

**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, 2019**

**OR**

**Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
**For the transition period from \_\_\_\_\_ to \_\_\_\_\_.**

Commission File Number: 001-38002



**Laureate Education, Inc.**

(Exact name of registrant as specified in its charter)

Delaware	52-1492296	
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)	
650 S. Exeter Street, Baltimore, Maryland	21202	
(Address of principal executive offices)	(Zip Code)	
Registrant's telephone number, including area code: (410) 843-6100		
Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:		
Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, par value \$0.004 per share	LAUR	The NASDAQ Stock Market LLC Nasdaq Global Select Market

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

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

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

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

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

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

Large accelerated filer  Accelerated filer  Non-accelerated filer

Smaller reporting company  Emerging growth company   
 (Do not check if a smaller reporting company)

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

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

As of June 28, 2019, (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of the Class A common stock held by non-affiliates of the registrant was \$1.758 billion (based on the closing price of the registrant's Class A common stock on that date as reported on the Nasdaq Global Select Market).

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

Class	Outstanding at February 14, 2020
Class A common stock, par value \$0.004 per share	118,578,038 shares
Class B common stock, par value \$0.004 per share	90,814,034 shares

**Documents Incorporated by Reference**

The registrant incorporates by reference its definitive proxy statement with respect to its 2020 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission within 120 days following the end of its fiscal year, into Part III of this Annual Report on Form 10-K.

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As used in this Annual Report on Form 10-K (this "Form 10-K"), unless otherwise stated or the context otherwise requires, references to "we," "us," "our," the "Company," "Laureate" and similar references refer collectively to Laureate Education, Inc. and its subsidiaries.

## **Trademarks and Tradenames**

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

## **Industry and Market Data**

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

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

## **Forward-Looking Statements**

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

- the risks associated with conducting our global operations, including complex business, foreign currency, political, legal, regulatory, tax and economic risks;
- the risks associated with our exploration of strategic alternatives, including possible disruption to our ongoing businesses and increased transaction-related expenses;
- our ability to effectively manage the growth of our business, implement common operating models within our country networks and increase our operating leverage;
- the development and expansion of our operations and the effect of new technology applications in the educational services industry;
- our ability to successfully complete previously announced divestitures;

- the effect of existing international and U.S. laws and regulations governing our business or changes to those laws and regulations or in their application to our business;
- changes in the political, economic and business climate in the international or the U.S. markets where we operate;
- risks of downturns in general economic conditions and in the educational services and education technology industries that could, among other things, impair our goodwill and intangible assets;
- possible increased competition from other educational service providers;
- market acceptance of new service offerings by us or our competitors and our ability to predict and respond to changes in the markets for our educational services;
- the effect on our business and results of operations from fluctuations in the value of foreign currencies;
- our ability to attract and retain key personnel;
- the fluctuations in revenues due to seasonality;
- our ability to maintain proper and effective internal controls necessary to produce accurate financial statements on a timely basis;
- our focus on a specific public benefit purpose and producing a positive effect for society may negatively influence our financial performance;
- the future trading prices of our Class A common stock and the impact of any securities analysts' reports on these prices; and
- our ability to maintain and, subsequently, increase tuition rates and student enrollments in our institutions.

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

## **Part I**

### **Item 1. Business**

#### **Basis of Presentation**

As previously reported in our filings with the SEC, we have undertaken strategic reviews of our global portfolio and have announced plans to divest certain of our subsidiaries as part of a strategic shift. This strategic shift will have a significant effect on our operations and financial results. Accordingly, all of the divestitures announced in 2017 and 2018 that are part of this strategic shift, as well as the Company's operations in the Kingdom of Saudi Arabia that were managed under a contract that expired on August 31, 2019 and was not renewed, are now accounted for as discontinued operations for all periods presented. Unless otherwise indicated, the information in or incorporated by reference into this Form 10-K, including our segment information, relates only to our continuing operations.

#### **Strategic Developments**

On January 27, 2020, we announced that our board of directors had authorized the Company to explore strategic alternatives for each of its businesses to unlock shareholder value. As part of this process, we will evaluate all potential options for our businesses, including sales, spin-offs or business combinations. There can be no assurance as to the outcome of this process, including whether it will result in the completion of any transaction, the values that may be realized from any potential transaction or how long the review process will take. In the interim, we will continue to focus principally on the Latin American markets where we operate large scale platforms, as well as on the online market in the United States.

#### **General**

We have built the largest international portfolio of degree-granting higher education institutions, primarily focused in Latin America, with approximately 875,000 students enrolled at over 25 institutions with more than 150 campuses included in our continuing operations as of December 31, 2019, which we collectively refer to as the *Laureate International Universities* network. Our institutes operate within scaled country networks, which provide advantages in terms of shared infrastructure, technology, curricula and operational best practices. The institutions in the *Laureate International Universities* network are leading brands in their respective markets and offer a broad range of undergraduate and graduate degrees through campus-based, online and hybrid programs. As of December 31, 2019, the vast majority of our students attend traditional, campus-based institutions offering multi-year degrees, similar to leading private and public higher education institutions in developed markets such as the United States and Europe. Nearly two thirds of our students are enrolled in programs of four or more years in duration.

