to comply with the law, Kaplan University was granted affirmative registration in Iowa. Kaplan believes that all of Kaplan University's and KHE's campuses currently meet the ED requirements to be considered legally authorized to provide the programs they offer in the states in which the campuses are located. The ED has stated that it will not publish a list of states that meet, or fail to meet, the state authorization requirements, and it is uncertain how the ED will interpret these requirements in each state.

In addition, the ED regulations that took effect on July 1, 2011, required institutions offering postsecondary education to students through distance education in a state in which the institution is not physically located, or in which it is otherwise subject to state jurisdiction as determined by the state, to meet any applicable state requirements for it to be legally offering postsecondary distance education in that state. In June 2012, the U.S. Court of Appeals for the District of Columbia vacated the regulations with respect to distance education. Between February and April 2014, the ED convened a negotiated rulemaking committee to develop proposed regulations on a variety of topics that included state authorization for programs offered through distance education or correspondence education. While no new regulations have been issued, we believe that this process will ultimately result in new distance-education state authorization requirements that may require Kaplan University and Mount Washington College to be registered in additional states. If Kaplan is unable to obtain the required approvals for distance-education programs, then Kaplan students residing in the state for which approval was not obtained may be unable to receive Title IV funds, which could have a material adverse effect on Kaplan's business and operations.

Congressional Reauthorization of Title IV Programs. All of the Title IV programs are subject to periodic legislative review and reauthorization. In addition, while Congress historically has not limited the amount of funding available for the various Title IV student loan programs, the availability of funding for the Title IV programs that provide for the payment of grants is primarily contingent upon the outcome of the annual U.S. Federal appropriations process. Congress also can make changes in the laws affecting Title IV programs in those annual appropriations bills and in other laws it enacts between Higher Education Act reauthorizations. In 2008, the Higher Education Act was reauthorized through September 2014. The Senate Health, Education, Labor and Pensions Committee (HELP) and the House Education and the Workforce Committee have held a series of hearings on reauthorization of the Higher Education Act, but it is not known when Congress will make changes to that statute or to other laws affecting U.S. Federal student aid.

Whether as a result of changes in the laws and regulations governing Title IV programs, a reduction in Title IV program funding levels or a failure of schools within KHE to maintain eligibility to participate in Title IV programs, a material reduction in the amount of Title IV financial assistance available to the students attending those schools could have a material adverse effect on Kaplan's business and operations. In addition, any development that has the effect of making the terms on which Title IV financial assistance is made available materially less attractive could also have a material adverse effect on Kaplan's business and operations.

U.S. Senate Committee Review. In the summer of 2010, the Chairman of the HELP Committee commenced an industry-wide review of for-profit higher education institutions. The institutions owned and operated by KHE were included in the scope of this industry-wide review. In July 2012, the majority staff of the Committee issued a final report to conclude the review that included observations and recommendations for federal policy, but did not include or endorse any specific proposed legislation or regulations.

Other committees of Congress have also held hearings addressing, among other things, the standards and procedures of accrediting agencies, credit hours and program length and the portion of U.S. Federal student financial aid going to for-profit institutions, and enrollment of active-duty military personnel and veterans. In addition, concerns generated by congressional or other activity or media reports may adversely affect enrollment in for-profit educational institutions.

Kaplan cannot predict the extent to which these activities could result in further investigations, legislation or rulemaking affecting its participation in Title IV programs, other governmental actions and/or actions by state agencies or legislators or by accreditors. If any laws or regulations are adopted that significantly limit Kaplan's participation in Title IV programs or the amount of student financial aid for which Kaplan's students are eligible, Kaplan's results of operations and cash flows would be adversely and materially impacted.

Program Reviews, Audits and Investigations. Kaplan's schools are subject to audits or program compliance reviews by various external agencies, including the ED, its Office of the Inspector General and state and accrediting agencies. While program reviews may be undertaken for a variety reasons, they are performed routinely as part of regulatory oversight of institutions that participate in Title IV or state student funding programs. If the ED or another regulatory agency determines that an institution has improperly disbursed Title IV or state program funds or violated a provision of the Higher Education Act or state law or regulations, the affected institution may be required to repay such funds to the ED or the appropriate state agency or lender and may be assessed an administrative fine and be subject to other sanctions. Although Kaplan endeavors to comply with all U.S. Federal and state laws and regulations, Kaplan cannot guarantee that its interpretation of the relevant rules will be upheld by the ED or other agencies, or upon judicial review.

In September 2008, the ED began a program review at KHE's Broomall, PA, campus. The ED has delayed issuing a final report on this review, pending the completion of a separate inquiry regarding the program from the U.S. Attorney's Office for the Eastern District of Pennsylvania. In July 2011, Kaplan resolved the inquiry with the U.S. Attorney's Office. The ED has not yet issued a final report on this review. No assurance can be given that the ED's final report will not have a significant adverse effect on Kaplan's ability to continue to operate this school. See further discussion in Item 3. Legal Proceedings.

The ED also began a program review in October 2007 at KHE's Pittsburgh, PA, location. Kaplan has responded to all requests for information and is cooperating fully in this review. The ED has not yet issued a final report on this review. No assurance can be given that the ED's final report will not have a significant adverse effect on Kaplan's ability to continue to operate this school.

On July 16, 2013, the ED notified KHE that it would conduct a remote program review known as a "desk audit" with respect to the KHE's Houston campus. The Department's staff did not visit the campus, but instead reviewed information and data from its offices. The ED indicated that the period under review was 2008 through 2013 and focused on the admission and qualification of Ability to Benefit (ATB) students, who are students without proof of graduation from high school or its equivalent. Consistent with broader KHE policy, the Houston campus has not accepted ATB students since 2009. In May 2014, the ED issued a Final Program Review Determination with no finding of any violations.

From July 21, 2014, through July 25, 2014, the ED conducted a program review of KHE's Mount Washington College. The review resulted in an expedited Final Program Review letter that made certain findings of non-compliance. Mount Washington College corrected and resolved all findings prior to the Final Program Review letter, and there was no material liability or impact to the campus operations. This program review is now closed.

On January 22, 2015, the ED announced that it will conduct a program review of Kaplan University, beginning on February 23, 2015. On February 19, 2015 the ED notified KHE that it will conduct a program review at KHE's San Antonio, TX location, beginning in March 2015. The reviews will assess Kaplan's administration of its Title IV, HEA programs and will initially focus on the 2013 to 2014 and 2014 to 2015 award years. Kaplan cannot at this time predict the outcome of this review, when it will be completed or any liability or limitations that the ED may place on Kaplan University or KHE San Antonio as a result of these reviews.

Institutional and Programmatic Accreditation. Accreditation is a process through which an institution submits itself to qualitative review by an organization of peer institutions. Pursuant to the Higher Education Act, the ED relies on accrediting agencies to determine whether the academic quality of an institution's educational programs is sufficient to qualify the institution to participate in Title IV programs. As noted previously, to remain eligible to participate in Title IV programs, a school must maintain its institutional accreditation by an accrediting agency recognized by the ED. Kaplan's schools are subject to reviews by the accrediting agencies that accredit them and their educational programs.

In March 2011, Kaplan University's institutional accreditor, the Higher Learning Commission of the North Central Association of Colleges and Schools (HLC), sent a request to Kaplan University asking for documents and a report detailing Kaplan University's admissions practices and describing Kaplan University's compliance with HLC Core Components and Policies. Kaplan University complied with this request on April 29, 2011. Kaplan University provided additional information to the HLC in response to follow-up requests received throughout 2012 and 2013. In February 2014, HLC conducted a focused visit of Kaplan University's compliance with HLC standards that were part of the original inquiry. After a multi-day on-site review and multiple interviews, the peer review team and HLC's oversight body issued a final report in July 2014 finding no violations of accreditation standards.

In an effort to streamline campus accreditation requirements and overall campus management, the KHE Campuses business changed the accreditor of many of its nationally accredited campuses in order to have these institutions accredited by one accrediting agency, the Accrediting Council for Independent Colleges and Schools (ACICS). As of December 2014, ACICS has accredited all of the KHE campuses. However, the ED must approve the change of accreditors for Title IV purposes. While the ED has already approved most of the schools' accreditation changes, a few remained outstanding at the end of 2014. Schools are required to carry both accreditors (ACICS and the legacy accreditor) until ED approval of the change is final.

Programmatic accreditation is the process through which specific programs are reviewed and approved by industry-specific and program-specific accrediting entities. Although programmatic accreditation is not generally necessary for Title IV eligibility, such accreditation may be required to allow students to sit for certain licensure exams or to work in a particular profession or career or to meet other requirements.

Return of Title IV Funds. ED regulations require schools participating in Title IV programs to calculate correctly and return on a timely basis unearned Title IV funds disbursed to students who withdraw from a program of study prior to completion. These funds must be returned in a timely manner, generally within 45 days of the date the school determines that the student has withdrawn. Under ED regulations, failure to make timely returns of Title IV program funds for 5% or more of students sampled in a school's annual compliance audit could result in a requirement that the school post a letter of credit in an amount equal to 25% of its prior-year returns of Title IV program funds. Currently, none of KHE's schools is required to post a letter of credit. If unearned funds are not properly calculated and returned in a timely manner, an institution is subject to monetary liabilities, fines or other sanctions.

Test Preparation

In 2014, Kaplan Test Preparation (KTP) included test preparation businesses in pre-college, graduate, health and bar review, as well as new businesses in new economy skills training (NEST) and in career advising. KTP also published test preparation and other books through its Kaplan Publishing business. Each of these businesses is discussed below.

Test Preparation. KTP's pre-college and graduate businesses prepare students for a broad range of college and graduate school admissions examinations, including the SAT, ACT, LSAT, GMAT, MCAT and GRE. KTP's health business prepares students for medical and nursing licensure exams, including the USMLE and NCLEX. Kaplan Bar Review offers full-service bar review in 50 states and the District of Columbia, as well as review for the multistate portion of the bar exam nationwide.

KTP delivers courses at numerous venues throughout the U.S., Canada, Puerto Rico, Mexico and London. These courses are taught at more than 70 KTP-branded locations and at numerous other locations such as hotels, high schools and universities. KTP also offers courses online, typically in a live online classroom or a self-study format. Private tutoring services are provided in person in select markets and online throughout the U.S. In addition, KTP licenses material for certain of its courses to third parties and to a Kaplan affiliate, which, during 2014, delivered courses at 61 locations in 25 countries outside the U.S. KTP also offers college admissions examination preparation courses and materials directly to high schools and school districts.

During 2014, KTP enrolled approximately 410,000 students in its courses, including more than 175,000 enrolled in online programs.

New Economy Skills Training. In 2014, KTP entered the NEST market in New York, California and Illinois with two offerings. The acquisition of Dev Bootcamp (Bootcamp Education Inc.) established KTP as a leader in software developer bootcamps, which are programs that provide students with job-ready computer coding skills. KTP also launched Metis, offers data science and plans to offer marketing and other NEST programs.

Publishing. Kaplan Publishing focuses on print test preparation resources sold through retail channels. At the end of 2014, Kaplan Publishing had more than 550 products available in print and digital formats, including more than 325 digital products.

Kaplan International

Kaplan International operates businesses in Europe and the Asia Pacific region. Each of these businesses is discussed below.

Europe. In Europe, Kaplan International operates the following businesses, all of which are based in the U.K. and Ireland: Kaplan UK, Kaplan International Colleges (KIC) and a set of higher education institutions.

The Kaplan UK business in Europe is a provider of training, test preparation services and degrees for accounting and financial services professionals, including those studying for ACCA, CIMA and ICAEW qualifications. In addition, Kaplan UK provides legal and professional training. In 2014, Kaplan UK provided courses to approximately 65,000 students, of whom 48,000 were dedicated to accounting and financial services coursework. Kaplan UK is headquartered in London, England, and has 27 training centers located throughout the U.K.

The KIC business comprises a university pathways business and an English-language training business. The university pathways business offers academic preparation programs especially designed for international students who wish to study in English-speaking countries. In 2014, university preparation programs were being delivered in Australia, China, Nigeria, Singapore, the U.K. and the U.S., servicing 13,000 students in partnership with 44 universities.

The English-language business provides English-language training, academic preparation programs and test preparation for English proficiency exams, principally for students wishing to study and travel in English-speaking countries. KIC operates a total of 43 English-language schools, with 22 located in the U.K., Ireland, Australia, New Zealand and Canada, and 21 located in the U.S., where they operate under the name Kaplan International Centers. During 2014, the English-language business served approximately 59,000 students for in-class English-language instruction provided by Kaplan.

Kaplan also operates three higher education institutions in Europe, located in the U.K. and Ireland. These institutions are Dublin Business School, Holborn College and Kaplan Open Learning. At the end of 2014, these institutions enrolled an aggregate of approximately 7,200 students.

Certain Kaplan International businesses serve a significant number of international students; therefore, the ability to sponsor students from outside the European Economic Area (EEA) and Switzerland to come to the U.K. is critical to these businesses. Pursuant to regulations administered by the United Kingdom Visa and Immigration Department (UKVI), KIC's university pathways business, Holborn College and Kaplan Financial Limited are required to hold or operate Tier 4 sponsorship licenses to permit international students to come to the U.K. to study the courses they deliver. All of KIC's English-language schools also have Tier 4 licenses to enable them to teach international students, although, in general, students studying the English language can choose to enter the U.K. on a student visitor visa as opposed to a Tier 4 visa.

Each Tier 4 license holder is also required to have Highly Trusted Sponsor (HTS) status and Educational Oversight accreditation. Without HTS status, effective April 2012, Kaplan International's schools would not be permitted to issue a Confirmation for Acceptance of Studies (CAS) to potential incoming international students, which is a prerequisite to a student obtaining a Tier 4 student visa. The revised immigration rules also require all private institutions to obtain Educational Oversight accreditation. Educational Oversight requires a current and satisfactory full inspection, audit or review by the appropriate academic standards body. Failure to comply with these new rules has the potential to adversely impact the number of international students studying through Kaplan International.

For Kaplan UK, both Kaplan Financial Limited and Holborn College have applied for renewal of HTS status and already hold Educational Oversight accreditation. Kaplan Financial recently received its renewal. Holborn College is awaiting the results of its application following processing delays at the UKVI. Holborn's application is at higher risk as the Course Completion measure was not met. Holborn gained "commendable progress" status in its last Educational Oversight Annual Monitoring. Kaplan Financial Limited gained "acceptable progress" in the same review. Both Kaplan Financial and Holborn College have already successfully renewed their underlying Tier 4 licenses for the period 2013 to 2017.

On December 15, 2011, the U.K. Border Authority (UKBA) conducted a compliance review at Kaplan UK's Borough High Street Centre in London, England. The review focused on Kaplan UK's compliance with regulations regarding Tier 4 students, who are non-EEA adult students, seeking to study in the U.K. Kaplan UK fully cooperated with this inquiry, and on October 18, 2012, the UKBA revisited the site to ensure that the changes that Kaplan UK had stated were being implemented had taken place. The UKBA provided verbal communication that the agency was satisfied with the changes that had been made and with the information reviewed. The UKVI has now taken over the UKBA's responsibilities for international student immigration. The UKBA also confirmed that its compliance review was complete. Kaplan UK, therefore, has continued to meet the UKVI requirements throughout 2014.

With respect to KIC's businesses in the U.K., the pathways group of colleges continues to retain HTS status and Educational Oversight accreditation, and all gained the status of "commendable progress" in the Quality Assurance Agency Educational Oversight Annual Monitoring. All of the English-language schools have HTS status and have completed annual monitoring achieving "exceeded expectations" from the Independent Schools Inspectorate. One of the most recent embedded pathways colleges within the University of West of England, which is currently under the host university's Tier 4 sponsor license and HTS status, obtained Educational Oversight in 2014. The pathway college at the University of Brighton now issues its own CAS as a branch of KICL and will be able to apply for HTS status in March 2015 under now-current Tier 4 sponsor guidance. KIC was the first multiple group to undergo and achieve educational oversight in April 2012. KIC has continued to maintain a favorable track record in its HTS renewals, maintaining high scores in the core measurable requirements. Ten of the colleges completed their HTS renewals in summer 2013. Two colleges submitted their applications for renewal, but have not yet received the results of their applications because of processing delays at the UKVI. Three other colleges will undergo their HTS renewals in February 2014 and have met core HTS measurable requirements. All Tier 4 licenses were granted with expiry in 2017.

Changes continue to be made to U.K. immigration rules. The UKVI continues to tighten the regulations around sponsoring students from outside the EEA and Switzerland. Changes over the past three years have included the introduction of a rule that restricts to five years the time a sponsored student can spend studying at or above degree level in the U.K. The post-study work visa, which permitted postgraduate students to work in the U.K. without being sponsored, was closed to new applicants. In addition, sponsored students who do not attend an institution that qualifies as a Higher Educational Institution (HEI), which includes students attending Kaplan UK's colleges, are no longer permitted to work part time while studying. In 2013, the biggest change was the introduction of a new screening process called a "Credibility Check" for potential students. This interview process can affect the number of visa refusals Kaplan International's businesses receive, which is a risk factor for loss of the relevant license. However, Kaplan International has not experienced a significant increase in visa refusals. Since the introduction of the Points-Based System in 2009, all Tier 4 students are subject to strict checks pre and post arrival, including verification that their qualifications are genuine, confirmation that the students maintain a good attendance record and that they can be contacted at all times, and verification that they have academic progression and that their visa is valid at all times while they are present in the U.K. Failure to meet these requirements obliges Kaplan International to withdraw sponsorship and report these students to the UKVI. In 2014, there were additional changes to the UKVI rules, including a significant tightening of the core measurable in respect of visa refusals. Effective November 1, 2014, no more than 10% of the students to whom a CAS is issued by an HTS sponsor can have their visa refused. Formerly, the limit was set at 20%. This may impact KI's language schools, which sometimes exceed the 10% limit, given the very small number of CASs issued by these schools. However, the UKVI has also given itself the ability to exercise special discretion for any HTS sponsors who issue 50 or fewer CASs. Each of the potentially affected schools issues fewer than 50 CASs per year. In addition, in 2014, further restrictions were placed on approved Secure English Language Tests whereby students are no longer permitted to submit either the TOEFL or TOEIC qualifications. Academic service providers are required to have rigorous processes to verify all English language test certificates. The introduction of revised immigration rules has negatively impacted Kaplan UK's enrollment rate in relation to students from outside the EEA and Switzerland.

No assurance can be given that each Kaplan International business in the U.K. will be able to maintain its HTS status and Educational Oversight accreditation. Maintenance of each of these approvals requires compliance with several core metrics that may be difficult to attain. Loss of either HTS status or Educational Oversight accreditation would have a material adverse effect on Kaplan Europe's operating results.

Asia Pacific. In the Asia Pacific region, Kaplan operates businesses primarily in Singapore, Australia, New Zealand, Hong Kong and China.

In Singapore, Kaplan operates three business units: Kaplan Higher Education, Kaplan Financial and Kaplan Professional. During 2014, the Higher Education and Financial divisions served more than 20,000 students from Singapore and 4,000 students from other countries throughout Asia and Western Europe. Kaplan Professional provided short courses to approximately 19,000 professionals, managers, executives and businesspeople in 2014.

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

Kaplan Singapore's Financial business provides preparatory courses for professional qualifications in accountancy and finance, such as the Association of Chartered Certified Accountants (ACCA) and the Chartered Financial Analyst (CFA). Kaplan Singapore's Professional business, which is an authorized Workforce Development Agency Continuing Education Training (CET) Centre, provides professionals with various skills training to help them to rejoin the workforce, shift to new careers or catch up with changes that occur in the workplace.

In Australia, Kaplan delivers a broad range of financial services programs, as well as higher education and professional development courses. In 2014, this business provided courses to approximately 20,000 students through classroom programs and to more than 27,000 students through online or distance-learning programs.

Kaplan Australia's English-language and pathways business is part of KIC, which operates across seven locations in Australia and one location in New Zealand, teaching more than 7,000 students per year. Also included in this division are Murdoch Institute of Technology and Bradford College, which continue to offer pathways education for students wishing to enter Murdoch University in Perth and the University of Adelaide, respectively.

The Vocational Education business of Kaplan Australia includes Kaplan Professional (KP) and Franklyn Scholar. KP offers financial services education programs and continuing professional development courses primarily to a business-to-business market, including major financial institutions. In 2014, a segment of the Kaplan Australia higher education business, Kaplan Online Higher Education (KOHE) was operationally restructured into KP. This has resulted in KP offering a fuller range of specialized courses and programs of study in financial services to our students, ranging from vocational education to higher education (up to and including master's level degrees), and ongoing professional development qualifications. Approximately 27,000 students are taught through KP each year. Franklyn Scholar offers a wide range of custom-developed programs to corporate clients at the vocational education level. More than 11,000 students are taught through Franklyn Scholar each year.

The other segment of the higher education business of Kaplan Australia is comprised of Kaplan Business School (KBS), which offers diploma, bachelor's and master's degree programs in business, management, hospitality and tourism and accounting. KBS operates in four states in Australia and online, teaching approximately 1,400 students each year.

In Hong Kong, Kaplan operates three business units: Kaplan Financial, Kaplan Language Training and Kaplan Higher Education, serving more than 8,000 students annually.

Kaplan Hong Kong's Financial division delivered preparatory courses to more than 5,000 graduates and business executives wishing to take professional qualifications in accountancy (ACCA, HKICPA, CIMA, CTA) and financial markets designations (CFA, LE, CIAI, FRM).

Hong Kong's Language Training division offers both full-time and part-time programs to more than 2,000 students studying degrees from bachelors and masters through to doctorate level.

In 2013, enrollment in Kaplan Business and Accountancy Schools' Higher Diploma program were suspended due to declining market opportunity in this segment; however Kaplan launched a proprietary pre-college diploma program in 2014.

In August 2014, Kaplan entered into agreement in China to sell both its ACCA training programs business and four schools that deliver university preparation programs. Final local transfer mechanics were completed in January 2015. Kaplan continues to retain franchise arrangements with third parties in China to deliver programs.

In June 2014, Kaplan Holdings Limited (Hong Kong) signed a joint venture agreement with CITIC Press Corporation. Under the terms of the agreement, the parties have now incorporated a joint venture company, Kaplan CITIC Education Co. Limited, which is 49% owned by Kaplan Holdings Limited. The joint venture company will undertake training consultancy and related businesses in China.

Each of Kaplan's international businesses is subject to unique and often complex regulatory environments in the countries in which they operate. The degree of consistency in the application and interpretation of such regulations can vary significantly in certain jurisdictions, which can make compliance challenging. No assurance can be given that Kaplan will be able to comply with foreign regulations, and failure to do so could materially and adversely affect Kaplan's operating results.

Cable Operations

Through its subsidiary Cable One, Inc. (Cable ONE), the Company owns and operates cable systems that provide video, Internet and voice service to subscribers in 19 midwestern, western and southern states. At the end of 2014, Cable ONE provided cable service to approximately 451,217 video subscribers, representing about 31% of the 1,470,336 homes passed by the systems, had approximately 488,454 subscriptions to high-speed data (HSD) service and 149,513 subscriptions to VoIP (digital voice) service. As previously noted, the Company has announced its intention to spin-off Cable ONE, holding the cable operations described herein, to the Company's stockholders.

Regulation of Cable and Related Matters

Cable ONE's cable, Internet and voice operations are subject to various requirements imposed by the U.S. local, state and Federal governmental authorities. The regulation of certain cable rates pursuant to procedures established by Congress has negatively affected Cable ONE's revenue. Certain other legislative and regulatory matters discussed in this section also have the potential to adversely affect Cable ONE's cable, Internet and voice businesses.

Cable

U.S. Federal law requires or authorizes the imposition of a wide range of regulations on cable operations.

Franchising. Cable ONE's cable systems are required to obtain franchises from state or local governmental authorities to operate. Those franchises typically are nonexclusive and limited in time, contain various conditions and limitations and provide for the payment of fees to the local authority, determined generally as a percentage of revenues. Failure to comply with any of the terms and conditions of a franchise may give rise to rights of termination by the franchising authority. The U.S. Federal Communications Commission (FCC) has adopted rules designed to expedite the process of awarding competitive franchises and relieving applicants for competing franchises of some locally imposed franchise obligations. This development, which is especially beneficial to new entrants, is expected to continue to accelerate the competition Cable ONE is experiencing in the video service marketplace.

Rate Regulation. FCC regulations prohibit local franchising authorities or the FCC from regulating the rates that cable systems charge for certain levels of video cable service, equipment and service calls when those cable systems are subject to "effective competition." The FCC has confirmed that some of the cable systems owned by Cable ONE fall within the effective-competition exemption. Nevertheless, monthly subscription rates charged for the basic tier of cable service, as well as rates charged for equipment rentals and service calls for many of Cable ONE's cable systems, remain subject to regulation by local franchising authorities in accordance with FCC rules.

"Must-Carry" and Retransmission Consent. U.S. Federal law provides that a television broadcast station may, subject to certain limitations, insist on carriage of its signal on cable systems located within the station's prescribed area. As a result, certain of Cable ONE's cable systems must carry broadcast stations that they might not otherwise have elected to carry.

In other cases, Cable ONE has been required to provide consideration to broadcasters to obtain retransmission consent, such as commitments to carry other program services offered by a station or an affiliated company, to purchase advertising on a station or to provide advertising availabilities on cable to a station, or to provide cash compensation. This development results in increased operating costs for cable systems, which ultimately increases the rates cable systems charge subscribers. Recent public retransmission consent disputes between broadcasters and cable providers may prompt the FCC or Congress to impose new requirements in this area, which could affect Cable ONE's business. In 2014, for example, the FCC amended its rules governing "good faith" retransmission consent negotiations to prohibit most jointly negotiated retransmission consent agreements. The FCC's decision, however, is on appeal. Congress also has directed the FCC to commence a rulemaking regarding good faith retransmission consent negotiations. Cable ONE cannot predict the outcome of these ongoing proceedings.

Pole Attachments. U.S. Federal law requires most telephone and power utilities to charge reasonable rates to cable operators for utilizing space on utility poles or in underground conduits. In May 2010 and again in April 2011, the FCC adopted new requirements relating to pole access and construction practices that were expected to improve the ability of cable operators to attach to utility poles on a timely basis and to lower the pole attachment rate for telecommunications services. In October 2013, the U.S. Supreme Court declined to review a lower court's decision to uphold the FCC's pole attachment regulations. The Company cannot predict the extent to which these and other rule changes will affect its ability over time to secure timely access to poles at reasonable rates. As a general matter, changes to Cable ONE's pole attachment rate structure could significantly increase its annual pole attachment costs.

U.S. Federal Copyright Issues. The U.S. Federal Copyright Act of 1976, as amended, gives cable systems the ability, under certain terms and conditions and assuming that any applicable retransmission consents have been obtained, to retransmit the signals of television stations pursuant to a compulsory copyright license.

The U.S. Federal Copyright Office is considering requests for clarification and revisions of certain cable compulsory copyright license reporting requirements, and from time to time, other revisions to the cable compulsory copyright rules are considered. Cable ONE cannot predict the outcome of any such inquiries. However, it is possible that changes in the rules or copyright compulsory license fee computations or compliance procedures could have an adverse effect on its business by increasing copyright compulsory license fee costs or by causing Cable ONE to reduce or discontinue carriage of certain broadcast signals that it currently carries on a discretionary basis.

Telephone Company Competition. U.S. Federal law permits telephone companies to offer video programming services. Over the past decade, telephone companies have pursued multiple strategies to enter the market for the delivery of multichannel video programming services, such as partnering with direct broadcast satellite (DBS) operators or obtaining local franchise agreements. Increased competition from telephone companies that provide competing services could have a material effect on Cable ONE's business.

"Over-the-Top" Video Programming. The continued proliferation of broadband services in the U.S. has enabled cable programmers, broadcast television stations and others to "stream" video content to consumers over the Internet. Although the Company has benefited generally from the growth in broadband because of its role as a provider of broadband services, the continued and growing availability of cable programming and broadcast television content on the Internet may result in less demand for the Company's cable service offering. Some providers of cable service are marketing their own version of "over-the-top" video programming, thus enabling their subscribers to access cable programming outside of their home or business. In addition, online video distributors and other over-the-top video distributors have begun to stream broadcast programming over the Internet. Broadcasters have challenged this practice, and in June 2014, the Supreme Court determined that such streaming requires the consent of the applicable copyright owner. In December 2014, the FCC opened a proceeding concerning how over-the-top providers should be classified for the purposes of the FCC's rules. The Company cannot predict how widespread these practices may become or the extent to which the integrated functionality and ease of use of the cable platform will continue to appeal to the majority of its subscribers. Cable ONE will be purchasing set-top devices that will allow its customers to access Internet content on their televisions.

Wireless Services. Beginning in 2004, the FCC adopted rule changes that allowed the 2.5 GHz band to be used for nonvideo services and permitted transmitters to be deployed in cellular patterns. As a result of FCC rule changes that began in 2004, the 2.5 GHz and other frequency bands, including the 1.7 GHz and 2.1 GHz bands in which the FCC auctioned spectrum in 2006, are now being adopted for the delivery of two-way broadband digital data and high-speed Internet access services capable of covering large areas.

In 2008, the FCC auctioned additional spectrum in the 700 MHz band, which historically has been used for television broadcasting, and it is expected that this additional spectrum will be used to deliver broadband, video and other services to mobile devices. Although it is not yet clear what effect, if any, the increased availability of mobile video services will have on the cable industry, these developments likely will increase the number of competitive alternatives to Cable ONE's services.

The FCC is in the process of preparing to auction additional spectrum, including spectrum currently in the television broadcast band, for use by wireless broadband providers. These rules will provide for both the auction of spectrum and a "repacking," whereby the FCC would require certain broadcast stations to move to new channel allotments so as to free up a nationwide block of spectrum for wireless broadband use. The availability of more spectrum to enable wireless video services over time will create additional competitive alternatives to cable services. The FCC has indicated the incentive auction will take place in early 2016, but the Company cannot predict when this will occur or the effect it may have on Cable ONE.

Set-Top Boxes. Congress, the FCC and other government agencies have been developing and implementing regulations for some time that affect the types of set-top boxes that cable operators can lease or deploy to their subscribers. In 2010, for example, the FCC initiated a regulatory proceeding to consider whether it should require all multichannel video program distributors, which include cable operators, to develop and provide a new, universal set-top box solution that allows access to both online and traditional video.

In 2011, the FCC initiated a rulemaking proceeding to review a rule prohibiting encryption of the basic service tier. In 2012, the FCC amended its rules to allow cable operators to encrypt the basic service tier in all-digital cable systems if they comply with certain consumer-protection measures.

Also in 2012, the FCC clarified and waived until June 2, 2014, the "open industry standard" that requires cable set-top boxes to include a recordable, Internet Protocol (IP)-based output. In April 2014, the FCC found that a further waiver of the IP-based output rule until June 1, 2015, is appropriate. Although these requirements are expected to impose costs on cable operators, they now have additional time in which to comply.

In January 2013, the Department of Energy tentatively designated set-top boxes and network equipment as covered consumer products and proposed to adopt a new test procedure for set-top boxes as part of its Energy Conservation Program for Consumer Products and Certain Commercial and Industry Equipment. Imposing energy conservation regulations on cable industry products could impede innovation and upgrades in set-top boxes and be costly to the cable industry. In September 2013, a representative group of pay-TV providers (not including Cable ONE), consumer electronics companies and energy advocates announced a Voluntary Agreement for Ongoing Improvement to the Energy Efficiency of Set-Top Boxes, which established a five-year written commitment to continue improvements in the energy efficiency of set-top boxes. In light of this agreement, in December 2013, the Department of Energy withdrew its proposed rules to designate set-top boxes and network equipment as a covered product and to establish a test procedure for set-top boxes, but stated that it would consider reinitiating the rulemaking. The Company cannot predict when, whether or to what extent any of the issues will be resolved or how they will affect its operations.

Disability Access. In September 2010, Congress passed the Twenty-First Century Communications and Video Accessibility Act (CVAA). The CVAA directs the FCC to impose additional accessibility requirements on cable operators. For example, cable operators that serve 50,000 or more subscribers must provide 50 hours of video description per calendar quarter, during prime time or on children's programming, on each channel on which they carry one of the top-five national nonbroadcast networks. In addition, cable operators of all sizes must pass through video description that is provided for each broadcast station or nonbroadcast network that they carry. Compliance imposes certain costs on the Company. The CVAA also directs the FCC to adopt rules to help ensure that persons with disabilities have access to video programming and related information. In October 2013, the FCC adopted a requirement that equipment used by consumers to access video programming and other services offered by cable operators make on-screen text menus and guides for the display or selection of video programming audibly accessible to individuals who are blind or visually impaired. The compliance deadline for these new rules is December 2016 (subject to certain exceptions). In October 2013, the FCC also initiated a proceeding to consider additional rules. The Company cannot predict the extent to which these new requirements may impose new costs on the Company.

Other Requirements. The FCC regulates various other aspects of cable operations, including certain terms for commercial leased access, signal leakage, distant broadcast station signals and technical standards. The Company cannot predict whether, when or to what extent changes to these and other regulations may affect its operations or costs.

Internet Access Services

Broadband Internet access service, which Cable ONE currently offers on virtually all of its cable systems, has been classified as an "information service" in the U.S. As a result, Internet access service has not been subject to the full panoply of regulations that applies to "cable services" or "telecommunications services" under the U.S. Federal Communications Act of 1934, as amended (the Communications Act), nor is it subject to state or local government regulation. However, on February 26, 2015, the FCC voted to use its Title II authority to regulate broadband services. The FCC stated that broadband Internet access service would be considered an interstate service subject to Federal, but not state or local government, regulation.

The FCC stated that it would forbear from imposing certain regulations under Title II, particularly tariffing and unbundling requirements, on providers of broadband Internet access service. Thus, Cable ONE will not be subject to tariffing and unbundling requirements that apply to traditional telephone companies. Regulations that distinguish between interference with subscriber access and reasonable network management are evolving and, over time, could begin to interfere with Cable ONE's ability to manage its network or provide services to its subscribers. In 2010, the FCC imposed certain "net neutrality" obligations on providers of broadband Internet access services. In January 2014, a Federal court vacated the anti-discrimination and anti-blocking requirements of the FCC's net neutrality obligations, but left the disclosure requirements in place. The Company cannot predict how the February 26, 2015 action by the FCC or any further legal, regulatory or legislative action with respect to net neutrality or other matters will impact the Company. Imposition of new net neutrality obligations could cause Cable ONE to incur certain compliance costs.

Broadband Internet access service is subject to many of the same U.S. Federal and state privacy laws that apply to other electronic communications. These include Section 222 of the Communications Act, which governs customer proprietary network information; the U.S. Federal Electronic Communications Privacy Act, which addresses interceptions of electronic communications that are in transit; the Stored Communications Act, which addresses acquisitions of electronic data in storage; and other Federal and state privacy laws and regulations. As the collection and use of consumer data become more prevalent in the communications industry, the Company's compliance obligations may grow. The Company cannot predict whether, when or to what extent these obligations may impose costs on Cable ONE's business.

Voice Services

Voice Over Internet Protocol (VoIP). Cable companies, including Cable ONE and others, offer voice over Internet Protocol service, which permits users to make voice calls over broadband communications networks, including the Internet. U.S. Federal law preempts state and local regulatory barriers to the offering of voice service by cable companies and others, and the FCC and U.S. Federal courts generally have preempted state laws that seek to regulate or classify VoIP.

The FCC has held that VoIP services are IP-enabled services, which are interstate in nature and thus subject exclusively to the FCC's U.S. Federal jurisdiction. This decision was upheld on appeal, although the FCC has an ongoing proceeding to consider whether VoIP services provided by cable companies and others are properly classified as an "information service," "telecommunications service" or some other new category of service. This determination, once made, could have numerous regulatory implications for cable companies that provide VoIP services, including Cable ONE. Although the FCC has yet to ascribe a regulatory definition to VoIP services, the FCC nevertheless has imposed a number of obligations on interconnected VoIP service providers, some of which are discussed more fully below.

Emergency 911 Services. The FCC has ruled that an interconnected VoIP service provider that enables its customers to make calls to and receive calls from people who use the public switched telephone network must provide its customers with the same enhanced 911 (E911) features that traditional telephone and wireless companies are obligated to provide. This requirement was upheld on appeal. The FCC is currently assessing whether additional rules related to the provision of E911 services by interconnected VoIP service providers should be adopted. For example, in February 2014, the FCC issued a notice of proposed rulemaking to consider whether to establish indoor location requirements when E911 calls are made by interconnected VoIP subscribers.

CALEA. FCC regulations require providers of interconnected VoIP service to comply with the requirements of the Communications Assistance for Law Enforcement Act (CALEA), which requires covered entities and their equipment suppliers to deploy equipment that law enforcement officials can access readily for lawful wiretap purposes.

Universal Service. The FCC has determined that interconnected VoIP service providers must contribute to the U.S. Federal Universal Service Fund (USF). The amount of a company's USF contribution is based on a percentage of revenues earned from end-user interstate and international interconnected VoIP services. Cable ONE is permitted to recover these contributions from its customers. In October 2011, the FCC adopted an order and new rules intended to transition the USF so that it supports the build out of broadband, rather than telecommunications facilities. The order principally addressed the manner in which universal service funds will be distributed to network operators for broadband build out. In April 2012, the FCC initiated a proceeding that focused on reforming the nature and manner in which entities should contribute to the USF and at what levels. Cable ONE cannot predict whether and how such reform will occur and the extent to which it may affect providers of VoIP services, including Cable ONE and its competitors. The FCC's 2011 universal service reform order was subject to both reconsideration requests and appeals, and in May 2014, the U.S. Court of Appeals for the Tenth Circuit upheld the order in its entirety. A number of parties have filed petitions with the U.S. Supreme Court seeking review of that decision, and Cable ONE cannot predict whether the Supreme Court will review the case or what actions it will take. In November 2010, the FCC determined that states may impose state USF fees on interconnected VoIP service providers, subject to certain limitations and requirements. State USF contributions are based on a percentage of revenues earned from end-user intrastate interconnected VoIP services, and Cable ONE is typically permitted to recover these contributions from its customers. Cable ONE cannot predict whether or how the imposition of such state-based universal service fees will affect its operations and business.

Intercarrier Compensation. The order and new rules adopted by the FCC in October 2011 in connection with universal service reform also addressed intercarrier compensation and specified that "VoIP-PSTN traffic," that is, traffic exchanged over public switched telephone network facilities that originates and/or terminates in IP format, which includes interconnected VoIP traffic, is subject to intercarrier compensation obligations either on the basis of specified default charges or through negotiated rates. The FCC's order is the subject of both reconsideration requests and appeals, and the U.S Court of Appeals for the Tenth Circuit upheld the order in its entirety. A number of parties have filed petitions with the U.S. Supreme Court seeking review of that decision, and Cable ONE cannot predict whether the Supreme Court will review the case or what actions it will take. Future FCC determinations regarding the rates, terms and conditions for transporting and terminating such traffic could have a profound and material effect on the profitability of providing voice and Internet services.

Customer Proprietary Network Information (CPNI). In 2007, the FCC adopted rules expanding the protection of CPNI and extending CPNI protection requirements to providers of interconnected VoIP service. CPNI is information about the quantity, technical configuration, type, location and amount of a voice customer's use. These requirements generally have increased the cost of providing interconnected VoIP service, as providers now must implement various safeguards to protect CPNI from unauthorized disclosure.

Access for Persons With Disabilities. FCC regulations require providers of interconnected VoIP services to comply with all disability access requirements that apply to telecommunications carriers, including the provision of telecommunications relay services for persons with speech or hearing impairments. The FCC also has adopted reporting requirements associated with disability access obligations. Cable ONE and other interconnected VoIP service providers must also contribute to the interstate Telecommunications Relay Service Fund to support such access. These requirements generally have had the effect of increasing the cost of providing VoIP services.

Service Discontinuance and Outage Obligations. In 2009, the FCC adopted rules subjecting providers of interconnected VoIP services to the same service discontinuance requirements applicable to providers of wireline telecommunication services. In 2012, the FCC adopted mandatory outage reporting requirements for interconnected VoIP service providers, which apply when customers of interconnected VoIP service lose service or connectivity and, as a result, are unable to access 911 service. Along with other FCC actions described in this section, which impose legacy telecom obligations on interconnected VoIP providers, this development will subject Cable ONE's interconnected VoIP services to greater regulation and, therefore, greater burdens and costs.

Regulatory Fees. The FCC requires interconnected VoIP service providers to contribute to shared costs of FCC regulation through an annual regulatory fee assessment. These fees have increased Cable ONE's cost of providing VoIP services. The FCC from time to time revises its regulatory fees and sometimes creates new fees. The Company cannot predict when or the extent to which the FCC will adopt new rules or regulatory fees affecting VoIP service providers, which could affect the cost of doing business.

Local Number Portability. Providers of interconnected VoIP services and their "numbering partners" must ensure that their subscribers have the ability to port their telephone numbers when changing service providers. Cable ONE, along with other providers of interconnected VoIP service, must contribute funds to cover the shared costs of local number portability and the costs of North American Numbering Plan Administration. In October 2007, the FCC adopted a notice of proposed rulemaking to consider whether additional numbering requirements, such as allowing consumers access to abbreviated dialing codes like 211 and 311, should be applied to interconnected VoIP service providers. Although consumers' ability to port their existing telephone numbers to interconnected VoIP service has created additional opportunities for Cable ONE to gain voice customers, the local number portability and associated rules overall have had the effect of increasing the cost of providing VoIP service.

Regulatory Reform. The FCC recently initiated proceedings to address requests to end or alter regulation of certain traditional telecommunications networks. The requests ask the FCC to take a variety of actions to change the nature and manner in which these networks are regulated. The issues raised in these requests are driven in part by changes in technology. The Company cannot predict whether or to what extent the FCC will act on these requests or how that will affect Cable ONE's business.

Rural Calling Issues. In October 2013, the FCC adopted new rules to combat problems with the completion of long-distance calls to rural areas. The new rules apply detailed record keeping, record retention and reporting requirements on all voice providers, including VoIP service providers, subject to certain exceptions. The rules also prohibit VoIP service providers (and other voice providers) from using false audible ringing when originating calls. Compliance with these new rules could have the effect of increasing the cost of providing VoIP services.

Reporting Requirements for Special Access Services. The FCC has initiated a proceeding to collect certain data to evaluate its special access rules. As part of that proceeding, the FCC has imposed a mandatory data collection obligation on all providers and purchasers of special access services as well as some entities that provide best efforts business broadband Internet access services, which includes Cable ONE. Cable ONE cannot predict whether or how compliance with the data collection requirements will affect its operations and business.

Television Broadcasting

Graham Media Group, Inc. (GMG), a subsidiary of the Company, owns five television stations, located in Houston, TX; Detroit, MI; Orlando, FL; San Antonio, TX; and Jacksonville, FL. A sixth television station, WPLG, located in Miami, FL, was divested in a transaction between the Company and Berkshire Hathaway, Inc. in June 2014. In November 2014, GMG acquired SocialNewsDesk, a software-based technology platform created by journalists to help newsroom and content producers publish, manage and monetize social media. The following table sets forth certain information with respect to each of the Company's television stations:

Station Location and Year Commercial Operation Commenced	National Market Ranking (a)	Primary Network Affiliation	Expiration Date of FCC License (b)	Expiration Date of Network Agreement	Total Commercial Stations in DMA (c)
KPRC, Houston, TX, 1949	10th	NBC	Aug. 1, 2014	Dec. 31, 2016	14
WDIV, Detroit, MI, 1947	11th	NBC	Oct. 1, 2013	Dec. 31, 2016	8
WKMG, Orlando, FL, 1954	18th	CBS	Feb. 1, 2021	Apr. 6, 2015	13
KSAT, San Antonio, TX, 1957	36th	ABC	Aug. 1, 2014	Dec. 31, 2015	11
WJXT, Jacksonville, FL, 1947	48th	None	Feb. 1, 2021	—	7

(a) Source: 2014/2015 DMA Market Rankings, Nielsen Media Research, fall 2014, based on television homes in DMA (see note (c) below).
(b) A license renewal application was timely filed for WDIV.
(c) Designated Market Area (DMA) is a market designation of A.C. Nielsen that defines each television market exclusive of another, based on measured viewing patterns.

Revenue from broadcasting operations is derived primarily from the sale of advertising time to local, regional and national advertisers. In 2014, advertising revenue accounted for 81% of the total for GMG's operations. Advertising revenue is sensitive to a number of factors, some specific to a particular station or market and others more general in nature. These factors include a station's audience share and market ranking; seasonal fluctuations in demand for air time; annual or biannual events, such as sporting events and political elections; and broader economic trends among others.

Regulation of Broadcasting and Related Matters

GMG's television broadcasting operations are subject to the jurisdiction of the FCC under the Communications Act. Each GMG television station holds an FCC license that is renewable upon application for an eight-year period.

Digital Television (DTV) and Spectrum Issues. Each GMG station (and each full-power television station nationwide) now broadcasts only in digital format, which allows transmission of HDTV programming, multiple channels of standard-definition television programming (multicasting) and subchannels of programming designed for reception by mobile devices (mobile DTV).