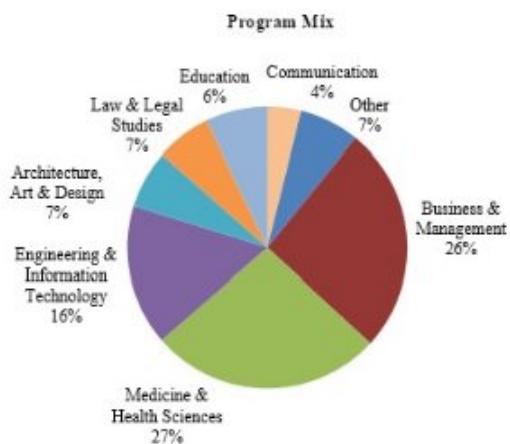
Our programs are designed with a distinct emphasis on applied, professional-oriented content for growing career fields and are focused on academic disciplines that we believe offer strong employment opportunities and high earnings potential for our students. We continually and proactively adapt our curriculum to the needs of the market. In particular, we emphasize science, technology, engineering and math (STEM) and business disciplines, areas in which we believe that there is large and growing demand, especially in developing countries. Since 2009, we have more than doubled our enrollment of students pursuing degrees in Medicine & Health Sciences, Engineering & Information Technology and Business & Management, our three largest disciplines. We believe that the work of our graduates in these disciplines creates a positive impact on the communities we serve and strengthens our institutions' reputations within their respective markets. Our focus on private-pay and our track record for delivering high-quality outcomes to our students, while stressing affordability and accessibility, has been a key reason for our long record of success.

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

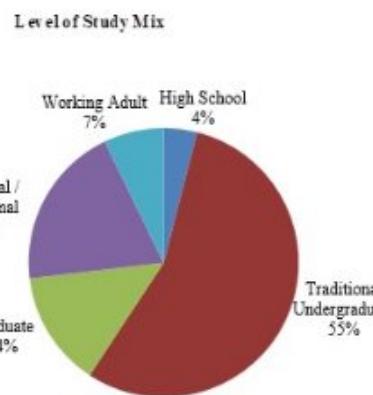
We operate institutions that address regional, national and local supply and demand imbalances in higher education. As the international leader in higher education, we believe that we are uniquely positioned to deliver high-quality education across different brands and tuition levels in the markets in which we operate. In many developing markets, traditional higher education students (defined as 18-24 year olds) have historically been served by public universities, which have limited capacity and are often underfunded, resulting in an inability to meet growing student demands and employer requirements. Our institutions in these markets offer traditional higher education students a private education alternative, often with multiple brands and price points in

each market, with innovative programs and strong career-driven outcomes. In many of these same markets, non-traditional students such as working adults and distance learners have limited options for pursuing higher education. Through targeted programs and multiple teaching modalities, we are able to serve the differentiated needs of this unique demographic.

Our program and level of study mix for 2019 was as follows:



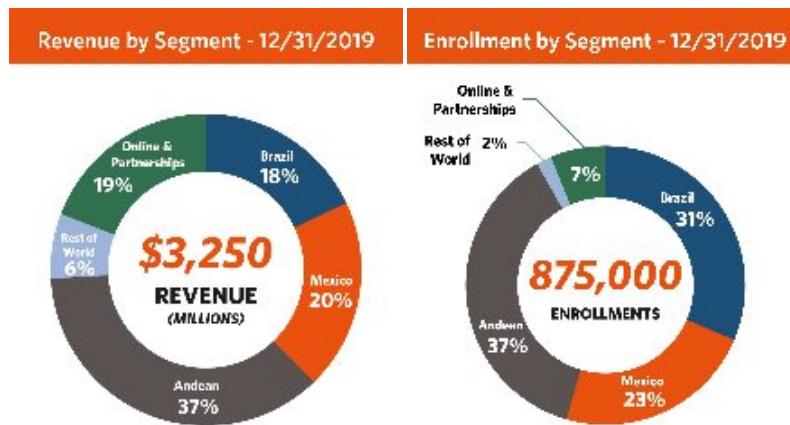
Based on 12/31/2019 total enrollments



Based on 12/31/2019 total enrollments  
High school students are primarily in Mexico

## Our Segments

We have five reportable segments, which are summarized in the charts below. We group our institutions by geography in Brazil, Mexico, Andean and Rest of World for reporting purposes. Our Online & Partnerships segment principally consists of Walden University. The following information for our segments is presented as of December 31, 2019.



## Our Industry

We operate in the international market for higher education, which is characterized by a significant imbalance between supply and demand, especially in developing economies. In many countries, demand for higher education is large and growing. GSV Advisors estimates that higher education institutions accounted for total revenues of approximately \$1.5 trillion globally in 2015, with the higher education market expected to grow by approximately 5% per annum through 2020. Global growth in higher education is being fueled by several demographic and economic factors, including a growing middle class, global growth in services and technology-related industries and recognition of the significant personal and economic benefits gained by graduates of higher education institutions. At the same time, many governments have limited resources to devote to higher education, resulting in a

diminished ability by the public sector to meet growing demand, and creating opportunities for private education providers to enter these markets and deliver high-quality education. As a result, the private sector plays a large and growing role in higher education globally. While the *Laureate International Universities* network is the largest international network of degree-granting higher education institutions in the world, our total enrollment at December 31, 2019 of approximately 875,000 students represents only 0.4% of worldwide higher education students.

**Large, Growing and Underpenetrated Population of Qualified Higher Education Students.** According to United Nations Educational, Scientific and Cultural Organization (“UNESCO”), 222.7 million students worldwide were enrolled in higher education institutions in 2017, more than double the 100.2 million students enrolled in 2000, and approximately 90% of those students were enrolled at institutions outside of the United States. In many countries, including throughout Latin America and other developing regions, there is growing demand for higher education based on favorable demographics, increasing secondary completion rates and increasing higher education participation rates, resulting in continued growth in higher education enrollments. While global participation rates have increased for traditional higher education students (defined as 18-24 year olds), the market for higher education is still significantly underpenetrated, particularly in developing countries. For example, participation rates in Brazil and Mexico in 2017 were approximately 36% and approximately 29%, respectively, as compared to approximately 62% in the United States for the same period.

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

**Increasing Role of the Private Sector in Higher Education.** In many of our markets, the private sector plays a meaningful role in higher education, bridging supply and demand imbalances created by a lack of capacity at public universities. In addition to capacity limitations, we believe that limited public resources, and the corresponding policy reforms to make higher education systems less dependent on the financial and operational support of local governments, have resulted in increased enrollments in private institutions relative to public institutions. For example, Brazil relies heavily upon private institutions to deliver quality higher education to students, with approximately 73% (in 2016) of higher education students in Brazil enrolled in private institutions.

**Favorable Industry Dynamics in Key Latin American Markets.** In the large Latin American markets in which we operate, many of the industry trends described above are even more prevalent, with strong growth in higher education over the past 15 years.

	% Private Sector#	No. of Students (*'000)‡		Participation Rate*		Wage Premium†
		2000	2017	2000	2017	
Brazil	73%	2,781	8,571	12%	36%	149%
Mexico	34%	1,963	4,430	15%	29%	102%
Peru	N/A	900	1,896	26%	47%	N/A
Chile	72%	452	1,239	27%	64%	137%

# Based on 2016 OECD data.

‡ Based on 2017 UNESCO data.

\* Based on 2017 UNESCO data; defined as 18-24 year olds.

† Based on 2015 OECD data.

**Increasing Demand for Online Offerings.** The acceptance of online learning in higher education is well-established, as evidenced by a survey conducted by the Babson Survey Research Group that reported that approximately 71% of academic leaders rated online learning outcomes as the same or superior to classroom learning in 2014. We believe that increasing student demand (for

example, students taking at least one distance education course made up approximately 30% of all higher education enrollments in the United States as of the second half of 2015 according to the Distance Education Enrollment Report 2017), new instruction methodologies designed for the online medium, and growing employer and regulatory acceptance of degrees obtained through online and hybrid modalities will continue to drive online learning growth globally. Moreover, increasing the percentage of courses taught online in a hybrid educational model has significant cost and capital efficiency benefits, as a greater number of students can be accommodated in existing physical campus space.

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

## Our Strengths and Competitive Advantages

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

**Scaled Platform Institutions Across Country Networks.** Our scale within the countries in which we operate facilitates distinct advantages for our students and allows us to leverage our operating model across multiple brands in our large markets. It would take a competitor considerable time and expense to establish a country network of similar scale with the high-quality brands, intellectual property and accreditations that we possess.

Our in-country networks facilitate competitive advantages related to:

- *Curricula and Programs.* We are able to leverage our curricula and resources, allowing for the rapid deployment of new programs. Increasing amounts of our curricula are being standardized, allowing us to lower the cost of program development by reusing and sharing content, while improving the quality of our programs.
- *Best Practices.* Through collaboration across our in-country networks, best practices for key operational processes, such as campus design, faculty training, student services and recruitment, are identified and then rolled out to the institutions within each country.
- *Unified Systems.* Our scale also permits increased investment in unified technology systems and an opportunity to leverage standardization of processes, centralization of common services (such as information technology, finance and procurement) and intellectual property, and implementing a common operating model and platform for content development, digital campus experiences, student services, recruitment and administrative services within each country.