Television stations may receive interference from a variety of sources, including interference from other broadcast stations that is below a threshold established by the FCC. That interference could limit viewers' ability to receive television stations' signals. The amount of interference to stations could increase in the future because of the FCC's decision to allow electronic devices, known as "white space" devices, to operate in the television frequency band on an unlicensed basis on channels not used by nearby television stations.

Congress has authorized reallocation of spectrum for use by wireless broadband providers, including substantial amounts of spectrum currently in the television broadcast band. Congress has authorized incentive auctions whereby the FCC would auction spectrum relinquished by broadcast television stations in exchange for a share of the auction revenues. The FCC has adopted rules, and is expected to continue adopting rules, addressing, among other things, how the incentive auction process will work and how the FCC will conduct a "repacking," whereby the FCC will require certain stations to move to new channel allotments so as to free up a nationwide block of spectrum for wireless broadband use. The repacking and incentive auction processes are subject to certain requirements established by Congress in legislation enacted in February 2012. Certain aspects of the repacking rules have been appealed. The Company cannot predict the outcome of this appeal. The repacking and incentive auction processes could have adverse effects on the Company. For example, a repacking could result in GMG stations having smaller service areas and/or receiving more interference than they do currently. Stations moving to new channels also could incur significant expense. The legislation requires that stations be compensated for the expenses of moving to a new channel from spectrum auction proceeds, from a $1.75 billion reimbursement fund. The Company cannot predict what effect a repacking will have on the GMG stations' coverage or whether the GMG stations will be fully compensated for expenses that they incur in connection with a repacking.

Carriage of Local Broadcast Signals. The Communications Act and the FCC rules allow a commercial television broadcast station, under certain circumstances, to insist on mandatory carriage of its signal on cable systems serving the station's market area (must carry). Alternatively, stations may elect, at three-year intervals, to forego must-carry rights and allow their signals to be carried by cable systems only pursuant to a "retransmission consent" agreement. Commercial television stations also may elect either mandatory carriage or retransmission consent with respect to the carriage of their signals on DBS systems that choose to provide "local-into-local" service (i.e., to distribute the signals of local television stations to viewers in the local market area).

Stations that elect retransmission consent may negotiate for compensation from cable or DBS systems in exchange for the right to carry their signals. Each of GMG's television stations is being carried on all of the major cable and DBS systems serving each station's respective local market, pursuant to retransmission consent agreements.

In March 2011, the FCC initiated a rulemaking seeking comments on changes to the FCC's retransmission consent and exclusivity rules, many of which had been proposed by cable and DBS operators, such as authorization for "interim carriage" of a broadcaster's signal by cable and DBS operators after the broadcaster's grant of retransmission consent has expired. Broadcasters opposed many of the proposed rule changes. In March 2014, the FCC adopted a rule prohibiting certain practices in the negotiation of retransmission consent agreements and seeking additional comments on possible changes to the exclusivity rules. In the STELA Reauthorization Act (STELAR), enacted in December 2014, Congress directed the FCC to undertake additional rulemakings concerning retransmission consent issues. Further changes to the retransmission consent and/or exclusivity rules could materially affect the GMG stations' (and Cable ONE's cable systems') bargaining leverage in future retransmission consent negotiations, and the Company cannot predict the net effect that such an order would have. Congress may also pass additional legislation that would affect the must-carry/retransmission consent regime.

Under STELAR, the statutory copyright license for satellite carriage of distant broadcast television signals was extended through December 31, 2019. The Company cannot predict whether this distant signal copyright will be extended again, nor can it predict whether or how Congress may otherwise change the communications or copyright regimes. The net effect that changes to these regimes would have on the Company's cable and broadcast operations, or on the Company overall, cannot be predicted.

Ownership Limits. The Communications Act and the FCC's rules limit the number and types of media outlets in which a single person or entity may have an attributable interest. Among other restrictions, the FCC's local television ownership rule generally prohibits one company from owning two television stations in the same market unless there would remain at least eight independently owned full-power television stations in that market, and at least one of the commonly owned stations is not among the top-four-ranked television stations in that market. In addition, by statute, a single person or entity may have an attributable interest in an unlimited number of television stations nationwide, as long as the aggregate audience reach of such stations does not exceed 39% of nationwide television households and as long as the interest complies with the FCC's other ownership restrictions. In April 2014, the Commission released a report and order determining that certain television joint sales agreements are attributable in calculating compliance with the ownership limits. Any JSAs that would not be permissible under the new standard are required to be unwound or otherwise come into compliance by December 19, 2016. GMG stations are not parties to JSAs, but this rule change could limit GMG's ability to enter into possible transactions in the future.

The FCC also restricts so-called "cross-ownership" of newspapers and broadcast stations within a market.

In April 2014, the FCC released a notice of proposed rulemaking, proposing to retain the local television ownership rule, seeking comment on a possible waiver standard for smaller markets and proposing a modest relaxation of the newspaper/broadcast rule. The notice also addresses the FCC's radio ownership and radio/television cross-ownership rules, and it asks whether the FCC should require disclosure of shared service agreements. The proceeding is pending, and it is not possible to predict its outcome or ramifications.

Separately, in March 2014, the FCC released a Public Notice, characterized as "guidance," that the FCC will "closely scrutinize" any transaction that involves both a sharing agreement and certain kinds of financial interests.

Programming. Four of GMG's five stations are affiliated with one or more of the national television networks, which provide a substantial amount of programming to their television station affiliates. The expiration dates of these affiliation agreements are set forth at the beginning of the Television Broadcasting section. GMG's Jacksonville station, WJXT, has operated as an independent station since 2002. In addition, each of the Company's stations receives programming from syndicators and other third-party programming providers. GMG's performance depends, in part, on the quality and availability of third-party programming, and any substantial decline in the quality or availability of this programming could materially affect GMG's operations.

Public Interest Obligations. To satisfy FCC requirements, stations generally are expected to air a specified number of hours of programming intended to serve the educational and informational needs of children and to complete reports on a quarterly basis concerning children's programming. In addition, the FCC requires stations to limit the amount of advertising that appears during certain children's programs.

In April 2012, the FCC adopted a rule that requires television stations to submit electronically most of their public inspection files to the FCC for hosting on the FCC's website. The National Association of Broadcasters (NAB) has challenged the rule in the U.S. Court of Appeals for the D.C. Circuit; the appeal is currently being held in abeyance. Compliance with the rule, which has taken effect, could affect GMG's operations and regulatory compliance costs.

The FCC has other regulations and policies to ensure that broadcast licensees operate in the public interest, including rules requiring the closed-captioning of programming to assist television viewing by the hearing impaired; video description rules to assist television viewing by the visually impaired; rules concerning the captioning of video programming distributed via the Internet; and rules concerning the volume of commercials. Compliance with these rules imposes additional costs on the GMG stations that could affect GMG's operations.

Political Advertising. The FCC regulates the sale of advertising by GMG's stations to candidates for public office and imposes other restrictions on the broadcast of political announcements more generally. The application of these regulations may limit the advertising revenues of GMG's television stations during the periods preceding elections.

Broadcast Indecency. The FCC's policies prohibit the broadcast of indecent and profane material during certain hours of the day, and the FCC regularly imposes monetary forfeitures when it determines that a television station has violated that policy. Broadcasters have repeatedly challenged these rules in court, arguing, among other things, that the FCC has failed to justify its indecency decisions adequately, that the FCC's policy is too subjective to guide broadcasters' programming decisions and that its enforcement approach otherwise violates the First Amendment. In June 2012, the U.S. Supreme Court held that certain fines against broadcasters for "fleeting expletives" were unconstitutional because the FCC failed to provide advance notice to broadcasters of what the FCC deemed to be indecent, but it also upheld the FCC's authority to regulate broadcast decency. This ruling could result in additional regulatory risks. The FCC is currently reconsidering its indecency policies.

The FCC is conducting proceedings concerning various matters in addition to those described in this section. The outcome of these proceedings and other matters described in this section could adversely affect the profitability of GMG's television broadcasting operations.

Other Activities

The Slate Group

The Slate Group LLC (The Slate Group) publishes *Slate*, an online magazine, and additional websites. *Slate* features articles and podcasts analyzing news, politics and contemporary culture and adds new material on a daily basis. Content is supplied by the magazine's own editorial staff, as well as by independent contributors. As measured by The Slate Group, *Slate* had an average of more than 25 million unique visitors per month and averaged more than 120 million page views per month across desktop and mobile platforms in 2014. The Slate Group also publishes *The Root*, an online magazine focused on issues of importance to African Americans and others interested in black culture, offering daily news and provocative commentary on politics and culture. The Slate Group owns an interest in E2J2 SAS, a company incorporated in France that produces two French-language news magazine websites at *slate.fr* and *slateafrique.com*. The Slate Group provides content, technology and branding support.

The FP Group

The FP Group produces *Foreign Policy* magazine and the *ForeignPolicy.com* website, which cover developments in national security, international politics, global economics and related issues. The site features blogs, unique news content and specialized channels and newsletters focusing on regions and topics of interest. The FP Group provides insight and analysis into global affairs for government, military, business, media and academic leaders. FP Events also produces a growing range of live programs, bringing together government, military, business and investment leaders to discuss important regional and topical developments and their implications.

Trove

Trove is a social news aggregator that connects people through their interests. Its algorithms deliver current, relevant stories on any topic. Trove readers pick their favorites to share via the social platform. Building on its origins as the digital labs team of the *Post*, Trove seeks to simplify how readers consume and discuss compelling news, helping people inform their world. Trove streams news from thousands of sources so readers can follow topics, pick stories to highlight for others and get the top news stories chosen by people who share their interests.

SocialCode

Social Code LLC (SocialCode) is a social-media marketing technology and services company helping companies maximize their marketing efforts on social-media platforms such as Facebook, Twitter, LinkedIn, Instagram and Pinterest.

Celtic Healthcare, Inc.

Celtic Healthcare, Inc. (Celtic) is a Medicare-certified provider of home health and hospice services headquartered in Mars, PA. Through its subsidiaries, Celtic is licensed to provide home health and hospice services throughout Pennsylvania, Maryland, Missouri and Illinois. These services include skilled nursing, physical therapy, occupational therapy, speech therapy, social work, nutrition, chaplain and aid services. In addition, Celtic provides virtual care services to patients throughout its service territories. Celtic derives 69% of its revenue from Medicare; the remaining sources of revenue are Medicaid, commercial insurance and private payers.

Residential Healthcare

Residential Healthcare Group (Residential) is headquartered in Troy, MI, and provides care to patients across Michigan and in the western suburbs of Chicago, IL. Services and support are offered in a variety of settings, including patients' homes, nursing facilities and hospitals. Residential's Home Health operation is Medicare-certified and ACHC-accredited. It has developed a number of innovative, evidence-based clinical programs to reduce avoidable hospital readmissions, particularly for chronically ill seniors. Service offerings include in-home nursing and therapy. Residential's Hospice subsidiary is CHAP-accredited. It provides patients a full spectrum of hospice care to maintain their personal dignity, safety and quality of life. The Company acquired a majority interest in Residential in July 2014. Residential derives 93% of its revenue from Medicare; the remaining sources of revenue are Medicaid, commercial insurance and private payers.

Forney Corporation

Forney Corporation (Forney) is a global supplier of burners, igniters, dampers and controls for combustion processes in electric utility and industrial applications. Forney is headquartered in Addison, TX, and its manufacturing plant is in Monterrey, Mexico. Forney's customers include power plants and industrial systems around the world.

Joyce/Dayton Corp.

Joyce/Dayton Corp. (Joyce/Dayton) is a leading manufacturer of screw jacks, linear actuators and related linear motion products and lifting systems in North America. Joyce/Dayton provides its lifting and positioning products to customers across a diverse range of industrial end markets, including renewable energy, metals and metalworking, oil and gas, satellite antennae and material handling sectors. The Company acquired Joyce/Dayton in May 2014.

Competition

Kaplan's businesses operate in fragmented and competitive markets. KHE competes with both facilities-based and other distance-learning providers of similar educational services, including not-for-profit colleges and universities and for-profit businesses. PACE competes in each of its professional lines with other companies that provide preparation for exams required for professional licenses, certifications and designations. KTP competes with a variety of regional and national test preparation businesses, with individual tutors and with in-school preparation for standardized tests. Overseas, each of Kaplan's businesses competes with other for-profit companies and, in certain instances, with government-supported schools and institutions that provide similar training and educational programs. Students choose among providers based on program offerings, convenience, quality of instruction, reputation, placement rates, student services and cost.

Cable systems operate in a highly competitive environment. In addition to competing with over-the-air reception, cable systems face competition from various other forms of video program delivery systems, including DBS services, telephone companies and the Internet. Certain of the Company's cable systems also have been partially or substantially overbuilt, using conventional cable system technology, by various small to mid-sized independent telephone companies that typically offer Internet and telephone service, as well as basic cable service. Local telephone companies compete with cable systems in the delivery of high-speed Internet access by providing DSL service. In addition, on their own or via strategic partnerships with DBS operators that permit telephone companies to package the video programming services of DBS operators with telephone companies' own DSL service, some telephone companies are competing with the video programming and Internet services being offered by existing cable systems. Satellite-delivered broadband and high-powered WiMAX services will increasingly provide competition to Cable ONE. Video programming, including broadcast programming, is becoming more available on the Internet, where viewers can watch programming for free, as well as access pay-per-view offerings. Cable ONE distinguishes itself from its competition by providing excellent local customer service and consistently attaining very high levels of customer satisfaction.

GMG competes for audiences and advertising revenues with television and radio stations, cable systems and video services offered by telephone companies serving the same or nearby areas; with DBS services; and, to a lesser degree, with other media, such as newspapers and magazines. Cable systems operate in substantially all of the areas served by the Company's television stations, where they compete for television viewers by importing out-of-market television signals; by distributing pay-cable, advertiser-supported and other programming that is originated for cable systems; and by offering movies and other programming on a pay-per-view basis. In addition, DBS services provide nationwide distribution of television programming, including pay-per-view programming and programming packages unique to DBS, using digital transmission technologies. The Company's television stations may also become subject to increased competition from low-power television stations, wireless cable services and satellite master antenna systems, which can carry pay-cable and similar program material. In addition, movies and television programming are available free of charge on the websites of the major TV networks, as well as on the advertising-supported website *Hulu*.

The home health and hospice industries are extremely competitive and fragmented, consisting of both for-profit and non-profit companies. Celtic and Residential compete primarily with privately owned and hospital-operated home health and hospice service providers.

Executive Officers

The executive officers of the Company, each of whom is elected annually by the Board of Directors, are as follows:

Donald E. Graham, age 69, has been Chairman of the Board of the Company since September 1993 and Chief Executive Officer of the Company since May 1991. Mr. Graham served as President of the Company from May 1991 until September 1993 and prior to that had been a Vice President of the Company for more than five years. Mr. Graham also served as Publisher of the *Post* from 1979 until September 2000 and as Chairman of the *Post* from September 2000 to February 2008.

Veronica Dillon, age 65, became a Senior Vice President of the Company in June 2008 and Vice President, General Counsel and Secretary of the Company in January 2007. Ms. Dillon began her career with the Company in January 1991 as corporate counsel at Kaplan, Inc. She was subsequently named General Counsel at Kaplan in June 1995 and then served as Kaplan's Chief Administrative Officer, beginning in December 2003.

Hal S. Jones, age 62, became Chief Financial Officer of the Company in January 2009 and Senior Vice President–Finance of the Company in November 2008. He had most recently been Chief Executive Officer of Kaplan Professional, responsible for Kaplan's professional businesses in financial services, real estate, technology and engineering in the U.S. and the U.K. Mr. Jones has spent 24 years at the Company and Kaplan, serving in a variety of senior management positions with a focus on finance, auditing and accounting.

Ann L. McDaniel, age 59, became Senior Vice President–Human Resources of the Company in June 2008 and was formerly Vice President–Human Resources of the Company since September 2001. She served as Managing Director of Newsweek, Inc., from January 2008 until the sale of *Newsweek* magazine in September 2010. Ms. McDaniel had previously served as Senior Director of Human Resources of the Company since January 2001 and before that held various editorial positions at *Newsweek*.

Timothy J. O'Shaughnessy, 33, became President of the Company, and was elected to the Board of Directors, in November 2014. From 2007 to August 2014, Mr. O'Shaughnessy served as chief executive officer of LivingSocial, an e-commerce and marketing company that he co-founded in 2007. Mr. O'Shaughnessy is the son-in-law of Donald E. Graham, Chairman of the Company.

Gerald M. Rosberg, age 68, became Senior Vice President–Planning and Development of the Company in June 2008 and was formerly Vice President–Planning and Development of the Company since February 1999. He had previously served as Vice President–Affiliates at the *Post,* a position he assumed in November 1997. Mr. Rosberg joined the Company in January 1996 as the *Post*'s Director of Affiliate Relations.

Andrew S. Rosen, 54, became Executive Vice President of the Company and Chairman of Kaplan, Inc. in April 2014. Mr. Rosen has spent 29 years at the Company and its affiliates. He joined the Company in 1986 as a staff attorney with the Post and later served as assistant counsel at Newsweek. He moved to Kaplan in 1992 and held numerous leadership positions there before being named CEO in November 2008.

Wallace R. Cooney, age 52, became Vice President–Finance and Chief Accounting Officer of the Company in June 2008. Mr. Cooney joined the Company in 2001 as Controller and prior to that had been with Gannett Co., Inc. and Price Waterhouse LLP.

Employees

The Company and its subsidiaries employ approximately 14,500 people on a full-time basis.

Worldwide, Kaplan employs approximately 9,900 people on a full-time basis. Kaplan also employs substantial numbers of part-time employees who serve in instructional and administrative capacities. During peak seasonal periods, Kaplan's part-time workforce exceeds 12,000 employees. Collectively, in the U.S., U.K. and Canada, 262 Kaplan employees are represented by a union.

Cable ONE has approximately 2,023 full-time employees, none of whom is represented by a union.

GMG has approximately 790 full-time employees, of whom about 104 are represented by a union. Of the six collective bargaining agreements covering union-represented employees, one has expired and is being renegotiated. Two collective bargaining agreements will expire in 2015.

The Slate Group, including *The Root*, has approximately 121 employees, none of whom is represented by a union. FP Group employs fewer than 100 people, none of whom is represented by a union.

Celtic has approximately 558 full-time employees and 45 part-time employees, none of whom is represented by a union.

Residential has approximately 663 full-time employees and 98 part-time employees, none of whom is represented by a union.

Forney has approximately 132 full-time employees, of whom 61 are represented by a union.

Joyce/Dayton has approximately 131 full-time employees and one part-time employee, none of whom is represented by a union.

Social Code has approximately 153 full-time employees, none of whom is represented by a union.

The parent Company has approximately 123 full-time employees, none of whom is represented by a union.

Forward-Looking Statements

All public statements made by the Company and its representatives that are not statements of historical fact, including certain statements in this Annual Report on Form 10-K and elsewhere in the Company's 2014 Annual Report to Stockholders, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include comments about the Company's business strategies and objectives, the prospects for growth in the Company's various business operations and the Company's future financial performance. As with any projection or forecast, forward-looking statements are subject to various risks and uncertainties, including the risks and uncertainties described in Item 1A of this Annual Report on Form 10-K, that could cause actual results or events to differ materially from those anticipated in such statements. Accordingly, undue reliance should not be placed on any forward-looking statement made by or on behalf of the Company. The Company assumes no obligation to update any forward-looking statement after the date on which such statement is made, even if new information subsequently becomes available.

Available Information

The Company's Internet address is www.ghco.com. The Company makes available free of charge through its website its Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, definitive proxy statements on Schedule 14A and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after such documents are electronically filed with the Securities and Exchange Commission (SEC). In addition, the Company's Certificate of Incorporation, its Corporate Governance Guidelines, the Charters of the Audit and Compensation Committees of the Company's Board of Directors and the codes of conduct adopted by the Company and referred to in Item 10 of this Annual Report on Form 10-K are all available on the Company's website; printed copies of such documents may be obtained by any stockholder upon written request to the Secretary, Graham Holdings Company at 1300 North 17th Street, Arlington, VA 22209. The contents of the Company's website are not incorporated by reference into this Form 10-K and shall not be deemed "filed" under the Securities Exchange Act of 1934.

The SEC website, www.sec.gov, contains the reports, proxy statements and information statements and other information regarding issuers that file electronically with the SEC. Also, the public may read and copy any materials that the Company files with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330.

Item 1A. 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 this Annual Report on Form 10-K, investors should carefully consider the following risk factors. If any of the events or developments described below occurs, it could have a material adverse effect on the Company's business, financial condition or results of operations.

- **Failure to Comply With Statutory and Regulatory Requirements Could Result in Loss of Access to U.S. Federal Student Loans and Grants Under Title IV, a Requirement to Pay Fines or Monetary Liabilities or Other Sanctions**

To maintain Title IV eligibility, each group of schools combined into an OPEID unit must comply with the extensive statutory and regulatory requirements of the Higher Education Act and other laws relating to its financial aid management, educational programs, financial strength, facilities, recruiting practices and various other matters. Failure to comply with these requirements could result in the loss or limitation of the eligibility of one or more of the KHE schools to participate in Title IV programs; a requirement to pay fines or to repay Title IV program funds; a denial or refusal by the ED to consider a 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; a requirement to submit a letter of credit, the imposition of civil or criminal penalties; or other sanctions. No assurance can be given that the Kaplan schools and programs currently participating in Title IV programs will maintain their Title IV eligibility, accreditation and state authorization in the future or that the ED might not successfully assert that one or more of such schools or programs have previously failed to comply with Title IV requirements. The loss of Title IV eligibility by either (1) the single OPEID unit that includes Kaplan University or (2) a combination of other OPEID units would have a material adverse effect on Kaplan's operating results.

- **Program Reviews, Audits, Investigations and Other Reviews of KHE Schools Could Result in Findings of Failure to Comply With Statutory and Regulatory Requirements**

KHE schools 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 agencies, as well as annual audits by an independent certified public accountant of each OPEID unit's compliance with Title IV statutory and regulatory requirements. These compliance reviews can result in findings of noncompliance with statutory and regulatory requirements that can, in turn, result in proceedings to impose fines, liabilities, civil or criminal penalties or other sanctions against the school, including loss or limitation of its eligibility to participate in Title IV programs. Certain KHE schools are the subject of ongoing compliance reviews and lawsuits related to their compliance with statutory and regulatory requirements and may be subject to future compliance reviews.

KHE schools also have been, and may in the future be, subject to complaints and lawsuits by present or former students or employees or other people related to compliance with statutory, common law and regulatory requirements that, if successful, could result in monetary liabilities or fines or other sanctions.

- **Reductions in the Amount of Funds Available to Students, Including Under Title IV Programs, in KHE Schools, Changes in the Terms on Which Such Funds Are Made Available or Loss or Limitation of Eligibility to Receive Such Funds, Could Have a Material Adverse Effect on Kaplan's Business and Operations**

During the Company's 2014 fiscal year, funds provided under the student financial aid programs created under Title IV accounted for approximately $806 million of the revenues of the schools in KHE. Any legislative, regulatory or other development that has the effect of materially reducing the amount of Title IV financial assistance or other funds available to the students of those schools would have a material adverse effect on Kaplan's business and operations. In addition, any development that has the effect of making the terms on which Title IV financial assistance or other funds are available to students of those schools materially less attractive could have a material adverse effect on Kaplan's business and operations.

- **Regulatory Changes Could Have a Material Adverse Effect on Kaplan's Business and Operations**

The implementation of new Title IV and other regulations required Kaplan to change its practices to comply with new requirements and has increased its administrative costs and overall risk. The changes to its practices or its inability to comply with the final regulations could have a material adverse effect on Kaplan's business and results of operations. Moreover, the ED or other U.S. or international regulatory bodies could implement new regulations or amend existing regulations in a manner that could have a material adverse effect on Kaplan's business and results of operations.

- **Changes to the Regulations Regarding Incentive Compensation Make It Difficult for Kaplan to Attract Students and Retain Qualified Personnel and Add Compliance Risk**

Under the incentive compensation rule, an institution participating in the 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. On July 1, 2011, regulations went into effect that amended the incentive compensation rule by reducing the scope of permissible payments under the rule and expanding the scope of payments and employees subject to the rule. KHE modified some of its compensation practices as a result of the revisions to the incentive compensation rule. Due to a lack of clear guidance from the ED, KHE cannot assure that these modifications will in all cases be found to be in compliance with the ED's interpretation of the regulations. Additionally, these changes to compensation arrangements make it difficult to attract students and to provide adequate incentives to promote superior job performance and retain qualified personnel. The Company believes that this change in Kaplan's approach to recruiting has adversely impacted, and will continue to adversely impact, Kaplan's enrollment rates, operating costs, business and results of operations. The Company cannot predict how the ED will interpret and enforce all aspects of the revised incentive compensation rule in the future, and any changes in this regard could have a material adverse effect on Kaplan's business and results of operations.

- **ED Rules Regarding Gainful Employment Could Have a Material Adverse Effect on Kaplan's Business and Operations**

In October 2014, the ED issued final regulations that tie an education program's Title IV eligibility to whether the program leads to gainful employment. The regulations define an education program that leads to gainful employment as one that complies with gainful employment metrics relating to loan repayment rates of program graduates.

Under the regulation effective July 1, 2015, if a program's graduates' debt payments exceed 8% of the graduates' mean and median annual earnings and 20% of the graduates' mean and median discretionary earnings, the program will be placed on a warning status requiring certain disclosures to the public. If a program is in a warning status for four consecutive years, it will become ineligible for Federal aid Title IV participation. In addition, if a program's graduates' debt payments exceed 12% of the graduates' mean and median annual earnings and 30% of the graduates' mean and median discretionary earnings, the program will fail the gainful employment test. If a program fails the test two times within three years, it will become ineligible for Federal aid Title IV participation. This could cause Kaplan to eliminate or limit enrollments in certain educational programs at some or all of its schools and could have a materially adverse effect on its business and operations.

- **Congressional Examination of For-Profit Education Could Lead to Legislation or Other Governmental Action That May Materially and Adversely Affect Kaplan's Business and Operations**

There has been increased attention by Congress on the role that for-profit educational institutions play in higher education, including their participation in Title IV programs and tuition assistance programs for military service members attending for-profit colleges. Beginning in June 2010, the HELP Committee held a series of hearings to examine the for-profit education sector and requested information from various for-profit institutions, including KHE institutions. In July 2012, the majority staff of the HELP Committee issued a final report to conclude the review. The final report included observations and recommendations for Federal policy. The ultimate outcome of the HELP Committee review and any implications to the operation of KHE's institutions remains unknown.

Other committees of Congress have also held hearings into, among other things, the standards and procedures of accrediting agencies, credit hours and program length and the portion of U.S. Federal student financial aid going to for-profit institutions. Several legislators have variously requested the U.S. Government Accountability Office to review and make recommendations regarding, among other things, student recruitment practices; educational quality; student outcomes; the sufficiency of integrity safeguards against waste, fraud and abuse in Title IV programs; and the percentage of proprietary institutions' revenue coming from Title IV and other U.S. Federal funding sources. This increased activity, and other current and future activity, may result in legislation, further rulemaking affecting participation in Title IV programs and other governmental actions. In addition, concerns generated by congressional or other activity, or negative media reports, may adversely affect enrollment in for-profit educational institutions.

Kaplan cannot predict the extent to which these activities could result in further investigations, legislation or rulemaking affecting its participation in Title IV programs, other governmental actions and/or actions by state agencies or legislators or by accreditors. If any laws or regulations are adopted that significantly limit Kaplan's participation in Title IV programs or the amount of student financial aid for which Kaplan's students are eligible, Kaplan's results of operations and cash flows would be adversely and materially impacted.

- **The Kaplan Commitment Is Expected to Continue to Impact Operating Results**

In the fourth quarter of 2010, KHE phased in a program called the Kaplan Commitment. Under this program, students of Kaplan University and KHE campuses enroll in classes for several weeks and assess whether their educational experience meets their needs and expectations before they incur any significant financial obligation. Students who choose to withdraw from the program during the risk-free period do not have to pay for the coursework. The Kaplan Commitment program and related initiatives could negatively impact the future operations of KHE, including student enrollments and retention, tuition revenues, operating income and cash flow.

- **Student Loan Defaults Could Result in Loss of Eligibility to Participate in Title IV Programs**

A school may lose its eligibility to participate in Title IV programs if student defaults on the repayment of Title IV loans exceed specified rates, referred to as "cohort default rates." The ED calculates a cohort default rate for each of KHE's OPEID numbers. The schools in an OPEID number whose cohort default rate exceeds 40% for any single year lose their eligibility to participate in the Federal Family Education Loan (FFEL) program and Direct Loan programs for at least two fiscal years, effective 30 days after notification from the ED. The schools in an OPEID number whose cohort default rate equals or exceeds 30% for three consecutive years lose their Title IV eligibility to participate in the U.S. Federal Family Education Loan (FFEL), Direct Loan and U.S. Federal Pell Grant programs effective 30 days after notification from the ED and for at least two fiscal years. The schools in an OPEID number whose cohort default rate equals or exceeds 30% in two of the three most recent fiscal years for which rates have been issued by the ED may be placed on provisional certification by the ED.

The enactment in August 2008 of HEOA (which reauthorized the Higher Education Act) changed the methodology that will be used to calculate cohort default rates for future years. Under the revised law, the period of time for which student defaults are tracked and included in the cohort default rate calculation was increased from two years to three years, which has increased the cohort default rates for most institutions. This change became effective with the calculation of institutions' cohort default rates for the U.S. Federal fiscal year ending September 30, 2009; those rates were issued by the ED in 2012. The ED did not impose sanctions based on rates calculated under this new methodology until rates for three consecutive years were fully calculated, which occurred in September 2014.

The revised law also increased the threshold for ending an institution's participation in certain Title IV programs from 25% to 30% for three consecutive years, effective for three-year cohort default rates issued beginning in fiscal year 2012. The revised law changed the threshold for placement on potential provisional certification to 30% for two of the three most recent fiscal years for which the ED has published official three-year cohort default rates.

The loss of Title IV eligibility by either (1) the single OPEID unit that includes Kaplan University or (2) a combination of other OPEID units would have a material adverse effect on Kaplan's operating results.

- **Title IV Revenues in Excess of U.S. Federally-Set Percentage Could Lead to Loss of Eligibility to Participate in Title IV Programs**

Under regulations referred to as the 90/10 rule, a KHE OPEID unit would lose its eligibility to participate in the Title IV programs for a period of at least two fiscal years if it derives more than 90% of its receipts from the Title IV programs for two consecutive fiscal years. Any OPEID reporting unit with receipts from the Title IV programs exceeding 90% for a single fiscal year would be placed on provisional certification and could be subject to other enforcement measures. The enactment of the U.S. Federal Ensuring Continued Access to Student Loans Act of 2008 increased student loan limits and the maximum amount of Pell Grants, which could result in an increase in the percentage of KHE's receipts from Title IV programs. These increases, and any future increases or changes in the 90/10 calculation formula or any ED interpretation of what revenue may be included in the calculation, make it more difficult for institutions to comply with the 90/10 rule. If current trends continue, management estimates that in 2015, three of the KHE Campuses' OPEID units, representing approximately 2.6% of KHE's 2014 revenues, could have a 90/10 ratio over 90%.

The loss of Title IV eligibility by either (1) the single OPEID unit that includes Kaplan University or (2) a combination of other OPEID units would have a material adverse effect on Kaplan's operating results.

- **Failure to Maintain Institutional Accreditation Could Lead to Loss of Ability to Participate in Title IV Programs**

KHE's online university and all of its ground campuses are institutionally accredited by either national or regional accreditors recognized by the ED. Accreditation by an accrediting agency recognized by the ED is required for an institution to become and remain eligible to participate in Title IV programs. KHE's institutional accreditors conduct program reviews at KHE's schools from time to time for a variety of reasons. Failure to resolve any concerns that may arise during such reviews could result in a loss of accreditation at the school. The loss of accreditation at any school would, among other things, render the affected Kaplan schools and programs ineligible to participate in Title IV programs and would have a material adverse effect on their business and operations.

- **Failure to Maintain Programmatic Accreditation Could Lead to Loss of Ability to Provide Certain Education Programs and Failure to Obtain Programmatic Accreditation May Lead to Declines in Enrollments in Unaccredited Programs**

Programmatic accreditation is the process through which specific programs are reviewed and approved by industry-specific and program-specific accrediting entities. Although programmatic accreditation is not generally necessary for Title IV eligibility, such accreditation may be required to allow students to sit for certain licensure exams or to work in a particular profession or career. Failure to obtain or maintain such programmatic accreditation may lead schools to discontinue programs that would not provide appropriate outcomes without that accreditation or may lead to a decline in enrollments in programs because of a perceived or real reduction in program value.

- **Failure to Maintain State Authorizations Could Cause Loss of Ability to Operate and to Participate in Title IV Programs in Some States**

KHE's ground campuses and online university are subject to state-level regulation and oversight by state licensing agencies, whose approval is necessary to allow an institution to operate and grant degrees or diplomas in the state. Institutions that participate in Title IV programs must be legally authorized to operate in the state in which the institution is physically located. The loss of such authorization would preclude the campuses or online university from offering postsecondary education and render students ineligible to participate in Title IV programs. Loss of authorization at those state campus locations, or, in states that require it, for Kaplan University online, would have a material adverse effect on KHE's business and operations.

Some states have sought to assert jurisdiction over online education institutions that offer education services to residents in the state or to institutions that advertise or recruit in the state, notwithstanding the lack of a physical location in the state. 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 are subject to change. If KHE is found not to be in compliance with an applicable state regulation and a state seeks to restrict one or more of KHE's business activities within its boundaries, KHE may not be able to recruit or enroll students in that state and may have to cease providing services and advertising in that state.

ED regulations that went into effect on July 1, 2011, expanded the requirements for an institution to be considered legally authorized in the state in which it is physically located for Title IV purposes. In some cases, the regulations require states to revise their current requirements and/or to license schools in order for institutions to be deemed legally authorized in those states and, in turn, to participate in the Title IV programs. If the states do not amend their requirements where necessary and if schools do not receive approvals where necessary that comply with these requirements, the institution could be deemed to lack the state authorization necessary to participate in the Title IV programs, which would have a material adverse effect on Kaplan's business and operations.

In addition, ED rules may require institutions offering postsecondary education to students through distance education in a state in which the institution is not physically located or in which it is otherwise subject to state jurisdiction, as determined by the state, to meet any state requirements for it to legally offer postsecondary distance education in that state. Furthermore, between February and April 2014, the ED convened a negotiated rulemaking committee to develop proposed regulations on a variety of topics that included state authorization for programs offered through distance education or correspondence education. While no new regulations have been issued, Kaplan believes that this process will ultimately result in new distance-education state authorization requirements that may require some of KHE's schools and distance-education programs to obtain additional or revised state authorizations. If KHE is unable to obtain the required approvals, its students in the affected schools or programs may be unable to receive Title IV funds, which could have a material adverse effect on its business and operations.

- **Failure to Correctly Calculate or Timely Return Title IV Funds for Students Who Withdraw Prior to Completing Programs Could Result in a Requirement to Post a Letter of Credit or Other Sanctions**

ED regulations require schools participating in Title IV programs to calculate correctly and return on a timely basis unearned Title IV funds disbursed to students who withdraw from a program of study prior to completion. These funds must be returned in a timely manner, generally within 45 days of the date the school determines that the student has withdrawn. Under ED regulations, failure to make timely returns of Title IV program funds for 5% or more of students sampled in a school's annual compliance audit could result in a requirement that the school post a letter of credit in an amount equal to 25% of its prior-year returns of Title IV program funds. If unearned funds are not properly calculated and returned in a timely manner, an institution may be subject to monetary liabilities, fines or other sanctions by the ED that could have a material adverse effect on Kaplan's results of operations.

- **Failure to Demonstrate Financial Responsibility Could Result in a Requirement to Submit Letters of Credit to the ED, Loss of Eligibility to Participate in Title IV Programs or Other Sanctions**

An institution participating in the Title IV programs must comply with certain measures of financial responsibility under the Higher Education Act and under ED regulations. Among other things, the applicable regulations require an institution to achieve a composite score of at least 1.5, as calculated under ED regulations, based on data in annual financial statements submitted to the ED. If an institution fails to achieve a composite score of 1.5 or fails to comply with other financial responsibility standards, the ED may place conditions on the institution's participation in the Title IV programs and may require the institution to submit to the ED a letter of credit in an amount of at least 10% to 50% of the institution's annual Title IV participation for its most recent fiscal year. The ED has measured the compliance of KHE schools based on the composite score of the division. If one or more of the institutions in KHE fail to meet the composite score standard or any of the other financial responsibility standards, those institutions may be required to post a letter of credit in favor of the ED and possibly may be subject to other sanctions, including limitation or termination of their participation in Title IV programs. A requirement to post a letter of credit or the imposition of any one or more other sanctions by the ED could have a material adverse effect on Kaplan's results of operations.

- **Failure to Demonstrate Administrative Capability Could Result in Loss of Eligibility to Participate in Title IV Programs or Other Sanctions**

ED regulations specify extensive criteria that an institution must satisfy to establish that it has the required "administrative capability" to participate in Title IV programs. These criteria include, but are not limited to, requirements relating to the institution's compliance with all applicable Title IV requirements; the institution's administration of Title IV programs; the institution's compliance with certain reporting, disclosure and record-keeping obligations; and the institution's ability to maintain cohort default rates below prescribed thresholds. Failure to comply with these criteria could result in the loss or limitation of the eligibility of one or more of the schools in KHE to participate in the Title IV programs, a requirement to pay fines or to repay Title IV program funds, a denial or refusal by the ED to consider a school's application for renewal of its certification to participate in the Title IV programs, civil or criminal penalties or other sanctions. Any one or more of these actions by the ED could have a material adverse effect on Kaplan's results of operations.

- **Failure to Obtain Regulatory Approval of Transactions Involving a Change of Control May Result in Loss of Ability to Operate Schools or to Participate in U.S. Federal Student Financial Aid Programs**

If one or more of KHE's schools experience a change of control under the standards of applicable state agencies, accrediting agencies or the ED, the schools governed by such agencies must seek the approval of the relevant agencies. Failure of any of KHE's schools to reestablish its state authorization, accreditation or ED certification following a change of control as defined by the applicable agency could result in a suspension of operating authority or suspension or loss of U.S. Federal student financial aid funding, which could have a material adverse effect on KHE's student population and revenue.

- **Actions of Other Postsecondary Education Institutions and Related Media Coverage May Negatively Influence the Regulatory Environment and Kaplan's Reputation**

The HELP Committee hearings, along with other recent investigations and lawsuits, have included allegations of, among other things, deceptive trade practices, false claims against the U.S. and noncompliance with state and ED regulations. These allegations have attracted significant adverse media coverage. Allegations against the overall student lending and postsecondary education sectors may impact general public perceptions of private-sector educational institutions, including Kaplan, in a negative manner. Adverse media coverage regarding other educational institutions or regarding Kaplan directly could damage Kaplan's reputation, reduce student demand for Kaplan programs, adversely impact its revenues and operating profit or result in increased regulatory scrutiny.

- **Changes in the Extent to Which Standardized Tests Are Used in the Admissions Process by Colleges or Graduate Schools Could Reduce Demand for KTP Offerings**

A substantial portion of Kaplan's revenue is generated by KTP. The source of this income is fees charged for courses that prepare students for a broad range of admissions examinations that are required for admission to colleges and graduate schools. Historically, colleges and graduate schools have required standardized tests as part of the admissions process. There has been some movement away from this historical reliance on standardized admissions tests among a small number of colleges that have adopted "test-optional" admissions policies. Any significant reduction in the use of standardized tests in the college or graduate school admissions process could have an adverse effect on Kaplan's operating results.

- **Changes in the Extent to Which Licensing and Proficiency Examinations Are Used to Qualify Individuals to Pursue Certain Careers Could Reduce Demand for Kaplan Offerings**

A substantial portion of PACE and Kaplan International'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 PACE and Kaplan International's businesses could negatively impact Kaplan's operating results.

- **System Disruptions and Security Threats to the Company's Technology Infrastructure Could Have a Material Adverse Effect on Its Businesses**

Kaplan's reputation and ability to attract and retain students is highly dependent on the performance and reliability of its information technology platforms with respect to its online and campus-based education offerings. Kaplan's delivery of these programs could be negatively affected due to events beyond its control, including natural disasters and network and telecommunications failures. Any such computer system error or failure could result in a significant outage that materially disrupts Kaplan's online and on-ground operations.

The Company's computer networks may also be vulnerable to unauthorized access, computer hackers, computer viruses and other security threats. The Company has expended, and will continue to expend, significant resources to protect against the threat of security breaches, but its systems may still be vulnerable to these threats. A user who circumvents security measures could misappropriate proprietary information or cause disruptions or malfunctions in operations. Any of these events could have a material adverse effect on the Company's business and results of operations.

- **Failure to Successfully Assimilate Acquired Businesses Could Negatively Affect Kaplan's Business**

The Company's Kaplan subsidiary has historically been an active acquirer of businesses that provide educational services. During 2014, Kaplan completed three acquisitions and expects to continue to acquire businesses from time to time. 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 undisclosed liabilities associated with the acquired business. A failure to effectively manage growth and integrate acquired businesses could have a material adverse effect on Kaplan's operating results.

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

Kaplan has operations and investments in a growing number of foreign countries, including Australia, Canada, China, Colombia, France, Germany, India, Ireland, Mexico, New Zealand, Nigeria, Singapore, the U.K. and Venezuela. Kaplan also conducts business in the Middle East. Operating in foreign countries 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 Could Negatively Affect International Student Enrollments**

A substantial portion of Kaplan International's revenue comes from programs that prepare international students to study and travel to English-speaking countries, principally the U.S., the U.K., Australia and Singapore. Kaplan International's ability to enroll students in these programs is directly dependent on its ability to comply with complex regulatory environments. A recent example of this is the immigration regulatory changes in the U.K., which impose recruitment quotas and stringent progress criteria as requirements for the maintenance of certain overseas student recruitment licenses. In addition, as of February 2015, the UKVI in the U.K. is undertaking a review of its Tier 4 sponsor guidance. The final version of this guidance could materially negatively impact the Kaplan businesses that hold a Tier 4 sponsor license. Any significant changes to the regulatory environment or a natural disaster or pandemic in either the students' countries of origin or the countries to which they desire to travel or study could negatively affect Kaplan's ability to attract and retain such students, which could negatively impact Kaplan's operating results.

- **Failure to Comply With Regulations Applicable to International Operations Could Negatively Impact Kaplan's Business**

Kaplan is subject to a wide range of regulations relating to its international operations. These include domestic laws such as the U.S. Foreign Corrupt Practices Act, as well as the local regulatory schemes of the countries in which Kaplan operates. Compliance with these regulations requires utmost vigilance. Failure to comply 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.

- **Changing Perceptions About the Effectiveness of Television Broadcasting in Delivering Advertising**

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 will suffer.

- **Increased Competition Resulting From Technological Innovations in News, Information and Video Programming Distribution Systems**

The development of DBS systems has significantly increased the competition faced by the Company's cable systems. The continuing growth and technological expansion of Internet-based services has increased competitive pressure on the Company's media businesses. The development and deployment of new technologies have the potential to negatively and significantly affect the Company's 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 of Television Broadcasting, Cable and VoIP Services**

The Company's television broadcasting and cable businesses operate in highly regulated environments. The Company's VoIP services business also is subject to a growing degree of regulation. Complying with applicable regulations has significantly increased, and may continue to increase, the costs and has reduced the revenues of these businesses. Changes in regulations have the potential to further negatively impact those businesses, 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. More generally, all of the Company's businesses could have their profitability or their competitive positions adversely affected by significant changes in applicable regulations.

- **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 and cable businesses. For example, providers of services similar to those offered by Cable ONE have been the target of patent infringement claims from time to time relating to such matters as cable system architecture, electronic program guides, cable modem technology and VoIP services. 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 a claim, the Company could determine the need to change its method of doing business, enter into a licensing agreement 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.

- **Failure to Comply With Privacy Laws or Regulations Could Have an Adverse Effect on the Company's Business**

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, for example, use of consumer data for marketing or advertising. 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. Such claims and actions could cause damage to the Company's reputation and could have an adverse effect on the Company's business.

- **Extensive Regulation of the Health Care Industry Could Adversely Affect the Company's Health Care Businesses and Results of Operations**

The home health and hospice industries are subject to extensive federal, state and local laws, with regulations affecting 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 and the manner in which they are interpreted are subject to change. The Patient Protection and Affordable Care Act of 2010 and the overall trend toward cost containment could result in insurers lowering payment rates, limiting service coverage and engaging in other measures to reduce costs. Reimbursement for services by third-party payers, including Medicare, Medicaid and private health insurance providers, may not be available, may be reduced or may be paid on the basis of revised standards as a result of changing regulations and policies. 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 health care services and decreasing the number of organizations serving patients. This consolidation could adversely impact Celtic's and Residential's businesses if they are unable to maintain their ability to participate in established networks. Changes in existing laws or regulations, in their interpretation and enforcement, and the enactment of new laws or regulations could have a material adverse effect on the Company's health care businesses' operations.

- **The Proposed Spin-Off of Cable ONE May Not Be Completed on the Terms or Timeline Currently Contemplated**

In November 2014, the Company announced its plan for a tax-free spin-off of Cable ONE to the stockholders of the Company. The proposed spin-off may not be completed on the terms or timeline currently contemplated, if at all. Unanticipated developments could delay, prevent or otherwise adversely affect the proposed spin-off, including possible problems or delays in obtaining various regulatory approvals or clearances and disruptions in the capital and other financial markets, among other things.