**Leading Intellectual Property and Technology.** We have developed an extensive collection of intellectual property. We believe that this collection of intellectual property, including online capabilities, campus management, faculty training, curriculum design and quality assurance, among other proprietary solutions, provides our students a truly differentiated learning experience and creates a significant competitive advantage for our institutions over competitors. We have made significant investments to create unified technology systems across our in-country networks. These systems will provide data and insights on a scale that we believe will allow us to improve student experience, retention rates and outcomes, while also enabling a more efficient and lower cost educational delivery model.

**Long-Standing and Respected University Brands.** We believe that we have established a reputation for providing high-quality higher education in the countries in which we operate, and many of our institutions are among the most respected higher education brands in their local markets. Many of our institutions have over 50-year histories and are ranked among the best in their respective countries. For example, Universidade Anhembi Morumbi in Brazil is ranked by Guia do Estudante as one of São Paulo's top universities, UVM Mexico, the largest private university in Mexico, was ranked eighth among all public and private higher education institutions in that country by *Guía Universitaria*, an annual publication of *Reader's Digest*, Universidad Peruana de Ciencias Aplicadas ("UPC") recently attained a 4-Star Rating from QS Stars™, making it the only 4-Star Rated university in that country, and Universidad Andrés Bello in Chile is ranked by SCImago among the top three universities in the country.

Many of our institutions and programs have earned the highest accreditation available, which provides us with a strong competitive advantage in local markets. For example, medical school licenses are often the most difficult to obtain and are only granted to institutions that meet rigorous standards. We serve more than 225,000 students in the fields of medicine and health sciences across more than 100 campuses throughout the *Laureate International Universities* network, including 20 medical schools and 14 dental schools. We believe that the existence of medical schools at many of our institutions further validates the quality of our institutions and programs and increases brand awareness.

**Commitment to Academic Quality.** We offer high-quality undergraduate, graduate and specialized programs in a wide range of disciplines that generate strong interest from students and provide attractive employment prospects. Our commitment to quality is demonstrated by, for example, the fact that our Brazilian institutions' IGC scores (an indicator used by the Brazilian Ministry of Education to evaluate the quality of higher education institutions) have increased by more than 25% on average from 2010 to 2018, placing four of our institutions in the top quarter, and 97% of our students in Brazil enrolled in institutions ranked in the top third, of all private higher education institutions in the country. We focus on programs that prepare our students to become employed in high demand professions. Our curriculum development process includes employer surveys and ongoing research into business trends to determine the skills and knowledge base that will be required by those employers in the future. This information results in timely curriculum upgrades, which helps ensure that our graduates acquire the skills that will make them marketable to employers. We are also committed to continually evaluating our institutions to ensure we are providing the highest quality education to our students. Our proprietary management tool, the Laureate Education Assessment Framework ("LEAF"), is used to evaluate institutional performance based on 44 unique criteria across five different categories: Employability, Learning Experience, Personal Experience, Access & Outreach and Academic Excellence. LEAF, in conjunction with additional external assessment methodologies, such as QS Stars™, allows us to identify key areas for improvement in order to drive a culture of quality and continual innovation at our institutions.

**Strong Student Outcomes.** We track and measure our student outcomes to ensure we are delivering on our commitments to students and their families. In 2017, we commissioned a study by Kantar Vermeer, a leading third-party market research organization, of graduates at Laureate institutions representing over 65% of total Laureate enrollments. Graduates at 10 of our 12 surveyed international institutions achieved, on average, equal or higher employment rates within 12 months of graduation as compared to graduates of other institutions in the same markets. In addition, in 10 of the 12 institutions surveyed, graduates achieved equal or higher starting salaries as compared to graduates of other institutions in those same markets (salary premium to market benchmarks ranged from approximately 15% to approximately 47%). Furthermore, a joint study by Laureate and the IFC/World Bank Group in 2014 showed that graduates of Laureate institutions in Mexico experienced higher rates of social mobility, finding jobs, and moving up in socioeconomic status than their peers in non-Laureate institutions. In 2016, we conducted a similar study with the IFC in Peru for two of our network institutions, UPC and Cibertec, which showed that graduates from the larger programs of both institutions had higher salaries than their control group counterparts. Additionally, graduates from UPC were found to experience a larger positive change in their socioeconomic status than their peers who completed studies at non-Laureate institutions.