Completion of the spin-off is subject to the satisfaction, or the Board of Directors' waiver, of a number of conditions. In addition, the Company has the right not to complete the spin-off if, at any time, the Board of Directors determines, in its sole and absolute discretion, that the spin-off is not in the best interests of the Company or its stockholders or is otherwise not advisable.

The Company has and will continue to incur expenses in connection with the proposed spin-off. In addition, completion of the proposed spin-off will require significant amounts of management's time and effort which may divert management's attention from operating and growing the Company's business.

- **If the Spin-Off of Cable ONE Is Completed, It May Not Achieve the Intended Results**

If the proposed spin-off is completed, the Company's operational and financial profile will change upon the separation of the cable operations from its other businesses. As a result, diversification of the Company's revenue sources will diminish.

Further, shares of the Company's common stock will represent an investment in a smaller company, with its business more concentrated in educational services. These changes may not meet some shareholders' investment strategies, which could cause investors to sell their shares of Company common stock. Excessive selling could cause the relative market price of Company common stock to decrease following the consummation of the proposed spin-off.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

The Company completed the sale of its DC properties associated with the newspaper publishing businesses in March 2014. The Company has entered into a lease for its corporate offices in Arlington, VA. The space consists of 33,815 square feet of office space, and the lease expires in 2024, subject to an option of the Company to extend.

The Company also retained ownership of certain properties formerly owned by its subsidiary Robinson Terminal Warehouse LLC (Robinson) after the sale of its newspaper publishing businesses. These retained properties include two wharves and several warehouses along the Potomac River in Alexandria, VA. These facilities, which are adjacent to the business district and occupy approximately seven acres of land, are under contract for sale in two separate transactions. Each transaction is expected to close in 2015, contingent on each buyer obtaining certain land-use approvals.

Directly or through its subsidiaries, Kaplan owns a total of six properties: a 30,000-square-foot, six-story building located at 131 West 56th Street in New York City, used by KIC North America as an education center primarily for international students; a redeveloped 47,410-square-foot, four-story brick building in Lincoln, NE, used by Kaplan University; a 4,000-square-foot office condominium in Chapel Hill, NC, utilized by KTP; a 15,000-square-foot, three-story building in Berkeley, CA, used by KTP and KIC North America; a 25,000-square-foot building in Hammond, IN, used by Kaplan Career College (formerly Sawyer College); and a 45,000-square-foot, three-story brick building in Houston, TX, used by the Texas School of Business.

In the U.S., Kaplan, Inc. and KHE lease corporate offices, together with a data center, call center and employee-training facilities, in two 97,000-square-foot buildings located on adjacent lots in Fort Lauderdale, FL. Both of those leases will expire in 2018. Kaplan, Inc. and KHE share corporate office space in a 78,000-square-foot office building in Alpharetta, GA, under a lease that expires in 2019. KHE leases 62,500 square feet of corporate office space in Chicago, IL, under a lease that will expire in 2022. KHE also separately leases 76,500 square feet of office space in Chicago, IL; however, the location has been entirely subleased through the remainder of the lease term. In addition, KHE separately leases two corporate offices, totaling 64,128 square feet, in La Crosse, WI, under leases that will expire in 2022; a two-story, 124,500-square-foot building in Orlando, FL, that is used as an additional support center (of which 12,300 square feet have been subleased to a third party), pursuant to a lease that will expire in 2021; and 88,800 square feet of corporate office space in Plantation, FL, for a term that expires in 2021. Kaplan, Inc. and KTP have signed a sublease for 84,500 square feet in New York (expiring in May 2021). Kaplan, Inc. and KTP also separately lease 159,540 square feet in New York, however, the location has been entirely subleased to two different parties through the remainder of the lease term.

In addition, the KIC business maintains more than 50 leases in the U.S., comprising an aggregate of approximately 1.7 million square feet of instructional and dormitory space.

Overseas, Dublin Business School's facilities in Dublin, Ireland, are located in six buildings, aggregating approximately 83,000 square feet of space, that are rented under leases expiring between 2016 and 2029. Kaplan Publishing has an office and distribution warehouse in Wokingham, Berkshire, U.K., of 27,000 square feet, under a lease expiring in 2016. Kaplan Financial's largest leaseholds are office and instructional spaces in London, U.K., of 33,000 square feet (expiring in 2033), 21,500 square feet (expiring in 2015) and 35,800 square feet (comprising seven separate leases, expiring in 2015), and one new location of 50,200 square feet (comprising two leases) obtained in January 2015 and expiring in 2030 to replace 61,750 square feet of space held under leases that will expire in 2015; office and instructional space in Birmingham, U.K., of 23,600 square feet (expiring in 2017); office and instructional space in Manchester, U.K., of 26,900 square feet (comprising five separate leases, expiring in 2022); office and instructional space in Wales, U.K., of 34,000 square feet (notice to terminate this lease has been served, to expire in December 2016); office and instructional space in Singapore of 162,000 square feet (comprising five separate leases, expiring between 2016 and 2021); and office and instructional space in Hong Kong of 30,850 square feet. Palace House in London, which was previously occupied by Kaplan Law School, with 20,200 square feet of space in London, U.K. (comprising four separate leases, expiring in 2017), is now primarily occupied by the KIC Pathways business. In addition, Kaplan has entered into two separate leases in Glasgow, Scotland, for 58,000 square feet and 22,400 square feet, respectively, of dormitory space that was constructed and opened to students in 2012. These leases will expire in 2032. In addition, Kaplan leases approximately 143,000 square feet of dormitory space as the main tenant of a new student residential building in Nottingham, U.K., that was completed in 2014. Kaplan has further entered into a lease agreement for a residential college to be constructed in Bournemouth, England, which will comprise approximately 175,000 square feet. In Australia, Carrick leases two locations in Melbourne, with an aggregate of approximately 87,623 square feet; one location in Sydney, of 13,024 square feet; and one location in Brisbane, of 39,000 square feet. These leases expire at various times, from 2016 through 2021. Bradford College, in Adelaide, Australia, leases three locations, with an aggregate of 38,890 square feet. These leases expire in 2016 and 2020. All other Kaplan facilities in the U.S. and overseas (including administrative offices and instructional locations) occupy leased premises that are for less space than those listed above.

The headquarters offices of Cable ONE are located in a six-story office building in Phoenix, AZ, that was purchased by Cable ONE in 2012. Cable ONE also utilizes a three-story building in Phoenix purchased in 1998. Cable ONE purchased an adjoining two-story office building in 2005; that building is currently unused. The majority of the offices and head-end facilities of the division's individual cable systems are located in buildings owned by Cable ONE. Most of the tower sites used by the division are leased. In addition, the division houses call-center operations in 40,800 square feet of rented space in Phoenix under a lease that will expire in 2015.

The Daily Herald Company, a non-operating subsidiary of the Company, sold properties in Everett, WA, in a stock transaction in April 2014. These properties included a plant, two warehouses, an office building and a small rental building adjacent to the plant.

The offices of the Company's broadcasting operations are located in leased space in Chicago, IL. The operations of each of the Company's television stations are owned by subsidiaries of the Company, as are the related tower sites (except in Houston, Orlando and Jacksonville, where the tower sites are 50% owned).

Celtic's headquarters office is located in leased space in Mars, PA. This lease expires in 2017. In addition to its headquarters, Celtic leases 20 small office spaces in its various service territories: Carlisle, PA; Mechanicsburg, PA; Williamsport, PA; Perryopolis, PA; Harrisburg, PA; Kingston, PA; New Castle, PA; Rockville, MD; Owings Mills, MD; Shiloh, IL; Alton, IL; Marion, IL; Mt. Carmel, IL; Bridgeton, MO; and Fenton, MO. Celtic also leases space for a hospice inpatient unit in Wilkes-Barre, PA. Celtic also owns a total of five properties located in Carlinville, IL; Centralia, IL; Murphysboro, IL; and Benton, IL.

Residential's Michigan headquarters offices are located in leased space in Troy, MI. Residential also leases office space in Grand Rapids, MI. In Illinois, Residential's main office is located in Downer's Grove, IL. It also leases office space at Edward Hospital in Naperville, IL.

Forney has 20,000 square feet of corporate office space in Addison, TX. That lease began in April 2014 and will expire in 2024. Forney's manufacturing facility is located in Monterrey, Mexico, in a building that contains 78,500 square feet of office and manufacturing space under a lease that will expire in 2017. Forney also leases sales offices in Shanghai, Beijing and Singapore; the combined office space is less than 3,000 square feet, and the leases are renewable annually.

Joyce/Dayton owns three properties: its corporate headquarters in Kettering, OH, and manufacturing facilities in Portland, IN, and Clayton, OH. It also leases a manufacturing facility in West Hartford, CT.

The Slate Group leases office space in New York, NY, and Washington, DC.

SocialCode leases office space in Washington, DC; New York, NY; San Francisco, CA; Los Angeles, CA; and Chicago, IL.

Item 3. Legal Proceedings.

On February 6, 2008, a purported class-action lawsuit was filed in the U.S. District Court for the Central District of California by purchasers of BAR/BRI bar review courses, from July 2006 onward, alleging antitrust claims against Kaplan and West Publishing Corporation, BAR/BRI's former owner. On April 10, 2008, the court granted defendants' motion to dismiss, a decision that was reversed by the Ninth Circuit Court of Appeals on November 7, 2011. The Ninth Circuit also referred the matter to a mediator for the purpose of exploring a settlement. In the fourth quarter of 2012, the parties reached a comprehensive agreement to settle the matter. The settlement was approved by the District Court in September 2013 and will be administered following the resolution of appeals relating to attorney fees.

On or about January 17, 2008, an Assistant U.S. Attorney in the Civil Division of the U.S. Attorney's Office for the Eastern District of Pennsylvania contacted KHE's Broomall campus and made inquiries about the Surgical Technology program, including the program's eligibility for Title IV U.S. Federal financial aid, the program's student loan defaults, licensing and accreditation. Kaplan responded to the information requests and fully cooperated with the inquiry. The ED also conducted a program review at the Broomall campus, and Kaplan likewise cooperated with the program review.

On July 22, 2011, the U.S. Attorney's Office for the Eastern District of Pennsylvania announced that it had entered into a comprehensive settlement agreement with Kaplan that resolved the U.S. Attorney's inquiry, provided for the conclusion of the ED's program review and also settled a previously sealed U.S. Federal False Claims Act (False Claims Act) complaint that had been filed by a former employee of the CHI-Broomall campus. The total amount of all required payments by Broomall under the agreements was $1.6 million. Pursuant to the comprehensive settlement agreement, the U.S. Attorney inquiry has been closed, the False Claims Act complaint (*United States of America* ex rel. *David Goodstein* v. *Kaplan, Inc.* et al.) was dismissed with prejudice and the ED will issue a final program review determination. At this time, Kaplan cannot predict the contents of the pending final program review determination or the ultimate impact the proceedings may have on the Broomall campus or the KHE business generally.

During 2014, certain Kaplan subsidiaries were subject to two other unsealed cases filed by former employees that include, among other allegations, claims under the False Claims Act relating to eligibility for Title IV funding. The U.S. Government declined to intervene in all cases, and, as previously reported, court decisions either dismissed the cases in their entirety or narrowed the scope of their allegations. The two cases are captioned: *United States of America ex rel. Carlos Urquilla-Diaz* et al. v. *Kaplan University* et al. (unsealed March 25, 2008) and *United States of America ex rel. Charles Jajdelski* v. *Kaplan Higher Education Corp.* et al. (unsealed January 6, 2009).

On August 17, 2011, the U.S. District Court for the Southern District of Florida issued a series of rulings in the Diaz case, which included three separate complaints: Diaz, Wilcox and Gillespie. The court dismissed the Wilcox complaint in its entirety; dismissed all False Claims Act allegations in the Diaz complaint, leaving only an individual employment claim; and dismissed in part the Gillespie complaint, thereby limiting the scope and time frame of its False Claims Act allegations regarding compliance with the U.S. Federal Rehabilitation Act. On October 31, 2012, the court entered summary judgment in favor of the Company as to the sole remaining employment claim in the Diaz complaint. On July 16, 2013, the court likewise entered summary judgment in favor of the Company on all remaining claims in the Gillespie complaint. Diaz and Gillespie each appealed to the U.S. Court of Appeals for the Eleventh Judicial Court. Arguments on both appeals were heard on February 3, 2015.

On July 7, 2011, the U.S. District Court for the District of Nevada dismissed the Jajdelski complaint in its entirety and entered a final judgment in favor of Kaplan. On February 13, 2013, the U.S. Circuit Court for the Ninth Judicial Circuit affirmed the dismissal in part and reversed the dismissal on one allegation under the False Claims Act relating to eligibility for Title IV funding based on claims of false attendance. The surviving claim was remanded to the District Court, where Kaplan has moved for summary judgment.

In January 2013, a former employee of KTP filed a sealed False Claims Act alleging that there were instructors at the San Antonio campuses of Kaplan College who did not meet Texas' qualification requirements. The case, captioned *United States of America* ex rel. *Leslie Coleman* v. *Kaplan, Inc.* et al., was unsealed on December 23, 2014 in connection with the parties entering into a settlement agreement pursuant to which Kaplan paid approximately $1.3 million, of which approximately $1.1 million was paid in the form of partial refunds to 289 former students. The settlement agreement stated that "[d]uring its investigation of the Relator's False Claims Act allegations, the United States did not encounter evidence of harm to Kaplan students."

On December 22, 2014, a former student representative filed a purported class- and collective-action lawsuit in the U.S. District Court for the Northern District of Illinois, in which she asserts claims under the Illinois Minimum Wage Law and the Fair Labor Standards Act (*Sharon Freeman* v. *Kaplan, Inc.*). The plaintiff alleges that she and other law students who were student representatives, on their respective law school campuses, of Kaplan's bar exam preparation business should have been classified as employees and paid minimum wage. The Company cannot predict the outcome of this inquiry.

On October 21, 2010, KHE received a subpoena from the office of the Florida Attorney General (FL AG). The subpoena sought information pertaining to the online and on-campus schools operated by KHE in and outside of Florida. In June 2014, Kaplan entered into an Assurance of Voluntary Compliance (AVC) with the FL AG on behalf of Kaplan University, Kaplan Higher Education Campuses and Kaplan, Inc. This agreement closes the FL AG investigation. The AVC required Kaplan to pay $200,000 in "investigation costs," provide certain tuition credits for students who previously dropped from a program and wish to return, and comply with certain industry best practices. In addition, Kaplan agreed to keep the Kaplan Commitment in place for Florida students until such time as Kaplan can prove that the program resulted in savings to Florida students of at least $350,000. This condition was satisfied at the end of 2014.

On December 21, 2010, the U.S. Equal Employment Opportunity Commission (EEOC) filed suit against Kaplan Higher Education Corporation in the U.S. District Court for the Northern District of Ohio alleging racial bias by Kaplan in requesting credit scores of job applicants seeking financial positions. In March 2011, the court granted in part the Company's motion to dismiss the complaint. On January 28, 2013, the court entered summary judgment in favor of Kaplan Higher Education Corporation and against the EEOC, terminating the case in its entirety. The EEOC appealed the judgment to the U.S. Court of Appeals for the Sixth Judicial Circuit, and briefing on that appeal was completed in November 2013. On April 9, 2014, the Court of Appeals affirmed the lower court's judgment in favor of the Company.

On February 7, 2011, KHE received a Civil Investigative Demand from the Office of the Attorney General of the State of Illinois. The demand primarily sought information pertaining to Kaplan University's online students who are residents of Illinois. KHE has cooperated with the Illinois Attorney General and provided the requested information. Although KHE may receive further requests for information from the Illinois Attorney General, there has been no such further correspondence to date. The Company cannot predict the outcome of this inquiry.

On April 30, 2011, KHE received a Civil Investigative Demand from the Office of the Attorney General of the State of Massachusetts. The demand primarily sought information pertaining to KHE's nationally accredited campuses in Massachusetts, known as the Charlestown and Kenmore Square campuses. The Charlestown campus closed in 2013 and the Kenmore Square campus closed in 2012. Kaplan Higher Education Corporation has cooperated with the Massachusetts Attorney General and provided the requested information, as well as additional information requested in 2012 and 2013. In October 2014, the Attorney General's office sent Kaplan a "notice of intention to file" a lawsuit letter under section 93A of the Massachusetts consumer fraud statute. The letter outlined 12 allegations against the Charlestown and Kenmore Square campuses. The Company cannot predict the outcome of this inquiry or any potential litigation.

On July 20, 2011, KHE received a subpoena from the Office of the Attorney General of the State of Delaware. The demand primarily sought information pertaining to Kaplan University's online students and Kaplan Higher Education Campuses' students who are residents of Delaware. Kaplan Higher Education Corporation has cooperated with the Delaware Attorney General and provided the information requested in the subpoena. Although KHE may receive further requests for information from the Delaware Attorney General, there has been no such further correspondence to date. The Company cannot predict the outcome of this inquiry.

The Company and its subsidiaries are also subject to complaints and administrative proceedings and are defendants in various other civil lawsuits that have arisen in the ordinary course of their businesses, including contract disputes; actions alleging negligence, libel, invasion of privacy; trademark, copyright and patent infringement; False Claims Act violations; violations of applicable wage and hour laws; and statutory or common law claims involving current and former students and employees. While it is not possible to predict the outcomes of these lawsuits, in the opinion of management, their ultimate dispositions should not have a material adverse effect on the Company's business, financial condition, results of operations or cash flows.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information and Holders. The Company's Class B Common Stock is traded on the New York Stock Exchange under the symbol "GHC." The Company's Class A Common Stock is not publicly traded.

The high and low sales prices of the Company's Class B Common Stock were:

	2014		2013	
Quarter	**High**	**Low**	High	Low
January–March	**$745**	**$614**	$456	$360
April–June	**736**	**647**	493	428
July–September	**741**	**683**	613	484
October–December	**950**	**675**	687	592

At January 30, 2015, there were 29 holders of record of the Company's Class A Common Stock and 547 holders of record of the Company's Class B Common Stock.

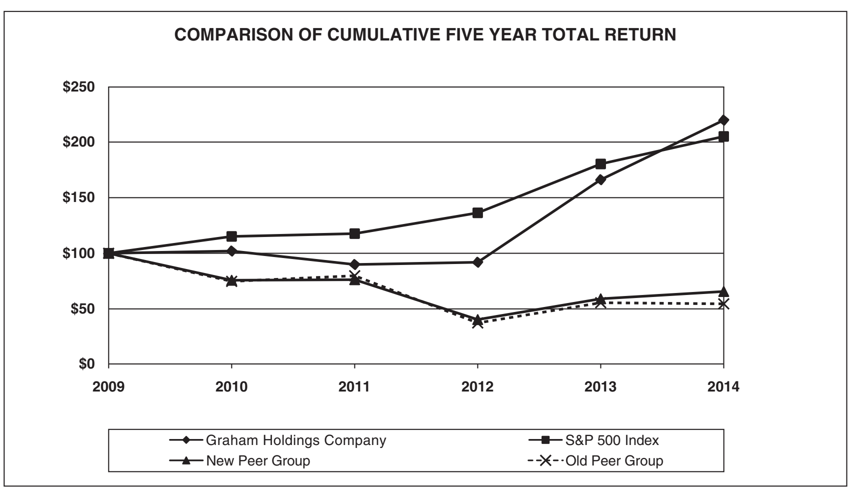
Dividend Information. Both classes of the Company's Common Stock participate equally as to dividends. Quarterly dividends were paid at the rate of $2.55 per share during 2014. In December 2012, the Company declared and paid an accelerated cash dividend totaling $9.80 per share of outstanding common stock, in lieu of regular quarterly dividends that the Company otherwise would have declared and paid in calendar year 2013.

Securities Authorized for Issuance Under Equity Compensation Plans. The following table and the footnote thereto set forth certain information as of December 31, 2014, concerning compensation plans of the Company under which equity securities of the Company are authorized to be issued.

Plan Category	Number of Securities to Be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	151,694	$682.68	—
Equity compensation plans not approved by security holders	—	—	—
Total	151,694	$682.68	—

This table does not include information relating to restricted stock grants awarded under the Graham Holdings Company's Incentive Compensation Plan, which plan has been approved by the stockholders of the Company. At December 31, 2014, there were 18,275 shares of restricted stock outstanding under the 2011–2014 Award Cycle and 41,115 shares of restricted stock outstanding under the 2012–2016 Award Cycle that had been awarded to employees of the Company and its subsidiaries under that Plan. In addition, the Company has from time to time awarded special discretionary grants of restricted stock to employees of the Company and its subsidiaries. At December 31, 2014, there were a total of 57,721 shares of restricted stock outstanding under special discretionary grants approved by the Compensation Committee of the Board of Directors. At December 31, 2014, a total of 311,440 shares of restricted stock and stock options were available for future awards.

Performance Graph. The following graph is a comparison of the yearly percentage change in the Company's cumulative total shareholder return with the cumulative total return of the Standard & Poor's 500 Stock Index and a custom peer group index comprised of education companies. The Standard & Poor's 500 Stock Index is comprised of 500 U.S. companies in the industrial, transportation, utilities and financial industries and is weighted by market capitalization. The new custom peer group of education companies includes American Public Education, Apollo Education Group Inc., Bridgepoint Education Inc., Capella Education Co., DeVry Education Group Inc., Grand Canyon Education Inc., ITT Educational Services Inc., National American University Holdings Inc. and Strayer Education Inc. The old custom peer group of education companies includes all of the companies in the new peer group as well as Corinthian Colleges Inc. and Education Management Corp. The Company is using a custom peer index of education companies because the Company is a diversified education and media company. Its largest business is Kaplan, Inc., a leading global provider of educational services to individuals, schools and businesses. The graph reflects the investment of $100 on December 31, 2009, in the Company's Class B Common Stock the Standard & Poor's 500 Stock Index, and the custom peer group index of education companies. For purposes of this graph, it has been assumed that dividends were reinvested on the date paid in the case of the Company and on a quarterly basis in the case of the Standard & Poor's 500 Index and the custom peer group index of education companies.



December 31	2009	2010	2011	2012	2013	**2014**
Graham Holdings Company	100.00	102.05	89.58	91.63	166.42	**219.94**
S&P 500 Index	100.00	115.06	117.49	136.30	180.44	**205.14**
New Education Peer Group	100.00	75.60	76.24	40.23	58.81	**65.31**
Old Education Peer Group	100.00	74.72	79.50	36.93	55.33	**54.59**

Item 6. Selected Financial Data.

See the information for the years 2010 through 2014 contained in the table titled "Five-Year Summary of Selected Historical Financial Data," which is included in this Annual Report on Form 10-K and listed in the index to financial information on page 40 hereof (with only the information for such years to be deemed filed as part of this Annual Report on Form 10-K).

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

See the information contained under the heading "Management's Discussion and Analysis of Results of Operations and Financial Condition," which is included in this Annual Report on Form 10-K and listed in the index to financial information on page 40 hereof.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

The Company is exposed to market risk in the normal course of its business due primarily to its ownership of marketable equity securities, which are subject to equity price risk; to its borrowing and cash-management activities, which are subject to interest rate risk; and to its non-U.S. business operations, which are subject to foreign exchange rate risk.

Equity Price Risk. The Company has common stock investments in several publicly traded companies (as discussed in Note 4 to the Company's Consolidated Financial Statements) that are subject to market price volatility. The fair value of these common stock investments totaled $193.8 million at December 31, 2014.

Interest Rate Risk. The Company's long-term debt consists of $400 million principal amount of 7.25% unsecured notes due February 1, 2019 (the Notes). At December 31, 2014, the aggregate fair value of the Notes, based upon quoted market prices, was $450.3 million. An increase in the market rate of interest applicable to the Notes would not increase the Company's interest expense with respect to the Notes since the rate of interest the Company is required to pay on the Notes is fixed, but such an increase in rates would affect the fair value of the Notes. Assuming, hypothetically, that the market interest rate applicable to the Notes was 100 basis points higher than the Notes' stated interest rate of 7.25%, the fair value of the Notes at December 31, 2014, would have been approximately $386.3 million. Conversely, if the market interest rate applicable to the Notes was 100 basis points lower than the Notes' stated interest rate, the fair value of the Notes at such date would have been approximately $414.2 million.

On September 7, 2011, the Company borrowed AUD 50 million under its revolving credit facility. On the same date, the Company entered into interest rate swap agreements with a total notional value of AUD 50 million and a maturity date of March 7, 2015. These interest rate swap agreements will pay the Company variable interest on the AUD 50 million notional amount at the three-month bank bill rate, and the Company will pay the counterparties a fixed rate of 4.5275%. These interest rate swap agreements were entered into to convert the variable rate Australian dollar borrowing under the revolving credit facility into a fixed-rate borrowing.

Foreign Exchange Rate Risk. The Company is exposed to foreign exchange rate risk primarily at its Kaplan international operations and its Corporate entity, and the primary exposure relates to the exchange rate between the U.S. dollar and both the British pound and the Australian dollar. This exposure includes British pound and Australian dollar denominated intercompany loans on U.S.-based Kaplan entities with a functional currency in U.S. dollars, and the AUD 50 million borrowing. In 2014, the Company reported unrealized foreign currency losses of $11.1 million. In 2013, the Company reported unrealized foreign currency losses of $13.4 million. In 2012, the Company reported unrealized foreign currency gains of $3.1 million.

If the values of the British pound and the Australian dollar relative to the U.S. dollar had been 10% lower than the values that prevailed during 2014, the Company's pre-tax income for 2014 would have been approximately $10 million lower. Conversely, if such values had been 10% higher, the Company's reported pre-tax income for 2014 would have been approximately $10 million higher.

Item 8. Financial Statements and Supplementary Data.

See the Company's Consolidated Financial Statements at December 31, 2014, and for the periods then ended, together with the report of PricewaterhouseCoopers LLP thereon and the information contained in Note 20 to said Consolidated Financial Statements titled "Summary of Quarterly Operating Results and Comprehensive Income (Unaudited)," which are included in this Annual Report on Form 10-K and listed in the index to financial information on page 40 hereof.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

Not applicable.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures. An evaluation was performed by the Company's management, with the participation of the Company's Chief Executive Officer (the Company's principal executive officer) and the Company's Senior Vice President–Finance (the Company's principal financial officer), of the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), as of December 31, 2014. Based on that evaluation, the Company's Chief Executive Officer and Senior Vice President–Finance have concluded that the Company's disclosure controls and procedures, as designed and implemented, are effective in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and is accumulated and communicated to management, including the Chief Executive Officer and Senior Vice President–Finance, in a manner that allows timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting. Management's report set forth on page 55 is incorporated herein by reference.

Changes in Internal Control Over Financial Reporting. There has been no change in the Company's internal control over financial reporting during the quarter ended December 31, 2014, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information.

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information contained under the heading "Executive Officers" in Item 1 hereof and the information contained under the headings "Nominees for Election by Class A Shareholders," "Nominees for Election by Class B Shareholders," "Audit Committee" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the definitive Proxy Statement for the Company's 2015 Annual Meeting of Stockholders is incorporated herein by reference thereto.

The Company has adopted codes of conduct that constitute "codes of ethics" as that term is defined in paragraph (b) of Item 406 of Regulation S-K and that apply to the Company's principal executive officer, principal financial officer, principal accounting officer or controller and to any persons performing similar functions. Such codes of conduct are posted on the Company's website, the address of which is ghco.com, and the Company intends to satisfy the disclosure requirements under Item 5.05 of Form 8-K with respect to certain amendments to, and waivers of the requirements of, the provisions of such codes of conduct applicable to the officers and persons referred to above by posting the required information on its website.

In addition to the certifications of the Company's Chief Executive Officer and Chief Financial Officer filed as exhibits to this Annual Report on Form 10-K, on June 9, 2014, the Company's Chief Executive Officer submitted to the New York Stock Exchange the annual certification regarding compliance with the NYSE's corporate governance listing standards required by Section 303A.12(a) of the NYSE Listed Company Manual.

Item 11. Executive Compensation.

The information contained under the headings "Director Compensation," "Compensation Committee Interlocks and Insider Participation," "Executive Compensation" and "Compensation Committee Report" in the definitive Proxy Statement for the Company's 2015 Annual Meeting of Stockholders is incorporated herein by reference thereto.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information contained under the heading "Stock Holdings of Certain Beneficial Owners and Management" in the definitive Proxy Statement for the Company's 2015 Annual Meeting of Stockholders is incorporated herein by reference thereto.

Item 13. Certain Relationships and Related Transactions and Director Independence.

The information contained under the headings "Transactions With Related Persons, Promoters and Certain Control Persons" and "Controlled Company" in the definitive Proxy Statement for the Company's 2015 Annual Meeting of Stockholders is incorporated herein by reference thereto.

Item 14. Principal Accounting Fees and Services.

The information contained under the heading “Audit Committee Report” in the definitive Proxy Statement for the Company’s 2015 Annual Meeting of Stockholders is incorporated herein by reference thereto.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

The following documents are filed as part of this report:

1. *Financial Statements.* As listed in the index to financial information on page 40 hereof.
2. *Exhibits.* As listed in the index to exhibits on page 97 hereof.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 27, 2015.

GRAHAM HOLDINGS COMPANY
(Registrant)

By /s/ Hal S. Jones

Hal S. Jones
Senior Vice President–Finance

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on February 27, 2015:

Donald E. Graham	Chairman of the Board, Chief Executive Officer (Principal Executive Officer) and Director
Hal S. Jones	Senior Vice President–Finance (Principal Financial Officer)
Wallace R. Cooney	Principal Accounting Officer
Lee C. Bollinger	Director
Christopher C. Davis	Director
Barry Diller	Director
Thomas S. Gayner	Director
Dave Goldberg	Director
Anne M. Mulcahy	Director
Ronald L. Olson	Director
Timothy J. O'Shaughnessy	Director
Larry D. Thompson	Director
G. Richard Wagoner, Jr.	Director
Katharine Weymouth	Director

By /s/ Hal S. Jones

Hal S. Jones
Attorney-in-Fact

An original power of attorney authorizing Donald E. Graham, Hal S. Jones and Veronica Dillon, and each of them, to sign all reports required to be filed by the Registrant pursuant to the Securities Exchange Act of 1934 on behalf of the above-named directors and officers has been filed with the Securities and Exchange Commission.

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All schedules have been omitted either because they are not applicable or because the required information is included in the Consolidated Financial Statements or the notes thereto referred to above.

This analysis should be read in conjunction with the Consolidated Financial Statements and the notes thereto.

OVERVIEW

Graham Holdings Company (the Company) is a diversified education and media company, with education as the largest business. Through its subsidiary Kaplan, Inc., the Company provides extensive worldwide education services for individuals, schools and businesses. The Company also operates principally in two areas of the media industry: cable and television broadcasting. Since November 2012, the Company has completed several acquisitions in home health services and manufacturing. The Company's business units are diverse and subject to different trends and risks.

The Company's education division is the largest operating division of the Company, accounting for about 61.1% of the Company's consolidated revenues in 2014. The Company has devoted significant resources and attention to this division for many years, given the attractiveness of investment opportunities and growth prospects during this time, as well as challenges related to government regulation. In recent years, Kaplan has formulated and implemented restructuring plans at many of its businesses, resulting in significant costs in order to establish lower cost levels in future periods. Kaplan will likely develop and implement additional restructuring plans as management continues to evaluate Kaplan's cost structure. Kaplan is organized into the following three operating segments: Kaplan Higher Education (KHE), Kaplan Test Preparation (KTP) and Kaplan International.

KHE is the largest segment of Kaplan, representing 47% of total Kaplan revenues in 2014. KHE's revenue declined in 2014, largely due to enrollment declines arising from generally lower demand, along with significant restructuring activities, including school closures. KHE's restructuring costs totaled $6.5 million in 2014. Operating income at KHE improved in 2014 due primarily to expense reductions from lower enrollments and restructuring activities.

While KTP revenues grew in 2014, operating results declined, due partly to $7.7 million in software asset write-offs.

Kaplan International reported revenue growth for 2014 due to enrollment growth in the pathways, English-language, Australia professional and Singapore higher education programs. Kaplan International results were up in 2014 due to improved results in Australia and Singapore, and lower restructuring costs.

Kaplan made three acquisitions in 2014, one acquisition in 2013 and three acquisitions in 2012. None of these was individually significant.

The cable division continues to focus on higher margin businesses, namely, high-speed data and business sales; it continues to make substantial capital investments. The cable division is also focused on retention of its high-value customers and churn reduction. In November, the Company announced a plan for a tax-free spin-off of the cable division, which is expected to be completed later in 2015.

The Company's television broadcasting division reported higher revenues and operating income in 2014 due primarily to significant political and Olympics-related advertising in 2014, as well as increased retransmission revenues.

With the recent Celtic Healthcare, Forney, Joyce/Dayton and Residential Healthcare acquisitions, the Company has invested in new lines of business from late 2012 through 2014.

The Company generates a significant amount of cash from its businesses that is used to support its operations, pay down debt and fund capital expenditures, share repurchases, dividends, acquisitions and other investments.

RESULTS OF OPERATIONS — 2014 COMPARED TO 2013

Net income attributable to common shares was $1,293.0 million ($195.03 per share) for the year ended December 31, 2014, compared to $236.0 million ($32.05 per share) for the year ended December 31, 2013. Net income includes $372.2 million ($56.15 per share) and $64.0 million ($8.69 per share) in income from discontinued operations for 2014 and 2013, respectively. Income from continuing operations attributable to common shares was $920.7 million ($138.88 per share) for 2014, compared to $172.0 million ($23.36 per share) for 2013.

In connection with the Berkshire exchange transaction that closed on June 30, 2014, the Company acquired 1,620,190 shares of its Class B common stock, resulting in 11% fewer diluted shares outstanding in 2014.

Items included in the Company's income from continuing operations for 2014 are listed below:

- $31.6 million in early retirement program expense and related charges, restructuring charges and software asset write-offs at the education division and the corporate office (after-tax impact of $20.2 million, or $3.05 per share);
- $17.3 million noncash intangible and other long-lived assets impairment charges at Kaplan and Other Businesses (after-tax impact of $11.2 million, or $1.69 per share);
- $396.6 million gain from the sale of Classified Ventures (after-tax impact of $249.8 million, or $37.68 per share);
- $90.9 million gain from the Classified Ventures' sale of apartments.com (after-tax impact of $58.2 million, or $8.78 per share);
- $266.7 million gain from the Berkshire exchange transaction (after-tax impact of $266.7 million, or $40.23 per share);
- $127.7 million gain on the sale of the corporate headquarters building (after-tax impact of $81.8 million, or $12.34 per share);
- $75.2 million gain from the sale of wireless licenses at the cable division (after-tax impact of $48.2 million, or $7.27 per share); and
- $11.1 million in non-operating unrealized foreign currency losses (after-tax impact of $7.1 million, or $1.08 per share).

Items included in the Company's income from continuing operations for 2013 are listed below:

- $36.4 million in severance and restructuring charges at the education division (after-tax impact of $25.3 million, or $3.46 per share);
- a $3.3 million noncash intangible assets impairment charge at Kaplan (after-tax impact of $3.2 million, or $0.44 per share);
- a $10.4 million write-down of a marketable equity security (after-tax impact of $6.7 million, or $0.91 per share); and
- $13.4 million in non-operating unrealized foreign currency losses (after-tax impact of $8.6 million, or $1.17 per share).

Revenue for 2014 was $3,535.2 million, up 4% from $3,407.9 million in 2013. Revenues increased at the television broadcasting division and in other businesses, offset by a small decline at the cable and education divisions.

In 2014, education revenue was flat, subscriber revenue decreased 1%, advertising revenue increased 11% and other revenue increased 60%. The flat revenue results at Kaplan account for the reported education revenue. Subscriber revenue declined slightly at the cable division. The increase in advertising revenue is due to increased television broadcasting revenue. The increase in other revenues is due primarily to the inclusion of revenues from businesses acquired in 2014 and 2013.

Operating costs and expenses for the year increased 1% to $3,127.2 million in 2014, from $3,088.7 million in 2013. Expenses were higher in other businesses and the television broadcasting division in 2014. This was offset by decreased costs at the education and cable divisions.

Operating income for 2014 increased to $407.9 million, from $319.2 million in 2013. Operating results improved at all reporting segments and benefited from an increase in the net pension credit.

On June 30, 2014, the Company and Berkshire Hathaway Inc. completed a transaction in which Berkshire acquired a wholly-owned subsidiary of the Company that included, among other things, WPLG, a Miami-based television station, 2,107 Class A Berkshire shares and 1,278 Class B Berkshire shares owned by Graham Holdings and $327.7 million in cash, in exchange for 1,620,190 shares of Graham Holdings Class B common stock owned by Berkshire Hathaway (Berkshire exchange transaction). As a result, income from continuing operations for 2014 includes a $266.7 million gain from the exchange of the Berkshire Hathaway shares, and income from discontinued operations for 2014 includes a $375.0 million gain from the WPLG exchange.

In November 2014, the Company announced that its Board of Directors authorized management to proceed with plans for the complete legal and structural separation of Cable ONE, Inc., a Graham Holdings subsidiary, from Graham Holdings. Following the proposed transaction, Cable ONE will be an independent, publicly traded company. The Company intends to complete the proposed transaction later in 2015. The proposed transaction will be structured as a tax-free spin-off of Cable ONE to the stockholders of the Company. The transaction is contingent on the satisfaction of a number of conditions, including completion of the review process by the Securities and Exchange Commission of required filings under applicable securities regulations, other applicable regulatory approvals and the final approval of transaction terms by the Company's Board of Directors.

On February 12, 2015, Kaplan entered into a Purchase and Sale Agreement with Education Corporation of America (ECA) to sell substantially all of the assets of its KHE Campuses business, consisting of 38 nationally accredited ground campuses, and certain related assets, in exchange for a preferred equity interest in ECA. The transaction is contingent upon certain regulatory and accrediting agency approvals and is expected to close in the second or third quarter of 2015.

DIVISION RESULTS

Education Division. Education division revenue in 2014 totaled $2,160.4 million, compared to revenue of $2,163.7 million in 2013. Kaplan reported operating income of $65.5 million for 2014, compared to $51.0 million in 2013. Kaplan's 2014 operating results in comparison to 2013 benefited from improvement in KHE and Kaplan International results, offset by increased intangible and other long-lived asset impairment charges.

In recent years, Kaplan has formulated and implemented restructuring plans at its various businesses that have resulted in significant costs in 2014 and 2013, with the objective of establishing lower cost levels in future periods. Across all businesses, restructuring costs and software asset write-offs totaled $16.8 million in 2014 and $36.4 million in 2013.

In the third quarter of 2014, Kaplan completed the sale of three of its schools in China that were previously part of Kaplan International. The sale of an additional school in China was completed in January 2015. Kaplan's operating results exclude these schools, which have been reclassified to discontinued operations for all periods presented.

A summary of Kaplan's operating results is as follows:

	Year Ended December 31		
(in thousands)	**2014**	2013	% Change
Revenue			
Higher education	**$1,010,058**	$1,080,908	(7)
Test preparation	**304,662**	293,201	4
Kaplan international	**840,915**	783,588	7
Kaplan corporate and other	**6,094**	7,990	(24)
Intersegment elimination	**(1,312)**	(1,953)	—
	$2,160,417	$2,163,734	—
Operating Income (Loss)			
Higher education	**$ 83,069**	$ 71,584	16
Test preparation	**(4,730)**	4,118	—
Kaplan international	**69,153**	51,653	34
Kaplan corporate and other	**(57,093)**	(64,948)	12
Amortization of intangible assets	**(7,738)**	(8,503)	9
Impairment of intangible and other long-lived assets	**(17,203)**	(3,250)	—
Intersegment elimination	**5**	335	—
	$ 65,463	$ 50,989	28

KHE includes Kaplan's domestic postsecondary education businesses, made up of fixed-facility colleges and online postsecondary and career programs. KHE also includes the domestic professional training and other continuing education businesses.

In 2012, KHE began implementing plans to close or merge 13 ground campuses, consolidate other facilities and reduce its workforce. The last two of these campus closures were completed in the second quarter of 2014. In April 2014, KHE announced plans to close two additional ground campuses, and in July 2014, KHE announced plans to close another three campuses. KHE is in the process of teaching out the current students, and the campus closures will be completed by the end of 2015. In July 2014, KHE also announced plans to further reduce its work force. In connection with these and other plans, KHE incurred $6.5 million and $19.5 million in restructuring costs from severance, accelerated depreciation, lease obligations and other items in 2014 and 2013, respectively.

In February 2015, Kaplan entered into a Purchase and Sale Agreement with ECA to sell substantially all of the assets of its KHE Campuses business. The transaction is contingent upon certain regulatory and accrediting agency approvals and is expected to close in the second or third quarter of 2015. In addition, in the fourth quarter of 2014, Kaplan recorded a $13.6 million other long-lived asset impairment charge in connection with its KHE Campuses business. KHE results include revenue and operating income (loss) related to the KHE Campuses business as follows:

	Year Ended December 31	
(in thousands)	**2014**	2013
Revenue	**$274,487**	$299,714
Operating income (loss)	**$ (12,500)**	$ (28,343)

In 2014, KHE revenue declined 7% due largely to declines in average enrollments at KHE campuses and at Kaplan University that reflect weaker market demand over the past year and lower average tuition. The declines were most pronounced at KHE's ground campuses due to the impact of campuses closed or in the process of closing, as well as weakness in demand for KHE's non-degree vocational programs. KHE operating income improved in 2014 due largely to expense reductions associated with lower enrollments and recent restructuring efforts and lower restructuring costs, partially offset by revenue declines and increased marketing spending at Kaplan University.

New student enrollments at KHE declined 3% in 2014 due to lower demand across KHE and the impact of campus closures. Total students at December 31, 2014, were down 6% compared to December 31, 2013. Excluding campuses closed or planned for closure, total students at December 31, 2014, were down 4% compared to December 31, 2013. A summary of student enrollments is as follows:

	As of December 31			Excluding Campuses Closing As of December 31		
	2014	2013	% Change	**2014**	2013	% Change
Kaplan University	**42,469**	42,816	(1)	**42,469**	42,816	(1)
Other Campuses	**14,266**	17,417	(18)	**14,045**	15,818	(11)
	56,735	60,233	(6)	**56,514**	58,634	(4)

Kaplan University and Other Campuses enrollments by certificate and degree programs, are as follows:

	As of December 31	
	2014	2013
Certificate	**20.6%**	21.7%
Associate's	**27.4%**	29.7%
Bachelor's	**34.2%**	32.3%
Master's	**17.8%**	16.3%
	100.0%	100.0%

KTP includes Kaplan's standardized test preparation programs. KTP revenue increased 4% in 2014. Excluding revenues from acquired businesses, KTP revenue increased 2% in 2014. KTP recorded a $7.7 million software asset write-off in the second quarter of 2014 due to a decision to consolidate certain learning management systems. KTP operating results declined in 2014 due to the software asset write-off and increased costs for newly acquired businesses.

Kaplan International includes English-language programs and postsecondary education and professional training businesses largely outside the United States. Kaplan International revenue increased 7% in 2014 due to enrollment growth in the pathways, English-language, Australia professional and Singapore higher education programs. Kaplan International operating income increased 34% in 2014 due primarily to improved results from operations in Australia and Singapore, and lower restructuring costs in 2014. Restructuring costs at Kaplan International totaled $0.2 million and $5.8 million in 2014 and 2013, respectively.

In 2014, Kaplan recorded $17.2 million in noncash intangible and other long-lived assets impairment charges in connection with businesses at KHE, KTP and Kaplan International. In 2013, Kaplan recorded $3.3 million in noncash intangible assets impairment charges primarily in connection with one of the businesses in Kaplan International.

Kaplan corporate represents unallocated expenses of Kaplan, Inc.'s corporate office, other minor businesses and certain shared activities. In 2013, $11.0 million in restructuring costs was recorded in connection with charges related to office space managed by Kaplan corporate.

Kaplan continues to evaluate its cost structure and is pursuing additional cost savings opportunities, including eliminating excess office capacity. This will likely result in additional restructuring plans and related costs in 2015.

Cable Division. Cable division revenue for 2014 declined 1% to $798.1 million, from $807.3 million in 2013 due to 4% fewer customers and 8% fewer Primary Service Units (PSUs). Operating expenses in 2014 declined 3%, from $637.6 million to $619.4 million in 2014. The expense declines are due to fewer customers and significantly reduced programming costs. Cable division operating income grew 5% to $178.7 million, from $169.7 million in 2013.

The cable division continues its focus on higher margin businesses, namely high-speed data and business sales. Residential high-speed data revenue increased 5.3% in 2014 on 2.5% customer growth, and business sales increased 18.5% on a 14.9% increase in business high-speed data customers. Overall, business sales comprised 8.9% of total revenue for 2014, compared with 7.4% of total revenue for

2013. Due to rapidly rising programming costs and shrinking margins, video sales now have less value and emphasis (video PSUs were down 16% from 2013) and programming costs have been reduced significantly. Effective April 1, 2014, the cable division elected not to renew its contract for Viacom networks.

The cable division also continues to focus on higher lifetime value customers who are less attracted by discounting, require less support and churn less. Operating income margins increased to 22.4% in 2014, from 21.0% in 2013.