#### **Attractive Financial Model.**

- *Private Pay Model.* Approximately 73% of our total revenues for the year ended December 31, 2019 were generated from private pay sources. We believe that students' and families' willingness to allocate personal resources to fund higher education at our institutions validates our strong value proposition.
- *Revenue Visibility Enhanced by Program Length and Strong Retention.* The length of our programs provides us with a high degree of revenue visibility. The majority of the academic programs offered by our institutions last between three and five years, and nearly two thirds of our students were enrolled in programs of at least four years or more in duration as of December 31, 2019. Additionally, we actively monitor and manage student retention because of the impact it has on student outcomes and our financial results. The historical annual student retention rate, which we define as the proportion of prior year students returning in the current year (excluding graduating students), of 80% has not varied by more than four percentage points in any one year over the last five years. Given our high degree of revenue visibility, we are able to make attractive capital investments and execute other strategic initiatives to help drive sustainable growth in our business.
- *Attractive Margin Profile with Significant Operating Leverage.* Our network of universities within each country provides significant advantages of scale, enabling us to operate efficiently with attractive margin levels by leveraging the scale. In 2014, we launched our first Excellence in Process ("EiP") enterprise wide initiative to optimize and standardize our processes to enable sustained growth and margin expansion. Given the success of the first wave of EiP, we expanded the initiative into other back and mid office areas, as well as certain student-facing activities, expenses associated with streamlining the organizational structure and certain non-recurring costs incurred in connection with the planned and completed dispositions, in order to generate additional efficiencies and create a

more efficient organizational structure. Beginning in 2019, EiP also includes expenses associated with an enterprise-wide program aimed at revenue growth. Our EiP programs have implemented vertical integration of procurement, information technology, finance, accounting, and human resources, enabling us to fully leverage the growing size and scope of our local operations while also enhancing our internal controls and have expanded to leveraging additional opportunities for efficiencies and savings related to the mid office functions (including, for example, student information systems and the enrollment to graduation cycle) as well as general and administrative structure and certain student facing activities.

## **Our Strategy**

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

**Integration of Latin American Campus-Based Operations Through Common Operating Models Within Each Country.** We anticipate that our focus on our core, scaled markets will allow us to integrate our campus-based operations in those markets. Our institutions in Latin America serve approximately 800,000 students in a relatively homogenous operating environment, creating a unique opportunity to harvest the benefits of scale. We believe that by implementing and optimizing our common operating model within each country, we will be able to transition our institutions from operating as decentralized, stand-alone units to operating as an integrated country network.

Tighter integration of our Latin American campus-based operations within each country will also enable us to significantly reduce our cost structure and allow us to leverage the benefits of our scale. By continuing to build on our success with the implementation of EiP, we believe that we can increase consistency and achieve scale with respect to back and mid-office functions, as well as certain front-office functions which impact the student from enrollment through graduation.

We anticipate that the common operating model within each country will enable closer collaboration and will facilitate innovation and improved student experiences, such as joint program development initiatives, increased sharing of best practices and additional coordinated investments in unified technology systems and new capabilities such as artificial intelligence and enhanced data analytics. We believe that this unification will enable us to be more nimble in our day-to-day operations and will allow us to extract valuable insights from more data across our network. We believe that this will enable further innovation and efficiency in our academic model and operations. Further, we believe that this common operating system will enable us to lower the cost of delivery of education, which we believe should lead to improved margins and expanded market share.

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

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

**Expand Online and Hybrid Education Programs.** We intend to increase the number of our students that receive their education through fully online or hybrid programs to meet the growing demands of students. Our online initiative is designed to not only provide students with access to innovative programs and modern digital experiences, but also to diversify our offerings, increase

our enrollments and expand our digital solutions in a capital efficient manner, leveraging current infrastructure and improving classroom utilization.

For 2019, the percentage of student credit hours taken online in our campus-based institutions was approximately 28%, an increase from approximately 11% in 2015. With a common learning management system implemented across our universities, we believe that we have the scale to execute on this market opportunity, allowing us to differentiate ourselves further from our competitors.

We continue to accelerate the advancement of online education programs and technology-enabled solutions that deliver high-quality differentiated student experiences for our institutions at scale.

Our strategy for the online opportunity includes the following components:

- *Hybrid Online Programs.* Traditional 18-24 year old students attending campus-based institutions are increasingly seeking digital learning experiences that are blended with in-person learning. We provide those students with a hybrid learning experience, mixing face-to-face classroom experience with technology through our online platform, which we believe improves the student experience by providing them with a wide range of online courses, interactive discussions, virtual experiences, digital resources, and simulations that enhance their learning experiences both within and outside the classroom.
- *Fully Online Programs.* Many students require flexible learning modules to accommodate work and personal responsibilities. Often, these students are working adults who are looking to either complete an undergraduate or post-graduate degree, or who want to gain a credential to accelerate or change careers. Our fully online programs provide students with a high-quality curriculum experience to achieve their goals.
- *Distance Learning in Brazil.* The Brazil market offers a unique opportunity to provide a quality and at-scale distance learning offering. The distance learning format reduces the need for on-site support, providing students with flexibility to plan their studies. With an established presence of over 500 active learning centers and nearly 1,000 *polo* licenses as of December 31, 2019, we have continued to leverage our local brands in Brazil to capitalize on our investment in distance learning centers to support demand.

## **Our Segments and Institutions**

Effective August 9, 2018 (giving effect to discontinued operations and the renaming of our segments), Laureate offers its educational services through five reportable segments:

- Brazil;
- Mexico;
- Andean;
- Rest of World; and
- Online & Partnerships.