A summary of PSUs and total customers is as follows:

	As of December 31	
	2014	2013
Video	**451,217**	538,894
High-speed data	**488,454**	472,631
Voice	**149,513**	169,181
Total Primary Service Units (PSUs)	**1,089,184**	1,180,706
Total Customers	**686,671**	712,910

PSUs include about 6,000 subscribers who receive free basic cable service, primarily local governments, schools and other organizations as required by various franchise agreements.

In July 2014, the cable division sold wireless spectrum licenses for $98.8 million; a pre-tax gain of $75.2 million was reported in the third quarter of 2014 in connection with these sales. The licenses had been purchased in the 2006 AWS auction.

Television Broadcasting Division. Revenue for the television broadcasting division increased 18% to $363.8 million in 2014, from $308.3 million in 2013; operating income for 2014 was up 29% to $187.8 million, from $145.2 million in 2013. The increase in revenue and operating income is due to a $31.8 million increase in political advertising revenue, $9.5 million in incremental winter Olympics-related advertising revenue at the Company's NBC affiliates and $18.6 million in increased retransmission revenues. Operating margin at the television broadcasting division was 52% in 2014 and 47% in 2013.

Competitive market position remained strong for the Company's television stations. KSAT in San Antonio and WJXT in Jacksonville ranked number one in the November 2014 ratings period, Monday through Friday, sign-on to sign-off; WDIV in Detroit ranked second, and KPRC in Houston and WKMG in Orlando ranked third.

In November 2014, the television broadcasting division acquired SocialNewsDesk, a market-leading software-based technology platform created by journalists to help newsroom and content producers publish, manage and monetize social media.

As a result of the Berkshire exchange transaction discussed above, the television broadcasting operating results exclude WPLG, the Company's Miami-based television station, which has been reclassified to discontinued operations for all periods presented.

Other Businesses. Other businesses includes the operating results of The Slate Group and Foreign Policy Group, which publish online and print magazines and websites; SocialCode, a marketing solutions provider helping companies with marketing on social-media platforms; Celtic Healthcare, a provider of home health and hospice services; Forney, a global supplier of products and systems that control and monitor combustion processes in electric utility and industrial applications, acquired by the Company in August 2013; and Trove, a digital innovation team that builds products and technologies in the news space. Other businesses also includes a number of businesses acquired in 2014.

In April 2014, Celtic Healthcare, Inc. (Celtic) acquired the assets of VNA-TIP Healthcare of Bridgeton, MO. This acquisition has expanded Celtic's home health and hospice service areas from Pennsylvania and Maryland to the Missouri and Illinois regions. The operating results of VNA-TIP are included in other businesses from the date of acquisition in the second quarter of 2014. In January 2015, Celtic and Allegheny Health Network (AHN) closed on the formation of a joint venture to combine each other's home health and hospice assets in the western Pennsylvania region. Although Celtic will manage the operations of the joint venture, Celtic holds a 40% interest in the joint venture, so the operating results of the joint venture will not be consolidated and the pro rata operating results will be included in the Company's equity in earnings of affiliates in the future. Celtic's revenues from the western Pennsylvania region that now are part of the joint venture made up 29% of total Celtic revenues in 2014.

On May 30, 2014, the Company acquired Joyce/Dayton Corp. (Joyce/Dayton), a Dayton, OH-based manufacturer of screw jacks and other linear motion systems. The operating results of Joyce/Dayton are included in other businesses from the date of acquisition in the second quarter of 2014.

On July 3, 2014, the Company acquired a majority interest in Residential Healthcare Group, Inc. (Residential), the parent company of Residential Home Health and Residential Hospice, leading providers of skilled home health and hospice services in Michigan and Illinois. The operating results of Residential are included in Other Businesses from the date of acquisition in the third quarter of 2014. Since Residential owns a minority interest in the Illinois operations it manages, the operating results of the Illinois operations are not being consolidated and the pro rata operating results are included in the Company's equity in earnings of affiliates.

The increase in revenues for 2014 is due primarily to the inclusion of revenues from the businesses acquired in 2014 and 2013. The improvement in operating results in 2014 is due to improved results at SocialCode. This improvement was partially offset by increased amortization expense, and acquisition-related costs and other integration expenses incurred in conjunction with the VNA-TIP Healthcare acquisition.

Corporate Office. Corporate office includes the expenses of the Company's corporate office, the pension credit for the Company's traditional defined benefit plan and certain continuing obligations related to prior business dispositions. In the first quarter of 2014, the corporate office implemented a Separation Incentive Program that resulted in early retirement program expense of $4.5 million, which is being funded from the assets of the Company's pension plan. In the third quarter of 2014, the acceptance period for the Voluntary Retirement Incentive Program (VRIP) ended and the Company recorded $10.3 million in early retirement program expense and other related charges, a portion of which is being funded from the assets of the Company's pension plan. Excluding early retirement program expense, the total pension credit for the Company's traditional defined benefit plan was $91.2 million and $42.7 million for 2014 and 2013, respectively.

Excluding the pension credit, early retirement program expense and other related charges, corporate office expenses increased in 2014 due to higher compensation costs, expenses related to acquisitions, the Berkshire exchange transaction and the cable spin-off, and incremental costs associated with the corporate office headquarters move to Arlington, VA.

Equity in Earnings of Affiliates. At September 30, 2014, the Company held a 16.5% interest in Classified Ventures, LLC (CV) and interests in several other affiliates. On October 1, 2014, the Company and the remaining partners in CV completed the sale of their entire stakes in CV. Total proceeds to the Company, net of transaction costs, were $408.5 million, of which $16.5 million will be held in escrow until October 1, 2015. The Company recorded a pre-tax non-operating gain of $396.6 million in connection with the sale in the fourth quarter of 2014.

The Company's equity in earnings of affiliates, net, for 2014 was $100.4 million, compared to $13.2 million in 2013. The 2014 results include a pre-tax gain of $90.9 million from the CV sale of apartments.com in the second quarter of 2014.

Other Non-Operating Income (Expense). The Company recorded other non-operating income, net, of $853.3 million in 2014, compared to expense of $23.8 million in 2013.

The 2014 non-operating income, net, included a fourth quarter pre-tax gain of $396.6 million on the sale of CV, the pre-tax gain of $266.7 million in connection with the Company's exchange of Berkshire shares, a pre-tax gain of $127.7 million on the sale of the headquarters building, a $75.2 million pre-tax gain on the sale of wireless licenses, $11.1 million in unrealized foreign currency losses and other items. The 2013 non-operating expense, net, included a $10.4 million write-down of a marketable equity security, $13.4 million in unrealized foreign currency losses and other items.

Net Interest Expense. The Company incurred net interest expense of $34.5 million in 2014, compared to $33.8 million in 2013. At December 31, 2014, the Company had $445.9 million in borrowings outstanding at an average interest rate of 7.1%; at December 31, 2013, the Company had $450.8 million in borrowings outstanding at an average interest rate of 7.0%.

Provision for Income Taxes. The effective tax rate for income from continuing operations in 2014 was 30.6%. The lower effective tax rate in 2014 largely relates to the Berkshire exchange transaction. The pre-tax gain of $266.7 million related to the disposition of the Berkshire shares was not subject to income tax as the exchange qualifies as a tax-free transaction.

The effective tax rate for income from continuing operations in 2013 was 36.9%. This effective tax rate benefited from lower state taxes and lower rates in jurisdictions outside the United States, offset by $4.6 million in net state and non-U.S. valuation allowances provided against deferred income tax benefits where realization is doubtful.

Discontinued Operations. On June 30, 2014, the Company and Berkshire Hathaway Inc. completed the Berkshire exchange transaction. A gain of $375.0 million was recorded in discontinued operations in connection with the disposition of WPLG, a Miami-based television station. This gain is not subject to income tax.

In the third quarter of 2014, Kaplan completed the sale of three of its schools in China that were previously part of Kaplan International. An additional school in China was sold by Kaplan in January 2015.

On October 1, 2013, the Company completed the sale of its newspaper publishing businesses for $250.0 million. The related publishing businesses sold include The Washington Post, Express, The Gazette Newspapers, Southern Maryland Newspapers, Greater Washington Publishing, Fairfax County Times, El Tiempo Latino and related websites (Publishing Subsidiaries). In the fourth quarter of 2013, a pre-tax gain of $157.5 million was recorded in discontinued operations on the sale ($100.0 million after-tax gain).

In March 2013, the Company sold The Herald, a daily newspaper headquartered in Everett, WA.

As a result of these transactions, income from continuing operations excludes the operating results and related net gain on dispositions of these businesses, which have been reclassified to discontinued operations, net of tax, for all periods presented.

RESULTS OF OPERATIONS — 2013 COMPARED TO 2012

Net income attributable to common shares was $236.0 million ($32.05 per share) for the year ended December 31, 2013, compared to $131.2 million ($17.39 per share) for the year ended December 31, 2012. Net income includes $64.0 million ($8.69 per share) and $80.9 million ($10.99 per share) in income from discontinued operations for 2013 and 2012, respectively. Income from continuing operations attributable to common shares was $172.0 million ($23.36 per share) for 2013, compared to $50.3 million ($6.40 per share) for 2012.

Items included in the Company's income from continuing operations for 2013 are listed below:

- $36.4 million in severance and restructuring charges at the education division (after-tax impact of $25.3 million, or $3.46 per share);
- a $3.3 million noncash intangible assets impairment charge at Kaplan (after-tax impact of $3.2 million, or $0.44 per share);
- a $10.4 million write-down of a marketable equity security (after-tax impact of $6.7 million, or $0.91 per share); and
- $13.4 million in non-operating unrealized foreign currency losses (after-tax impact of $8.6 million, or $1.17 per share).

Items included in the Company's income from continuing operations for 2012 are listed below:

- $111.6 million noncash goodwill and other long-lived assets impairment charge at KTP (after-tax impact of $81.9 million, or $11.33 per share);
- $45.2 million in severance and restructuring charges at the education division (after-tax impact of $32.9 million, or $4.53 per share);
- an $18.0 million write-down of a marketable equity security (after-tax impact of $11.2 million, or $1.54 per share);
- a $5.8 million gain on the sale of a cost method investment (after-tax impact of $3.7 million, or $0.48 per share); and
- $3.1 million in non-operating unrealized foreign currency gains (after-tax impact of $2.0 million, or $0.27 per share).

Revenue for 2013 was $3,407.9 million, up 1% from $3,372.6 million in 2012. Revenues increased at the cable division and in other businesses, offset by declines at the television broadcasting and education divisions.

In 2013, education revenue decreased 1%, subscriber revenue increased 3%, advertising revenue decreased 8% and other revenue increased 51%. Revenue declines at Kaplan accounted for the decrease in education revenue. Subscriber revenue increased at the cable division. The decrease in advertising revenue is due to decreased television broadcasting revenue. The increase in other revenue is due to growth at SocialCode and Slate, and from the Celtic and Forney acquisitions.

Operating costs and expenses for the year declined to $3,088.7 million in 2013, from $3,224.0 million in 2012. Excluding the noncash intangible assets impairment charge at Kaplan, overall costs at Kaplan declined in 2013 and expenses were lower at the television broadcasting division. This was offset by increased costs at the cable division, along with higher expenses in other businesses.

Operating income for 2013 increased to $319.2 million, from $148.6 million in 2012. Operating results improved at the education and cable divisions, offset by a decline at the television broadcasting division.

DIVISION RESULTS

Education Division. Education division revenue in 2013 totaled $2,163.7 million, a 1% decline from $2,184.5 million in 2012. Kaplan reported operating income of $51.0 million for 2013, compared to an operating loss of $106.4 million in 2012. Kaplan's 2013 operating results in comparison to 2012 benefited from strong improvement in KHE and KTP results, and a $111.6 million noncash goodwill and other long-lived assets impairment charge related to KTP, recorded in the fourth quarter of 2012.

In response to student demand levels, Kaplan has formulated and implemented restructuring plans at its various businesses that have resulted in significant costs in 2013 and 2012, with the objective of establishing lower cost levels in future periods. Across all businesses, restructuring costs totaled $36.4 million in 2013 and $45.2 million in 2012.

A summary of Kaplan's operating results is as follows:

	Year Ended December 31		
(in thousands)	2013	2012	% Change
Revenue			
Higher education	$1,080,908	$1,149,407	(6)
Test preparation	293,201	284,252	3
Kaplan international	783,588	741,826	6
Kaplan corporate and other	7,990	15,039	(47)
Intersegment elimination	(1,953)	(5,992)	—
	$2,163,734	$2,184,532	(1)
Operating Income (Loss)			
Higher education	$ 71,584	$ 27,245	—
Test preparation	4,118	(10,799)	—
Kaplan international	51,653	47,120	10
Kaplan corporate and other	(64,948)	(43,160)	(50)
Amortization of intangible assets	(8,503)	(16,283)	48
Impairment of goodwill and other long-lived assets	(3,250)	(111,593)	97
Intersegment elimination	335	1,046	—
	$ 50,989	$ (106,424)	—

KHE includes Kaplan's domestic postsecondary education businesses, made up of fixed-facility colleges and online postsecondary and career programs. KHE also includes the domestic professional training and other continuing education businesses.

In 2012, KHE began implementing plans to close or merge 13 ground campuses, consolidate other facilities and reduce its workforce. In connection with these and other plans, KHE incurred $19.5 million and $23.4 million in restructuring costs primarily from accelerated depreciation and severance and lease obligations in 2013 and 2012, respectively. At the end of 2013, the KHE campus closures or mergers had been largely completed, with two remaining campus closures to be completed in the first half of 2014.

In 2013, KHE revenue declined 6% due largely to declines in average enrollments, which reflect weaker market demand over the past year, and the impact of campuses closed or in the process of closing. Operating income increased significantly for 2013 due primarily to expense reductions associated with lower enrollments and recent restructuring efforts.

New student enrollments at Kaplan University and Other Campuses increased 4% in 2013 due to the positive impact of trial period modifications and process improvements, offset by the impact of campus closures. However, total students at December 31, 2013, were down 8% compared to December 31, 2012. Excluding campuses closed or planned for closure, total students at December 31, 2013, were down 5% compared to December 31, 2012. The increase in new enrollments was offset by a reduction in the number of continuing students. A summary of student enrollments is a follows:

	As of December 31			Excluding Campuses Closing As of December 31		
	2013	2012	% Change	2013	2012	% Change
Kaplan University	42,816	44,371	(4)	42,816	44,371	(4)
Other Campuses	17,417	21,099	(17)	15,818	17,490	(10)
	60,233	65,470	(8)	58,634	61,861	(5)

Kaplan University and Other Campuses enrollments by certificate and degree programs, were as follows:

	As of December 31	
	2013	2012
Certificate	21.7%	23.2%
Associate's	29.7%	29.1%
Bachelor's	32.3%	33.8%
Master's	16.3%	13.9%
	100.0%	100.0%

KTP includes Kaplan's standardized test preparation programs. KTP revenue increased 3% in 2013. Although total enrollment declined 3% for 2013, declines in revenue from graduate programs were offset by growth in medical and bar review programs and other products. KTP operating results improved in 2013 due to the increase in revenues and lower costs.

In the fourth quarter of 2012, Kaplan recorded a $111.6 million noncash goodwill and other long-lived assets impairment charge in connection with KTP. This impairment charge was determined as part of the Company's 2012 annual goodwill and intangible assets impairment testing.

Kaplan International includes English-language programs and postsecondary education and professional training businesses largely outside the United States. Kaplan International revenue increased 6% in 2013 due to enrollment growth in the pathways, English-language and Singapore higher education programs.

Kaplan International operating income increased in 2013 due largely to a reduction in operating losses in Australia from lower restructuring costs, and improved results in Singapore. These increases were offset by reduced earnings in professional training and increased investment to support growth in English-language programs. Restructuring costs at Kaplan International totaled $5.8 million and $16.4 million in 2013 and 2012, respectively. These restructuring costs were largely in Australia and included lease obligations, accelerated depreciation and severance charges; the restructuring plan in Australia has now been completed.

In 2013, Kaplan recorded $3.3 million in noncash intangible assets impairment charges primarily in connection with one of the businesses in Kaplan International.

Corporate represents unallocated expenses of Kaplan, Inc.'s corporate office, other minor businesses and certain shared activities.

In 2013, $11.0 million in restructuring costs was recorded in connection with charges related to office space managed by Kaplan corporate. In 2012, $2.6 million in restructuring costs was included in amortization of intangible assets, largely from accelerated intangible asset amortization associated with changes to business operations in Australia.

Cable Division. Cable division revenue for 2013 increased 3% to $807.3 million, from $787.1 million in 2012. The revenue increase in 2013 is due to recent rate increases for a substantial portion of subscribers, growth in business sales and a reduction in promotional discounts. The increase was offset by a decline in video subscribers, as the cable division focuses its efforts on churn reduction and retention of its high-value subscribers.

Cable division operating income in 2013 increased 10% to $169.7 million, from $154.6 million in 2012, due primarily to increased revenues, partially offset by higher programming costs. Operating margin at the cable division was 21% in 2013 and 20% in 2012.

At December 31, 2013, PSUs were down 4% from the prior year due to a decline in video subscribers. A summary of PSUs is as follows:

	As of December 31	
	2013	2012
Video	538,894	593,615
High-speed data	472,631	459,235
Voice	169,181	178,922
Total	1,180,706	1,231,772

PSUs include about 6,300 subscribers who receive free video cable service, primarily local governments, schools and other organizations as required by various franchise agreements.

Television Broadcasting Division. Revenue for the television broadcasting division decreased 6% to $308.3 million in 2013, from $328.4 million in 2012. Television broadcasting division operating income for 2013 decreased 10% to $145.2 million, from $162.1 million in 2012.

The decline in revenue and operating income for 2013 is due to a $42.0 million decrease in political advertising revenue and $10.8 million in incremental summer Olympics-related advertising at the Company's NBC affiliates in the third quarter of 2012. The decline in revenue and operating income was partially offset by increased retransmission revenues. Operating margin at the television broadcasting division was 47% in 2013 and 49% in 2012.

Competitive market position remained strong for the Company's television stations. KSAT in San Antonio and WJXT in Jacksonville ranked number one in the November 2013 ratings period, Monday through Friday, sign-on to sign-off; WDIV in Detroit and WKMG in Orlando ranked second, and KPRC in Houston ranked second (Anglo stations).

Other Businesses. Other businesses includes the operating results of The Slate Group and Foreign Policy Group, which publish online and print magazines and websites; SocialCode, a marketing solutions provider helping companies with marketing on social-media platforms; Celtic, a provider of home health and hospice services in the northeastern and mid-Atlantic regions, acquired by the Company in November 2012; Forney, a global supplier of products and systems that control and monitor combustion processes in electric utility and industrial applications, acquired by the Company in August 2013; and Trove, a digital team focused on emerging technologies and new product development.

The revenue increase of 77% in other businesses for 2013 is due to growth at SocialCode and Slate and revenue from the Company's recently acquired Celtic and Forney businesses.

Corporate Office. Corporate office includes the expenses of the Company's corporate office as well as a net pension credit. Corporate office also includes the current and historical pension and postretirement benefits expense for retirees of the newspaper publishing businesses that were sold since the associated assets and liabilities are being retained by the Company.

In November 2013, the Company announced that its headquarters building was to be sold for approximately $159 million.

Equity in Earnings of Affiliates. The Company holds a 16.5% interest in Classified Ventures, LLC and interests in several other affiliates.

The Company's equity in earnings of affiliates, net, for 2013 was $13.2 million, compared to $14.1 million in 2012.

Other Non-Operating (Expense) Income. The Company recorded other non-operating expense, net, of $23.8 million in 2013, compared to $5.5 million in 2012.

The 2013 non-operating expense, net, included a $10.4 million write-down of a marketable equity security, $13.4 million in unrealized foreign currency losses and other items. The 2012 non-operating expense, net, included an $18.0 million write-down of a marketable equity security, offset by $6.6 million in net gains from cost method investments, $3.1 million in unrealized foreign currency gains and other items.

During 2013, on an overall basis, the fair value of the Company's marketable securities appreciated by $96.3 million.

Net Interest Expense. The Company incurred net interest expense of $33.8 million in 2013, compared to $32.6 million in 2012. At December 31, 2013, the Company had $450.8 million in borrowings outstanding at an average interest rate of 7.0%; at December 31, 2012, the Company had $696.7 million in borrowings outstanding at an average interest rate of 5.1%.

Provision for Income Taxes. The effective tax rate for income from continuing operations in 2013 was 36.9%. This effective tax rate benefited from lower state taxes and lower rates in jurisdictions outside the United States, offset by $4.6 million in net state and non-U.S. valuation allowances provided against deferred income tax benefits where realization is doubtful.

The effective tax rate for income from continuing operations in 2012 was 58.9%. This effective tax rate was adversely impacted by $12.8 million from nondeductible goodwill in connection with an impairment charge recorded in 2012, and $12.5 million in net state and non-U.S. valuation allowances provided against deferred income tax benefits where realization is doubtful, offset by tax benefits from lower rates in jurisdictions outside the United States.

Discontinued Operations. On June 30, 2014, the Company and Berkshire Hathaway Inc. completed the Berkshire exchange transaction that included the disposition of WPLG, a Miami-based television station.

In the third quarter of 2014, Kaplan completed the sale of three of its schools in China that were previously part of Kaplan International. An additional school in China was sold by Kaplan in January 2015.

On October 1, 2013, the Company completed the sale of its newspaper publishing businesses for $250.0 million. The related publishing businesses sold include The Washington Post, Express, The Gazette Newspapers, Southern Maryland Newspapers, Greater Washington Publishing, Fairfax County Times, El Tiempo Latino and related websites (Publishing Subsidiaries). In the fourth quarter of 2013, a pre-tax gain of $157.5 million was recorded in discontinued operations on the sale ($100.0 million after-tax gain).

In March 2013, the Company sold The Herald. Kaplan sold Kidum in August 2012, EduNeering in April 2012 and Kaplan Learning Technologies (KLT) in February 2012. In addition, the Company divested its interest in Avenue100 Media Solutions in July 2012.

Consequently, income from continuing operations excludes the operating results and related net gains on disposition of these businesses, which have been reclassified to discontinued operations, net of tax, for all periods presented.

FINANCIAL CONDITION: CAPITAL RESOURCES AND LIQUIDITY

Acquisitions, Dispositions and Exchanges

Acquisitions. The Company completed business acquisitions totaling approximately $210.2 million in 2014; $23.8 million in 2013; and $55.6 million in 2012. The assets and liabilities of the companies acquired have been recorded at their estimated fair values at the date of acquisition.

During 2014, the Company acquired nine businesses. On April 1, 2014, Celtic acquired VNA-TIP Healthcare, a provider of home health and hospice services in Missouri and Illinois. On May 30, 2014, the Company completed its acquisition of Joyce/Dayton, a Dayton, OH-based manufacturer of screw jacks and other linear motion systems. On July 3, 2014, the Company completed its acquisition of an 80% interest in Residential, the parent company of Residential Home Health and Residential Hospice, providers of skilled home health care and hospice services in Michigan and Illinois. Residential has a 40% ownership interest in Residential Home Health Illinois and a 42.5% ownership interest in Residential Hospice Illinois, which are accounted for as investments in affiliates. The fair value of the redeemable noncontrolling interest in Residential was $17.1 million at the acquisition date, determined using a market approach. The minority shareholders have an option to put their shares to the Company starting in 2017, and the Company has an option to buy the shares of some minority shareholders in 2020 and those of the remaining minority shareholders in 2024. The operating results of these businesses are included in other businesses. The Company also acquired three small businesses in its education division, one small business in its broadcasting division and two small businesses in other businesses. The purchase price allocation mostly comprised goodwill, other intangible assets and other current assets on a preliminary basis.

During 2013, the Company acquired six businesses. On August 1, 2013, the Company completed its acquisition of Forney Corporation, a global supplier of products and systems that control and monitor combustion processes in electric utility and industrial applications. The operating results for Forney are included in other businesses. The Company also acquired four small businesses in other businesses and one small business in its education division. In the second quarter of 2013, Kaplan purchased the remaining 15% noncontrolling interest in Kaplan China; this additional interest was accounted for as an equity transaction. The purchase price allocations mostly comprised goodwill, other intangible assets and current assets.

During 2012, the Company completed five business acquisitions. In November 2012, the Company completed its acquisition of a controlling interest in Celtic, a provider of home health care and hospice services in the northeastern and mid-Atlantic regions. The operating results of Celtic are included in other businesses. The fair value of the noncontrolling interest in Celtic was $5.9 million at the acquisition date, determined using a market approach. The minority shareholder has an option to put their shares to the Company from 2018 to 2022, and the Company has an option to buy the shares of the minority shareholder in 2022. The Company also acquired three small businesses in its education division and one small business in other businesses. The purchase price allocations mostly comprised goodwill and other intangible assets.

Dispositions. In the third quarter of 2014, Kaplan completed the sale of three of its schools in China that were previously included as part of Kaplan International. In January 2015, Kaplan completed the sale of an additional school in China.

On October 1, 2013, the Company completed the sale of its Publishing Subsidiaries that together conducted most of the Company's publishing business and related services, including publishing The Washington Post, Express, The Gazette Newspapers, Southern Maryland Newspapers, Greater Washington Publishing, Fairfax County Times, El Tiempo Latino and related websites. In March 2013, the Company completed the sale of The Herald, a daily and Sunday newspaper headquartered in Everett, WA.

The Company divested its interest in Avenue100 Media Solutions in July 2012, which was previously reported in other businesses. Kaplan completed the sales of Kidum in August 2012, EduNeering in April 2012 and KLT in February 2012.

On February 12, 2015, Kaplan entered into a Purchase and Sale Agreement with Education Corporation of America (ECA) to sell substantially all of the assets of its KHE Campuses business, consisting of 38 nationally accredited ground campuses and certain related assets, in exchange for a preferred equity interest in ECA. The transaction is contingent upon certain regulatory and accrediting agency approvals and is expected to close in the second or third quarter of 2015. In 2014, the KHE Campuses business had revenues of approximately $275 million and operating losses of $12.5 million. The Company expects to report a pre-tax loss on the transaction that is not material to the Company's overall financial position.

Exchanges. On June 30, 2014, the Company and Berkshire Hathaway Inc. completed a previously announced transaction in which Berkshire acquired a wholly-owned subsidiary of the Company that included, among other things, WPLG, a Miami-based television station, 2,107 Class A Berkshire shares and 1,278 Class B Berkshire shares owned by Graham Holdings and $327.7 million in cash, in exchange for 1,620,190 shares of Graham Holdings Class B common stock owned by Berkshire Hathaway (Berkshire exchange transaction). As a result, income from continuing operations for the second quarter of 2014 includes a $266.7 million gain from the sale of the Berkshire Hathaway shares, and income from discontinued operations for the second quarter of 2014 includes a $375.0 million gain from the WPLG exchange.

The Company's income from continuing operations excludes results from the businesses described in dispositions and exchanges above, which have been reclassified to discontinued operations (see Note 3).

Capital Expenditures. During 2014, the Company's capital expenditures totaled $223.6 million. The Company's capital expenditures for businesses included in continuing operations for 2014, 2013 and 2012 are disclosed in Note 19 to the Consolidated Financial Statements. These amounts include assets acquired during the year, whereas the amounts reflected in the Company's Statements of Cash Flows are based on cash payments made during the relevant periods. The Company estimates that its capital expenditures will be in the range of $225 million to $250 million in 2015, including a full-year estimate for the Cable division.

Investments in Marketable Equity Securities. At December 31, 2014, the fair value of the Company's investments in marketable equity securities was $193.8 million, which includes $87.7 million in Berkshire Hathaway Inc. Class A and B common stock and $106.1 million in the common stock of four other publicly traded companies.

At December 31, 2013, the unrealized gain related to the Company's Berkshire stock investment totaled $286.9 million. On June 30, 2014, the Company completed a transaction with Berkshire, as described in Note 7, that included the exchange of 2,107 Class A Berkshire shares and 1,278 Class B Berkshire shares owned by the Company; a $266.7 million gain was recorded.

At the end of 2013 and 2012, the Company's investment in Strayer Education, Inc. had been in an unrealized loss position for about six months. The Company evaluated this investment for other-than-temporary impairment based on various factors, including the duration and severity of the unrealized loss, the reason for the decline in value, the potential recovery period and the Company's ability and intent to hold the investment. Based on this evaluation, the Company concluded that the unrealized loss was other-than-temporary and recorded a $10.4 million and an $18.0 million write-down of the investment in 2013 and 2012, respectively.

Common Stock Repurchases and Dividend Rate. As part of the exchange transaction with Berkshire Hathaway, the Company acquired 1,620,190 shares of its Class B common stock at a cost of approximately $1,165.4 million. During 2013 and 2012, the Company purchased a total of 33,024 and 301,231 shares, respectively, of its Class B common stock at a cost of approximately $17.7 million and $103.2 million, respectively. In September 2011, the Board of Directors increased the authorization to repurchase a total of 750,000 shares of Class B common stock. The Company did not announce a ceiling price or a time limit for the purchases. The authorization included 43,573 shares that remained under the previous authorization. At December 31, 2014, the Company had remaining authorization from the Board of Directors to purchase up to 159,219 shares of Class B common stock. Shares acquired as part of the exchange transaction received separate authorization by the Company's Board of Directors. The annual dividend rate for 2015 was increased to $10.60 per share, up from $10.20 in 2014. No dividends were paid in 2013.

Liquidity. During 2014, the Company's cash and cash equivalents increased by $204.3 million and the Company's borrowings decreased by $4.9 million.

At December 31, 2014, the Company has $772.8 million in cash and cash equivalents, compared to $569.7 million at December 31, 2013. Restricted cash at December 31, 2014, totaled $24.9 million, compared to $83.8 million at December 31, 2013. As of December 31, 2014 and 2013, the Company had commercial paper and money market investments of $594.3 million and $431.8 million, respectively, that are classified as cash, cash equivalents and restricted cash in the Company's Consolidated Financial Statements. At December 31, 2014, the Company has approximately $5.1 million in cash and cash equivalents in countries outside the U.S., which is not immediately available for use in operations or for distribution.

At December 31, 2014 and 2013, the Company had borrowings outstanding of $445.9 million and $450.8 million, respectively. The Company's borrowings at December 31, 2014 and 2013, are mostly from $400.0 million of 7.25% unsecured notes due February 1, 2019, and AUD 50 million revolving credit borrowings; the interest on $400.0 million of 7.25% unsecured notes is payable semiannually on February 1 and August 1. The Company did not have any outstanding commercial paper borrowing or USD revolving credit borrowing as of December 31, 2014 and 2013. The Company intends to pay off the AUD 50 million debt in March 2015. The Company also intends to retire the Series A redeemable preferred stock in October 2015.

The Company expects to receive a dividend of about $450 million on or around the effective date of the cable spin-off transaction later in 2015.

On June 17, 2011, the Company entered into a credit agreement (the Credit Agreement) providing for a U.S. $450 million, AUD 50 million four-year revolving credit facility (the Facility) with each of the lenders party thereto, JPMorgan Chase Bank, N.A. as Administrative Agent, and J.P. Morgan Australia Limited as Australian Sub-Agent. The Credit Agreement provides for an option to increase the total U.S. dollar commitments up to an aggregate amount of U.S. $700 million. The Facility will expire on June 17, 2015, unless the Company and the banks agree to extend the term. The Company expects to replace the revolving credit facility with a new revolving credit facility in 2015.

On September 7, 2011, the Company borrowed AUD 50 million under its revolving credit facility. On the same date, the Company entered into interest rate swap agreements with a total notional value of AUD 50 million and a maturity date of March 7, 2015. These interest rate swap agreements will pay the Company variable interest on the AUD 50 million notional amount at the three-month bank bill rate, and the Company will pay the counterparties a fixed rate of 4.5275%. These interest rate swap agreements were entered into to convert the variable rate Australian dollar borrowing under the revolving credit facility into a fixed-rate borrowing. Based on the terms of the interest rate swap agreements and the underlying borrowing, these interest rate swap agreements were determined to be effective and thus qualify as a cash flow hedge. As such, any changes in the fair value of these interest rate swaps are recorded in other comprehensive income on the accompanying condensed consolidated balance sheets until earnings are affected by the variability of cash flows.

In September 2013, Standard & Poor's affirmed the Company's "BBB" long-term corporate debt rating and changed the outlook from Negative to Stable. In addition, S&P upgraded the Company's short-term corporate debt rating from "A-3" to "A-2." On March 12, 2014, Moody's placed the Company's senior unsecured rating and its Prime-2 commercial paper rating on review for downgrade. On June 26, 2014, Moody's downgraded the Company's long-term credit ratings by two levels from "Baa1" to "Baa3" and downgraded the short-term rating by one level from Prime-2 to Prime-3 and changed the outlook to stable. In November 2014, S&P placed the Company's "BBB" corporate credit rating and "A-2" commercial paper rating on Credit Watch with negative implications, and Moody's placed the Company's "Baa3" senior unsecured rating under review for possible downgrade. The Company's current credit ratings are as follows:

	Moody's	Standard & Poor's
Long-term	Baa3	BBB
Short-term	Prime-3	A-2

During 2014 and 2013, the Company had average borrowings outstanding of approximately $450.9 million and $471.4 million, respectively, at average annual interest rates of approximately 7.0% and 6.7%, respectively. The Company incurred net interest expense of $34.5 million and $33.8 million, respectively, during 2014 and 2013.

At December 31, 2014 and 2013, the Company had working capital of $639.9 million and $768.3 million, respectively. The Company maintains working capital levels consistent with its underlying business requirements and consistently generates cash from operations in excess of required interest or principal payments.

The Company's net cash provided by operating activities, as reported in the Company's Consolidated Statements of Cash Flows, was $372.4 million in 2014, compared to $310.2 million in 2013.

On March 27, 2014, the Company completed the sale of its headquarters building for approximately $158.0 million. On April 1, 2014, the Company received a gross cash distribution of $95.0 million from Classified Ventures' sale of apartments.com.

On June 30, 2014, the Company and Berkshire Hathaway Inc. completed a previously announced transaction in which Berkshire acquired a wholly-owned subsidiary of the Company that included WPLG, a Miami-based television station, 2,107 Class A Berkshire shares and 1,278 Class B Berkshire shares owned by Graham

Holdings and $327.7 million in cash, in exchange for 1,620,190 shares of Graham Holdings Class B common stock owned by Berkshire Hathaway (Berkshire exchange transaction).

In July 2014, the cable division sold its wireless spectrum licenses for $98.8 million.

On October 1, 2014, the Company and the remaining partners completed the sale of their entire stakes in Classified Ventures. Total proceeds to the Company, net of transaction costs, were $408.5 million, of which $16.5 million will be held in escrow until October 1, 2015. The Company recorded a pre-tax gain of $396.6 million on the sale of its interest in Classified Ventures in the fourth quarter of 2014.

The Company expects to fund its estimated capital needs primarily through existing cash balances and internally generated funds and, to a lesser extent, borrowings under its revolving credit facility. In management's opinion, the Company will have ample liquidity to meet its various cash needs in 2015.

The following reflects a summary of the Company's contractual obligations as of December 31, 2014:

(in thousands)	2015	2016	2017	2018	2019	Thereafter	Total
Debt and interest	$ 75,882	$ 29,000	$ 29,000	$ 29,000	$414,500	$ —	$ 577,382
Programming purchase commitments(1)	180,987	138,386	66,737	59,184	61,035	61,048	567,377
Operating leases(2) . . .	122,527	115,772	101,638	83,628	66,966	347,329	837,860
Other purchase obligations(3)	109,624	50,568	19,041	8,470	4,150	5,805	197,658
Long-term liabilities(4)	6,606	6,438	6,290	5,986	5,819	37,847	68,986
Total	$495,626	$340,164	$222,706	$186,268	$552,470	$452,029	$2,249,263

(1) Includes commitments for the Company's television broadcasting and cable businesses that are reflected in the Company's Consolidated Financial Statements and commitments to purchase programming to be produced in future years.

(2) Includes a Kaplan lease signed January 31, 2015 with a total obligation of $16.5 million.

(3) Includes purchase obligations related to employment agreements, capital projects and other legally binding commitments. Other purchase orders made in the ordinary course of business are excluded from the table above. Any amounts for which the Company is liable under purchase orders are reflected in the Company's Consolidated Balance Sheets as accounts payable and accrued liabilities.

(4) Primarily made up of postretirement benefit obligations other than pensions. The Company has other long-term liabilities excluded from the table above, including obligations for deferred compensation, long-term incentive plans and long-term deferred revenue.

Other. The Company does not have any off-balance-sheet arrangements or financing activities with special-purpose entities (SPEs). Transactions with related parties, as discussed in Note 4 to the Company's Consolidated Financial Statements, are in the ordinary course of business and are conducted on an arm's-length basis.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and judgments that affect the amounts reported in the financial statements. On an ongoing basis, the Company evaluates its estimates and assumptions. The Company bases its estimates on historical experience and other assumptions believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates.

An accounting policy is considered to be critical if it is important to the Company's financial condition and results and if it requires management's most difficult, subjective and complex judgments in its application. For a summary of all of the Company's significant accounting policies, see Note 2 to the Company's Consolidated Financial Statements.

Revenue Recognition, Trade Accounts Receivable and Allowance for Doubtful Accounts. Education tuition revenue is recognized ratably over the period of instruction as services are delivered to students, net of any refunds, corporate discounts, scholarships and employee tuition discounts.

At KTP and Kaplan International, estimates of average student course length are developed for each course, along with estimates for the anticipated level of student drops and refunds from test performance guarantees, and these estimates are evaluated on an ongoing basis and adjusted as necessary. As Kaplan's businesses and related course offerings have changed, including more online programs, the complexity and significance of management's estimates have increased.

KHE, through the Kaplan Commitment program, provides first-time students with a risk-free trial period. Under the program, KHE monitors academic progress and conducts assessments to help determine whether students are likely to be successful in their chosen course of study. Students who withdraw or are subject to dismissal during the risk-free trial period do not incur any significant financial obligation. The Company does not recognize revenues related to coursework until the students complete the risk-free period and decide to continue with their studies, at which time the fees become fixed or determinable.

The determination of whether revenue should be reported on a gross or net basis is based on an assessment of whether the Company acts as a principal or an agent in the transaction. In certain cases, the Company is considered the agent, and the Company records revenue equal to the net amount retained when the fee is earned. In these cases, costs incurred with third-party suppliers are excluded from the Company's revenue. The Company assesses whether it or the third-party supplier is the primary obligor and evaluates the terms of its customer arrangements as part of this assessment. In addition, the Company considers other key indicators such as latitude in establishing price, inventory risk, nature of services performed, discretion in supplier selection and credit risk.

Accounts receivable have been reduced by an allowance for amounts that may be uncollectible in the future. This estimated allowance is based primarily on the aging category, historical collection experience and management's evaluation of the financial condition of the customer. The Company generally considers an account past due or delinquent when a student or customer misses a scheduled payment. The Company writes off accounts receivable balances deemed uncollectible against the allowance for doubtful accounts following the passage of a certain period of time, or generally when the account is turned over for collection to an outside collection agency.

Goodwill and Other Intangible Assets. The Company has a significant amount of goodwill and indefinite-lived intangible assets that are reviewed at least annually for possible impairment.

	As of December 31	
(in millions)	**2014**	2013
Goodwill and indefinite-lived intangible assets	**$1,865.5**	$1,829.9
Total assets	**$5,752.3**	$5,811.0
Percentage of goodwill and indefinite-lived intangible assets to total assets	**32%**	31%

The Company performs its annual goodwill and intangible assets impairment test as of November 30. Goodwill and other intangible assets are reviewed for possible impairment between annual tests if an event occurred or circumstances changed that would more likely than not reduce the fair value of the reporting unit or other intangible assets below its carrying value.

Goodwill

The Company tests its goodwill at the reporting unit level, which is an operating segment or one level below an operating segment. The Company initially performs an assessment of qualitative factors to determine if it is necessary to perform the two-step goodwill impairment test. The Company tests goodwill for impairment using the two-step process if, based on its assessment of the qualitative factors, it determines that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, or if it decides to bypass the qualitative assessment. The first step of the goodwill impairment test compares the estimated fair value of a reporting unit with its carrying amount, including goodwill. This step is performed to identify potential impairment, which occurs when the carrying amount of the reporting unit exceeds its estimated fair value. The second step of the goodwill impairment test is only performed when there is a potential impairment and is performed to measure the amount of impairment loss at the reporting unit. During the second step, the Company allocates the estimated fair value of the reporting unit to all of the assets and liabilities of the unit (including any unrecognized intangible assets). The excess of the fair value of the reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. The amount of the goodwill impairment is the difference between the carrying value of the reporting unit's goodwill and the implied fair value determined during the second step.

The Company had 13 reporting units as of December 31, 2014. The reporting units with significant goodwill balances as of December 31, 2014, were as follows, representing 90% of the total goodwill of the Company:

(in millions)	Goodwill
Education	
Higher education	$ 409.9
Test preparation	63.8
Kaplan international	481.2
Cable	85.5
Television broadcasting	168.3
Total	$1,208.7

As of November 30, 2014, in connection with the Company's annual impairment testing, the Company decided to perform the two-step goodwill impairment process at all of the reporting units. The Company's policy requires the performance of a quantitative impairment review of the goodwill at least once every three years. The Company used a discounted cash flow model, and where appropriate, a market value approach was also utilized to supplement the discounted cash flow model to determine the estimated fair value of its reporting units. The Company made estimates and assumptions regarding future cash flows, discount rates, long-term growth rates and market values to determine each reporting unit's estimated fair value. The methodology used to estimate the fair value of the Company's reporting units on November 30, 2014, was consistent with the one used during the 2013 annual goodwill impairment test.

The Company made changes to certain of its assumptions utilized in the discounted cash flow models for 2014 compared with the prior year to take into account changes in the economic environment, regulations and their impact on the Company's businesses. The key assumptions used by the Company were as follows:

- Expected cash flows underlying the Company's business plans for the periods 2015 through 2019 were used. The expected cash flows took into account historical growth rates, the effect of the changed economic outlook at some of the Company's businesses, industry challenges and an estimate for the possible impact of any applicable regulations. Expected cash flows also reflected the anticipated savings from restructuring plans at certain of the education division's reporting units, and other initiatives.
- Cash flows beyond 2019 were projected to grow at a long-term growth rate, which the Company estimated between 1% and 3% for each reporting unit.
- The Company used a discount rate of 7.0% to 20.0% to risk adjust the cash flow projections in determining the estimated fair value.

The fair value of each of the reporting units exceeded its respective carrying value as of November 30, 2014.

In 2012, the Company recorded a goodwill and other long-lived asset impairment charge of $111.6 million at the KTP reporting unit. The remaining goodwill balance at the KTP reporting unit as of December 31, 2014, totaled $63.8 million. The estimated fair value of the KTP reporting unit exceeded its carrying value by a margin in excess of 25%. The estimated fair value of the Company's other reporting units with significant goodwill balances also exceeded their respective carrying values by a margin in excess of 25%. It is possible that impairment charges could occur in the future, given the inherent variability in projecting future operating performance.

Indefinite-Lived Intangible Assets

The Company initially assesses qualitative factors to determine if it is more likely than not that the fair value of its indefinite-lived intangible assets is less than its carrying value. The Company compares the fair value of the indefinite-lived intangible asset with its carrying value if the qualitative factors indicate it is more likely than not that the fair value of the asset is less than its carrying value or if it decides to bypass the qualitative assessment. The Company records an impairment loss if the carrying value of the indefinite-lived intangible assets exceeds the fair value of the assets for the difference in the values. The Company uses a discounted cash flow model, and in certain cases, a market value approach is also utilized to supplement the discounted cash flow model to determine the estimated fair value of the indefinite-lived intangible assets. The Company makes estimates and assumptions regarding future cash flows, discount rates, long-term growth rates and other market values to determine the estimated fair value of the indefinite-lived intangible assets. The Company's policy requires the performance of a quantitative impairment review of the indefinite-lived intangible assets at least once every three years.

The Company's intangible assets with an indefinite life are principally from franchise agreements at its cable division. These franchise agreements result from agreements the Company has with state and local governments that allow the Company to contract and operate a cable business within a specified geographic area. The Company expects its cable franchise agreements to provide the Company with substantial benefit for a period that extends beyond the foreseeable horizon, and the Company's cable division historically has obtained renewals and extensions of such agreements for nominal costs and without material modifications to the agreements. The franchise agreements represent 96% of the $516.8 million of indefinite-lived intangible assets of the Company as of December 31, 2014. The Company grouped the recorded values of its various cable franchise agreements into regional cable systems or units of account.

As of November 30, 2014, the Company performed a quantitative review to test the franchise agreements for impairment. The key assumptions used by the Company to determine the fair value of its franchise agreements as of November 30, 2014, the date of its annual impairment review, were as follows:

- Expected cash flows underlying the Company's business plans for the periods 2015 through 2024 were used, with the assumption that the only assets the unbuilt start-up cable systems possess are the various franchise agreements. The expected cash flows took into account the estimated initial capital investment in the system region's physical plant and related start-up costs, revenues, operating margins and growth rates. These cash flows and growth rates were based on forecasts and long-term business plans and take into account numerous factors, including historical experience, anticipated economic conditions, changes in the cable systems' cost structures, homes in each region's service area, number of subscribers based on penetration of homes passed by the systems and expected revenues per subscriber.
- Cash flows beyond 2024 were projected to grow at a long-term growth rate, which the Company estimated by considering historical market growth trends, anticipated cable system performance and expected market conditions.
- The Company used a discount rate of 7% to risk adjust the cash flow projections in determining the estimated fair value.

The estimated fair value of the Company's franchise agreements exceeded their respective carrying values by a margin in excess of 50% as of November 30, 2014. There is always a possibility that impairment charges could occur in the future, given changes in the cable market and the U.S. economic environment, as well as the inherent variability in projecting future operating performance.

Pension Costs. The Company sponsors a defined benefit pension plan for eligible employees in the U.S. Excluding curtailment gain, settlement loss and special termination benefits, the Company's net pension credit including amounts for discontinued operations was $69.4 million for 2014, and the net pension cost was $1.9 million and $16.0 million for 2013 and 2012, respectively. The Company's pension benefit obligation and related (credits) costs are actuarially determined and are impacted significantly by the Company's assumptions related to future events, including the discount rate, expected return on plan assets and rate of compensation increases. The Company evaluates these critical assumptions at least annually and, periodically, evaluates other assumptions involving demographic factors, such as retirement age, mortality and turnover, and updates them to reflect its experience and expectations for the future. Actual results in any given year will often differ from actuarial assumptions because of economic and other factors.

The Company assumed a 6.5% expected return on plan assets for year 2014, which is consistent with the expected return assumption for years 2013 and 2012. The Company's actual return on plan assets was 7.4% in 2014, 36.2% in 2013 and 18.5% in 2012. The 10-year and 20-year actual returns on plan assets were 10.3% and 13.0%, respectively.

Accumulated and projected benefit obligations are measured as the present value of future cash payments. The Company discounts those cash payments using the weighted average of market-observed yields for high-quality fixed-income securities with maturities that correspond to the payment of benefits. Lower discount rates increase present values and increase subsequent-year pension costs; higher discount rates decrease present values and decrease subsequent-year pension costs. The Company's discount rate at December 31, 2014, 2013 and 2012, was 4.0%, 4.8% and 4.0%, respectively, reflecting market interest rates.

Changes in key assumptions for the Company's pension plan would have the following effects on the 2014 pension credit, excluding curtailment gain, settlement loss and special termination benefits:

- Expected return on assets—A 1% increase or decrease to the Company's assumed expected return on plan assets would have increased or decreased the pension credit by approximately $18.5 million.
- Discount rate—A 1% decrease to the Company's assumed discount rate would have decreased the pension credit by approximately $20.2 million. A 1% increase to the Company's assumed discount rate would have increased the pension credit by approximately $16.8 million.

The Company's net pension (credit) cost includes an expected return on plan assets component, calculated using the expected return on plan assets assumption applied to a market-related value of plan assets. The market-related value of plan assets is determined using a five-year average market value method, which recognizes realized and unrealized appreciation and depreciation in market values over a five-year period. The value resulting from applying this method is adjusted, if necessary, such that it cannot be less than 80% or more than 120% of the market value of plan assets as of the relevant measurement date. As a result, year-to-year increases or decreases in the market-related value of plan assets impact the return on plan assets component of pension (credit) cost for the year.

At the end of each year, differences between the actual return on plan assets and the expected return on plan assets are combined with other differences in actual versus expected experience to form a net unamortized actuarial gain or loss in accumulated other comprehensive income. Only those net actuarial gains or losses in excess of the deferred realized and unrealized appreciation and depreciation are potentially subject to amortization.

The types of items that generate actuarial gains and losses that may be subject to amortization in net periodic pension (credit) cost include the following:

- Asset returns that are more or less than the expected return on plan assets for the year;
- Actual participant demographic experience different from assumed (retirements, terminations and deaths during the year);
- Actual salary increases different from assumed; and
- Any changes in assumptions that are made to better reflect anticipated experience of the plan or to reflect current market conditions on the measurement date (discount rate, longevity increases, changes in expected participant behavior and expected return on plan assets).

Amortization of the unrecognized actuarial gain or loss is included as a component of expense for a year if the magnitude of the net unamortized gain or loss in accumulated other comprehensive income exceeds 10% of the greater of the benefit obligation or the market-related value of assets (10% corridor). The amortization component is equal to that excess divided by the average remaining service period of active employees expected to receive benefits under the plan. At the end of 2011, the Company had net unamortized actuarial losses in accumulated other comprehensive income potentially subject to amortization that were outside the 10% corridor that resulted in amortized losses of $9.0 million being included in the pension cost for 2012. During 2012, there were pension asset gains offset by a decrease in the discount rate that resulted in net unamortized actuarial losses in accumulated other comprehensive income subject to amortization outside the corridor, and, therefore, an amortized loss amount of $5.6 million was included in the pension cost for the first nine months of 2013. As a result of the sale of the newspaper publishing businesses, the Company remeasured the accumulated and projected benefit obligation as of October 1, 2013, and recorded a curtailment gain and settlement loss. During the first nine months of 2013, there were significant pension asset gains and an increase in the discount rate, which resulted in net unamortized actuarial gains in accumulated other comprehensive income subject to amortization outside the corridor as of the remeasurement date, and therefore, an amortized gain amount of $2.8 million was included in the pension cost for the last three months of 2013. Overall, the Company recorded an amortized loss amount of $2.8 million for 2013. During the last three months of 2013, there were additional pension asset gains. As a result of the pension asset gains in 2013, the Company had net unamortized actuarial gains in accumulated other comprehensive income subject to amortization outside the corridor, and, therefore, an amortized gain of $28.9 million is included in the pension credit for 2014.

During 2014, there was a decrease in the discount rate offset by pension asset gains. The Company currently estimates that there will be no net unamortized actuarial gains in accumulated other comprehensive income subject to amortization outside the corridor, and, therefore, no amortized gain or loss amount is included in the estimated pension cost for 2015.

Overall, the Company estimates that it will record a net pension credit of approximately $45.0 million in 2015.

Note 14 to the Company's Consolidated Financial Statements provides additional details surrounding pension costs and related assumptions.

Income Tax Valuation Allowances. Deferred income taxes arise from temporary differences between the tax and financial statement recognition of assets and liabilities. In evaluating its ability to recover deferred tax assets within the jurisdiction from which they arise, the Company considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. These assumptions require significant judgment about forecasts of future taxable income.

As of December 31, 2014, the Company had state income tax net operating loss carryforwards of $494.1 million, which will expire at various dates from 2015 through 2033. Also at December 31, 2014, the Company had $104.3 million of non-U.S. income tax loss carryforwards, of which $96.1 million may be carried forward indefinitely; $1.6 million of losses that, if unutilized, will expire in varying amounts through 2019; and $6.6 million of losses that, if unutilized, will start to expire after 2019. At December 31, 2014, the Company has established approximately $73.7 million in valuation allowances against deferred state tax assets, net of U.S. Federal income taxes, and non-U.S. deferred tax assets, as the Company believes that it is more likely than not that the benefit from certain state and non-U.S. net operating loss carryforwards and other deferred tax assets will not be realized. The Company has established valuation allowances against state income tax benefits recognized, without considering potentially offsetting deferred tax liabilities established with respect to prepaid pension cost and goodwill. Prepaid pension cost and goodwill have not been considered a source of future taxable income for realizing deferred tax benefits recognized since these temporary differences are not likely to reverse in the foreseeable future. The valuation allowances established against state and non-U.S. income tax benefits recorded may increase or decrease within the next 12 months, based on operating results, the market value of investment holdings or business and tax planning strategies; as a result, the Company is unable to estimate the potential tax impact, given the uncertain operating and market environment. The Company will be monitoring future operating results and projected future operating results on a quarterly basis to determine whether the valuation allowances provided against state and non-U.S. deferred tax assets should be increased or decreased, as future circumstances warrant.

Recent Accounting Pronouncements. See Note 2 to the Company's Consolidated Financial Statements for a discussion of recent accounting pronouncements.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Graham Holdings Company is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)). The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management assessed the effectiveness of internal control over financial reporting as of December 31, 2014. In making this assessment, management used the criteria set forth in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013. Management has concluded that, as of December 31, 2014, the Company's internal control over financial reporting was effective based on these criteria.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2014, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report included herein.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Shareholders of Graham Holdings Company:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, comprehensive income, cash flows and changes in common stockholders' equity present fairly, in all material respects, the financial position of Graham Holdings Company and its subsidiaries at December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

McLean, Virginia
February 27, 2015

GRAHAM HOLDINGS COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31		
(in thousands, except per share amounts)	**2014**	2013	2012
Operating Revenues			
Education	**$2,160,417**	$2,163,734	$2,184,532
Subscriber	**746,047**	755,662	732,370
Advertising	**343,576**	310,261	337,621
Other	**285,126**	178,254	118,063
	3,535,166	3,407,911	3,372,586
Operating Costs and Expenses			
Operating	**1,562,360**	1,532,497	1,535,237
Selling, general and administrative	**1,325,558**	1,311,501	1,317,494
Depreciation of property, plant and equipment	**203,646**	229,355	240,139
Amortization of intangible assets	**18,368**	12,139	19,510
Impairment of goodwill and other long-lived assets	**17,302**	3,250	111,593
	3,127,234	3,088,742	3,223,973
Income from Operations	**407,932**	319,169	148,613
Equity in earnings of affiliates, net	**100,370**	13,215	14,086
Interest income	**2,136**	2,264	3,393
Interest expense	**(36,586)**	(36,067)	(35,944)
Other income (expense), net	**853,259**	(23,751)	(5,456)
Income from Continuing Operations Before Income Taxes	**1,327,111**	274,830	124,692
Provision for Income Taxes	**406,100**	101,500	73,400
Income from Continuing Operations	**921,011**	173,330	51,292
Income from Discontinued Operations, Net of Tax	**372,249**	64,015	80,895
Net Income	**1,293,260**	237,345	132,187
Net Loss (Income) Attributable to Noncontrolling Interests	**583**	(480)	(74)
Net Income Attributable to Graham Holdings Company	**1,293,843**	236,865	132,113
Redeemable Preferred Stock Dividends	**(847)**	(855)	(895)
Net Income Attributable to Graham Holdings Company Common Stockholders	**$1,292,996**	$ 236,010	$ 131,218
Amounts Attributable to Graham Holdings Company Common Stockholders			
Income from continuing operations	**$ 920,747**	$ 171,995	$ 50,323
Income from discontinued operations, net of tax	**372,249**	64,015	80,895
Net income attributable to Graham Holdings Company common stockholders	**$1,292,996**	$ 236,010	$ 131,218
Per Share Information Attributable to Graham Holdings Company Common Stockholders			
Basic income per common share from continuing operations	**$ 139.44**	$ 23.39	$ 6.40
Basic income per common share from discontinued operations	**56.37**	8.71	10.99
Basic net income per common share	**$ 195.81**	$ 32.10	$ 17.39
Basic average number of common shares outstanding	**6,470**	7,238	7,360
Diluted income per common share from continuing operations	**$ 138.88**	$ 23.36	$ 6.40
Diluted income per common share from discontinued operations	**56.15**	8.69	10.99
Diluted net income per common share	**$ 195.03**	$ 32.05	$ 17.39
Diluted average number of common shares outstanding	**6,559**	7,333	7,404

See accompanying Notes to Consolidated Financial Statements.

GRAHAM HOLDINGS COMPANY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)	Year Ended December 31 2014	2013	2012
Net Income	**$1,293,260**	$ 237,345	$132,187
Other Comprehensive (Loss) Income, Before Tax			
Foreign currency translation adjustments:			
Translation adjustments arising during the year	**(16,061)**	(1,059)	5,622
Adjustment for sales of businesses with foreign operations	**(404)**	—	(888)
	(16,465)	(1,059)	4,734
Unrealized gains on available-for-sale securities:			
Unrealized gains for the year	**62,719**	95,629	33,098
Reclassification adjustment for realization of (gain) loss on exchange, sale or write-down of available-for-sale securities included in net income	**(265,274)**	9,554	17,226
	(202,555)	105,183	50,324
Pension and other postretirement plans:			
Actuarial (loss) gain	**(149,482)**	762,806	82,470
Prior service cost	**(1,600)**	—	—
Amortization of net actuarial (gain) loss included in net income	**(29,412)**	3,096	9,368
Amortization of net prior service credit included in net income	**(407)**	(1,383)	(1,859)
Curtailments and settlements	**8**	(124,051)	—
Other adjustments	**—**	—	(745)
	(180,893)	640,468	89,234
Cash flow hedge gain (loss)	**867**	520	(1,581)
Other Comprehensive (Loss) Income, Before Tax	**(399,046)**	745,112	142,711
Income tax benefit (expense) related to items of other comprehensive (loss) income	**153,032**	(298,472)	(55,186)
Other Comprehensive (Loss) Income, Net of Tax	**(246,014)**	446,640	87,525
Comprehensive Income	**1,047,246**	683,985	219,712
Comprehensive loss (income) attributable to noncontrolling interests	**583**	(503)	(103)
Total Comprehensive Income Attributable to Graham Holdings Company	**$1,047,829**	$ 683,482	$219,609

See accompanying Notes to Consolidated Financial Statements.

GRAHAM HOLDINGS COMPANY
CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)	As of December 31 2014	2013
Assets		
Current Assets		
Cash and cash equivalents	**$ 772,751**	$ 569,719
Restricted cash	**24,898**	83,769
Investments in marketable equity securities and other investments	**226,752**	522,318
Accounts receivable, net	**571,357**	428,653
Income taxes receivable	**—**	17,991
Deferred income taxes	**934**	—
Inventories and contracts in progress	**11,309**	2,924
Other current assets	**81,462**	77,013
Current assets of discontinued operations (includes $1,235 of cash)	**1,240**	—
Total Current Assets	**1,690,703**	1,702,387
Property, Plant and Equipment, Net	**860,829**	927,542
Investments in Affiliates	**19,811**	15,754
Goodwill, Net	**1,348,710**	1,288,622
Indefinite-Lived Intangible Assets, Net	**516,753**	541,278
Amortized Intangible Assets, Net	**96,947**	39,588
Prepaid Pension Cost	**1,152,488**	1,245,505
Deferred Charges and Other Assets	**65,258**	50,370
Noncurrent assets of discontinued operations	**820**	—
Total Assets	**$ 5,752,319**	$ 5,811,046
Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 464,342**	$ 505,699
Income taxes payable	**128,895**	—
Deferred income taxes	**—**	58,411
Deferred revenue	**410,146**	366,831
Short-term borrowings	**46,375**	3,168
Current liabilities of discontinued operations	**1,034**	—
Total Current Liabilities	**1,050,792**	934,109
Postretirement Benefits Other Than Pensions	**37,962**	36,219
Accrued Compensation and Related Benefits	**244,082**	211,526
Other Liabilities	**91,789**	86,000
Deferred Income Taxes	**754,960**	778,735
Long-Term Debt	**399,545**	447,608
Total Liabilities	**2,579,130**	2,494,197
Commitments and Contingencies (Notes 17 and 18)		
Redeemable Noncontrolling Interest	**21,904**	5,896
Redeemable Preferred Stock, Series A, $1 par value, with a redemption and liquidation value of $1,000 per share; 23,000 shares authorized; 10,510 and 10,665 shares issued and outstanding	**10,510**	10,665
Preferred Stock, $1 par value; 977,000 shares authorized, none issued	**—**	—
Common Stockholders' Equity		
Common stock		
Class A Common stock, $1 par value; 7,000,000 shares authorized; 974,823 and 1,169,073 shares issued and outstanding	**975**	1,169
Class B Common stock, $1 par value; 40,000,000 shares authorized; 19,025,177 and 18,830,927 shares issued; 4,823,966 and 6,218,051 shares outstanding	**19,025**	18,831
Capital in excess of par value	**303,789**	288,129
Retained earnings	**6,008,506**	4,782,777
Accumulated other comprehensive income, net of taxes		
Cumulative foreign currency translation adjustment	**8,548**	25,013
Unrealized gain on available-for-sale securities	**52,130**	173,663
Unrealized gain on pensions and other postretirement plans	**392,910**	501,446
Cash flow hedge	**(108)**	(628)
Cost of 14,201,211 and 12,612,876 shares of Class B common stock held in treasury	**(3,645,476)**	(2,490,333)
Total Common Stockholders' Equity	**3,140,299**	3,300,067
Noncontrolling interests	**476**	221
Total Equity	**3,140,775**	3,300,288
Total Liabilities and Equity	**$ 5,752,319**	$ 5,811,046

See accompanying Notes to Consolidated Financial Statements.

GRAHAM HOLDINGS COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Year Ended December 31, 2014	2013	2012
Cash Flows from Operating Activities			
Net Income	**$1,293,260**	$ 237,345	$ 132,187
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation of property, plant and equipment	**205,284**	251,262	269,992
Amortization of intangible assets	**19,097**	13,598	21,444
Goodwill and other long-lived asset impairment charges	**25,076**	3,250	111,593
Net pension (benefit) expense	**(69,406)**	1,927	16,044
Early retirement program expense	**8,374**	22,700	8,508
Stock-based compensation expense, net	**17,577**	25,163	14,662
Foreign exchange loss (gain)	**11,129**	13,382	(3,132)
Net gain on sales and disposition of businesses	**(351,133)**	(157,449)	(23,759)
Net (gain) loss on dispositions, sales or write-downs of marketable equity securities and cost method investments	**(263,595)**	11,325	10,925
Gain on sale of an equity affiliate	**(396,553)**	—	—
Equity in (earnings) losses of affiliates, including impairment charges, net of distributions	**(96,517)**	1,661	(1,148)
Provision (benefit) for deferred income taxes	**49,143**	11,595	(64,383)
Net (gain) loss on sales of property, plant and equipment	**(119,399)**	4,746	1,896
Net gain on sale of intangible assets	**(75,249)**	—	—
Change in assets and liabilities:			
Decrease (increase) in restricted cash	**58,871**	(55,231)	(3,251)
Increase in accounts receivable, net	**(96,844)**	(81,989)	(14,846)
(Increase) decrease in inventories	**(2,413)**	851	(1,871)
(Decrease) increase in accounts payable and accrued liabilities	**(39,199)**	20,290	(27,531)
Increase (decrease) in deferred revenue	**37,291**	(3,434)	24,482
Increase in income taxes payable and (increase) in income taxes receivable	**146,692**	(18,352)	11,936
Decrease (increase) in other assets and other liabilities, net	**8,791**	3,491	(2,116)
Other	**2,093**	4,097	2,275
Net Cash Provided by Operating Activities	**372,370**	310,228	483,907
Cash Flows from Investing Activities			
Net proceeds from sales of businesses, property, plant and equipment and other assets	**644,342**	248,105	76,863
Investments in commercial paper	**(249,795)**	—	—
Proceeds from maturities of commercial paper	**249,795**	—	—
Purchases of property, plant and equipment	**(237,292)**	(206,457)	(224,688)
Investments in certain businesses, net of cash acquired	**(206,035)**	(20,027)	(40,339)
Net distribution from equity affiliate	**93,481**	—	—
Purchases of marketable equity securities and other investments	**(60,281)**	(28,073)	(48,031)
Other	**(5,200)**	(1,313)	1,459
Net Cash Used in Investing Activities	**229,015**	(7,765)	(234,736)
Cash Flows from Financing Activities			
Common shares repurchased, including the Berkshire Exchange transaction	**(327,718)**	(4,196)	(103,196)
Dividends paid	**(68,114)**	(863)	(147,327)
Proceeds from exercise of stock options	**7,462**	5,682	—
(Repayment) issuance of borrowings	**(1,538)**	(240,121)	130,450
Other	**1,292**	(3,932)	(1,772)
Net Cash Used in Financing Activities	**(388,616)**	(243,430)	(121,845)
Effect of Currency Exchange Rate Change	**(8,502)**	(1,745)	4,006
Net Increase in Cash and Cash Equivalents	**204,267**	57,288	131,332
Cash and Cash Equivalents at Beginning of Year	**569,719**	512,431	381,099
Cash and Cash Equivalents at End of Year	**$ 773,986**	$ 569,719	$ 512,431
Supplemental Cash Flow Information			
Cash paid during the year for:			
Income taxes	**$ 188,000**	$ 144,500	$ 50,531
Interest	**$ 35,000**	$ 35,500	$ 35,500

See accompanying Notes to Consolidated Financial Statements.

GRAHAM HOLDINGS COMPANY
CONSOLIDATED STATEMENTS OF CHANGES IN COMMON STOCKHOLDERS' EQUITY

(in thousands)	Class A Common Stock	Class B Common Stock	Capital in Excess of Par Value	Retained Earnings	Cumulative Foreign Currency Translation Adjustment	Unrealized Gain on Available-for-sale Securities	Unrealized Gain (Loss) on Pensions and Other Postretirement Plans	Cash Flow Hedge	Treasury Stock	Noncontrolling Interest
As of December 31, 2011	$1,229	$18,771	$252,767	$4,561,989	$ 21,338	$ 80,358	$ 63,625	$ 8	$(2,398,189)	$ —
Net income for the year				132,187						
Acquisitions and noncontrolling interest										191
Net income attributable to noncontrolling interests				(51)						51
Net income attributable to redeemable noncontrolling interest				(23)						
Distribution to noncontrolling interests										(52)
Dividends paid on common stock				(146,432)						
Dividends paid on redeemable preferred stock				(895)						
Repurchase of Class B common stock									(103,196)	
Issuance of Class B common stock, net of restricted stock award forfeitures			(27,423)						27,038	
Amortization of unearned stock compensation and stock option expense			14,662							
Change in foreign currency translation adjustment (net of taxes)					4,734					
Change in unrealized gain on available-for-sale securities (net of taxes)						30,195				
Adjustment for pensions and other postretirement plans (net of taxes)							53,544			
Conversion of Class A common stock to Class B common stock	(10)	10								
Taxes arising from employee stock plans			740							
Cash flow hedge								(948)		
As of December 31, 2012	1,219	18,781	240,746	4,546,775	26,072	110,553	117,169	(940)	(2,474,347)	190
Net income for the year				237,345						
Acquisitions and noncontrolling interest			3,932							
Net income attributable to noncontrolling interests				(479)						479
Net income attributable to redeemable noncontrolling interests				(1)						
Distribution to noncontrolling interests										(448)
Dividends paid on redeemable preferred stock				(863)						
Repurchase of Class B common stock									(17,709)	
Issuance of Class B common stock, net of restricted stock award forfeitures			(4,271)						1,723	
Amortization of unearned stock compensation and stock option expense			46,908							
Change in foreign currency translation adjustment (net of taxes)					(1,059)					
Change in unrealized gain on available-for-sale securities (net of taxes)						63,110				
Adjustment for pensions and other postretirement plans (net of taxes)							384,277			
Conversion of Class A common stock to Class B common stock	(50)	50								
Taxes arising from employee stock plans			814							
Cash flow hedge								312		
As of December 31, 2013	1,169	18,831	288,129	4,782,777	25,013	173,663	501,446	(628)	(2,490,333)	221
Net income for the year				**1,293,260**						
Net income attributable to noncontrolling interests				**(497)**						**497**
Net loss attributable to redeemable noncontrolling interests				**1,080**						
Distribution to noncontrolling interests										**(242)**
Dividends paid on common stock				**(67,267)**						
Dividends paid on redeemable preferred stock				**(847)**						
Repurchase of Class B common stock									**(1,165,427)**	
Issuance of Class B common stock, net of restricted stock award forfeitures			**(3,186)**						**10,284**	
Amortization of unearned stock compensation and stock option expense			**18,291**							
Change in foreign currency translation adjustment (net of tax)					**(16,465)**					
Change in unrealized gain on available-for-sale securities (net of taxes)						**(121,533)**				
Adjustment for pensions and other postretirement plans (net of taxes)							**(108,536)**			
Conversion of Class A common stock to Class B common stock	**(194)**	**194**								
Taxes arising from employee stock plans			**555**							
Cash flow hedge								**520**		
As of December 31, 2014	**$ 975**	**$19,025**	**$303,789**	**$6,008,506**	**$ 8,548**	**$ 52,130**	**$ 392,910**	**$(108)**	**$(3,645,476)**	**$ 476**

See accompanying Notes to Consolidated Financial Statements.

GRAHAM HOLDINGS COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND NATURE OF OPERATIONS

Graham Holdings Company (the Company), is a diversified education and media company. The Company's Kaplan subsidiary provides a wide variety of educational services, both domestically and outside the United States. The Company's media operations comprise the ownership and operation of cable systems and television broadcasting (through the ownership and operation of five television broadcast stations).

On June 30, 2014, the Company completed the exchange of WPLG, its Miami-based television station (see Note 7). The operating results of WPLG have been presented in income from discontinued operations, net of tax, for all periods presented.

In November 2014, the Company announced that the Board of Directors authorized management to proceed with plans for the complete legal and structural separation of Cable ONE, Inc., a wholly-owned subsidiary, from the Company. Following the proposed transaction, Cable ONE will be an independent, publicly traded company. The Company intends to complete the proposed transaction later in 2015. The proposed transaction will be structured as a tax-free spin-off of Cable ONE to the stockholders of the Company. The transaction is contingent on the satisfaction of a number of conditions, including completion of the review process by the Securities and Exchange Commission of required filings under applicable securities regulations, other applicable regulatory approvals and the final approval of transaction terms by the Company's Board of Directors.

On February 12, 2015, Kaplan entered into a Purchase and Sale Agreement with Education Corporation of America (ECA) to sell substantially all of the assets of its KHE Campuses business, consisting of 38 nationally accredited ground campuses and certain related assets, in exchange for a preferred equity interest in ECA. The transaction is contingent upon certain regulatory and accrediting agency approvals and is expected to close in the second or third quarter of 2015.

Education—Kaplan, Inc. provides an extensive range of educational services for students and professionals. Kaplan's various businesses comprise three categories: Higher Education (KHE), Test Preparation (KTP) and Kaplan International.

Media—The Company's diversified media operations comprise cable operations, television broadcasting, several websites and print publications, and a marketing solutions provider.

Cable. Cable ONE provides cable services that include video, high-speed data and voice service in the midwestern, western and southern states of the United States.

Television broadcasting. The Company owns five VHF television stations located in Houston, TX; Detroit, MI; Orlando, FL; San Antonio, TX; and Jacksonville, FL. Other than the Company's Jacksonville station, WJXT, the Company's television stations are affiliated with one of the major national networks.

Other—The Company's other business operations include home health and hospice services and manufacturing.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation. The accompanying Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles (GAAP) in the United States and include the assets, liabilities, results of operations and cash flows of the Company and its majority-owned and controlled subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Revision of Prior Period Amounts. During the preparation of the 2014 financial statements, the Company concluded that its Consolidated Statements of Cash Flows for the years ended December 31, 2013 and 2012, that were previously included in the Company's annual reports, should be revised to correct the impact of accounts payable and accrued expenses related to capital expenditures. The Company revised its Consolidated Statements of Cash Flows for the years ended December 31, 2013 and 2012 to properly eliminate noncash capital expenditures. The result of this correction for the year ended December 31, 2013, was a decrease in net cash used in investing activities of $17.6 million, with an offsetting decrease recorded to net cash provided by operating activities during the same period. The result of this correction for the year ended December 31, 2012, was an increase in net cash used in investing activities of $6.7 million, with an offsetting increase recorded to net cash provided by operating activities during the same period.

Management has concluded that this error is not material to the previously issued Consolidated Financial Statements, and, as a result, the Company has revised the Consolidated Statements of Cash Flows for the years ended December 31, 2013 and 2012. There was no impact on the previously reported total cash and cash equivalents, Consolidated Balance Sheets or Consolidated Statements of Operations.

As detailed below, these revisions impacted the following consolidated cash flow items:

	Year Ended December 31, 2013		
(in thousands)	As Previously Reported	Revision	As Revised
Cash Flows from Operating Activities			
Increase (Decrease) in Accounts Payable and Accrued Liabilities	$ 37,926	(17,636)	$ 20,290
Net Cash Provided by Operating Activities	327,864	(17,636)	310,228
Cash Flows from Investing Activities			
Purchases of Property, Plant and Equipment	(224,093)	17,636	(206,457)
Net Cash Used in Investing Activities	(25,401)	17,636	(7,765)

(in thousands)	Year Ended December 31, 2012 As Previously Reported	Revision	As Revised
Cash Flows from Operating Activities			
Increase (Decrease) in Accounts Payable and Accrued Liabilities	$ (34,224)	6,693	$ (27,531)
Net Cash Provided by Operating Activities	477,214	6,693	483,907
Cash Flows from Investing Activities			
Purchases of Property, Plant and Equipment	(217,995)	(6,693)	(224,688)
Net Cash Used in Investing Activities	(228,043)	(6,693)	(234,736)

Reclassifications. Certain amounts in previously issued financial statements have been reclassified to conform with the 2014 presentation, which includes the reclassification of the results of operations of certain businesses as discontinued operations for all periods presented.

Use of Estimates. The preparation of financial statements in conformity with GAAP requires management to make estimates and judgments that affect the amounts reported in the financial statements. Management bases its estimates and assumptions on historical experience and on various other factors that are believed to be reasonable under the circumstances. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may be affected by changes in those estimates. On an ongoing basis, the Company evaluates its estimates and assumptions.

Business Combinations. The purchase price of an acquisition is allocated to the assets acquired, including intangible assets, and liabilities assumed, based on their respective fair values at the acquisition date. Acquisition-related costs are expensed as incurred. The excess of the cost of an acquired entity over the net of the amounts assigned to the assets acquired and liabilities assumed is recognized as goodwill. The net assets and results of operations of an acquired entity are included in the Company's Consolidated Financial Statements from the acquisition date.

Cash and Cash Equivalents. Cash and cash equivalents consist of cash on hand, short-term investments with original maturities of three months or less and investments in money market funds with weighted average maturities of three months or less.

Restricted Cash. Restricted cash represents amounts held for students that were received from U.S. Federal and state governments under various aid grant and loan programs, such as Title IV of the U.S. Federal Higher Education Act of 1965 (Higher Education Act), as amended, that the Company is required to maintain pursuant to U.S. Department of Education (ED) and other regulations. Federal regulations stipulate that the Company has a fiduciary responsibility to segregate Federal funds from all other funds to ensure the funds are only used for the benefit of eligible students. The regulations further indicate that funds received under Federal aid programs are held in trust for the intended student beneficiary and the ED, and as trustee of these funds, the Company may not use the funds for any other purpose until the funds are applied to eligible student charges, which occurs within three days of the receipt of the funds. Restricted cash also includes (i) certain funds that the Company may be required to return if a student who receives Title IV program funds withdraws from a program and (ii) funds required to be held by non-U.S. higher education institutions for prepaid tuition.

Concentration of Credit Risk. Cash and cash equivalents are maintained with several financial institutions domestically and internationally. Deposits held with banks may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions with investment-grade credit ratings. The Company routinely assesses the financial strength of significant customers, and this assessment, combined with the large number and geographical diversity of its customers, limits the Company's concentration of risk with respect to trade accounts receivable.

Allowance for Doubtful Accounts. Accounts receivable have been reduced by an allowance for amounts that may be uncollectible in the future. This estimated allowance is based primarily on the aging category, historical collection experience and management's evaluation of the financial condition of the customer. The Company generally considers an account past due or delinquent when a student or customer misses a scheduled payment. The Company writes off accounts receivable balances deemed uncollectible against the allowance for doubtful accounts following the passage of a certain period of time, or generally when the account is turned over for collection to an outside collection agency.

Investments in Marketable Equity Securities. The Company's investments in marketable equity securities are classified as available-for-sale and, therefore, are recorded at fair value in the Consolidated Financial Statements, with the change in fair value during the period excluded from earnings and recorded net of income taxes as a separate component of other comprehensive income. If the fair value of a marketable equity security declines below its cost basis and the decline is considered other than temporary, the Company will record a write-down, which is included in earnings. The Company uses the average cost method to determine the basis of the securities sold or reclassified out of other comprehensive income.

Fair Value Measurements. Fair value measurements are determined based on the assumptions that a market participant would use in pricing an asset or liability based on a three-tiered hierarchy that draws a distinction between market participant assumptions based on (i) observable inputs, such as quoted prices in active markets (Level 1); (ii) inputs other than quoted prices in active markets that are observable either directly or indirectly (Level 2); and (iii) unobservable inputs that require the Company to use present value and other valuation techniques in the determination of fair value (Level 3). Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measure. The Company's assessment of the significance of a particular input to the fair value measurements requires judgment and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

For assets that are measured using quoted prices in active markets, the total fair value is the published market price per unit multiplied by the number of units held, without consideration of transaction costs. Assets and liabilities that are measured using significant other observable inputs are primarily valued by reference to quoted prices of similar assets or liabilities in active markets, adjusted for any terms specific to that asset or liability.

The Company measures certain assets—including goodwill; intangible assets; property, plant and equipment; cost and equity-method investments—at fair value on a nonrecurring basis when they are deemed to be impaired. The fair value of these assets is determined with valuation techniques using the best information available and may include quoted market prices, market comparables and discounted cash flow models.

Fair Value of Financial Instruments. The carrying amounts reported in the Company's Consolidated Financial Statements for cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities, the current portion of deferred revenue and the current portion of debt approximate fair value because of the short-term nature of these financial instruments. The fair value of long-term debt is determined based on a number of observable inputs, including the current market activity of the Company's publicly traded notes, trends in investor demands and market values of comparable publicly traded debt. The fair value of the interest rate hedge is determined based on a number of observable inputs, including time to maturity and market interest rates.

Inventories and Contracts in Progress. Inventories and contracts in progress are stated at the lower of cost or realizable values and are based on the first-in, first-out (FIFO) method.

Property, Plant and Equipment. Property, plant and equipment is recorded at cost and includes interest capitalized in connection with major long-term construction projects. Replacements and major improvements are capitalized; maintenance and repairs are expensed as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the property, plant and equipment: 3 to 20 years for machinery and equipment; 20 to 50 years for buildings. The costs of leasehold improvements are amortized over the lesser of their useful lives or the terms of the respective leases.

The cable division capitalizes costs associated with the construction of cable transmission and distribution facilities and new cable service installations. Costs include all direct labor and materials, as well as certain indirect costs. The cost of subsequent disconnects and reconnects are expensed as they are incurred.

Evaluation of Long-Lived Assets. The recoverability of long-lived assets and finite-lived intangible assets is assessed whenever adverse events or changes in circumstances indicate that recorded values may not be recoverable. A long-lived asset is considered to not be recoverable when the undiscounted estimated future cash flows are less than the asset's recorded value. An impairment charge is measured based on estimated fair market value, determined primarily using estimated future cash flows on a discounted basis. Losses on long-lived assets to be disposed of are determined in a similar manner, but the fair market value would be reduced for estimated costs to dispose.

Goodwill and Other Intangible Assets. Goodwill is the excess of purchase price over the fair value of identified net assets of businesses acquired. The Company's intangible assets with an indefinite life are principally from franchise agreements at its cable division, as the Company expects its cable franchise agreements to provide the Company with substantial benefit for a period that extends beyond the foreseeable horizon, and the Company's cable division historically has obtained renewals and extensions of such agreements for nominal costs and without any material modifications to the agreements. Amortized intangible assets are primarily student and customer relationships and trade names and trademarks, with amortization periods up to 10 years.

The Company reviews goodwill and indefinite-lived intangible assets at least annually, as of November 30, for possible impairment. Goodwill and indefinite-lived intangible assets are reviewed for possible impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting unit or indefinite-lived intangible asset below its carrying value. The Company tests its goodwill at the reporting unit level, which is an operating segment or one level below an operating segment. In reviewing the carrying value of indefinite-lived intangible assets at the cable division, the Company aggregates its cable systems on a regional basis. The Company initially assesses qualitative factors to determine if it is necessary to perform the two-step goodwill impairment review or indefinite-lived intangible asset quantitative impairment review. The Company reviews the goodwill for impairment using the two-step process and the indefinite-lived intangible assets using the quantitative process if, based on its assessment of the qualitative factors, it determines that it is more likely than not that the fair value of a reporting unit or indefinite-lived intangible asset is less than its carrying value, or if it decides to bypass the qualitative assessment. The Company reviews the carrying value of goodwill and indefinite-lived intangible assets utilizing a discounted cash flow model, and, where appropriate, a market value approach is also utilized to supplement the discounted cash flow model. The Company makes assumptions regarding estimated future cash flows, discount rates, long-term growth rates and market values to determine each reporting unit's and indefinite-lived intangible asset's estimated fair value. If these estimates or related assumptions change in the future, the Company may be required to record impairment charges.

Investments in Affiliates. The Company uses the equity method of accounting for its investments in and earnings or losses of affiliates that it does not control, but over which it exerts significant influence. The Company considers whether the fair values of any of its equity method investments have declined below their carrying value whenever adverse events or changes in circumstances indicate that recorded values may not be recoverable. If the Company considered any such decline to be other than temporary (based on various factors, including historical financial results, product development activities and the overall health of the affiliate's industry), a write-down would be recorded to estimated fair value.

Cost Method Investments. The Company uses the cost method of accounting for its minority investments in nonpublic companies where it does not have significant influence over the operations and management of the investee. Investments are recorded at the lower of cost or fair value as estimated by management. Charges recorded to write down cost method investments to their estimated fair value and gross realized gains or losses upon the sale of cost method investments are included in other (expense) income, net, in the Company's Consolidated Financial Statements. Fair value estimates are based on a review of the investees' product development activities, historical financial results and projected discounted cash flows.

Revenue Recognition. Revenue is recognized when persuasive evidence of an arrangement exists, the fees are fixed or determinable, the product or service has been delivered and collectability is reasonably assured. The Company considers the terms of each arrangement to determine the appropriate accounting treatment.

Education revenues. Tuition revenue is recognized ratably over the period of instruction as services are delivered to students, net of any refunds, corporate discounts, scholarships and employee tuition discounts. At KTP and International divisions, estimates of average student course length are developed for each course, and these estimates are evaluated on an ongoing basis and adjusted as necessary. Online access revenue is recognized ratably over the period of access. Course material revenue is recognized over the same period as the tuition or online access, if related, or when the products are delivered, if not related. Other revenues, such as student support services, are recognized when the services are provided.

KHE, through the Kaplan Commitment program, provides first-time students with a risk-free trial period. Under the program, KHE monitors academic progress and conducts assessments to help determine whether students are likely to be successful in their chosen course of study. Students who withdraw or are subject to dismissal during the risk-free trial period do not incur any significant financial obligation. The Company does not recognize revenues related to coursework until the students complete the risk-free period and decide to continue with their studies, at which time the fees become fixed or determinable.

KHE's refund policy may permit students who do not complete a course to be eligible for a refund for the portion of the course they did not attend. The amount of the refund differs by school, program and state, as some states require different policies. Refunds generally result in a reduction in deferred revenue during the period that a student drops or withdraws from a class because the associated tuition revenue is recognized daily over the period of instruction as the services are delivered.

Cable revenues. Cable revenues are primarily derived from subscriber fees for video, high-speed data and voice services, and from advertising. Cable subscriber revenue is recognized monthly, as services are delivered. Advertising revenue is recognized when the commercials or programs are aired.

Television broadcasting revenues. Advertising revenues are recognized, net of agency commissions, when the underlying advertisement is broadcast. Retransmission revenues are recognized over the term of the agreement based on monthly subscriber counts and contractual rates.

Revenue presentation. The determination of whether revenue should be reported on a gross or net basis is based on an assessment of whether the Company acts as a principal or an agent in the transaction. In certain cases, the Company is considered the agent, and the Company records revenue equal to the net amount retained when the fee is earned. In these cases, costs incurred with third-party suppliers are excluded from the Company's revenue. The Company assesses whether it or the third-party supplier is the primary obligor and evaluates the terms of its customer arrangements as part of this assessment. In addition, the Company considers other key indicators such as latitude in establishing price, inventory risk, nature of services performed, discretion in supplier selection and credit risk.

Deferred revenue. Amounts received from customers in advance of revenue recognition are deferred as liabilities. Deferred revenue to be earned after one year is included in other noncurrent liabilities in the Company's Consolidated Financial Statements.

Leases. The Company leases substantially all of its educational facilities and enters into various other lease agreements in conducting its business. At the inception of each lease, the Company evaluates the lease agreement to determine whether the lease is an operating or capital lease. Additionally, many of the Company's lease agreements contain renewal options, tenant improvement allowances, rent holidays and/or rent escalation clauses. When such items are included in a lease agreement, the Company records a deferred rent asset or liability in the Consolidated Financial Statements and records these items in rent expense evenly over the terms of the lease.

The Company is also required to make additional payments under operating lease terms for taxes, insurance and other operating expenses incurred during the operating lease period; such items are expensed as incurred. Rental deposits are included as other assets in the Consolidated Financial Statements for lease agreements that require payments in advance or deposits held for security that are refundable, less any damages, at the end of the respective lease.

Pensions and Other Postretirement Benefits. The Company maintains various pension and incentive savings plans. Substantially all of the Company's employees are covered by these plans. The Company also provides health care and life insurance benefits to certain retired employees. These employees become eligible for benefits after meeting age and service requirements.

The Company recognizes the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and recognizes changes in that funded status in the year in which the changes occur through comprehensive income. The Company measures changes in the funded status of its plans using the projected unit credit method and several actuarial assumptions, the most significant of which are the discount rate, the long-term rate of asset return and rate of compensation increase. The Company uses a measurement date of December 31 for its pension and other postretirement benefit plans.

Self-Insurance. The Company uses a combination of insurance and self-insurance for a number of risks, including claims related to employee health care and dental care, disability benefits, workers' compensation, general liability, property damage and business interruption. Liabilities associated with these plans are estimated based on, among other things, the Company's historical claims experience, severity factors and other actuarial assumptions. The expected loss accruals are based on estimates, and, while the Company believes that the amounts accrued are adequate, the ultimate loss may differ from the amounts provided.

Income Taxes. The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

The Company records net deferred tax assets to the extent that it believes these assets will more likely than not be realized. In making such determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent financial operations; this evaluation is made on an ongoing basis. In the event the Company were to determine that it was able to realize net deferred income tax assets in the future in excess of their net recorded amount, the Company would record an adjustment to the valuation allowance, which would reduce the provision for income taxes.

The Company recognizes a tax benefit from an uncertain tax position when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. The Company records a liability for the difference between the benefit recognized and measured for financial statement purposes and the tax position taken or expected to be taken on the Company's tax return. Changes in the estimate are recorded in the period in which such determination is made.

Foreign Currency Translation. Income and expense accounts of the Company's non-United States operations where the local currency is the functional currency are translated into United States (U.S.) dollars using the current rate method, whereby operating results are converted at the average rate of exchange for the period, and assets and liabilities are converted at the closing rates on the period end date. Gains and losses on translation of these accounts are accumulated and reported as a separate component of equity and other comprehensive income. Gains and losses on foreign currency transactions, including foreign currency denominated intercompany loans on entities with a functional currency in U.S. dollars, are recognized in the Consolidated Statements of Operations.

Equity-Based Compensation. The Company measures compensation expense for awards settled in shares based on the grant date fair value of the award. The Company measures compensation expense for awards settled in cash, or that may be settled in cash, based on the fair value at each reporting date. The Company recognizes the expense over the requisite service period, which is generally the vesting period of the award.

Earnings Per Share. Basic earnings per share is calculated under the two-class method. The Company treats restricted stock as a participating security due to its nonforfeitable right to dividends. Under the two-class method, the Company allocates to the participating securities their portion of dividends declared and undistributed earnings to the extent the participating securities may share in the earnings as if all earnings for the period had been distributed. Basic earnings per share is calculated by dividing the income available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated similarly except that the weighted average number of common shares outstanding during the period includes the dilutive effect of the assumed exercise of options and restricted stock issuable under the Company's stock plans. The dilutive effect of potentially dilutive securities is reflected in diluted earnings per share by application of the treasury stock method.

Comprehensive Income. Comprehensive income consists of net income, foreign currency translation adjustments, the change in unrealized gains (losses) on investments in marketable equity securities, net changes in cash flow hedge and pension and other postretirement plan adjustments.

Discontinued Operations. A business is classified as a discontinued operation when (i) the operations and cash flows of the business can be clearly distinguished and have been or will be eliminated from the Company's ongoing operations; (ii) the business has either been disposed of or is classified as held for sale; and (iii) the Company will not have any significant continuing involvement in the operations of the business after the disposal transaction. The results of discontinued operations (as well as the gain or loss on the disposal) are aggregated and separately presented in the Company's Consolidated Statements of Operations, net of income taxes.

Recently Adopted and Issued Accounting Pronouncements. In April 2014, the Financial Accounting Standards Board (FASB) issued new guidance that modifies the requirements for reporting discontinued operations. The new guidance requires the reporting of the disposal of an entity or component of an entity as discontinued operations if the disposal represents a strategic shift that has or will have a major effect on the entity's operations and financial results. The new guidance also expands the disclosures for discontinued operations and requires new disclosures related to individually material disposals that do not meet the definition of a discontinued operation. This guidance is effective for interim and fiscal years beginning after December 15, 2014. Early adoption is permitted for disposals that have not been reported in financial statements previously issued or available for issuance. The impact of the guidance on the Company's Consolidated Financial Statements will depend on its future disposal activity.