We determine our segments based on information utilized by our chief operating decision maker to allocate resources and assess performance. See Note 8, Business and Geographic Segment Information, in our consolidated financial statements for financial information regarding our operating segments and financial information about geographic areas; see also “Item 7-Management’s Discussion and Analysis of Financial Condition and Results of Operations-Results of Operations-Segment Results and-Overview-Factors Affecting Comparability-Seasonality” in this Form 10-K.

The following table presents information about the institutions as of December 31, 2019 and excludes institutions that are part of discontinued operations as of that date.

Operating Segment (Enrollment)	Country	Higher Education Institution	Year Joined Laureate Network	Year Founded
<b>Brazil</b> <b>(271,900)</b>	<b>Brazil</b>	Universidade Anhembi Morumbi (UAM Brazil)	2005	1970
		Universidade Potiguar (UnP)	2007	1981
		Centro Universitário dos Guararapes (CUG)	2007	2002
		Faculdade Internacional da Paraíba (FPB)	2007	2005
		Business School São Paulo (BSP)	2008	1994
		FADERGS Centro Universitário (FADERGS)	2008	2004
		Instituton Brasileiro de Medicina de Reabilitação (Uni IBMR)	2009	1974
		Universidade Salvador (UNIFACS)	2010	1972
		Centro Universitário Ritter dos Reis (UniRitter)	2010	1971
		Faculdade dos Guararapes de Recife (FGR)	2012	1990
<b>Mexico</b> <b>(204,200)</b>	<b>Mexico</b>	Universidad del Valle de México (UVM Mexico)	2000	1960
		Universidad Tecnológica de México (UNITEC Mexico)	2008	1966
<b>Andean</b> <b>(326,000)</b>	<b>Chile</b>	Universidad de Las Américas (UDLA Chile)*	2000	1988
		Instituto Profesional AIEP (AIEP)	2003	1960
		Universidad Andrés Bello (UNAB)*	2003	1989
		Instituto Profesional Escuela Moderna de Música (EMM)	2008	1940
		Universidad Viña del Mar (UVM Chile)*	2009	1988
	<b>Peru</b>	Universidad Peruana de Ciencias Aplicadas (UPC)	2004	1994
		CIBERTEC	2004	1983
		Universidad Privada del Norte (UPN)	2007	1994
<b>Rest of World</b> <b>(16,400)</b>	<b>Australia</b>	THINK Education Group (THINK)	2013	2006
		Torrens University Australia (TUA)	2014	2014
	<b>China</b>	Blue Mountains International Hotel Management School-Suzhou (Blue Mountains Suzhou)‡	2008	2004
		Media Design School (MDS)	2011	1998
	<b>United Kingdom</b> <b>(56,600)</b>	Laureate Online Education B.V. (University of Liverpool)†	2004	1881
		Laureate Online Education B.V. (University of Roehampton)†	2012	2004
		Walden University	2001	1970

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

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

† We stopped accepting new enrollments at the University of Roehampton and the University of Liverpool in 2017 and 2018, respectively.

## Competition

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

### *Brazil, Mexico, Andean and Rest of World*

The market for higher education outside the United States is highly fragmented and marked by large numbers of local competitors. The target demographics are primarily 18- to 24-year-olds in the individual countries in which we compete. We generally compete with both public and private higher education institutions on the basis of price, educational quality, reputation and location. Public

institutions tend to be less expensive, if not free, but more selective and less focused on practical programs aligned around career opportunities. We believe that we compare favorably with competitors because of our focus on quality, professional-oriented curriculum and the competitive advantages provided by our network. At present, we believe that no other company has a similar network of international institutions. There are a number of other private and public institutions in each of the countries in which we operate. Because the concept of private higher education institutions is fairly new in many countries, it is difficult to predict how the markets will evolve and how many competitors there will be in the future. We expect competition to increase as the markets mature.

#### *United States*

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

We believe that the competitive factors in the post-secondary education market primarily include the following:

- relevant, high-quality and accredited program offerings;
- reputation of the college or university and marketability of the degree;
- flexible, convenient and dependable access to programs and courses;
- regulatory approvals;
- qualified and experienced faculty;
- level of learner support;
- affordability of the program;
- availability of Title IV funds;
- marketing and recruiting effectiveness; and
- the time necessary to earn a degree.

#### *Online & Partnerships*

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

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

## **Recent Developments**

### *Sale of Laureate Costa Rica*

On January 10, 2020, Laureate International B.V., a Netherlands private limited liability company (“Laureate International”), an indirect, wholly owned subsidiary of the Company, the Company, solely as guarantor of certain of Laureate International’s obligations thereunder, and SP Costa Rica Holdings, LLC, a Delaware limited liability company (“the Costa Rica Buyer”), entered into, and consummated the transactions contemplated by, an Equity Purchase Agreement (the “Costa Rica Agreement”). Pursuant to the Costa Rica Agreement, the Costa Rica Buyer purchased from Laureate International (i) all of the equity units of Education Holding Costa Rica EHCR, S.R.L., which owns, directly or indirectly, all of the equity units of Lusitania S.R.L., Universidad U Latina, S.R.L. (“ULatina”) and Universidad Americana UAM, S.R.L. (collectively, “Laureate Costa Rica”), and (ii) a note due from ULatina to Laureate International. Consideration for the transaction consisted of \$15 million paid at closing and up to \$7 million to be paid within the next two years if Laureate Costa Rica meets certain performance metrics. Additionally, Laureate Costa Rica retained obligations to pay approximately \$30 million in finance lease indebtedness for which the Costa Rica Buyer has no recourse to Laureate International.

Buyer is controlled by certain affiliates of Sterling Capital Partners II, L.P. (“Sterling II”). Sterling II has the right to designate a director to our board of directors pursuant to a securityholders agreement, and Steven Taslitz currently serves as the Sterling-designated director. Mr. Taslitz did not participate in our board of directors’ consideration of the transaction, which was approved by the audit committee of our board of directors as a related party transaction.

### *Exploration of Strategic Alternatives*

On January 27, 2020, we announced that our board of directors had authorized the Company to explore strategic alternatives for each of its businesses to unlock shareholder value. As part of this process, we will evaluate all potential options for our businesses, including sales, spin-offs or business combinations. We have already initiated separate processes to explore the sale of our Peru, Mexico and Australia/New Zealand businesses.

This follows our successful track record over the past several years in divesting higher education institutions across the U.S., Europe, Asia and Africa at accretive valuations.

There can be no assurance as to the outcome of this process, including whether it will result in the completion of any transaction, as to the values that may be realized from any potential transaction or as to how long the review process will take. We do not intend to provide interim updates on the progress of this review unless and until we believe that disclosure is appropriate.

## **Intellectual Property**

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

## **Employees**

As of December 31, 2019, including discontinued operations, we had approximately 50,000 employees, of which approximately 5,000 were full-time academic teaching staff and 18,000 were part-time academic teaching staff. Our employees at many of our institutions outside the United States are represented by labor unions under collective bargaining agreements, as is customary or required under local law in those jurisdictions. At various points throughout the year, we negotiate to renew collective bargaining agreements that have expired or that will expire in the near term. We consider ourselves to be in good standing with all of the labor unions of which our employees are members and believe that we have good relations with all of our employees.

## **Effect of Environmental Laws**

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

## **Our History**

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

## **Public Benefit Corporation Status**

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

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

## **Certified B Corporation**

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

## **Available Information**

Our principal executive offices are located at 650 S. Exeter Street, Baltimore, Maryland 21202, telephone (410) 843-6100. Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports are available free of charge to stockholders and other interested parties through the “Financials” portion of our investor relations website at <http://investors.laureate.net> as soon as reasonably practical after they are filed with the SEC. Various corporate governance documents, including our Audit Committee Charter, Compensation Committee Charter, Nominating and Corporate Governance Committee Charter, Corporate Governance Guidelines and Code of Conduct and Ethics are available without charge through the “Leadership and Governance” portion of our investor relations website, listed above.

## **Industry Regulation**

### **Australian Regulation**

We operate two post-secondary educational institutions in Australia-Torrens University Australia Ltd (“Torrens”) and Think: Colleges Pty Ltd (“Think”).

In Australia a distinction is made between higher education organizations and vocational education.

Higher education providers consist of public and private universities, Australian branches of overseas universities and other higher education providers. Higher education qualifications consist of undergraduate awards (bachelor's degrees, associate degrees and diplomas) and postgraduate awards (graduate certificates and diplomas, master's degrees and doctoral degrees). The regulation of higher education providers is undertaken at a national level by the Tertiary Education Quality and Standards Agency ("TEQSA"). All organizations that offer higher education qualifications in or from Australia must be registered by TEQSA. Higher education providers that have not been granted self-accrediting status must also have their courses of study accredited by TEQSA. Registration as a higher education provider is for a fixed period of up to seven years. TEQSA regularly reviews the conduct and operation of accredited higher education providers.

The vocational education and training ("VET") sector consists of technical and further education institutes, agricultural colleges, adult and community education providers, community organizations, industry skill centers and private providers. VET qualifications include certificates, diplomas and advanced diplomas. The regulation of VET providers is undertaken at a national level by the Australian Skills Quality Authority ("ASQA"). Organizations providing VET in Australia must be registered by ASQA as a Registered Training Organisation. Courses offered by Registered Training Organisations need to be accredited by ASQA. Registration as a registered training organization is for a fixed period of up to seven years. ASQA regularly reviews the conduct and operations of registered training organizations.