In May 2014, the FASB issued comprehensive new guidance that supersedes all existing revenue recognition guidance. The new guidance requires revenue to be recognized when the Company 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 guidance also significantly expands the disclosure requirements for revenue recognition. This guidance is effective for interim and fiscal years beginning after December 15, 2016. Early adoption is not permitted. The standard permits two implementation approaches, one requiring retrospective application of the new guidance with a restatement of prior years and one requiring prospective application of the new guidance with disclosure of results under the old guidance. The Company is in the process of evaluating the impact of this new guidance on its Consolidated Financial Statements and believes such evaluation will extend over several future periods because of the significance of the changes to the Company's policies and business processes.

In August 2014, the FASB issued new guidance that requires management to assess the Company's ability to continue as a going concern and to provide related disclosures in certain circumstances. This guidance is effective for interim and fiscal years ending after December 15, 2016, with early adoption permitted. The Company does not expect this guidance to have an impact on its Consolidated Financial Statements.

Other new pronouncements issued but not effective until after December 31, 2014, are not expected to have a material impact on the Company's Consolidated Financial Statements.

3. DISCONTINUED OPERATIONS

In the third quarter of 2014, Kaplan completed the sale of three of its schools in China that were previously included as part of Kaplan International. An additional school in China was sold by Kaplan in January 2015. These sales resulted in a pre-tax loss of $3.1 million.

On June 30, 2014, the Company and Berkshire Hathaway Inc. completed a transaction, as described in Note 7, in which Berkshire acquired a wholly-owned subsidiary of the Company that included, among other things, WPLG, a Miami-based television station; a $375.0 million gain from the WPLG sale was recorded in the second quarter of 2014.

On October 1, 2013, the Company completed the sale of its newspaper publishing businesses for $250.0 million. The publishing businesses sold include The Washington Post, Express, The Gazette Newspapers, Southern Maryland Newspapers, Greater Washington Publishing, Fairfax County Times, El Tiempo Latino and related websites (Publishing Subsidiaries). A pre-tax gain of $157.5 million was recorded on the sale (after-tax gain of $100.0 million) in the fourth quarter of 2013.

In March 2013, the Company sold The Herald. Kaplan sold Kidum in August 2012, EduNeering in April 2012 and Kaplan Learning Technologies (KLT) in February 2012. In addition, the Company divested its interest in Avenue100 Media Solutions in July 2012.

The sale of The Herald resulted in a pre-tax loss of $0.1 million that was recorded in the first quarter of 2013.

The sale of KLT resulted in a pre-tax loss of $3.1 million, which was recorded in the first quarter of 2012. The sale of EduNeering resulted in a pre-tax gain of $29.5 million, which was recorded in the second quarter of 2012. The sale of Kidum resulted in a pre-tax gain of $3.6 million, which was recorded in the third quarter of 2012.

In connection with each of the sales of the Company's stock in EduNeering and KLT, in the first quarter of 2012, the Company recorded $23.2 million of income tax benefits related to the excess of the outside stock tax basis over the net book value of the net assets disposed.

In connection with the disposal of Avenue100 Media Solutions, Inc., the Company recorded a pre-tax loss of $5.7 million in the third quarter of 2012. An income tax benefit of $44.5 million was also recorded in the third quarter of 2012 as the Company determined that Avenue100 Media Solutions, Inc. had no value. The income tax benefit was due to the Company's tax basis in the stock of Avenue100 exceeding its net book value as a result of goodwill and other intangible asset impairment charges recorded in prior years, for which no tax benefit was previously recorded.

The results of operations of the schools in China, WPLG, the Publishing Subsidiaries, The Herald, Kidum, Avenue100, Kaplan EduNeering and KLT for 2014, 2013 and 2012, where applicable, are included in the Company's Consolidated Statements of Operations as Income (Loss) from Discontinued Operations, Net of Tax. All corresponding prior period operating results presented in the Company's Consolidated Financial Statements and the accompanying notes have been reclassified to reflect the discontinued operations presented. The Company did not reclassify its Consolidated Statements of Cash Flows or prior year Consolidated Balance Sheet to reflect the discontinued operations.

In the first quarter of 2014, an after-tax adjustment of $3.0 million was made to reduce the $100.0 million after-tax gain on the sale of the Publishing Subsidiaries previously reported in the fourth quarter of 2013, as a result of changes in estimates related to liabilities retained as part of the sale.

The summarized income (loss) from discontinued operations, net of tax, is presented below:

	Year Ended December 31		
(in thousands)	**2014**	2013	2012
Operating revenues	**$ 46,980**	$ 462,658	$ 679,640
Operating costs and expenses	**(37,257)**	(519,162)	(690,963)
Gain (loss) from discontinued operations	**9,723**	(56,504)	(11,323)
Provision (benefit) for income taxes	**4,408**	(20,559)	(3,868)
Net Gain (Loss) from Discontinued Operations	**5,315**	(35,945)	(7,455)
Gain on sales and disposition of discontinued operations	**351,133**	157,449	23,759
(Benefit) provision for income taxes on sales and disposition of discontinued operations	**(15,801)**	57,489	(64,591)
Income from Discontinued Operations, Net of Tax	**$372,249**	$ 64,015	$ 80,895

4. INVESTMENTS

Commercial Paper and Money Market Investments. As of December 31, 2014 and 2013, the Company had commercial paper and money market investments of $594.3 million and $431.8 million, respectively, that are classified as cash, cash equivalents and restricted cash in the Company's Consolidated Balance Sheets.

Investments in Marketable Equity Securities. Investments in marketable equity securities consist of the following:

	As of December 31	
(in thousands)	**2014**	2013
Total cost	**$106,909**	$197,718
Net unrealized gains	**86,884**	289,438
Total Fair Value	**$193,793**	$487,156

At December 31, 2013, the Company owned 2,214 shares of Berkshire Hathaway Inc. (Berkshire) Class A common stock and 424,250 shares of Berkshire Class B common stock. The Company's ownership of Berkshire accounted for $444.2 million, or 91%, of the total fair value of the Company's investments in marketable equity securities at December 31, 2013. Berkshire is a holding company owning subsidiaries engaged in a number of diverse business activities. Berkshire also owned approximately 23% of the common stock of the Company. At December 31, 2013, the unrealized gain related to the Company's Berkshire stock investment totaled $286.9 million. On June 30, 2014, the Company completed a transaction with Berkshire, as described in Note 7, that included the exchange of 2,107 Class A Berkshire shares and 1,278 Class B Berkshire shares owned by the Company; a $266.7 million gain was recorded.

The Company invested $49.9 million, $15.0 million and $45.0 million in marketable equity securities during 2014, 2013 and 2012, respectively. In the first quarter of 2014, the Company recorded a $0.5 million write-down of the Company's investment in Corinthian Colleges, Inc., a publicly traded company. In the second quarter of 2014, the Company sold its remaining investment in Corinthian Colleges, Inc. During 2014, the proceeds from the sale of these marketable securities were $5.8 million and net realized losses were $2.6 million. During 2013 and 2012, proceeds from sales of marketable equity securities were $3.6 million and $2.0 million, respectively, and net realized gains on such sales were $0.9 million and $0.5 million, respectively.

At the end of 2013 and 2012, the Company's investment in Strayer Education, Inc. had been in an unrealized loss position for about six months. The Company evaluated this investment for other-than-temporary impairment based on various factors, including the duration and severity of the unrealized loss, the reason for the decline in value, the potential recovery period and the Company's ability and intent to hold the investment. Based on this evaluation, the Company concluded that the unrealized loss was other-than-temporary and recorded a $10.4 million and an $18.0 million write-down of the investment in 2013 and 2012, respectively.

Investments in Affiliates. On April 1, 2014, the Company received a gross cash distribution of $95.0 million from Classified Ventures' sale of apartments.com. In connection with this sale, the Company recorded a pre-tax gain of $90.9 million in the second quarter of 2014. On September 30, 2014, the Company held a 16.5% interest in Classified Ventures. On October 1, 2014, the Company and the remaining partners completed the sale of their entire stakes in Classified Ventures. Total proceeds to the Company, net of transaction costs, were $408.5 million, of which $16.5 million will be held in escrow until October 1, 2015. The Company recorded a pre-tax gain of $396.6 million in connection with the sale in the fourth quarter of 2014.

At December 31, 2014, the Company held a 40% interest in Residential Home Health Illinois, a 42.5% interest in Residential Hospice Illinois and interests in several other affiliates.

During the fourth quarter of 2012, the Company sold its 49% interest in the common stock of Bowater Mersey Paper Company Limited for a nominal amount; no loss was recorded as the investment had previously been written down to zero.

5. ACCOUNTS RECEIVABLE, ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts receivable consist of the following:

	As of December 31	
(in thousands)	**2014**	2013
Trade accounts receivable, less estimated returns, doubtful accounts and allowances of $32,598 and $33,384	**$538,532**	$407,234
Other receivables	**32,825**	21,419
	$571,357	$428,653

The changes in allowance for doubtful accounts and returns and allowance for advertising rate adjustments and discounts were as follows:

(in thousands)	Balance at Beginning of Period	Additions – Charged to Costs and Expenses	Deductions	Balance at End of Period
2014				
Allowance for doubtful accounts and returns	**$ 33,834**	**$ 47,356**	**$ (48,592)**	**$ 32,598**
2013				
Allowance for doubtful accounts and returns	$33,612	$57,245	$(57,023)	$33,834
Allowance for advertising rate adjustments and discounts	1,850	—	(1,850)	—
	$35,462	$57,245	$(58,873)	$33,834
2012				
Allowance for doubtful accounts and returns	$48,199	$55,605	$(70,192)	$33,612
Allowance for advertising rate adjustments and discounts	2,026	15,088	(15,264)	1,850
	$50,225	$70,693	$(85,456)	$35,462

Accounts payable and accrued liabilities consist of the following:

	As of December 31	
(in thousands)	**2014**	2013
Accounts payable and accrued liabilities	**$303,111**	$343,620
Accrued compensation and related benefits	**161,231**	162,079
	$464,342	$505,699

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	As of December 31	
(in thousands)	**2014**	2013
Land	**$ 18,052**	$ 32,618
Buildings	**157,250**	299,652
Machinery, equipment and fixtures	**2,357,264**	2,289,966
Leasehold improvements	**214,119**	294,548
Construction in progress	**71,156**	94,615
	2,817,841	3,011,399
Less accumulated depreciation	**(1,957,012)**	(2,083,857)
	$ 860,829	$ 927,542

Depreciation expense was $203.6 million, $229.4 million and $240.1 million in 2014, 2013 and 2012, respectively.

In 2014, as a result of restructuring activities at KHE Campuses, Kaplan recorded an impairment charge of $13.6 million. The Company estimated the fair value of the property, plant, and equipment using a market approach.

7. ACQUISITIONS, DISPOSITIONS AND EXCHANGES

Acquisitions. The Company completed business acquisitions totaling approximately $210.2 million in 2014; $23.8 million in 2013; and $55.6 million in 2012. The assets and liabilities of the companies acquired have been recorded at their estimated fair values at the date of acquisition.

During 2014, the Company acquired nine businesses. On April 1, 2014, Celtic Healthcare acquired VNA-TIP Healthcare, a provider of home health and hospice services in Missouri and Illinois. On May 30, 2014, the Company completed its acquisition of Joyce/Dayton Corp., a Dayton, OH-based manufacturer of screw jacks and other linear motion systems. On July 3, 2014, the Company completed its acquisition of an 80% interest in Residential Healthcare Group, Inc., the parent company of Residential Home Health and Residential Hospice, providers of skilled home health care and hospice services in Michigan and Illinois. Residential Healthcare Group, Inc. has a 40% ownership interest in Residential Home Health Illinois and a 42.5% ownership interest in Residential Hospice Illinois, which are accounted for as investments in affiliates. The fair value of the redeemable noncontrolling interest in Residential Healthcare Group, Inc. was $17.1 million at the acquisition date, determined using a market approach. The minority shareholders have an option to put their shares to the Company starting in 2017, and the Company has an option to buy the shares of some minority shareholders in 2020 and those of the remaining minority shareholders in 2024. The operating results of these businesses are included in other businesses. The Company also acquired three small businesses in its education division, one small business in its broadcasting division and two small businesses in other businesses.

Acquisition-related costs were expensed as incurred and were not significant. The aggregate purchase price of these 2014 acquisitions was allocated as follows (on a preliminary basis for Residential Healthcare Group):

(in thousands)	Weighted Average Life	Purchase Price Allocation
Cash and cash equivalents		$ 4,143
Accounts receivable		15,912
Other current assets		6,724
Property, plant and equipment		12,834
Investments in affiliates		8,556
Goodwill		128,919
Indefinite-lived intangible assets		
Trade name		11,900
Other		151
		12,051
Amortized intangible assets		
Noncompete agreements	3 years	430
Student and customer relationships	6 years	51,532
Databases and technology	3 years	150
Trade names and trademarks	8 years	20,254
Other	3 years	1,400
	7 years	73,766
Other noncurrent assets		1,215
Current liabilities		(17,180)
Noncurrent liabilities		(19,654)
Redeemable noncontrolling interest		(17,108)
		$210,178

The acquired companies were consolidated into the Company's financial statements starting on their respective acquisition dates. The Company's Consolidated Statements of Operations include aggregate revenues and operating losses for the companies acquired in 2014 of $81.0 million and $7.1 million, respectively, for 2014. The following unaudited pro forma financial information presents the Company's results as if the current year acquisitions had occurred at the beginning of 2013:

	Year Ended December 31	
(in thousands)	**2014**	**2013**
Operating revenues	**$3,595,121**	$3,547,856
Net income	**$1,292,421**	$ 227,556

These pro forma results were based on estimates and assumptions, which the Company believes are reasonable. They are not the results that would have been realized had these entities been part of the Company during the periods presented and are not necessarily indicative of the Company's consolidated results of operations in future periods.

During 2013, the Company acquired six businesses. On August 1, 2013, the Company completed its acquisition of Forney Corp-oration, a global supplier of products and systems that control and monitor combustion processes in electric utility and industrial app-lications. The operating results for Forney are included in other businesses. The Company also acquired four small businesses in other businesses and one small business in its education division. In the second quarter of 2013, Kaplan purchased the remaining 15% noncontrolling interest in Kaplan China; this additional interest was accounted for as an equity transaction. The purchase price allo-cations mostly comprised goodwill, other intangible assets and current assets.

During 2012, the Company completed five business acquisitions. In November 2012, the Company completed its acquisition of a controlling interest in Celtic Healthcare, Inc. (Celtic), a provider of home health care and hospice services in the northeastern and mid-Atlantic regions. The operating results of Celtic are included in other businesses. The fair value of the noncontrolling interest in Celtic was $5.9 million at the acquisition date, determined using a market approach. The minority shareholder has an option to put their shares to the Company from 2018 to 2022, and the Company has an option to buy the shares of the minority shareholder in 2022. The Company also acquired three small businesses in its education division and one small business in other businesses. The purchase price allocations mostly comprised goodwill and other intangible assets.

Dispositions. In the third quarter of 2014, Kaplan completed the sale of three of its schools in China that were previously included as part of Kaplan International. In January 2015, Kaplan completed the sale of an additional school in China.

On October 1, 2013, the Company completed the sale of its Publishing Subsidiaries that together conducted most of the Company's publishing business and related services, including publishing The Washington Post, Express, The Gazette Newspapers, Southern Mary-land Newspapers, Greater Washington Publishing, Fairfax County Times, El Tiempo Latino and related websites. In March 2013, the Company completed the sale of The Herald, a daily and Sunday news-paper headquartered in Everett, WA.

The Company divested its interest in Avenue100 Media Solutions in July 2012, which was previously reported in other businesses. Kaplan completed the sales of Kidum in August 2012, EduNeering in April 2012 and KLT in February 2012.

On February 12, 2015, Kaplan entered into a Purchase and Sale Agreement with ECA to sell substantially all of the assets of its KHE Campuses business, consisting of 38 nationally accredited ground campuses and certain related assets, in exchange for a preferred equity interest in ECA. The transaction is contingent upon certain regulatory and accrediting agency approvals and is expected to close in the second or third quarter of 2015. The Company expects to report a pre-tax loss on the transaction that is not material to the Company's overall financial position.

Exchanges. On June 30, 2014, the Company and Berkshire Hathaway Inc. completed a previously announced transaction in which Berkshire acquired a wholly-owned subsidiary of the Company that included, among other things, WPLG, a Miami-based television station, 2,107 Class A Berkshire shares and 1,278 Class B Berkshire shares owned by Graham Holdings and $327.7 million in cash, in exchange for 1,620,190 shares of Graham Holdings Class B common stock owned by Berkshire Hathaway (Berkshire exchange transaction). As a result, income from continuing operations for the second quarter of 2014 includes a $266.7 million gain from the sale of the Berkshire Hathaway shares, and income from discontinued operations for the second quarter of 2014 includes a $375.0 million gain from the WPLG exchange.

The pre-tax gain of $266.7 million related to the disposition of the Berkshire shares was not subject to income tax as the Berkshire exchange transaction qualifies as a tax-free distribution. The lower effective tax rate for income from continuing operations for 2014 of 30.6% primarily resulted from this tax-free transaction.

As discussed above, this exchange transaction includes significant noncash investing and financing activities. On the date of exchange, the fair value of the Berkshire Class A and B shares was $400.3 million, and the fair value of WPLG was determined to be $438.0 million. In total, the Company recorded an increase in treasury stock of $1,165.4 million in the second quarter of 2014 in connection with the Berkshire exchange transaction.

The Company's income from continuing operations excludes results from the businesses described in dispositions and exchanges above, which have been reclassified to discontinued operations (see Note 3).

8. GOODWILL AND OTHER INTANGIBLE ASSETS

In 2014, as a result of regulatory changes impacting Kaplan's operations in China, Kaplan recorded an intangible asset impairment charge of $7.8 million, reported in discontinued operations. The Company estimated the fair value of the student and customer relationships using an income approach. In addition, Kaplan recorded intangible asset impairment charges of $1.8 million related to a KTP business, $1.1 million related to one of the Kaplan International businesses and $0.7 million related to KHE. The fair value of these intangible assets were estimated using an income approach. One of the businesses in the other businesses segment recorded an intangible asset impairment charge of $0.1 million.

In 2013, as a result of operating losses and restructuring activities at one of the Kaplan International businesses, Kaplan recorded an intangible and other long-lived assets impairment charge of $3.3 million. The Company estimated the fair value of the student and customer relationships and database and technology intangible assets using the excess earnings method, and the fair value of the trade name and trademarks using the relief from royalty method.

As part of the Company's annual impairment review in 2012, the KTP reporting unit failed the step one goodwill impairment test, and, therefore, a step two analysis was performed. As a result of the step two analysis, the Company recorded a goodwill and other long-lived asset impairment charge of $111.6 million. The Company estimated the fair value utilizing a discounted cash flow model, supported by a market approach. The impairment charge was the result of a slowdown in enrollment growth at KTP, operating losses for the preceding three years and other factors. A substantial portion of the impairment charge was due to the amount of unrecognized intangible assets identified in the step two analysis.

Amortization of intangible assets for the years ended December 31, 2014, 2013 and 2012, was $18.4 million, $12.1 million and $19.5 million, respectively. Amortization of intangible assets is estimated to be approximately $19 million in 2015, $18 million in 2016, $14 million in 2017, $13 million in 2018, $12 million in 2019 and $21 million thereafter.

In July 2014, the cable division sold wireless spectrum licenses that were purchased in 2006; a pre-tax non-operating gain of $75.2 million was recorded in the third quarter of 2014 in connection with these sales.

The changes in the carrying amount of goodwill, by segment, were as follows:

(in thousands)	Education	Cable	Newspaper Publishing	Television Broadcasting	Other Businesses	Total
As of December 31, 2012						
Goodwill	$1,097,058	$85,488	$ 81,183	$203,165	$ 19,052	$1,485,946
Accumulated impairment losses	(102,259)	—	(65,772)	—	—	(168,031)
	994,799	85,488	15,411	203,165	19,052	1,317,915
Reallocation, net	—	—	(1,809)	—	1,809	—
Acquisitions	—	—	—	—	7,934	7,934
Dispositions	—	—	(13,602)	—	—	(13,602)
Foreign currency exchange rate changes	(23,625)	—	—	—	—	(23,625)
As of December 31, 2013						
Goodwill	1,073,433	85,488	—	203,165	34,877	1,396,963
Accumulated impairment losses	(102,259)	—	—	—	(6,082)	(108,341)
	971,174	85,488	—	203,165	28,795	1,288,622
Acquisitions	**14,963**	**—**	**—**	**2,841**	**111,115**	**128,919**
Dispositions	**(2,422)**	**—**	**—**	**(37,661)**	**—**	**(40,083)**
Reclassification to discontinued operations	**(810)**	**—**	**—**	**—**	**—**	**(810)**
Foreign currency exchange rate changes	**(27,938)**	**—**	**—**	**—**	**—**	**(27,938)**
As of December 31, 2014						
Goodwill	**1,057,226**	**85,488**	**—**	**168,345**	**145,992**	**1,457,051**
Accumulated impairment losses	**(102,259)**	**—**	**—**	**—**	**(6,082)**	**(108,341)**
	$ 954,967	**$ 85,488**	**$ —**	**$ 168,345**	**$139,910**	**$ 1,348,710**

The changes in carrying amount of goodwill at the Company's education division were as follows:

(in thousands)	Higher Education	Test Preparation	Kaplan International	Total
As of December 31, 2012				
Goodwill	$409,184	$ 152,187	$535,687	$1,097,058
Accumulated impairment losses	—	(102,259)	—	(102,259)
	409,184	49,928	535,687	994,799
Foreign currency exchange rate changes	(168)	—	(23,457)	(23,625)
As of December 31, 2013				
Goodwill	409,016	152,187	512,230	1,073,433
Accumulated impairment losses	—	(102,259)	—	(102,259)
	409,016	49,928	512,230	971,174
Acquisitions	**1,052**	**13,911**	**—**	**14,963**
Dispositions	**—**	**—**	**(2,422)**	**(2,422)**
Reclassification to discontinued operations	**—**	**—**	**(810)**	**(810)**
Foreign currency exchange rate changes	**(184)**	**—**	**(27,754)**	**(27,938)**
As of December 31, 2014				
Goodwill	**409,884**	**166,098**	**481,244**	**1,057,226**
Accumulated impairment losses	**—**	**(102,259)**	**—**	**(102,259)**
	$ 409,884	**$ 63,839**	**$ 481,244**	**$ 954,967**

Other intangible assets consist of the following:

		As of December 31, 2014			As of December 31, 2013		
(in thousands)	**Useful Life Range**	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Carrying Amount**	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized Intangible Assets							
Noncompete agreements	**2–5 years**	**$ 2,500**	**$ 1,590**	**$ 910**	$ 13,540	$12,622	$ 918
Student and customer relationships	**2–10 years**	**104,685**	**47,539**	**57,146**	72,050	45,718	26,332
Databases and technology	**3–5 years**	**10,501**	**8,827**	**1,674**	10,790	6,991	3,799
Trade names and trademarks	**2–10 years**	**55,452**	**19,724**	**35,728**	22,327	16,052	6,275
Other	**1–25 years**	**8,969**	**7,480**	**1,489**	9,836	7,572	2,264
		$182,107	**$85,160**	**$96,947**	$128,543	$88,955	$39,588
Indefinite-Lived Intangible Assets							
Franchise agreements		**$496,321**			$496,321		
Wireless licenses		**—**			22,150		
Licensure and accreditation		**6,781**			7,171		
Other		**13,651**			15,636		
		$516,753			$541,278		

9. INCOME TAXES

Income from continuing operations before income taxes consists of the following:

	Year Ended December 31		
(in thousands)	**2014**	2013	2012
U.S.	**$1,274,509**	$261,137	$108,233
Non-U.S.	**52,602**	13,693	16,459
	$1,327,111	$274,830	$124,692

The provision for income taxes on income from continuing operations consists of the following:

(in thousands)	Current	Deferred	Total
Year Ended December 31, 2014			
U.S. Federal	**$ 294,965**	**$ 44,860**	**$ 339,825**
State and Local	**35,432**	**23,671**	**59,103**
Non-U.S.	**10,485**	**(3,313)**	**7,172**
	$ 340,882	**$ 65,218**	**$ 406,100**
Year Ended December 31, 2013			
U.S. Federal	$ 70,152	$ 22,438	$ 92,590
State and Local	10,273	(9,808)	465
Non-U.S.	10,015	(1,570)	8,445
	$ 90,440	$ 11,060	$101,500
Year Ended December 31, 2012			
U.S. Federal	$101,804	$(48,685)	$ 53,119
State and Local	13,509	(5,135)	8,374
Non-U.S.	12,604	(697)	11,907
	$127,917	$(54,517)	$ 73,400

The provision for income taxes on continuing operations is less than the amount of income tax determined by applying the U.S. Federal statutory rate of 35% to income from continuing operations before taxes as a result of the following:

	Year Ended December 31		
(in thousands)	**2014**	2013	2012
U.S. Federal taxes at statutory rate	**$464,489**	$ 96,191	$43,642
State and local taxes, net of U.S. Federal tax	**35,242**	2,941	8,887
Valuation allowances against state tax benefits, net of U.S. Federal tax	**3,175**	(2,638)	(3,443)
Tax-free stock transactions	**(91,540)**	—	—
Tax provided on non-U.S. subsidiary earnings and distributions at more (less) than the expected U.S. Federal statutory tax rate	**2,186**	767	(6,950)
Valuation allowances against non-U.S. income tax benefits	**(2,477)**	7,233	15,966
Goodwill impairment	**—**	—	12,776
U.S. Federal Manufacturing Deduction tax benefits	**(6,789)**	(4,397)	(2,393)
Other, net	**1,814**	1,403	4,915
Provision for Income Taxes	**$406,100**	$101,500	$73,400

During 2014, 2013 and 2012, in addition to the income tax provision for continuing operations presented above, the Company also recorded tax expense or benefits on discontinued operations. Income (losses) from discontinued operations and net gains on sales and dispositions of discontinued operations have been reclassified from previously reported income from operations and reported separately as income from discontinued operations, net of tax. A tax benefit of $11.4 million, tax expense of $36.9 million, and a tax benefit of $68.5 million with respect to discontinued operations were recorded in 2014, 2013 and 2012, respectively.

Deferred income taxes consist of the following:

	As of December 31	
(in thousands)	**2014**	2013
Accrued postretirement benefits	**$ 16,785**	$ 15,408
Other benefit obligations	**122,241**	101,923
Accounts receivable	**17,925**	24,911
State income tax loss carryforwards	**26,077**	30,036
U.S. Federal income tax loss carryforwards	**2,368**	2,613
U.S. Federal foreign income tax credit carryforwards	**837**	8,265
Non-U.S. income tax loss carryforwards	**30,460**	32,600
Other	**50,134**	61,753
Deferred Tax Assets	**266,827**	277,509
Valuation allowances	**(73,656)**	(72,767)
Deferred Tax Assets, Net	**$193,171**	$ 204,742
Property, plant and equipment	**139,765**	134,627
Prepaid pension cost	**463,714**	497,727
Unrealized gain on available-for-sale securities	**34,764**	115,785
Goodwill and other intangible assets	**308,954**	293,749
Deferred Tax Liabilities	**$947,197**	$1,041,888
Deferred Income Tax Liabilities, Net	**$754,026**	$ 837,146

The Company has $494.1 million of state income tax net operating loss carryforwards available to offset future state taxable income. State income tax loss carryforwards, if unutilized, will start to expire approximately as follows:

(in millions)	
2015	$ 4.7
2016	6.1
2017	3.7
2018	10.8
2019	4.8
2020 and after	464.0
Total	**$494.1**

The Company has recorded at December 31, 2014, $26.1 million in deferred state income tax assets, net of U.S. Federal income tax, with respect to these state income tax loss carryforwards. The Company has established a full valuation allowance, reducing the net recorded amount of deferred tax assets with respect to state tax loss carryforwards, since the Company has determined that it is more likely than not that the state tax losses may not be fully utilized in the future to reduce state taxable income.

The Company has $6.7 million of U.S. Federal income tax loss carryforwards obtained as a result of prior stock acquisitions. U.S. Federal income tax loss carryforwards are expected to be fully utilized as follows:

(in millions)	
2015	$0.7
2016	0.7
2017	0.7
2018	0.7
2019	0.7
2020 and after	3.2
Total	**$6.7**

The Company has established at December 31, 2014, $2.4 million in U.S. Federal deferred tax assets with respect to these U.S. Federal income tax loss carryforwards.

For U.S. Federal income tax purposes, the Company has $0.8 million of foreign tax credits available to be credited against future U.S. Federal income tax liabilities. These U.S. Federal foreign tax credits are expected to be fully utilized in the future; if unutilized, these foreign tax credits will expire in 2023. The Company has established at December 31, 2014, $0.8 million of U.S. Federal deferred tax assets with respect to these U.S. Federal foreign tax credit carryforwards.

The Company has $104.3 million of non-U.S. income tax loss carryforwards, as a result of operating losses and prior stock acquisitions that are available to offset future non-U.S. taxable income and has recorded, with respect to these losses, $30.5 million in non-U.S. deferred income tax assets. The Company has established $29.2 million in valuation allowances against the deferred tax assets recorded for the portion of non-U.S. tax losses that may not be fully utilized to reduce future non-U.S. taxable income. The $104.3 million of non-U.S. income tax loss carryforwards consist of $96.1 million in losses that may be carried forward indefinitely; $1.6 million of losses that, if unutilized, will expire in varying amounts through 2019; and $6.6 million of losses that, if unutilized, will start to expire after 2019.

Deferred tax valuation allowances and changes in deferred tax valuation allowances were as follows:

(in thousands)	Balance at Beginning of Period	Tax Expense and Revaluation	Deductions	Balance at End of Period
Year ended				
December 31, 2014 . . .	**$72,767**	**$ 889**	**—**	**$73,656**
December 31, 2013 . . .	$78,109	$ (5,342)	—	$72,767
December 31, 2012 . . .	$59,179	$18,930	—	$78,109

The Company has established $38.8 million in valuation allowances against deferred state tax assets recognized, net of U.S. Federal tax. As stated above, approximately $26.1 million of the valuation allowances, net of U.S. Federal income tax, relate to state income tax loss carryforwards. The Company has established valuation allowances against state income tax assets recognized, without considering potentially offsetting deferred tax liabilities established with respect to prepaid pension cost and goodwill. Prepaid pension cost and goodwill have not been considered a source of future taxable income for realizing deferred tax assets recognized since these temporary differences are not likely to reverse in the foreseeable future. The valuation allowances established against state income tax assets are recorded at the parent company and the education division and may increase or decrease within the next 12 months, based on operating results or the market value of investment holdings. As a result, the Company is unable to estimate the potential tax impact, given the uncertain operating and market environment. The Company will be monitoring future operating results and projected future operating results on a quarterly basis to determine whether the valuation allowances provided against deferred state tax assets should be increased or decreased, as future circumstances warrant.

The Company has not established valuation allowances against any U.S. Federal deferred tax assets.

The Company has established $34.9 million in valuation allowances against non-U.S. deferred tax assets, and, as stated above, $29.2 million of the non-U.S. valuation allowances relate to non-U.S. income tax loss carryforwards.

Deferred U.S. Federal and state income taxes are recorded with respect to undistributed earnings of investments in non-U.S. subsidiaries to the extent taxable dividend income would be recognized if such earnings were distributed. Deferred income taxes recorded with respect to undistributed earnings of investments in non-U.S. subsidiaries are recorded net of foreign tax credits with respect to such undistributed earnings estimated to be creditable against future U.S. Federal tax liabilities. At December 31, 2014 and 2013, net U.S. Federal and state deferred income tax liabilities of about $10.6 million and $7.7 million, respectively, were recorded with respect to undistributed earnings of investments in non-U.S. subsidiaries based on the year-end position.

Deferred U.S. Federal and state income taxes have not been recorded for the full book value and tax basis differences related to investments in non-U.S. subsidiaries because such investments are expected to be indefinitely held. The book value exceeded the tax basis of investments in non-U.S. subsidiaries by approximately $57.9 million and $66.8 million at December 31, 2014 and 2013, respectively; these differences would result in approximately $1.4 million and $5.9 million of net additional U.S. Federal and state deferred tax liabilities, net of foreign tax credits related to undistributed earnings and estimated to be creditable against future U.S. Federal tax liabilities, at December 31, 2014 and 2013, respectively. If investments in non-U.S. subsidiaries were held for sale instead of expected to be held indefinitely, additional U.S. Federal and state deferred tax liabilities would be required to be recorded, and such deferred tax liabilities, if recorded, may exceed the above estimates.

The Company does not currently anticipate that within the next 12 months there will be any events requiring the establishment of any valuation allowances against U.S. Federal net deferred tax assets. The valuation allowances established against non-U.S. deferred tax assets are recorded at the education division, as this is the only division with significant non-U.S operating activities, and these are largely related to the education division's operations in Australia. These valuation allowances may increase or decrease within the next 12 months, based on operating results. As a result, the Company is unable to estimate the potential tax impact, given the uncertain operating environment. The Company will be monitoring future education division operating results and projected future operating results on a quarterly basis to determine whether the valuation allowances provided against non-U.S. deferred tax assets should be increased or decreased, as future circumstances warrant.

The Company recorded a $10.5 million U.S. Federal income tax receivable at December 31, 2013, with respect to capital loss and foreign tax credit carrybacks to the 2010 tax year. The Company files income tax returns with the U.S. Federal government and in various state, local and non-U.S. governmental jurisdictions, with the consolidated U.S. Federal tax return filing considered the only major tax jurisdiction. The statute of limitations has expired on all consolidated U.S. Federal corporate income tax returns filed through 2009. The Internal Revenue Service is currently examining the 2010 carryback claim discussed above, and the IRS has indicated they may examine subsequent tax years once the examination of the carryback claim is completed.

The Company endeavors to comply with tax laws and regulations where it does business, but cannot guarantee that, if challenged, the Company's interpretation of all relevant tax laws and regulations will prevail and that all tax benefits recorded in the financial statements will ultimately be recognized in full.

The following summarizes the Company's unrecognized tax benefits, excluding interest and penalties, for the respective periods:

	Year Ended December 31		
(in thousands)	**2014**	2013	2012
Beginning unrecognized tax benefits	**$ —**	$—	$—
Increases related to current year tax positions	**7,000**	—	—
Increases related to prior year tax positions	**—**	—	—
Decreases related to prior year tax positions	**—**	—	—
Decreases related to settlement with tax authorities	**—**	—	—
Decreases due to lapse of applicable statutes of limitations	**—**	—	—
Ending unrecognized tax benefits	**$7,000**	$—	$—

The unrecognized tax benefits mainly relate to state income tax filing positions applicable to the 2014 tax period. In making these determinations, the Company presumes that taxing authorities pursuing examinations of the Company's compliance with tax law filing requirements will have full knowledge of all relevant information, and, if necessary, the Company will pursue resolution of disputed tax positions by appeals or litigation.

Although the Company cannot predict the timing of resolution with tax authorities, the Company estimates that no portion of unrecognized tax benefits will be reduced in the next 12 months due to settlement with the tax authorities. The Company expects that a $7.0 million state tax benefit, net of $2.4 million federal tax expense, will reduce the effective tax rate in the future if recognized.

The Company classifies interest and penalties related to uncertain tax positions as a component of interest and other expenses, respectively. As of December 31, 2014, 2013 and 2012, the Company has not accrued any penalties or interest related to the unrecognized tax benefits.

10. DEBT

The Company's borrowings consist of the following:

	As of December 31	
(in thousands)	**2014**	2013
7.25% unsecured notes due February 1, 2019	**$398,308**	$397,893
AUD Revolving credit borrowing	**40,927**	44,625
Other indebtedness	**6,685**	8,258
Total Debt	**445,920**	450,776
Less: current portion	**(46,375)**	(3,168)
Total Long-Term Debt	**$399,545**	$447,608

The Company did not borrow funds under its USD revolving credit facility in 2014 or 2013. On December 20, 2012, the Company borrowed $240 million under its revolving credit facility at an interest rate of 1.5107%; this was fully repaid on January 11, 2013. The Company's other indebtedness at December 31, 2014, is at interest rates of 0% to 6% and matures between 2015 and 2017. The Company's other indebtedness at December 31, 2013, is at interest rates of 0% to 6% and matures between 2014 and 2017.

In January 2009, the Company issued $400 million in unsecured ten-year fixed-rate notes due February 1, 2019 (the Notes). The Notes have a coupon rate of 7.25% per annum, payable semiannually on February 1 and August 1. Under the terms of the Notes, unless the Company has exercised its right to redeem the Notes, the Company is required to offer to repurchase the Notes in cash at 101% of the principal amount, plus accrued and unpaid interest, upon the occurrence of both a Change of Control and Below Investment Grade Rating Events as described in the Prospectus Supplement of January 27, 2009.

On June 17, 2011, the Company entered into a credit agreement (the Credit Agreement) providing for a U.S. $450 million, AUD 50 million four-year revolving credit facility (the Facility) with each of the lenders party thereto, JPMorgan Chase Bank, N.A. as Administrative Agent, and J.P. Morgan Australia Limited as Australian Sub-Agent. The Facility consists of two tranches: (a) U.S. $450 million and (b) AUD 50 million (subject, at the Company's option, to conversion of the unused Australian dollar commitments into U.S. dollar commitments at a specified exchange rate). The Credit Agreement provides for an option to increase the total U.S. dollar commitments up to an aggregate amount of U.S. $700 million. The Company is required to pay a facility fee on a quarterly basis, based on the Company's long-term debt ratings, of between 0.08% and 0.20% of the amount of the Facility. Any borrowings are made on an unsecured basis and bear interest at (a) for U.S. dollar borrowings, at the Company's option, either (i) a fluctuating interest rate equal to the highest of JPMorgan's prime rate, 0.5% above the Federal funds rate or the one-month eurodollar rate plus 1%, or (ii) the eurodollar rate for the applicable interest period; or (b) for Australian dollar borrowings, the bank bill rate, in each case plus an applicable margin that depends on the Company's long-term debt ratings. The Facility will expire on June 17, 2015, unless the Company and the banks agree to extend the term. Any outstanding borrowings must be repaid on or prior to the final termination date. The Credit Agreement contains terms and conditions, including remedies in the event of a default by the Company, typical of facilities of this type and, among other things, requires the Company to maintain at least $1.5 billion of consolidated stockholders' equity.

On September 7, 2011, the Company borrowed AUD 50 million under its revolving credit facility. On the same date, the Company entered into interest rate swap agreements with a total notional value of AUD 50 million and a maturity date of March 7, 2015. These interest rate swap agreements will pay the Company variable interest on the AUD 50 million notional amount at the three-month bank bill rate, and the Company will pay the counterparties a fixed rate of 4.5275%. These interest rate swap agreements were entered into to convert the variable rate Australian dollar borrowing under the revolving credit facility into a fixed-rate borrowing. Based on the terms of the interest rate swap agreements and the underlying borrowing, these interest rate swap agreements were determined to be effective and thus qualify as a cash flow hedge. As such, any changes in the fair value of these interest rate swaps are recorded in other comprehensive income on the accompanying condensed consolidated balance sheets until earnings are affected by the variability of cash flows.

During 2014 and 2013, the Company had average borrowings outstanding of approximately $450.9 million and $471.4 million, respectively, at average annual interest rates of approximately 7.0%

and 6.7%, respectively. The Company incurred net interest expense of $34.5 million, $33.8 million and $32.6 million during 2014, 2013 and 2012, respectively. At December 31, 2014 and 2013, the fair value of the Company's 7.25% unsecured notes, based on quoted market prices, totaled $450.3 million and $475.2 million, respectively, compared with the carrying amount of $398.3 million and $397.9 million. The carrying value of the Company's other unsecured debt at December 31, 2014, approximates fair value.

11. FAIR VALUE MEASUREMENTS

The Company's financial assets and liabilities measured at fair value on a recurring basis were as follows:

	As of December 31, 2014		
(in thousands)	**Level 1**	**Level 2**	**Total**
Assets			
Money market investments[1]	**$ —**	**$368,131**	**$368,131**
Commercial paper[2]	**226,197**	**—**	**226,197**
Marketable equity securities[3]	**193,793**	**—**	**193,793**
Other current investments[4]	**11,788**	**21,171**	**32,959**
Total Financial Assets	**$431,778**	**$389,302**	**$821,080**
Liabilities			
Deferred compensation plan liabilities[5]	**$ —**	**$70,661**	**$70,661**
7.25% unsecured notes[6]	**—**	**450,344**	**450,344**
AUD revolving credit borrowing[6]	**—**	**40,927**	**40,927**
Interest rate swap[7]	**—**	**179**	**179**
Total Financial Liabilities	**$ —**	**$562,111**	**$562,111**

	As of December 31, 2013		
(in thousands)	Level 1	Level 2	Total
Assets			
Money market investments[1]	$ —	$431,836	$431,836
Marketable equity securities[3]	487,156	—	487,156
Other current investments[4]	11,826	23,336	35,162
Total Financial Assets	$498,982	$455,172	$954,154
Liabilities			
Deferred compensation plan liabilities[5]	$ —	$ 67,603	$ 67,603
7.25% unsecured notes[6]	—	475,224	475,224
AUD revolving credit borrowing[6]	—	44,625	44,625
Interest rate swap[7]	—	1,047	1,047
Total Financial Liabilities	$ —	$588,499	$588,499

(1) The Company's money market investments are included in cash, cash equivalents and restricted cash.

(2) The Company's commercial paper investments with original maturities of 90 days or less are included in cash and cash equivalents.

(3) The Company's investments in marketable equity securities are classified as available-for-sale.

(4) Includes U.S. Government Securities, corporate bonds, mutual funds and time deposits.

(5) Includes Graham Holdings Company's Deferred Compensation Plan and supplemental savings plan benefits under the Graham Holdings Company's Supplemental Executive Retirement Plan, which are included in accrued compensation and related benefits. These plans measure the market value of a participant's balance in a notional investment account that is comprised primarily of mutual funds, which are based on observable market prices. However, since the deferred compensation obligations are not exchanged in an active market, they are classified as Level 2 in the fair value hierarchy. Realized and unrealized gains (losses) on deferred compensation are included in operating income.

(6) See Note 10 for carrying amount of these notes and borrowing.

(7) Included in Other liabilities. The Company utilized a market approach model using the notional amount of the interest rate swap multiplied by the observable inputs of time to maturity and market interest rates.

For the year ended December 31, 2014, the Company recorded an intangible and other long-lived assets impairment charge of $25.1 million, of which $7.8 million is reported in discontinued operations (see Notes 2 and 8). For the year ended December 31, 2013, the Company recorded an intangible and other long-lived assets impairment charge of $3.3 million (see Notes 2 and 8). The remeasurement of the goodwill and other long-lived assets is classified as a Level 3 fair value assessment due to the significance of unobservable inputs developed in the determination of the fair value.

12. REDEEMABLE PREFERRED STOCK

The Series A preferred stock has a par value of $1.00 per share and a liquidation preference of $1,000 per share; it is redeemable by the Company at any time on or after October 1, 2015, at a redemption price of $1,000 per share. In addition, the holders of such stock have a right to require the Company to purchase their shares at the redemption price during an annual 60-day election period. Dividends on the Series A preferred stock are payable four times a year at the annual rate of $80.00 per share and in preference to any dividends on the Company's common stock. The Series A preferred stock is not convertible into any other security of the Company, and the holders thereof have no voting rights except with respect to any proposed changes in the preferences and special rights of such stock.

13. CAPITAL STOCK, STOCK AWARDS AND STOCK OPTIONS

Capital Stock. Each share of Class A common stock and Class B common stock participates equally in dividends. The Class B stock has limited voting rights and as a class has the right to elect 30% of the Board of Directors; the Class A stock has unlimited voting rights, including the right to elect a majority of the Board of Directors. In 2014 and 2013, the Company's Class A shareholders converted 194,250, or 17%, and 50,310, or 4%, respectively, of the Class A shares of the Company to an equal number of Class B shares. The conversions had no impact on the voting rights of the Class A and Class B common stock.

As part of the exchange transaction with Berkshire Hathaway, the Company acquired 1,620,190 shares of its Class B common stock at a cost of approximately $1,165.4 million in 2014. During 2013 and 2012, the Company purchased a total of 33,024 and 301,231 shares, respectively, of its Class B common stock at a cost of approximately $17.7 million and $103.2 million, respectively. In September 2011, the Board of Directors increased the authorization to repurchase a total of 750,000 shares of Class B common stock. The Company did not announce a ceiling price or a time limit for the purchases. The authorization included 43,573 shares that remained under the previous authorization. At December 31, 2014, the Company had remaining authorization from the Board of Directors to purchase up to 159,219 shares of Class B common stock.

Stock Awards. In 2001, the Company adopted an incentive compensation plan, which, among other provisions, authorizes the awarding of Class B common stock to key employees. Stock awards made under this incentive compensation plan are primarily subject to the general restriction that stock awarded to a participant will be forfeited and revert to Company ownership if the participant's employment terminates before the end of a specified period of service to the Company. Some of the awards are also subject to performance conditions and will be forfeited and revert to Company ownership if the conditions are not met. At December 31, 2014, there were 37,825 shares reserved for issuance under this incentive compensation plan, which were all subject to awards outstanding.

In 2012, the Company adopted a new incentive compensation plan (the 2012 Plan), which, among other provisions, authorizes the awarding of Class B common stock to key employees in the form of stock awards, stock options and other awards involving the actual transfer of shares. All stock awards, stock options and other awards involving the actual transfer of shares issued subsequent to the adoption of this plan are covered under this new incentive compensation plan. Stock awards made under the 2012 Plan are primarily subject to the general restriction that stock awarded to a participant will be forfeited and revert to Company ownership if the participant's employment terminates before the end of a specified period of service to the Company. Some of the awards are also subject to performance conditions and will be forfeited and revert to Company ownership if the conditions are not met. At December 31, 2014, there were 460,726 shares reserved for issuance under the 2012 incentive compensation plan. Of this number, 149,286 shares were subject to stock awards and stock options outstanding and 311,440 shares were available for future awards.

Activity related to stock awards under these incentive compensation plans was as follows:

	Year Ended December 31					
	2014		2013		2012	
	Number of Shares	**Average Grant-Date Fair Value**	Number of Shares	Average Grant-Date Fair Value	Number of Shares	Average Grant-Date Fair Value
Beginning of year, unvested . . .	**114,479**	**$424.65**	207,917	$350.21	77,319	$424.45
Awarded	**21,114**	**683.44**	70,165	562.29	145,348	321.56
Vested	**(11,098)**	**523.95**	(71,585)	515.09	(7,134)	499.06
Forfeited	**(7,384)**	**396.91**	(92,018)	300.86	(7,616)	417.79
End of Year, Unvested . . .	**117,111**	**463.64**	114,479	424.65	207,917	350.21

In connection with the sale of the Publishing Subsidiaries in 2013, the Company modified the terms of 86,824 share awards affecting 102 employees. The modification resulted in the acceleration of the vesting period for 45,374 share awards, the elimination of a market condition and vesting terms of 15,000 share awards, and the forfeiture of 26,450 share awards; the effect of which are reflected in the above activity. The Company also offered some employees with 26,124 share awards the option to settle their awards in cash resulting in a modification of these awards from equity awards to liability awards. The Company paid employees $13.1 million for the settlement of these liability awards. The Company recorded incremental stock compensation expense, net of forfeitures, amounting to $19.9 million, which is included in income from discontinued operations, net of tax, in the consolidated statement of operations for 2013.

For the share awards outstanding at December 31, 2014, the aforementioned restriction will lapse in 2015 for 31,825 shares, in 2016 for 20,425 shares, in 2017 for 46,996 shares and in 2018 for 17,865 shares. Also, in early 2015, the Company issued stock awards of 23,475 shares. Stock-based compensation costs resulting from Company stock awards were $15.4 million, $35.2 million and $11.4 million in 2014, 2013 and 2012, respectively.

As of December 31, 2014, there was $26.0 million of total unrecognized compensation expense related to these awards. That cost is expected to be recognized on a straight-line basis over a weighted average period of 1.6 years.

Stock Options. The Company's 2003 employee stock option plan reserves 1,900,000 shares of the Company's Class B common stock for options to be granted under the plan. The purchase price of the shares covered by an option cannot be less than the fair value on the grant date. Options generally vest over four years and have a maximum term of ten years. At December 31, 2014, there were 81,694 shares reserved for issuance under this stock option plan, which were all subject to options outstanding.

Stock options granted under the 2012 Plan cannot be less than the fair value on the grant date, generally vest over four years and have a maximum term of ten years. In 2014, a grant was issued which vests over six years.

Activity related to options outstanding was as follows:

	Year Ended December 31					
	2014		2013		2012	
	Number of Shares	**Average Option Price**	Number of Shares	Average Option Price	Number of Shares	Average Option Price
Beginning of year . .	**121,694**	**$ 469.76**	125,694	$478.32	129,044	$494.95
Granted . . .	**55,000**	**1,070.43**	15,000	373.03	7,500	378.00
Exercised . .	**(19,125)**	**409.44**	(14,500)	391.83	—	—
Expired or forfeited . .	**(5,875)**	**791.81**	(4,500)	637.53	(10,850)	605.82
End of Year	**151,694**	**682.68**	121,694	469.76	125,694	478.32

In connection with the sale of the Publishing Subsidiaries in 2013, the Company modified the terms of 4,500 stock options affecting six employees. The modification resulted in the acceleration of the vesting period for 4,250 stock options and the forfeiture of 250 stock options. The Company recorded incremental stock option expense amounting to $0.8 million, which is included in income from discontinued operations, net of tax, in the consolidated statement of operations in 2013.

Of the shares covered by options outstanding at the end of 2014, 70,194 are now exercisable; 27,208 will become exercisable in 2015; 14,708 will become exercisable in 2016; 13,334 will become exercisable in 2017; 9,583 will become exercisable in 2018; 8,333 will become exercisable in 2019; and 8,334 will become exercisable in 2020. For 2014, 2013 and 2012, the Company recorded expense of $2.7 million, $3.5 million and $2.9 million related to stock options, respectively. Information related to stock options outstanding and exercisable at December 31, 2014, is as follows:

	Options Outstanding			Options Exercisable		
Range of Exercise Prices	Shares Outstanding at 12/31/2014	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Shares Exercisable at 12/31/2014	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price
$369–396	32,000	6.8	$ 383.37	18,000	5.8	$390.58
419–439	10,694	4.5	423.05	10,694	4.5	423.05
503	50,000	6.2	502.58	37,500	6.2	502.58
652–663	7,000	7.4	659.65	2,000	3.4	651.91
730	2,000	1.9	729.67	2,000	1.9	729.67
1,111	50,000	9.8	1,111.20	—	—	—
	151,694	7.4	682.68	70,194	5.6	427.47

At December 31, 2014, the intrinsic value for all options outstanding, exercisable and unvested was $39.8 million, $27.5 million and $12.3 million, respectively. The intrinsic value of a stock option is the amount by which the market value of the underlying stock exceeds the exercise price of the option. The market value of the Company's stock was $863.71 at December 31, 2014. At December 31, 2014, there were 81,500 unvested options related to this plan with an average exercise price of $863.72 and a weighted average remaining contractual term of 8.9 years. At December 31, 2013, there were 48,500 unvested options with an average exercise price of $442.02 and a weighted average remaining contractual term of 7.9 years.

As of December 31, 2014, total unrecognized stock-based compensation expense related to stock options was $10.5 million, which is expected to be recognized on a straight-line basis over a weighted average period of approximately 5.2 years. There were 19,125 options exercised during 2014. The total intrinsic value of options exercised during 2014 was $6.7 million; a tax benefit from these stock option exercises of $2.7 million was realized. There were 14,500 options exercised during 2013. The total intrinsic value of options exercised during 2013 was $3.2 million; a tax benefit from these stock option exercises of $1.3 million was realized. No options were exercised during 2012.

During 2014, the Company granted 50,000 options at an exercise price above the fair market value of its common stock at the date of grant. All other options granted during 2014 were at an exercise price equal to the fair market value of the Company's common stock at the date of grant. All options granted during 2013 and 2012 were at an exercise price equal to the fair market value of the Company's common stock at the date of grant. The weighted average grant-date fair value of options granted during 2014, 2013 and 2012 was $178.95, $91.74 and $91.71, respectively. Also, in early 2015, an additional 5,000 stock options were granted.

The fair value of options at date of grant was estimated using the Black-Scholes method utilizing the following assumptions:

	2014	2013	2012
Expected life (years)	**7–8**	7	7
Interest rate	**2.15%–2.45%**	1.31%	1.04%–1.27%
Volatility	**30.75%–32.10%**	31.80%	31.71%–31.80%
Dividend yield	**1.30%–1.54%**	2.63%	2.54%–2.60%

The Company also maintains a stock option plan at Kaplan. Under the provisions of this plan, options are issued with an exercise price equal to the estimated fair value of Kaplan's common stock, and options vest ratably over the number of years specified (generally four to five years) at the time of the grant. Upon exercise, an option holder may receive Kaplan shares or cash equal to the difference between the exercise price and the then fair value.

At December 31, 2014, a Kaplan senior manager holds 7,206 Kaplan restricted shares. The fair value of Kaplan's common stock is determined by the Company's compensation committee of the Board of Directors, and in January 2015, the committee set the fair value price at $1,180 per share. During 2013, 5,000 options were awarded to a Kaplan senior manager at a price of $973 per share that vest over a four-year period. No options were awarded during 2014 and 2012; no options were exercised during 2014, 2013 or 2012; and there were 5,000 options outstanding at December 31, 2014. Additionally, in January 2015, an additional 2,500 stock options were awarded.

Kaplan recorded stock compensation expense of $0.9 million and $2.9 million in 2014 and 2013, and a stock compensation credit of $1.1 million in 2012, respectively. At December 31, 2014, the Company's accrual balance related to Kaplan stock-based compensation totaled $10.8 million. There were no payouts in 2014, 2013 or 2012.

Earnings Per Share. The Company's unvested restricted stock awards contain nonforfeitable rights to dividends and, therefore, are considered participating securities for purposes of computing earnings per share pursuant to the two-class method. The diluted earnings per share computed under the two-class method is lower than the diluted earnings per share computed under the treasury stock method, resulting in the presentation of the lower amount in diluted earnings per share. The computation of earnings per share under the two-class method excludes the income attributable to the unvested restricted stock awards from the numerator and excludes the dilutive impact of those underlying shares from the denominator.

The following reflects the Company's income from continuing operations and share data used in the basic and diluted earnings per share computations using the two-class method:

	Year Ended December 31		
(in thousands, except per share amounts)	**2014**	2013	2012
Numerator:			
Numerator for basic earnings per share			
Income from continuing operations attributable to Graham Holdings Company common stockholders	**$920,747**	$171,995	$ 50,323
Less: Dividends paid–common stock outstanding and unvested restricted shares	**(67,267)**	—	(146,432)
Undistributed earnings (losses)	**853,480**	171,995	(96,109)
Percent allocated to common stockholders (1)	**97.98%**	98.45%	100.00%
	836,246	169,329	(96,109)
Add: Dividends paid–common stock outstanding	**66,012**	—	143,175
Numerator for basic earnings per share	**902,258**	169,329	47,066
Add: Additional undistributed earnings due to dilutive stock options	**79**	5	—
Numerator for diluted earnings per share	**$902,337**	$169,334	$ 47,066
Denominator:			
Denominator for basic earnings per share			
Weighted average shares outstanding	**6,470**	7,238	7,360
Add: Effect of dilutive stock options	**27**	12	—
Denominator for diluted earnings per share	**6,497**	7,250	7,360
Graham Holdings Company Common Stockholders:			
Basic earnings per share from continuing operations	**$139.44**	$23.39	$6.40
Diluted earnings per share from continuing operations	**$138.88**	$23.36	$6.40

(1) Percent of undistributed losses allocated to common stockholders is 100% in 2012 as participating securities are not contractually obligated to share in losses.

Diluted earnings per share excludes the following weighted average potential common shares, as the effect would be antidilutive, as computed under the treasury stock method:

	Year Ended December 31		
(in thousands)	**2014**	2013	2012
Weighted average restricted stock	**62**	83	44

The 2014, 2013 and 2012 diluted earnings per share amounts exclude the effects of 52,000, 10,000 and 124,694 stock options outstanding, respectively, as their inclusion would have been antidilutive. The 2014, 2013 and 2012 diluted earnings per share amounts also exclude the effects of 5,175, 5,500 and 52,200 restricted stock awards, respectively, as their inclusion would have been antidilutive.

In 2014 and 2012, the Company declared regular dividends totaling $10.20 and $9.80 per share, respectively. In December 2012, the Company declared and paid an accelerated cash dividend totaling $9.80 per share, in lieu of regular quarterly dividends that the Company otherwise would have declared and paid in calendar year 2013.

14. PENSIONS AND OTHER POSTRETIREMENT PLANS

The Company maintains various pension and incentive savings plans and contributed to multiemployer plans on behalf of certain union-represented employee groups. Most of the Company's employees are covered by these plans. The Company also provides health care and life insurance benefits to certain retired employees. These employees become eligible for benefits after meeting age and service requirements.

The Company uses a measurement date of December 31 for its pension and other postretirement benefit plans.

Sale of Publishing Subsidiaries. On October 1, 2013, as part of the sale of the Publishing Subsidiaries, the Purchaser assumed the liabilities related to active employees of the Company's defined benefit pension plan, Supplemental Executive Retirement Plan (SERP) and other postretirement plans. In addition to the assumed liabilities, the Company transferred pension plan assets of $318 million in accordance with the terms of the sale. As a result of the sale of the Publishing Subsidiaries, the Company remeasured the accumulated and projected benefit obligation of the pension, SERP and other postretirement plans as of October 1, 2013, and recorded curtailment and settlement gains (losses). The new measurement basis was used for the recognition of the pension and other postretirement plan cost (credit) recorded in the fourth quarter of 2013. The curtailment and settlement gains (losses) are included in the gain on the sale of the Publishing Subsidiaries, which is included in income from discontinued operations, net of tax. The Company excluded the historical pension expense for retirees from the reclassification of the Publishing Subsidiaries' results to discontinued operations, since the associated assets and liabilities were retained by the Company.

Defined Benefit Plans. The Company's defined benefit pension plans consist of various pension plans and a SERP offered to certain executives of the Company.

In the first quarter of 2014, the Company recorded $4.5 million related to a Separation Incentive Program for certain Corporate employees, which is being funded from the assets of the Company's pension plan. In the third quarter of 2014, the Company recorded $3.9 million related to a Voluntary Retirement Incentive Program (VRIP) for certain Corporate employees, which is being funded from the assets of the Company's pension plan. In addition, the Company recorded a $2.4 million SERP charge related to the VRIP for certain Corporate employees.

In February 2013, the Company offered a VRIP to certain employees of The Washington Post newspaper and recorded early retirement expense of $20.4 million. In addition, The Washington Post newspaper recorded $2.3 million in special separation benefits for a group of employees in the first quarter of 2013. The expense for these programs is funded from the assets of the Company's pension plans.

In 2012, the Company offered a VRIP to certain employees of The Washington Post newspaper and recorded early retirement expense of $7.5 million. In addition, the Company offered a VRIP to certain employees of Post–Newsweek Media and recorded early retirement expense of $1.0 million. The early retirement program expense for these programs is funded from the assets of the Company's pension plans.

The 2013 and 2012 early retirement program and special separation benefit expenses are included in income from discontinued operations, net of tax.

Effective August 1, 2012, the Company's defined benefit pension plan was amended to provide most of the current participants with a new cash balance benefit. The cash balance benefit is funded from the assets of the Company's pension plans. As a result of this benefit, the Company's matching contribution for its 401(k) Savings Plans was reduced.

The following table sets forth obligation, asset and funding information for the Company's defined benefit pension plans:

	Pension Plans	
	As of December 31	
(in thousands)	**2014**	2013
Change in Benefit Obligation		
Benefit obligation at beginning of year	**$1,126,344**	$1,466,322
Service cost	**27,792**	46,115
Interest cost	**51,825**	55,821
Amendments	**8,374**	22,700
Actuarial loss (gain)	**172,548**	(156,385)
Benefits paid	**(69,854)**	(81,162)
Curtailment	**—**	(55,690)
Settlement	**451**	(171,377)
Benefit Obligation at End of Year	**$1,317,480**	$1,126,344
Change in Plan Assets		
Fair value of assets at beginning of year	**$2,371,849**	$2,071,145
Actual return on plan assets	**167,154**	699,518
Benefits paid	**(69,854)**	(81,162)
Settlement	**819**	(317,652)
Fair Value of Assets at End of Year	**$2,469,968**	$2,371,849
Funded Status	**$1,152,488**	$1,245,505

	SERP	
	As of December 31	
(in thousands)	**2014**	2013
Change in Benefit Obligation		
Benefit obligation at beginning of year	**$ 91,169**	$104,062
Service cost	**1,493**	1,612
Interest cost	**4,397**	4,148
Amendments	**4,022**	—
Actuarial loss (gain)	**19,168**	(9,180)
Benefits paid	**(4,166)**	(4,101)
Curtailment	**—**	(2,059)
Settlement	**—**	(3,313)
Benefit Obligation at End of Year	**$ 116,083**	$ 91,169
Change in Plan Assets		
Fair value of assets at beginning of year	**$ —**	$ —
Employer contributions and other	**4,166**	4,101
Benefits paid	**(4,166)**	(4,101)
Fair Value of Assets at End of Year	**$ —**	$ —
Funded Status	**$(116,083)**	$ (91,169)

The accumulated benefit obligation for the Company's pension plans at December 31, 2014 and 2013, was $1,281.5 million and $1,091.1 million, respectively. The accumulated benefit obligation for the Company's SERP at December 31, 2014 and 2013, was $114.1 million and $89.3 million, respectively. The amounts recognized in the Company's Consolidated Balance Sheets for its defined benefit pension plans are as follows:

	Pension Plans		SERP	
	As of December 31		As of December 31	
(in thousands)	**2014**	2013	**2014**	2013
Noncurrent asset	**$1,152,488**	$1,245,505	**$ —**	$ —
Current liability	**—**	—	**(6,275)**	(4,251)
Noncurrent liability	**—**	—	**(109,808)**	(86,918)
Recognized Asset (Liability)	**$1,152,488**	$1,245,505	**$(116,083)**	$(91,169)

Key assumptions utilized for determining the benefit obligation are as follows:

	Pension Plans		SERP	
	As of December 31		As of December 31	
	2014	2013	**2014**	2013
Discount rate	**4.0%**	4.8%	**4.0%**	4.8%
Rate of compensation increase	**4.0%**	4.0%	**4.0%**	4.0%

The Company made no contributions to its pension plans in 2014, 2013 and 2012, and the Company does not expect to make any contributions in 2015. The Company made contributions to its SERP of $4.2 million and $4.1 million for the years ended December 31, 2014 and 2013, respectively. As the plan is unfunded, the Company makes contributions to the SERP based on actual benefit payments.

At December 31, 2014, future estimated benefit payments, excluding charges for early retirement programs, are as follows:

(in thousands)	Pension Plans	SERP
2015	$ 87,271	$ 6,399
2016	$ 80,239	$ 5,875
2017	$ 78,592	$ 5,964
2018	$ 77,576	$ 6,257
2019	$ 78,589	$ 6,719
2020–2024	$398,372	$34,875

The total cost (benefit) arising from the Company's defined benefit pension plans, including the portion included in discontinued operations, consists of the following components:

	Pension Plans		
	Year Ended December 31		
(in thousands)	**2014**	2013	2012
Service cost	**$ 27,792**	$ 46,115	$ 40,344
Interest cost	**51,825**	55,821	59,124
Expected return on assets	**(120,472)**	(105,574)	(96,132)
Amortization of prior service cost	**329**	2,809	3,695
Recognized actuarial (gain) loss	**(28,880)**	2,756	9,013
Net Periodic (Benefit) Cost for the Year	**(69,406)**	1,927	16,044
Curtailment	**—**	(43,930)	—
Settlement	**—**	39,995	—
Early retirement programs and special separation benefit expense	**8,374**	22,700	8,508
Total (Benefit) Cost for the Year	**$ (61,032)**	$ 20,692	$ 24,552
Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income			
Current year actuarial loss (gain)	**$ 125,866**	$(750,328)	$(79,405)
Amortization of prior service cost	**(329)**	(2,809)	(3,695)
Recognized net actuarial gain (loss)	**28,880**	(2,756)	(9,013)
Curtailment and settlement	**(368)**	94,520	—
Total Recognized in Other Comprehensive Income (Before Tax Effects)	**$ 154,049**	$(661,373)	$(92,113)
Total Recognized in Total (Benefit) Cost and Other Comprehensive Income (Before Tax Effects)	**$ 93,017**	$(640,681)	$(67,561)

	SERP		
	Year Ended December 31		
(in thousands)	**2014**	2013	2012
Service cost	**$ 1,493**	$ 1,612	$ 1,467
Interest cost	**4,397**	4,148	4,241
Amortization of prior service cost	**47**	55	54
Recognized actuarial loss	**1,544**	2,481	1,833
Net Periodic Cost for the Year	**7,481**	8,296	7,595
Special separation benefit expense	**2,422**	—	—
Settlement	**—**	(2,575)	—
Total Cost for the Year	**$ 9,903**	$ 5,721	$ 7,595
Other Changes in Benefit Obligations Recognized in Other Comprehensive Income			
Current year actuarial loss (gain)	**$ 19,168**	$ (9,180)	$ 8,428
Current year prior service cost	**1,600**	—	—
Amortization of prior service cost	**(47)**	(55)	(54)
Recognized net actuarial loss	**(1,544)**	(2,481)	(1,833)
Curtailment and settlement	**—**	(2,798)	—
Other adjustments	**—**	—	745
Total Recognized in Other Comprehensive Income (Before Tax Effects)	**$ 19,177**	$ (14,514)	$ 7,286
Total Recognized in Total Cost and Other Comprehensive Income (Before Tax Effects)	**$ 29,080**	$ (8,793)	$ 14,881

The net periodic cost (benefit) for the Company's pension plans, as reported above, includes pension cost of $0.2 million, $18.9 million and $24.6 million reported in discontinued operations for 2014, 2013 and 2012, respectively. The net periodic cost for the Company's SERP, as reported above, includes cost of $0.2 million, $1.0 million and $0.9 million reported in discontinued operations for 2014, 2013 and 2012, respectively. The early retirement programs and special separation benefit expenses are also included in discontinued operations for 2013 and 2012. The 2013 curtailments and settlements are included in the gain on sale of Publishing Subsidiaries, which is also reported in discontinued operations.

The costs for the Company's defined benefit pension plans are actuarially determined. Below are the key assumptions utilized to determine periodic cost:

	Pension Plans			SERP		
	Year Ended December 31			Year Ended December 31		
	2014	2013	2012	**2014**	2013	2012
Discount rate	**4.8%**	4.0%	4.7%	**4.8%**	4.0%	4.7%
Expected return on plan assets	**6.5%**	6.5%	6.5%	**—**	—	—
Rate of compensation increase	**4.0%**	4.0%	4.0%	**4.0%**	4.0%	4.0%

Accumulated other comprehensive income (AOCI) includes the following components of unrecognized net periodic cost for the defined benefit plans:

	Pension Plans		SERP	
	As of December 31		As of December 31	
(in thousands)	**2014**	2013	**2014**	2013
Unrecognized actuarial (gain) loss	**$(685,895)**	$(840,273)	**$ 36,890**	$19,266
Unrecognized prior service cost	**1,033**	1,362	**1,689**	136
Gross Amount	**(684,862)**	(838,911)	**38,579**	19,402
Deferred tax liability (asset)	**273,945**	335,564	**(15,432)**	(7,761)
Net Amount	**$(410,917)**	$(503,347)	**$ 23,147**	$11,641

During 2015, the Company expects to recognize the following amortization components of net periodic cost for the defined benefit plans:

	2015	
(in thousands)	Pension Plans	SERP
Actuarial loss recognition	$ —	$3,449
Prior service cost recognition	$324	$ 457

Defined Benefit Plan Assets. The Company's defined benefit pension obligations are funded by a portfolio made up of a relatively small number of stocks and high-quality fixed-income securities that are held by a third-party trustee. The assets of the Company's pension plans were allocated as follows:

	As of December 31	
	2014	2013
U.S. equities	**59%**	58%
U.S. fixed income	**13%**	12%
International equities	**28%**	30%
	100%	100%

Essentially all of the assets are actively managed by two investment companies. The goal of the investment managers is to produce moderate long-term growth in the value of these assets, while protecting them against large decreases in value. Both of these managers may invest in a combination of equity and fixed-income securities and cash. The managers are not permitted to invest in securities of the Company or in alternative investments. The investment managers cannot invest more than 20% of the assets at the time of purchase in the stock of Berkshire Hathaway or more than 10% of the assets in the securities of any other single issuer, except for obligations of the U.S. Government, without receiving prior approval by the Plan administrator. As of December 31, 2014, the managers can invest no more than 24% of the assets in international stocks, at the time the investment is made, and no less than 10% of the assets could be invested in fixed-income securities. None of the assets is managed internally by the Company.

In determining the expected rate of return on plan assets, the Company considers the relative weighting of plan assets, the historical performance of total plan assets and individual asset classes and economic and other indicators of future performance. In addition, the Company may consult with and consider the input of financial and other professionals in developing appropriate return benchmarks.

The Company evaluated its defined benefit pension plan asset portfolio for the existence of significant concentrations (defined as greater than 10% of plan assets) of credit risk as of December 31, 2014. Types of concentrations that were evaluated include, but are not limited to, investment concentrations in a single entity, type of industry, foreign country and individual fund. At December 31, 2014, the pension plan held common stock in two investments that exceeded 10% of total plan assets, valued at $730.6 million, or 30% of total plan assets. At December 31, 2013, the pension plan held common stock in one investment that exceeded 10% of total plan assets, valued at $382.1 million, or 16% of total plan assets. At December 31, 2014 and 2013, the pension plan held investments in one foreign country that exceeded 10% of total plan assets. These investments were valued at $468.0 million and $398.9 million at December 31, 2014 and 2013, respectively, or approximately 19% and 17%, respectively, of total plan assets.

The Company's pension plan assets measured at fair value on a recurring basis were as follows:

	As of December 31, 2014		
(in thousands)	**Level 1**	**Level 2**	**Total**
Cash equivalents and other short-term investments	**$ 275,963**	**$141,083**	**$ 417,046**
Equity securities			
U.S. equities	**1,454,011**	**—**	**1,454,011**
International equities	**691,505**	**—**	**691,505**
Total Investments	**$2,421,479**	**$141,083**	**$2,562,562**
Payable for settlement of investments purchased			**(92,594)**
Total			**$2,469,968**

	As of December 31, 2013		
(in thousands)	Level 1	Level 2	Total
Cash equivalents and other short-term investments	$ 196,757	$84,706	$ 281,463
Equity securities			
U.S. equities	1,383,738	—	1,383,738
International equities	699,649	—	699,649
Fixed-income securities			
Corporate debt securities	—	5,147	5,147
Total Investments	$2,280,144	$89,853	$2,369,997
Receivables			1,852
Total			$2,371,849

Cash equivalents and other short-term investments. These investments are primarily held in U.S. Treasury securities and registered money market funds. These investments are valued using a market approach based on the quoted market prices of the security or inputs that include quoted market prices for similar instruments and are classified as either Level 1 or Level 2 in the valuation hierarchy.

U.S. equities. These investments are held in common and preferred stock of U.S. corporations and American Depositary Receipts (ADRs) traded on U.S. exchanges. Common and preferred shares and ADRs are traded actively on exchanges, and price quotes for these shares are readily available. These investments are classified as Level 1 in the valuation hierarchy.

International equities. These investments are held in common and preferred stock issued by non-U.S. corporations. Common and preferred shares are traded actively on exchanges, and price quotes for these shares are readily available. These investments are classified as Level 1 in the valuation hierarchy.

Corporate debt securities. These investments consist of fixed-income securities issued by U.S. corporations and are valued using a bid evaluation process, with bid data provided by independent pricing sources. These investments are classified as Level 2 in the valuation hierarchy.

Other fixed income. These investments consist of fixed-income securities issued by the U.S. Treasury and in private placements and are valued using a quoted market price or bid evaluation process, with bid data provided by independent pricing sources. These investments are classified as Level 1 or Level 2 in the valuation hierarchy.

Other Postretirement Plans. The following table sets forth obligation, asset and funding information for the Company's other postretirement plans:

	Postretirement Plans	
	As of December 31	
(in thousands)	**2014**	2013
Change in Benefit Obligation		
Benefit obligation at beginning of year	**$ 40,014**	$ 63,868
Service cost	**1,500**	2,488
Interest cost	**1,448**	1,848
Actuarial loss (gain)	**4,448**	(3,298)
Curtailment	**(932)**	(21,221)
Benefits paid, net of Medicare subsidy	**(4,521)**	(3,671)
Benefit Obligation at End of Year	**$ 41,957**	$ 40,014
Change in Plan Assets		
Fair value of assets at beginning of year	**$ —**	$ —
Employer contributions	**4,521**	3,671
Benefits paid, net of Medicare subsidy	**(4,521)**	(3,671)
Fair Value of Assets at End of Year	**$ —**	$ —
Funded Status	**$(41,957)**	$(40,014)

The amounts recognized in the Company's Consolidated Balance Sheets for its other postretirement plans are as follows:

	Postretirement Plans	
	As of December 31	
(in thousands)	**2014**	2013
Current liability	**$ (3,995)**	$ (3,795)
Noncurrent liability	**(37,962)**	(36,219)
Recognized Liability	**$(41,957)**	$(40,014)

The discount rates utilized for determining the benefit obligation at December 31, 2014 and 2013, for the postretirement plans were 3.25% and 3.80%, respectively. The assumed health care cost trend rate used in measuring the postretirement benefit obligation at December 31, 2014, was 7.50% for pre-age 65, decreasing to 5.0% in the year 2025 and thereafter. The assumed health care cost trend rate used in measuring the postretirement benefit obligation at December 31, 2014, was 14.9% for the post-age 65 Medicare Advantage Prescription Drug (MA-PD) plan, decreasing to 5.0% in the year 2021 and thereafter, and was 6.50% for the post-age 65 non MA-PD plan, decreasing to 5.0% in the year 2021 and thereafter.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A change of one percentage point in the assumed health care cost trend rates would have the following effects:

(in thousands)	**1% Increase**	**1% Decrease**
Benefit obligation at end of year	$2,478	$(2,255)
Service cost plus interest cost	$ 257	$ (227)

The Company made contributions to its postretirement benefit plans of $4.5 million and $3.7 million for the years ended December 31, 2014 and 2013, respectively. As the plans are unfunded, the Company makes contributions to its postretirement plans based on actual benefit payments.

At December 31, 2014, future estimated benefit payments are as follows:

(in thousands)	**Postretirement Plans**
2015	$ 3,995
2016	$ 4,061
2017	$ 4,078
2018	$ 3,946
2019	$ 3,882
2020–2024	$18,112

The total (benefit) cost arising from the Company's other post-retirement plans consists of the following components:

	Postretirement Plans		
	Year Ended December 31		
(in thousands)	**2014**	2013	2012
Service cost	**$ 1,500**	$ 2,488	$ 3,113
Interest cost	**1,448**	1,848	2,735
Amortization of prior service credit	**(783)**	(4,247)	(5,608)
Recognized actuarial gain	**(2,076)**	(2,141)	(1,478)
Net Periodic Cost (Benefit)	**89**	(2,052)	(1,238)
Curtailment	**(1,292)**	(41,623)	438
Settlement	**—**	(11,927)	—
Total Benefit for the Year	**$(1,203)**	$(55,602)	$ (800)
Other Changes in Benefit Obligations Recognized in Other Comprehensive Income			
Current year actuarial loss (gain)	**$ 4,448**	$ (3,298)	$(11,493)
Amortization of prior service credit	**783**	4,247	5,608
Recognized actuarial gain	**2,076**	2,141	1,478
Curtailment and settlement	**360**	32,329	—
Total Recognized in Other Comprehensive Income (Before Tax Effects)	**$ 7,667**	$ 35,419	$ (4,407)
Total Recognized in (Benefit) Cost and Other Comprehensive Income (Before Tax Effect)	**$ 6,464**	$(20,183)	$ (5,207)

The net periodic cost (benefit), as reported above, includes a benefit of $2.9 million included in discontinued operations in each year for 2013 and 2012. The Company recorded a curtailment gain of $1.3 million in the fourth quarter of 2014 in connection with the exchange of WPLG, and the Separation Incentive Program and VRIP offered to certain Corporate employees. As part of the sale of The Herald, changes were made with respect to its postretirement medical plan, resulting in a $3.5 million settlement gain that is included in discontinued operations, net of tax, for 2013. The remaining 2013 curtailment and settlement gains are included in the gain on sale of Publishing Subsidiaries, which is also reported in discontinued operations. In 2012, the Company offered a VRPI to certain employees of The Washington Post newspaper and recorded early retirement expense of $0.4 million, which is included in discontinued operations.

The costs for the Company's postretirement plans are actuarially determined. The discount rates utilized to determine periodic cost for the years ended December 31, 2014, 2013 and 2012, were 3.80%, 3.30% and 3.90%, respectively. AOCI included the following components of unrecognized net periodic benefit for the postretirement plans:

	As of December 31	
(in thousands)	**2014**	2013
Unrecognized actuarial gain	**$(7,404)**	$(13,928)
Unrecognized prior service credit	**(1,163)**	(2,306)
Gross Amount	**(8,567)**	(16,234)
Deferred tax liability	**3,427**	6,494
Net Amount	**$(5,140)**	$ (9,740)

During 2015, the Company expects to recognize the following amortization components of net periodic cost for the other postretirement plans:

(in thousands)	2015
Actuarial gain recognition	$(996)
Prior service credit recognition	$(502)

Multiemployer Pension Plans. In 2014, the Company contributed to one multiemployer defined benefit pension plan under the terms of a collective-bargaining agreement that covered certain union-represented employees.

In March 2013, the Company recorded a $0.4 million charge as The Herald unilaterally withdrew from the Western Conference Teamsters Pension Trust Fund as a result of the sale of its business. In 2012, The Herald notified the GCIU Employer's Trust Fund of its unilateral withdrawal from the Plan effective November 30, 2012, and recorded a $0.9 million charge based on an estimate of the withdrawal liability.

The Company's total contributions to all multiemployer pension plans amounted to $0.1 million in 2014, $0.1 million in 2013 and $0.2 million in 2012.

Savings Plans. The Company recorded expense associated with retirement benefits provided under incentive savings plans (primarily 401(k) plans) of approximately $9.2 million in 2014, $8.7 million in 2013 and $12.2 million in 2012.

15. OTHER NON-OPERATING INCOME (EXPENSE)

A summary of non-operating income (expense) is as follows:

	Year Ended December 31		
(in thousands)	**2014**	2013	2012
Gain on sale of Classified Ventures	**$396,553**	$ —	$ —
Gain on Berkshire marketable equity securities exchange	**266,733**	—	—
Gain on sale of headquarters building	**127,670**	—	—
Gain on sale of intangible assets	**75,249**	—	—
Foreign currency (losses) gains, net	**(11,129)**	(13,382)	3,132
(Losses) gain on sales or write-down of marketable equity securities	**(3,044)**	(9,559)	(17,564)
(Losses) gains on sales or write-downs of cost method investments, net	**(94)**	(1,761)	6,639
Other, net	**1,321**	951	2,337
Total Other Non-Operating Income (Expense)	**$853,259**	$(23,751)	$ (5,456)

On October 1, 2014, the Company and the remaining partners completed the sale of their entire stakes in Classified Ventures. Total proceeds to the Company, net of transaction costs, were $408.5 million, of which $16.5 million will be held in escrow until October 1, 2015. The Company recorded a pre-tax gain of $396.6 million on the sale of its interest in Classified Ventures in the fourth quarter of 2014.

In July 2014, the cable division sold wireless spectrum licenses for $98.8 million; a pre-tax gain of $75.2 million was reported in the third quarter of 2014 in connection with these sales. The licenses had been purchased in the 2006 AWS Auction.

On June 30, 2014, the Company completed a transaction with Berkshire Hathaway, as described in Note 7, that included the exchange of 2,107 Class A Berkshire shares and 1,278 Class B Berkshire shares owned by the Company; a $266.7 million gain was recorded.

On March 27, 2014, the Company completed the sale of its headquarters building for $158 million. In connection with the sale, the Company recorded a $127.7 million pre-tax gain.

16. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The other comprehensive (loss) income consists of the following components:

(in thousands)	Year Ended December 31, 2014 Before-Tax Amount	Income Tax	After-Tax Amount
Foreign currency translation adjustments			
Translation adjustments arising during the year	**$ (16,061)**	**$ —**	**$ (16,061)**
Adjustment for sales of businesses with foreign operations	**(404)**	**—**	**(404)**
	(16,465)	**—**	**(16,465)**
Unrealized gains on available-for-sale securities			
Unrealized gains for the year	**62,719**	**(25,088)**	**37,631**
Reclassification adjustment for realization of (gain) loss on exchange, sale or write-down of available-for-sale securities included in net income	**(265,274)**	**106,110**	**(159,164)**
	(202,555)	**81,022**	**(121,533)**
Pension and other postretirement plans			
Actuarial loss	**(149,482)**	**59,792**	**(89,690)**
Prior service cost	**(1,600)**	**640**	**(960)**
Amortization of net actuarial gain included in net income	**(29,412)**	**11,765**	**(17,647)**
Amortization of net prior service credit included in net income	**(407)**	**163**	**(244)**
Curtailments and settlements	**8**	**(3)**	**5**
	(180,893)	**72,357**	**(108,536)**
Cash flow hedge			
Gain for the year	**867**	**(347)**	**520**
Other Comprehensive Loss	**$(399,046)**	**$153,032**	**$(246,014)**

(in thousands)	Year Ended December 31, 2013 Before-Tax Amount	Income Tax	After-Tax Amount
Foreign currency translation adjustments			
Translation adjustments arising during the year	$ (1,059)	$ —	$ (1,059)
Unrealized gains on available-for-sale securities			
Unrealized gains for the year	95,629	(38,251)	57,378
Reclassification adjustment for write-down on available-for-sale securities, net of gain, included in net income	9,554	(3,822)	5,732
	105,183	(42,073)	63,110
Pension and other postretirement plans			
Actuarial gain	762,806	(305,123)	457,683
Amortization of net actuarial loss included in net income	3,096	(1,238)	1,858
Amortization of net prior service credit included in net income	(1,383)	553	(830)
Curtailments and settlements	(124,051)	49,617	(74,434)
	640,468	(256,191)	384,277
Cash flow hedge			
Gain for the year	520	(208)	312
Other Comprehensive Income	$ 745,112	$(298,472)	$446,640

(in thousands)	Year Ended December 31, 2012 Before-Tax Amount	Income Tax	After-Tax Amount
Foreign currency translation adjustments			
Translation adjustments arising during the year	$ 5,622	$ —	$ 5,622
Adjustment for sales of businesses with foreign operations	(888)	—	(888)
	4,734	—	4,734
Unrealized gains on available-for-sale securities			
Unrealized gains for the year	33,098	(13,239)	19,859
Reclassification adjustment for write-down on available-for-sale securities, net of gain, included in net income	17,226	(6,890)	10,336
	50,324	(20,129)	30,195
Pension and other postretirement plans			
Actuarial gain	82,470	(32,987)	49,483
Amortization of net actuarial loss included in net income	9,368	(3,746)	5,622
Amortization of net prior service credit included in net income	(1,859)	744	(1,115)
Other adjustments	(745)	299	(446)
	89,234	(35,690)	53,544
Cash flow hedge			
Loss for the year	(1,581)	633	(948)
Other Comprehensive Income	$142,711	$(55,186)	$87,525

The accumulated balances related to each component of other comprehensive (loss) income are as follows:

(in thousands, net of taxes)	Cumulative Foreign Currency Translation Adjustment	Unrealized Gain on Available-for-Sale Securities	Unrealized Gain on Pensions and Other Postretirement Plans	Cash Flow Hedge	Accumulated Other Comprehensive Income
As of December 31, 2012	$26,072	$110,553	$117,169	$(940)	$252,854
Other comprehensive income (loss) before reclassifications	(1,059)	57,378	383,249	(178)	439,390
Net amount reclassified from accumulated other comprehensive income	—	5,732	1,028	490	7,250
Net other comprehensive income (loss)	(1,059)	63,110	384,277	312	446,640
As of December 31, 2013	25,013	173,663	501,446	(628)	699,494
Other comprehensive (loss) income before reclassifications	**(16,061)**	**37,631**	**(90,645)**	**12**	**(69,063)**
Net amount reclassified from accumulated other comprehensive income	**(404)**	**(159,164)**	**(17,891)**	**508**	**(176,951)**
Net other comprehensive (loss) income	**(16,465)**	**(121,533)**	**(108,536)**	**520**	**(246,014)**
As of December 31, 2014	**$ 8,548**	**$ 52,130**	**$ 392,910**	**$ (108)**	**$ 453,480**

The amounts and line items of reclassifications out of Accumulated Other Comprehensive Income are as follows:

(in thousands)	Year Ended December 31 **2014**	2013	2012	Affected Line Item in the Consolidated Statement of Operations
Foreign Currency Translation Adjustments				
Adjustment for sales of businesses with foreign operations	**$ (404)**	$ —	$ (888)	Income from discontinued operations, net of tax
Unrealized Gains on Available-for-Sale Securities				
Realized (gain) loss for the year	**(265,274)**	9,554	17,226	Other expense, net
	106,110	(3,822)	(6,890)	(1)
	(159,164)	5,732	10,336	Net of tax
Pension and Other Postretirement Plans				
Amortization of net actuarial (gain) loss	**(29,412)**	3,096	9,368	(2)
Amortization of net prior service credit	**(407)**	(1,383)	(1,859)	(2)
	(29,819)	1,713	7,509	Before tax
	11,928	(685)	(3,002)	Income taxes
	(17,891)	1,028	4,507	Net of tax
Cash Flow Hedge				
	847	816	306	Interest expense
	(339)	(326)	(122)	Provision for income taxes
	508	490	184	Net of tax
Total reclassification for the year	**$(176,951)**	$ 7,250	$14,139	Net of tax

(1) Benefits of $1.2 million were recorded in Provision for Income Taxes related to the realized loss for the year ended December 31, 2014. The remaining $107.3 million for the year relates to the reversal of income taxes previously recorded on the unrealized gain of the Company's investment in Berkshire Hathaway Inc. marketable securities as part of the Berkshire exchange transaction, which qualified as a tax-free distribution under IRC Section 355 and 361 (see Note 7). The amounts for 2013 and 2012 were recorded in Provision for Income Taxes.

(2) These accumulated other comprehensive income components are included in the computation of net periodic pension and postretirement plan cost (see Note 14).

17. LEASES AND OTHER COMMITMENTS

The Company leases real property under operating agreements. Many of the leases contain renewal options and escalation clauses that require payments of additional rent to the extent of increases in the related operating costs.

At December 31, 2014, future minimum rental payments under noncancelable operating leases approximate the following:

(in thousands)

2015	$122,527
2016	115,772
2017	101,638
2018	83,628
2019	66,966
Thereafter	347,329
	$837,860

Includes a Kaplan lease signed January 31, 2015 with a total obligation of $16.5 million.

Minimum payments have not been reduced by minimum sublease rentals of $94.2 million due in the future under noncancelable subleases, including $61.5 million related to a Kaplan sublease signed February 5, 2015.

Rent expense under operating leases, including a portion reported in discontinued operations, was approximately $105.5 million, $118.5 million and $127.2 million in 2014, 2013 and 2012, respectively. Sublease income was approximately $5.4 million, $5.4 million and $4.4 million in 2014, 2013 and 2012, respectively.

The Company's broadcast subsidiaries are parties to certain agreements that commit them to purchase programming to be produced in future years. At December 31, 2014, such commitments amounted to approximately $21.0 million. If such programs are not produced, the Company's commitment would expire without obligation.

18. CONTINGENCIES

Litigation and Legal Matters. The Company and its subsidiaries are subject to complaints and administrative proceedings and are defendants in various civil lawsuits that have arisen in the ordinary course of their businesses, including contract disputes; actions alleging negligence, libel, invasion of privacy; trademark, copyright and patent infringement; U.S. False Claims Act (False Claims Act) violations; violations of applicable wage and hour laws; and statutory or common law claims involving current and former students and employees. Although the outcomes of the legal claims and proceedings against the Company cannot be predicted with certainty, based on currently available information, management believes that there are no existing claims or proceedings that are likely to have a material effect on the Company's business, financial condition, results of operations or cash flows. Also, based on currently available information, management is of the opinion that the exposure to future material losses from existing legal proceedings is not reasonably possible, or that future material losses in excess of the amounts accrued are not reasonably possible.

On February 6, 2008, a purported class-action lawsuit was filed in the U.S. District Court for the Central District of California by purchasers of BAR/BRI bar review courses, from July 2006 onward, alleging antitrust claims against Kaplan and West Publishing Corporation, BAR/BRI's former owner. On April 10, 2008, the court granted defendants' motion to dismiss, a decision that was reversed by the Ninth Circuit Court of Appeals on November 7, 2011. The Ninth Circuit also referred the matter to a mediator for the purpose of exploring a settlement. In the fourth quarter of 2012, the parties reached a comprehensive agreement to settle the matter. The settlement was approved by the District Court in September 2013 and will be administered following the resolution of appeals relating to attorney fees.

On or about January 17, 2008, an Assistant U.S. Attorney in the Civil Division of the U.S. Attorney's Office for the Eastern District of Pennsylvania contacted KHE's Broomall campus and made inquiries about the Surgical Technology program, including the program's eligibility for Title IV U.S. Federal financial aid, the program's student loan defaults, licensing and accreditation. Kaplan responded to the information requests and fully cooperated with the inquiry. The ED also conducted a program review at the Broomall campus, and Kaplan likewise cooperated with the program review. On July 22, 2011, the U.S. Attorney's Office for the Eastern District of Pennsylvania announced that it had entered into a comprehensive settlement agreement with Kaplan that resolved the U.S. Attorney's inquiry, provided for the conclusion of the ED's program review and also settled a previously sealed U.S. Federal False Claims Act (False Claims Act) complaint that had been filed by a former employee of the CHI-Broomall campus. The total amount of all required payments by Broomall under the agreements was $1.6 million. Pursuant to the comprehensive settlement agreement, the U.S. Attorney inquiry has been closed, the False Claims Act complaint (*United States of America* ex rel. *David Goodstein* v. *Kaplan, Inc.* et al.) was dismissed with prejudice and the ED will issue a final program review determination. At this time, Kaplan cannot predict the contents of the pending final program review determination or the ultimate impact the proceedings may have on the Broomall campus or the KHE business generally.

During 2014, certain Kaplan subsidiaries were subject to two other unsealed cases filed by former employees that include, among other allegations, claims under the False Claims Act relating to eligibility for Title IV funding. The U.S. Government declined to intervene in all cases, and, as previously reported, court decisions either dismissed the cases in their entirety or narrowed the scope of their allegations. The two cases are captioned: *United States of America* ex rel. *Carlos Urquilla-Diaz* et al. v. *Kaplan University* et al. (unsealed March 25, 2008) and *United States of America* ex rel. *Charles Jajdelski* v. *Kaplan Higher Education Corp.* et al. (unsealed January 6, 2009).

On August 17, 2011, the U.S. District Court for the Southern District of Florida issued a series of rulings in the Diaz case, which included three separate complaints: Diaz, Wilcox and Gillespie. The court dismissed the Wilcox complaint in its entirety; dismissed all False Claims Act allegations in the Diaz complaint, leaving only an individual employment claim; and dismissed in part the Gillespie complaint, thereby limiting the scope and time frame of its False Claims Act allegations regarding compliance with the U.S. Federal Rehabilitation Act. On October 31, 2012, the court entered summary judgment in favor of the Company as to the sole remaining employment claim in the Diaz complaint. On July 16, 2013, the court likewise entered summary judgment in favor of the Company on all remaining claims in the Gillespie complaint. Diaz and Gillespie each appealed to the U.S. Court of Appeals for the Eleventh Judicial Court. Arguments on both appeals were heard on February 3, 2015.

On July 7, 2011, the U.S. District Court for the District of Nevada dismissed the Jajdelski complaint in its entirety and entered a final judgment in favor of Kaplan. On February 13, 2013, the U.S. Circuit Court for the Ninth Judicial Circuit affirmed the dismissal in part and reversed the dismissal on one allegation under the False Claims Act relating to eligibility for Title IV funding based on claims of false attendance. The surviving claim was remanded to the District Court, where Kaplan has moved for summary judgment.

In January 2013, a former employee of KTP filed a sealed False Claims Act alleging that there were instructors at the San Antonio campuses of Kaplan College who did not meet Texas' qualification requirements. The case, captioned *United States of America* ex rel. *Leslie Coleman* v. *Kaplan, Inc.* et al., was unsealed on December 23, 2014, in connection with the parties entering into a settlement agreement pursuant to which Kaplan paid approximately $1.3 million, of which approximately $1.1 million was paid in the form of partial refunds to 289 former students. The settlement agreement stated that "[d]uring its investigation of the Relator's False Claims Act allegations, the United States did not encounter evidence of harm to Kaplan students."

On December 22, 2014, a former student representative filed a purported class and collective action lawsuit in the U.S. District Court for the Northern District of Illinois, in which she asserts claims under the Illinois Minimum Wage Law and the Fair Labor Standards Act (*Sharon Freeman v. Kaplan, Inc.*). The plaintiff alleges that she and other law students who were student representatives, on their respective law school campuses, of Kaplan's bar exam preparation business should have been classified as employees and paid minimum wage. The Company cannot predict the outcome of this inquiry.

On October 21, 2010, KHE received a subpoena from the office of the Florida Attorney General (FL AG). The subpoena sought information pertaining to the online and on-campus schools operated by KHE in and outside of Florida. In June 2014, Kaplan entered into an Assurance of Voluntary Compliance (AVC) with the FL AG on behalf of Kaplan University, Kaplan Higher Education Campuses and Kaplan, Inc. This agreement closes the FL AG investigation. The AVC required Kaplan to pay $200,000 in "investigation costs," provide certain tuition credits for students who previously dropped from a program and wish to return, and comply with certain industry best practices. In addition, Kaplan agreed to keep the Kaplan Commitment in place for Florida students until such time as Kaplan can prove that the program resulted in savings to Florida students of at least $350,000. This condition was satisfied at the end of 2014.

On December 21, 2010, the U.S. Equal Employment Opportunity Commission (EEOC) filed suit against Kaplan Higher Education Corporation in the U.S. District Court for the Northern District of Ohio alleging racial bias by Kaplan in requesting credit scores of job applicants seeking financial positions. In March 2011, the court granted in part the Company's motion to dismiss the complaint. On January 28, 2013, the court entered summary judgment in favor of Kaplan Higher Education Corporation and against the EEOC, terminating the case in its entirety. The EEOC appealed the judgment to the U.S. Court of Appeals for the Sixth Judicial Circuit, and briefing on that appeal was completed in November 2013. On April 9, 2014, the Court of Appeals affirmed the lower court's judgment in favor of the Company.

On February 7, 2011, KHE received a Civil Investigative Demand from the Office of the Attorney General of the State of Illinois. The demand primarily sought information pertaining to Kaplan University's online students who are residents of Illinois. KHE has cooperated with the Illinois Attorney General and provided the requested information. Although KHE may receive further requests for information from the Illinois Attorney General, there has been no such further correspondence to date. The Company cannot predict the outcome of this inquiry.

On April 30, 2011, KHE received a Civil Investigative Demand from the Office of the Attorney General of the State of Massachusetts. The demand primarily sought information pertaining to KHE's nationally accredited campuses in Massachusetts known as the Charlestown and Kenmore Square campuses. The Charlestown campus closed in 2013 and the Kenmore Square campus closed in 2012. Kaplan Higher Education Corporation has cooperated with the Massachusetts Attorney General and provided the requested information, as well as additional information requested in 2012 and 2013. In October 2014, the Attorney General's office sent Kaplan a "notice of intention to file" a lawsuit letter under section 93A of the Massachusetts consumer fraud statute. The letter outlined 12 allegations against the Charlestown and Kenmore Square campuses. The Company cannot predict the outcome of this inquiry or any potential litigation.

On July 20, 2011, KHE received a subpoena from the Office of the Attorney General of the State of Delaware. The demand primarily sought information pertaining to Kaplan University's online students and Kaplan Higher Education Campuses' students who are residents of Delaware. Kaplan Higher Education Corporation has cooperated with the Delaware Attorney General and provided the information requested in the subpoena. Although KHE may receive further requests for information from the Delaware Attorney General, there has been no such further correspondence to date. The Company cannot predict the outcome of this inquiry.

Student Financial Aid. The Company's education division derives the majority of its revenues from U.S. Federal financial aid received by its students under Title IV programs administered by the ED pursuant to the Higher Education Act, as amended. To maintain eligibility to participate in Title IV programs, a school must comply with extensive statutory and regulatory requirements relating to its financial aid management, educational programs, financial strength, administrative capability, compensation practices, facilities, recruiting practices and various other matters. In addition, the school must be licensed, or otherwise legally authorized, to offer postsecondary educational programs by the appropriate governmental body in the state or states in which it is physically located or is otherwise subject to state authorization requirements, be accredited by an accrediting agency recognized by the ED and be certified to participate in the Title IV programs by the ED. Schools are required periodically to apply for renewal of their authorization, accreditation or certification with the applicable state governmental bodies, accrediting agencies and the ED. In accordance with ED regulations, some KHE schools operate individually while others are combined into groups of two or more schools for the purpose of determining compliance with certain Title IV requirements, and each school or school group is assigned its own identification number, known as an OPEID number. As a result, as of the end of 2014 the schools in KHE have a total of 25 OPEID numbers. Failure to comply with the requirements of the Higher Education Act or related regulations could result in the restriction or loss of the ability to participate in Title IV programs and subject the Company to financial penalties and refunds. No assurance can be given that the Kaplan schools, or individual programs within schools, will maintain their Title IV eligibility, accreditation and state authorization in the future or that the ED might not successfully assert that one or more of such schools have previously failed to comply with Title IV requirements.

Financial aid and assistance programs are subject to political and governmental budgetary considerations. There is no assurance that such funding will be maintained at current levels. Extensive and complex regulations in the U.S. govern all of the government financial assistance programs in which students participate.

For the years ended December 31, 2014, 2013 and 2012, approximately $806 million, $819 million and $882 million, respectively, of the Company's education division revenue was derived from financial aid received by students under Title IV programs. Management believes that the Company's education division schools that participate in Title IV programs are in material compliance with standards set forth in the Higher Education Act and related regulations.

ED Program Reviews. The ED has undertaken program reviews at various KHE locations. Currently, there are four pending program reviews, including the ED's final reports on the program reviews at KHE's Broomall, PA, and Pittsburgh, PA, locations.

On January 22, 2015, the ED announced that it will conduct a program review of Kaplan University, beginning on February 23, 2015. On February 19, 2015 the ED notified KHE that it will conduct a program review at KHE's San Antonio, TX location, beginning in March 2015. The reviews will assess Kaplan's administration of its Title IV, HEA programs and will initially focus on the 2013 to 2014 and 2014 to 2015 award years. Kaplan cannot at this time predict the outcome of this review, when it will be completed or any liability or limitations that the ED may place on Kaplan University or KHE San Antonio as a result of these reviews.

The Company does not expect the open program reviews to have a material impact on KHE; however, the results of open program reviews and their impact on Kaplan's operations are uncertain.

The 90/10 Rule. Under regulations referred to as the 90/10 rule, a KHE school would lose its eligibility to participate in Title IV programs for a period of at least two fiscal years if the institution derives more than 90% of its receipts from Title IV programs, as calculated on a cash basis in accordance with the Higher Education Act and applicable ED regulations, in each of two consecutive fiscal years. An institution with Title IV receipts exceeding 90% for a single fiscal year would be placed on provisional certification and may be subject to other enforcement measures. The 90/10 rule calculations are performed for each OPEID unit. The largest OPEID reporting unit in KHE in terms of revenue is Kaplan University, which accounted for approximately 73% of the Title IV funds received by the division in 2014. In 2014, Kaplan University derived less than 81% of its receipts from the Title IV programs, and other OPEID units derived between 65% and 91% of their receipts from Title IV programs. Kaplan's Cleveland ground campus is the only OPEID that received more than 90% of its receipts in 2014 from Title IV programs, which was due in part to the announced closure of the school. Kaplan expects that all courses in progress at the Cleveland location will be completed by the end of the first quarter of 2015, at which time all operations at the campus will cease. In 2013, Kaplan University derived less than 81% of its receipts from Title IV programs, and other OPEID units derived between 69% and 89% of their receipts from Title IV programs.

A majority of KHE students are enrolled in certificate and associate's degree programs. Revenue from certificate and associate's degree programs is composed of a higher percentage of Title IV funds than is the case for revenue from KHE's bachelor's and other degree programs. KHE is taking various measures to reduce the percentage of its receipts attributable to Title IV funds, including modifying student payment options; emphasizing direct-pay and employer-paid education programs; encouraging students to evaluate carefully the amount of their Title IV borrowing; eliminating some programs; cash-matching; and developing and offering additional non-Title IV-eligible certificate preparation, professional development and continuing education programs. Kaplan has taken steps to ensure that revenue from programs acquired by a KHE campus is eligible to be counted in that campus' 90/10 calculation. However, there can be no guarantee that the ED will not challenge the inclusion of revenue from any acquired program in KHE's 90/10 calculations or will not issue an interpretation of the 90/10 rule that would exclude such revenue from the calculation. Absent the adoption of the changes mentioned above, and if current trends continue, management estimates that in 2015, three of the KHE Campuses' OPEID units, representing approximately 2.6% of KHE's 2014 revenues, could have a 90/10 ratio over 90%. As noted above, Kaplan is taking steps to address compliance with the 90/10 rule; however, there can be no guarantee that these measures will be adequate to prevent the 90/10 ratio at some or all schools from exceeding 90% in the future.

19. BUSINESS SEGMENTS

Basis of Presentation. The Company's organizational structure is based on a number of factors that management uses to evaluate, view and run its business operations, which include, but are not limited to, customers, the nature of products and services and use of resources. The business segments disclosed in the Consolidated

Financial Statements are based on this organizational structure and information reviewed by the Company's management to evaluate the business segment results. The Company has six reportable segments: KHE, KTP, Kaplan International, cable, television broadcasting and other businesses.

The Company evaluates segment performance based on operating income before amortization of intangible assets and impairment of goodwill and other long-lived assets. The accounting policies at the segments are the same as described in Note 2. In computing income from operations by segment, the effects of equity in earnings (losses) of affiliates, interest income, interest expense, other non-operating income and expense items and income taxes are not included. Intersegment sales are not material.

Identifiable assets by segment are those assets used in the Company's operations in each business segment. The Prepaid Pension cost is not included in identifiable assets by segment. Investments in marketable equity securities are discussed in Note 4.

Education. Education products and services are provided by Kaplan, Inc. KHE includes Kaplan's postsecondary education businesses, made up of fixed-facility colleges, as well as online postsecondary and career programs. KHE also includes the domestic professional training businesses. KTP includes Kaplan's standardized test preparation programs. Kaplan International includes professional training and postsecondary education businesses outside the United States, as well as English-language programs.

In the third quarter of 2014, Kaplan completed the sale of three of its schools in China that were previously included as part of Kaplan International. An additional school in China was sold in January 2015. Kaplan sold Kidum in August 2012, EduNeering in April 2012 and KLT in February 2012; therefore, the education division's operating results exclude these businesses.

In recent years, Kaplan has formulated and implemented restructuring plans at its various businesses that have resulted in significant costs in the past three years, with the objective of establishing lower cost levels in future periods. Across all Kaplan businesses, restructuring costs of $16.8 million, $36.4 million and $45.2 million were recorded in 2014, 2013 and 2012, respectively, as follows:

	Year Ended December 31		
(in thousands)	**2014**	2013	2012
Accelerated depreciation	**$ 2,062**	$16,856	$17,230
Lease obligation losses	**1,750**	9,351	9,794
Severance	**5,075**	6,289	14,349
Accelerated amortization of intangible assets	**—**	—	2,595
Software asset write-offs	**7,689**	—	—
Other	**230**	3,862	1,274
	$16,806	$ 36,358	$ 45,242

KHE incurred restructuring costs of $6.5 million, $19.5 million and $23.4 million in 2014, 2013 and 2012, respectively, primarily from accelerated depreciation and severance and lease obligations. These costs were incurred in connection with a plan announced in September 2012 for KHE to close or consolidate operations at 13 ground campuses, additional plans announced in 2014 to close five more campuses, along with plans to consolidate facilities and reduce its workforce.

In February 2015, Kaplan entered a Purchase and Sale Agreement with ECA to sell substantially all of the assets of its KHE Campuses business. The transaction is contingent upon certain regulatory and accrediting agency approvals and is expected to close in the second or third quarter of 2015. In addition, in the fourth quarter of 2014, Kaplan recorded a $13.6 million other long-lived asset impairment charge in connection with its KHE Campuses business.

Kaplan International incurred restructuring costs of $0.2 million, $5.8 million and $16.4 million in 2014, 2013 and 2012, respectively. These restructuring costs were largely in Australia and included lease obligations, accelerated depreciation and severance charges.

Total accrued restructuring costs at Kaplan were $12.7 million and $17.6 million at the end of each of 2014 and 2013, respectively.

In the second quarter of 2012, Kaplan International results benefited from a favorable $3.9 million out-of-period expense adjustment related to certain items in 2011 and 2010. With respect to this out-of-period expense adjustment, the Company has concluded that it was not material to the Company's financial position or results of operations for 2014, 2013 and 2012 and the related interim periods, based on its consideration of quantitative and qualitative factors.

Cable. Cable operations consist of cable systems offering video, data, voice and other services to subscribers in midwestern, western and southern states. The principal source of revenue is monthly subscription fees charged for services.

In November 2014, the Company announced a plan for the complete legal and structural separation of Cable ONE, Inc. from the Company (See Note 1).

Television Broadcasting. Television broadcasting operations are conducted through five VHF television stations serving the Detroit, Houston, San Antonio, Orlando and Jacksonville television markets. All stations are network-affiliated (except for WJXT in Jacksonville), with revenues derived primarily from sales of advertising time.

In June 2014, the Company completed the sale of WPLG, a television station serving the Miami market. WPLG results are included in discontinued operations, net of tax, for all periods presented. The television broadcasting segment operating results have been reclassified to reflect this change.

Other Businesses. Other businesses includes the operating results of The Slate Group and Foreign Policy Group, which publish online and print magazines and websites; SocialCode, a marketing solutions provider helping companies with marketing on social-media platforms; Celtic, a provider of home health and hospice services; Forney, a global supplier of products and systems that control and monitor combustion processes in electric utility and industrial applications, acquired by the Company in August 2013; and Trove, a digital innovation team that builds products and technologies in the news space. In April 2014, Celtic acquired the assets of VNA-TIP Healthcare of Bridgeton, MO. On May 30, 2014, the Company acquired Joyce/Dayton Corp., a Dayton, OH-based manufacturer of screw jacks and other linear motion systems and on July 3, 2014, the Company acquired a majority interest in Residential Healthcare Group, Inc. (Residential), the parent company of Residential Home Health and Residential Hospice, leading providers of skilled home health care and hospice services in Michigan and Illinois.

Corporate Office. Corporate office includes the expenses of the Company’s corporate office, a net pension credit and certain continuing obligations related to prior business dispositions.

Geographical Information. The Company’s non-U.S. revenues in 2014, 2013 and 2012 totaled approximately $712 million, $658 million and $632 million, respectively, primarily from Kaplan’s operations outside the U.S. The Company’s long-lived assets in non-U.S. countries (excluding goodwill and other intangible assets), totaled approximately $58 million and $66 million at December 31, 2014 and 2013, respectively.

Company information broken down by operating segment and education division:

(in thousands)	2014	2013	2012
	Year Ended December 31		
Operating Revenues			
Education	**$2,160,417**	$2,163,734	$2,184,532
Cable	**798,134**	807,309	787,117
Television broadcasting	**363,836**	308,306	328,396
Other businesses	**212,907**	128,803	72,837
Corporate office	**—**	—	—
Intersegment elimination	**(128)**	(241)	(296)
	$3,535,166	$3,407,911	$3,372,586
Income (Loss) from Operations			
Education	**$ 65,463**	$ 50,989	$ (106,424)
Cable	**178,722**	169,735	154,581
Television broadcasting	**187,833**	145,192	162,131
Other businesses	**(21,086)**	(23,468)	(33,010)
Corporate office	**(3,000)**	(23,279)	(28,665)
	$ 407,932	$ 319,169	$ 148,613
Equity in Earnings of Affiliates, Net	**100,370**	13,215	14,086
Interest Expense, Net	**(34,450)**	(33,803)	(32,551)
Other Income (Expense), Net	**853,259**	(23,751)	(5,456)
Income from Continuing Operations before Income Taxes	**$1,327,111**	$ 274,830	$ 124,692
Depreciation of Property, Plant and Equipment			
Education	**$ 61,737**	$ 89,622	$ 101,009
Cable	**128,733**	128,184	129,107
Television broadcasting	**8,409**	8,746	9,253
Other businesses	**3,931**	2,177	770
Corporate office	**836**	626	—
	$ 203,646	$ 229,355	$ 240,139
Amortization of Intangible Assets and Impairment of Goodwill and Other Long-Lived Assets			
Education	**$ 24,941**	$ 11,753	$ 127,876
Cable	**181**	220	211
Television broadcasting	**32**	—	—
Other businesses	**10,516**	3,416	3,016
Corporate office	**—**	—	—
	$ 35,670	$ 15,389	$ 131,103
Net Pension (Credit) Expense			
Education	**$ 15,418**	$ 16,538	$ 11,584
Cable	**3,585**	3,708	2,540
Television broadcasting	**1,355**	3,961	5,046
Other businesses	**748**	610	169
Corporate office	**(82,301)**	(41,836)	(27,871)
	$ (61,195)	$ (17,019)	$ (8,532)
Capital Expenditures			
Education	**$ 33,528**	$ 45,421	$ 51,105
Cable	**165,787**	160,246	150,525
Television broadcasting	**11,295**	12,131	6,122
Other businesses	**5,110**	2,005	1,451
Corporate office	**7,074**	309	—
	$ 222,794	$ 220,112	$ 209,203

Asset information for the Company's business segments is as follows:

(in thousands)	2014	2013
	As of December 31	
Identifiable Assets		
Education	**$1,781,543**	$1,921,037
Cable	**1,253,764**	1,215,320
Television broadcasting	**305,426**	383,251
Other businesses	**518,807**	171,539
Corporate office	**524,627**	371,484
	$4,384,167	$4,062,631
Investments in Marketable Equity Securities	**193,793**	487,156
Investments in Affiliates	**19,811**	15,754
Prepaid Pension Cost	**1,152,488**	1,245,505
Assets of Discontinued Operations	**2,060**	—
Total Assets	**$5,752,319**	$5,811,046

The Company's education division comprises the following operating segments:

(in thousands)	Year Ended December 31 2014	2013	2012
Operating Revenues			
Higher education	**$1,010,058**	$1,080,908	$1,149,407
Test preparation	**304,662**	293,201	284,252
Kaplan international	**840,915**	783,588	741,826
Kaplan corporate and other	**6,094**	7,990	15,039
Intersegment elimination	**(1,312)**	(1,953)	(5,992)
	$2,160,417	$2,163,734	$2,184,532
Income (Loss) from Operations			
Higher education	**$ 83,069**	$ 71,584	$ 27,245
Test preparation	**(4,730)**	4,118	(10,799)
Kaplan international	**69,153**	51,653	47,120
Kaplan corporate and other	**(82,034)**	(76,701)	(171,036)
Intersegment elimination	**5**	335	1,046
	$ 65,463	$ 50,989	$ (106,424)
Depreciation of Property, Plant and Equipment			
Higher education	**$ 29,187**	$ 43,892	$ 58,514
Test preparation	**12,547**	19,194	19,718
Kaplan international	**19,297**	16,154	20,975
Kaplan corporate and other	**706**	10,382	1,802
	$ 61,737	$ 89,622	$ 101,009
Amortization of Intangible Assets	**$ 7,738**	$ 8,503	$ 16,283
Impairment of Goodwill and Other Long-Lived Assets	**$ 17,203**	$ 3,250	$ 111,593
Pension Expense			
Higher education	**$ 10,514**	$ 11,714	$ 7,943
Test preparation	**2,888**	2,674	2,007
Kaplan international	**356**	363	189
Kaplan corporate and other	**1,660**	1,787	1,445
	$ 15,418	$ 16,538	$ 11,584
Capital Expenditures			
Higher education	**$ 11,551**	$ 10,879	$ 26,406
Test preparation	**1,143**	7,008	8,211
Kaplan international	**20,802**	27,472	16,728
Kaplan corporate and other	**32**	62	(240)
	$ 33,528	$ 45,421	$ 51,105

Asset information for the Company's education division is as follows:

(in thousands)	As of December 31 2014	2013
Identifiable Assets		
Higher education	**$ 749,421**	$ 859,208
Test preparation	**167,055**	173,435
Kaplan international	**838,148**	864,507
Kaplan corporate and other	**26,919**	23,887
	$1,781,543	$1,921,037

20. SUMMARY OF QUARTERLY OPERATING RESULTS AND COMPREHENSIVE INCOME (UNAUDITED)

Quarterly results of operations and comprehensive income for the year ended December 31, 2014, is as follows:

(in thousands, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating Revenues				
Education	$522,154	$542,964	$543,918	$551,381
Subscriber	191,128	187,723	183,161	184,035
Advertising	78,247	82,475	81,583	101,271
Other	45,012	61,249	90,209	88,656
	836,541	874,411	898,871	925,343
Operating Costs and Expenses				
Operating	376,463	395,627	398,922	391,348
Selling, general and administrative	325,275	322,240	358,189	319,854
Depreciation of property, plant and equipment	53,217	51,989	53,074	45,366
Amortization of intangible assets	2,717	2,995	7,405	5,251
Impairment of intangible and other long-lived assets	—	—	—	17,302
	757,672	772,851	817,590	779,121
Income from Operations	78,869	101,560	81,281	146,222
Equity in earnings of affiliates, net	4,052	91,503	4,613	202
Interest income	599	641	529	367
Interest expense	(8,820)	(8,557)	(9,330)	(9,879)
Other income, net	133,273	268,114	64,526	387,346
Income from Continuing Operations Before Income Taxes	207,973	453,261	141,619	524,258
Provision for Income Taxes	77,400	78,600	58,200	191,900
Income from Continuing Operations	130,573	374,661	83,419	332,358
Income (Loss) from Discontinued Operations, Net of Tax	1,732	375,189	(6,980)	2,308
Net Income	132,305	749,850	76,439	334,666
Net Loss (Income) Attributable to Noncontrolling Interests	219	499	121	(256)
Net Income Attributable to Graham Holdings Company	132,524	750,349	76,560	334,410
Redeemable Preferred Stock Dividends	(426)	(212)	(209)	—
Net Income Attributable to Graham Holdings Company Common Stockholders	$132,098	$750,137	$ 76,351	$334,410
Amounts Attributable to Graham Holdings Company Common Stockholders				
Income from continuing operations	$130,366	$374,948	$ 83,331	$332,102
Income (loss) from discontinued operations, net of tax	1,732	375,189	(6,980)	2,308
Net income attributable to Graham Holdings Company common stockholders	$132,098	$750,137	$ 76,351	$334,410
Per Share Information Attributable to Graham Holdings Company Common Stockholders				
Basic income per common share from continuing operations	$ 17.62	$ 50.39	$ 14.38	$ 57.31
Basic income (loss) per common share from discontinued operations	0.23	50.41	(1.20)	0.40
Basic net income per common share	$ 17.85	$ 100.80	$ 13.18	$ 57.71
Diluted income per common share from continuing operations	$ 17.56	$ 50.22	$ 14.32	$ 57.01
Diluted income (loss) per common share from discontinued operations	0.23	50.26	(1.20)	0.40
Diluted net income per common share	$ 17.79	$ 100.48	$ 13.12	$ 57.41
Basic average number of common shares outstanding	7,275	7,284	5,671	5,678
Diluted average number of common shares outstanding	7,352	7,363	5,757	5,770
2014 Quarterly comprehensive income	$146,115	$593,463	$ 68,246	$240,005

The sum of the four quarters may not necessarily be equal to the annual amounts reported in the Consolidated Statements of Operations due to rounding and the reduction in shares outstanding as a result of the Berkshire exchange transaction that closed on June 30, 2014.

Quarterly results of operations and comprehensive income for the year ended December 31, 2013, is as follows:

(in thousands, except per share amount)	First Quarter	Second Quarter	Third Quarter[1]	Fourth Quarter
Operating Revenues				
Education	$524,639	$544,878	$543,599	$550,618
Subscriber	186,790	192,273	190,302	186,297
Advertising	69,122	79,898	73,549	87,692
Other	36,865	50,103	48,651	42,635
	817,416	867,152	856,101	867,242
Operating Costs and Expenses				
Operating	374,516	392,500	393,010	372,471
Selling, general and administrative	333,894	318,731	327,062	331,814
Depreciation of property, plant and equipment	58,910	56,849	54,672	58,924
Amortization of intangible assets	3,362	2,950	2,468	3,359
Impairment of intangibles and other long-lived assets	—	—	—	3,250
	770,682	771,030	777,212	769,818
Income from Operations	46,734	96,122	78,889	97,424
Equity in earnings of affiliates, net	3,418	3,868	5,892	37
Interest income	510	522	642	590
Interest expense	(8,960)	(9,048)	(9,221)	(8,838)
Other (expense) income, net	(4,083)	(12,858)	8,110	(14,920)
Income from Continuing Operations Before Income Taxes	37,619	78,606	84,312	74,293
Provision for Income Taxes	15,800	31,700	29,900	24,100
Income from Continuing Operations	21,819	46,906	54,412	50,193
(Loss) Income from Discontinued Operations, Net of Tax	(16,560)	(1,772)	(23,988)	106,335
Net Income	5,259	45,134	30,424	156,528
Net Income Attributable to Noncontrolling Interests	(97)	(253)	(75)	(55)
Net Income Attributable to Graham Holdings Company	5,162	44,881	30,349	156,473
Redeemable Preferred Stock Dividends	(444)	(206)	(205)	—
Net Income Attributable to Graham Holdings Company Common Stockholders	$ 4,718	$ 44,675	$ 30,144	$156,473
Amounts Attributable to Graham Holdings Company Common Stockholders				
Income from continuing operations	$ 21,278	$ 46,447	$ 54,132	$ 50,138
(Loss) income from discontinued operations, net of tax	(16,560)	(1,772)	(23,988)	106,335
Net income attributable to Graham Holdings Company common stockholders	$ 4,718	$ 44,675	$ 30,144	$156,473
Per Share Information Attributable to Graham Holdings Company Common Stockholders				
Basic income per common share from continuing operations	$ 2.87	$ 6.26	$ 7.29	$ 6.79
Basic (loss) income per common share from discontinued operations	(2.23)	(0.24)	(3.22)	14.41
Basic net income per common share	$ 0.64	$ 6.02	$ 4.07	$ 21.20
Diluted income per common share from continuing operations	$ 2.87	$ 6.26	$ 7.28	$ 6.77
Diluted (loss) income per common share from discontinued operations	(2.23)	(0.24)	(3.23)	14.37
Diluted net income per common share	$ 0.64	$ 6.02	$ 4.05	$ 21.14
Basic average number of common shares outstanding	7,227	7,229	7,231	7,266
Diluted average number of common shares outstanding	7,266	7,283	7,337	7,347
2013 Quarterly comprehensive income	$ 29,129	$ 61,125	$ 37,533	$555,695

[1] Other revenue and operating expenses of $29.9 million from the third quarter of 2013 have been revised to correctly present revenue on a net basis for certain third quarter contracts that were previously reported on a gross basis. The amounts did not impact net income, and the Company concluded that the amounts were not material to the Company's consolidated financial statements.

The sum of the four quarters may not necessarily be equal to the annual amounts reported in the Consolidated Statements of Operations due to rounding.

Quarterly impact from certain items in 2014 and 2013 (after-tax and diluted EPS amounts):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2014				
• Charges of $20.2 million in connection with early retirement program expense and related charges, restructuring charges and software asset write-offs at the education division and corporate office ($2.9 million, $6.7 million, $8.7 million and $1.9 million in the first, second, third and fourth quarters, respectively)	$ (0.39)	$ (0.90)	$(1.50)	$ (0.33)
• Intangible and other long-lived assets impairment charge of $11.2 million at Kaplan and other businesses				$ (1.92)
• Gain of $249.8 million from the sale of Classified Ventures				$42.89
• Gain of $58.2 million from the Classified Ventures' sale of apartments.com		$ 7.80		
• Gain of $266.7 million from the Berkshire exchange transaction		$35.73		
• Gain of $81.8 million on the sale of the corporate headquarters building	$11.13			
• Gain of $48.2 million from the sale of wireless licenses at the cable division			$ 8.29	
• Losses, net, of $7.1 million for non-operating unrealized foreign currency (losses) gains ($3.2 million gain, $1.9 million gain, $6.8 million loss and $5.5 million loss in the first, second, third and fourth quarters, respectively)	$ 0.44	$ 0.25	$(1.16)	$ (0.94)
2013				
• Charges of $25.3 million in connection with severance and restructuring at the education division ($6.1 million, $3.9 million, $3.1 million and $12.2 million in the first, second, third and fourth quarters, respectively)	$ (0.85)	$ (0.54)	$(0.42)	$ (1.66)
• Intangible and other long-lived assets impairment charge of $3.2 million at Kaplan				$ (0.44)
• Write-down of marketable equity security of $6.7 million				$ (0.91)
• Losses, net, of $8.6 million for non-operating unrealized foreign currency (losses) gains ($3.0 million loss, $8.1 million loss, $5.0 million gain and $2.6 million loss in the first, second, third and fourth quarters, respectively)	$ (0.41)	$ (1.11)	$ 0.69	$ (0.35)

GRAHAM HOLDINGS COMPANY
FIVE-YEAR SUMMARY OF SELECTED HISTORICAL FINANCIAL DATA

See Notes to Consolidated Financial Statements for the summary of significant accounting policies and additional information relative to the years 2012–2014 and refer to Note 3 for discussion of discontinued operations.

(in thousands, except per share amounts)	**2014**	2013	2012	2011	2010
Results of Operations					
Operating revenues	**$3,535,166**	$3,407,911	$3,372,586	$3,453,127	$3,861,300
Income from operations	**407,932**	319,169	148,613	314,274	581,867
Income from continuing operations	**921,011**	173,330	51,292	137,845	341,623
Net income attributable to Graham Holdings Company common stockholders	**1,292,996**	236,010	131,218	116,233	277,192
Per Share Amounts					
Basic earnings per common share attributable to Graham Holdings Company common stockholders					
Income from continuing operations	**$ 139.44**	$ 23.39	$ 6.40	$ 17.32	$ 38.18
Net income	**195.81**	32.10	17.39	14.70	31.06
Diluted earnings per common share attributable to Graham Holdings Company common stockholders					
Income from continuing operations	**$ 138.88**	$ 23.36	$ 6.40	$ 17.32	$ 38.16
Net income	**195.03**	32.05	17.39	14.70	31.04
Weighted average shares outstanding:					
Basic	**6,470**	7,238	7,360	7,826	8,869
Diluted	**6,559**	7,333	7,404	7,905	8,931
Cash dividends per common share	**$ 10.20**	$ —	$ 19.60	$ 9.40	$ 9.00
Graham Holdings Company common stockholders' equity per common share	**$ 541.54**	$ 446.73	$ 348.17	$ 342.76	$ 343.47
Financial Position					
Working capital	**$ 639,911**	$ 768,278	$ 327,476	$ 250,069	$ 353,621
Total assets	**5,752,319**	5,811,046	5,015,069	5,016,986	5,158,637
Long-term debt	**399,545**	447,608	453,384	452,229	396,650
Graham Holdings Company common stockholders' equity	**3,140,299**	3,300,067	2,586,028	2,601,896	2,814,364

Impact from certain items included in income from continuing operations (after-tax and diluted EPS amounts):

2014
- charges of $20.2 million ($3.05 per share) related to early retirement program expense and related charges, restructuring charges and software asset write-offs at the education division and corporate office
- intangible and other long-lived assets impairment charge of $11.2 million ($1.69 per share) at the education division and other business
- gain from the sale of Classified Ventures of $249.8 million ($37.68 per share)
- $58.2 million ($8.78 per share) gain from the Classified Ventures' sale of apartments.com
- gain from the Berkshire exchange transaction of $266.7 million ($40.23 per share)
- $81.8 million ($12.34 per share) gain on the sale of the corporate headquarters building
- gain from the sale of wireless licenses of $48.2 million ($7.27 per share) at the cable division
- losses, net, of $7.1 million ($1.08 per share) from non-operating unrealized foreign currency losses

2013
- charges of $25.3 million ($3.46 per share) related to severance and restructuring at the education division
- intangible assets impairment charge of $3.2 million ($0.44 per share) at the education division
- write-down of a marketable equity security of $6.7 million ($0.91 per share)
- losses, net, of $8.6 million ($1.17 per share) from non-operating unrealized foreign currency losses

2012
- goodwill and other long-lived assets impairment charge of $81.9 million ($11.33 per share) at KTP
- charges of $32.9 million ($4.53 per share) related to severance and restructuring at the education division
- write-down of a marketable equity security of $11.2 million ($1.54 per share)
- $3.7 million ($0.48 per share) gain on sale of cost method investment
- gains, net, of $2.0 million ($0.27 per share) from non-operating unrealized foreign currency gains

2011
- charges of $17.9 million ($2.26 per share) related to severance and restructuring at the education division
- impairment charge at one of the Company's affiliates of $5.7 million ($0.72 per share)
- write-down of a marketable equity security of $34.6 million ($4.34 per share)
- losses, net, of $2.1 million ($0.26 per share) from non-operating unrealized foreign currency losses

2010
- charges of $24.2 million ($2.83 per share) related to severance and restructuring
- gains, net, of $4.2 million ($0.47 per share) from non-operating unrealized foreign currency gains

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INDEX TO EXHIBITS

Exhibit Number	Description
3.1	Restated Certificate of Incorporation of the Company dated November 13, 2003 (incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K for the fiscal year ended December 28, 2003).
3.2	Certificate of Amendment, effective November 29, 2013, to the Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated November 29, 2013).
3.3	Certificate of Designation for the Company's Series A Preferred Stock dated September 22, 2003 (incorporated by reference to Exhibit 3.2 to Amendment No. 1 to the Company's Current Report on Form 8-K dated September 22, 2003).
3.4	By-Laws of the Company as amended and restated through November 29, 2013 (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K dated November 29, 2013).
4.1	Second Supplemental Indenture dated January 30, 2009, between the Company and The Bank of New York Mellon Trust Company, N.A., as successor to The First National Bank of Chicago, as Trustee (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated January 30, 2009).
4.2	Four-Year Credit Agreement, dated as of June 17, 2011, among the Company, JPMorgan Chase Bank, N.A., J.P. Morgan Australia Limited, Wells Fargo Bank, N.A, The Royal Bank of Scotland PLC, HSBC Bank USA, The Bank of New York Mellon, PNC Bank, National Association, Bank of America, N.A., Citibank, N.A., and The Northern Trust Company (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated June 17, 2011).
10.1	Graham Holdings Company 2012 Incentive Compensation Plan, as amended and restated effective November 29, 2013 (incorporated by reference to Exhibit 10.1 to Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013).*
10.2	Washington Post Company Stock Option Plan as amended and restated effective May 31, 2003 (incorporated by reference to Exhibit 10.1 to The Washington Post Company's Quarterly Report on Form 10-Q for the quarter ended September 28, 2003).*
10.3	Graham Holdings Company Supplemental Executive Retirement Plan as amended and restated effective December 10, 2013 (incorporated by reference to Exhibit 10.3 to Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013).*
10.4	Amendment No. 1 to Graham Holdings Company Supplemental Executive Retirement Plan, effective March 31, 2014.
10.5	Graham Holdings Company Deferred Compensation Plan as amended and restated effective January 1, 2014 (incorporated by reference to Exhibit 10.4 to Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013).*
10.6	Letter Agreement between the Company and Timothy J. O'Shaughnessy, dated October 20, 2014.*
21	List of subsidiaries of the Company.
23	Consent of independent registered public accounting firm.
24	Power of attorney dated February 19, 2015.
31.1	Rule 13a-14(a)/15d-14(a) Certification of the Chief Executive Officer.
31.2	Rule 13a-14(a)/15d-14(a) Certification of the Chief Financial Officer.
32	Section 1350 Certification of the Chief Executive Officer and the Chief Financial Officer.
101	The following financial information from Graham Holdings Company Annual Report on Form 10-K for the year ended December 31, 2014, formatted in Extensible Business Reporting Language (XBRL): (i) Consolidated Statements of Operations for the years ended December 31, 2014, 2013 and 2012; (ii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2014, 2013 and 2012; (iii) Consolidated Balance Sheets as of December 31, 2014 and 2013; (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2013 and 2012; (v) Consolidated Statements of Changes in Common Shareholders' Equity for the years ended December 31, 2014, 2013 and 2012; and (vi) Notes to Consolidated Financial Statements. Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed "furnished" and not "filed" or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, are deemed "furnished" and not "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, and otherwise are not subject to liability under these sections.

*A management contract or compensatory plan or arrangement required to be included as an exhibit hereto pursuant to Item 15(b) of Form 10-K.

GRAHAM HOLDINGS COMPANY IN BRIEF

Graham Holdings Company (NYSE: GHC) is a diversified education and media company whose principal operations include educational services, television broadcasting, cable systems and online, print and local TV news. The Company also owns a social marketing solutions company, health care providers and manufacturing companies.

Graham Holdings Company
ghco.com

Education

Kaplan
Kaplan.com
- Kaplan Higher Education
- Kaplan Test Prep
- Kaplan International

Television Broadcasting

Graham Media Group

- WDIV–Detroit (NBC affiliate)
  ClickOnDetroit.com
  ThisTV–Detroit
- KPRC–Houston (NBC affiliate)
  Click2Houston.com
  ThisTV–Houston
- WKMG–Orlando (CBS affiliate)
  ClickOrlando.com
  CoziTV Orlando
  Heartland
- KSAT–San Antonio (ABC affiliate)
  KSAT.com
  MeTV San Antonio
- WJXT–Jacksonville (Independent)
  News4Jax.com
  ThisTV–Jacksonville
- SocialNewsDesk
  Web.SocialNewsDesk.com

Cable

Cable ONE
CableONE.net

Other Businesses

SocialCode
SocialCode.com

The Slate Group
- Slate.com
- SlateV.com
- TheRoot.com

The FP Group
- Foreign Policy
  ForeignPolicy.com

Trove
Trove.com

Celtic Healthcare
CelticHealthcare.com

Residential Healthcare Group
ResidentialHomeHealth.com

Forney Corporation
ForneyCorp.com

Joyce/Dayton Corp.
JoyceDayton.com

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Donald E. Graham (3, 4)
Chairman of the Board and Chief Executive Officer

Timothy J. O'Shaughnessy (3, 4)
President

Lee C. Bollinger (2)
President, Columbia University

Christopher C. Davis (1, 3, 4)
Chairman, Davis Selected Advisers, LP

Barry Diller (2, 3, 4)
Chairman and Senior Executive, IAC
Chairman and Senior Executive, Expedia, Inc.

Thomas S. Gayner (1, 3)
President and Chief Investment Officer,
Markel Corporation

Dave Goldberg (3)
Chief Executive Officer, SurveyMonkey

Anne M. Mulcahy (2, 4)
Retired Chairman of the Board and
Chief Executive Officer, Xerox Corporation

Ronald L. Olson (4)
Partner, Munger, Tolles & Olson LLP

Larry D. Thompson (2)
Retired Executive Vice President–Government Affairs,
General Counsel and Corporate Secretary, PepsiCo

G. Richard Wagoner, Jr. (1)
Retired Chairman of the Board and Chief
Executive Officer, General Motors Corporation

Katharine Weymouth (3)
Former Chief Executive Officer and Publisher,
The Washington Post

Committees of the Board of Directors
(1) Audit Committee
(2) Compensation Committee
(3) Finance Committee
(4) Executive Committee

OTHER COMPANY OFFICERS

Veronica Dillon
Senior Vice President, General Counsel
and Secretary

Hal S. Jones
Senior Vice President–Finance
Chief Financial Officer

Ann L. McDaniel
Senior Vice President

Vijay Ravindran
Senior Vice President
Chief Digital Officer

Gerald M. Rosberg
Senior Vice President–Planning
and Development

Andrew S. Rosen
Executive Vice President
Chairman, Kaplan

Wallace R. Cooney
Vice President–Finance
Chief Accounting Officer

Denise Demeter
Vice President
Chief Human Resources Officer

Stacey Halota
Vice President–Information Security and Privacy

Jocelyn E. Henderson
Vice President–Corporate Audit Services

Yuvinder Kochar
Vice President–Technology
Chief Technology Officer

Anthony Lyddane
Vice President–Tax

Daniel J. Lynch
Vice President
Treasurer

Nicole M. Maddrey
Vice President, Deputy General Counsel
and Assistant Secretary

Pinkie Dent Mayfield
Vice President–Corporate Affairs
Special Assistant to the Chairman

Andrea Papa
Assistant Controller

Marcel Snyman
Assistant Controller

Theresa A. Wilson
Vice President—Risk Management

ANNUAL MEETING

The annual meeting of stockholders will be held on May 14, 2015, at 8:30 am, at CEB Waterview Conference Center, 1919 North Lynn Street, Arlington, VA 22209.

STOCK TRADING

Graham Holdings Company Class B common stock is traded on the New York Stock Exchange under the symbol GHC. Class A common stock is not traded publicly.

STOCK TRANSFER AGENT AND REGISTRAR

General shareholder correspondence:
Computershare
PO Box 30170
College Station, TX 77842-3170

Transfers by overnight courier:
Computershare
211 Quality Circle, Suite 210
College Station, TX 77845

SHAREHOLDER INQUIRIES

Communications concerning transfer requirements, lost certificates, dividends and changes of address should be directed to Computershare Investor Services:

Tel: (800) 446-2617
(781) 575-2723
TDD: (800) 952-9245

Questions also may be sent via the website:
www-us.computershare.com/investor/Contact.

FORM 10-K

The Company's Form 10-K annual report to the Securities and Exchange Commission is part of this annual report to shareholders. All of the Company's SEC filings are accessible from the Company's website, ghco.com.

COMMON STOCK PRICES AND DIVIDENDS

High and low sales prices during the past two years were:

	2014		2013	
Quarter	**High**	**Low**	**High**	**Low**
January–March	$745	$614	$456	$360
April–June	$736	$647	$493	$428
July–September	$741	$683	$613	$484
October–December	$950	$675	$687	$592

Class A and Class B common stock participate equally as to dividends. Quarterly dividends were paid at the rate of $2.55 in 2014. In December 2012, the Company declared and paid an accelerated cash dividend totally $9.80 per share of outstanding common stock, in lieu of regular quarterly dividends that the Company otherwise would have declared and paid in calendar year 2013. At January 30, 2015, there were 29 Class A and 547 Class B registered shareholders.

Design: Vivo Design, Inc. Printing: Westland Printers

GRAHAM HOLDINGS

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