Torrens is one of 43 universities in Australia. It is a for-profit entity and registered as a university by TEQSA. As a self-accrediting university, it is not required to have its courses of study accredited by TEQSA. Torrens is also registered by ASQA as a Registered Training Organisation and is thus entitled to offer vocational and training courses.

Think is one of approximately 5,000 Registered Training Organisations in Australia and in that capacity is regulated by ASQA. It is also registered as a higher education provider by TEQSA. Its higher education courses require, and have received, accreditation by TEQSA.

Australia also maintains a Commonwealth Register of Institutions and Courses for Overseas Students ("CRICOS") for Australian educational providers that recruit, enroll and teach overseas students. Registration in CRICOS allows providers to offer courses to overseas students studying on Australian student visas. Both Torrens and Think are so registered.

The Commonwealth government has established income-contingent loan schemes that assist eligible fee-paying students to pay all or part of their tuition fees (separate schemes exist for higher education and vocational courses). Under the schemes, the relevant fees are paid directly to the institutions. A corresponding obligation then exists from the participating student to the Commonwealth government. Neither Torrens nor Think have any responsibility in connection with the repayment of these loans by students and, generally, this assistance is not available to international students. Both Torrens and Think are registered for the purposes of these plans (a precondition to their students being eligible to receive these loans).

### **Brazilian Regulation**

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

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

- coordinate the national educational policy;
- ensure national process of evaluation of higher education institutions, with the cooperation of evaluation agencies that have responsibility for this level of education; and to create an evaluation process for the academic performance of elementary, secondary and higher education in collaboration with educational institutions in order to improve the quality of education; and
- issue rules and regulations regarding higher education.

The responsibility of the federal government in regulating, monitoring and evaluating higher education institutions and undergraduate programs is exercised by the Ministry of Education ("MEC"), along with a number of other federal agencies and related offices.

## **MEC**

MEC is the highest authority of the higher education system in Brazil and has the power to issue implementing rules (regulations, notices, and technical advisories governing the conduct of higher education), as well as to regulate and monitor the higher education segment. By exercising its duties, MEC has the power to confirm decisions from the National Board of Education (“CNE”) regarding the accreditation and reaccreditation of institutions of higher education, as well as legal opinions and regulatory proposals coming from the Board. MEC is also responsible for validating the criteria and methodology employed by the National Institute of Educational Studies Anísio Teixeira (“INEP”).

### **CNE-National Board of Education**

CNE is a consultative advisory and deliberative body of MEC. It consists of the Board of Basic Education and the Board of Higher Education, each composed of 12 members appointed by the President of Brazil. The Board of Higher Education has the power to (i) analyze and issue opinions on the results of higher education quality assessment; (ii) deliberate on the reports submitted by MEC on programmatic accreditation and qualifications offered by higher education institutions, as well as on prior authorization from those offered by non-university institutions; and (iii) approve the accreditation and periodic reaccreditation of higher education institutions, based on official reports and quality assessments.

CNE is also responsible for matters relating to the implementation of higher education norms and advising MEC on related matters.

### **INEP-National Institute of Educational Studies Anísio Teixeira**

INEP is a federal agency linked to MEC that is the primary statistical and information-gathering body for the entire Brazilian education system. The performance data that it collects and publishes is used by MEC, the legislature and the rest of the executive branch, as well as the public, to debate and make policy and programmatic decisions about education. INEP is responsible for the National Higher Education Evaluation System (“SINAES”) and will coordinate and execute on-site visits to Higher Education institutions in the process of accreditation/reaccreditation of institutions and undergraduate programs.

### **CONAES-National Commission on Higher Education Evaluation**

CONAES is a committee under MEC supervision composed of 13 members, created to coordinate and monitor SINAES. To fulfill that duty, CONAES can establish guidelines to be followed by INEP in the development of evaluation tools, as well as submit the list of programs to be evaluated by the National Examination of Student Performance (“ENADE”).

### **SERES-Higher Education Regulation and Supervision Secretariat**

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

SERES plans and coordinates the policy-making process for higher education and has been granted the power to (i) accredit HEIs and their undergraduate courses; (ii) oversee HEIs and courses, in order to fulfill the educational legislation and to induce improvements in quality standards; and (iii) design actions and update curriculum guidelines for undergraduate programs, as well as benchmarks for quality distance education, considering curricular guidelines and various forms of technology. SERES can also establish guidelines for the preparation of assessment instruments for higher education courses and ultimately manages the public system of registration and database of HEIs and higher education programs. Finally, SERES can apply the penalties provided for in regulation, following due process.

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

Regarding their organizational and academic prerogatives, institutions of undergraduate learning can be:

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

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

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

The LDB provides that the following powers are guaranteed to universities and university centers in the exercise of their autonomy: (i) to create, organize and terminate undergraduate programs in their facilities, subject to applicable regulations; (ii) to establish the curriculum, subject to applicable general guidelines; (iii) to plan and execute scientific research, artistic production and extracurricular activities; (iv) to quantify the available seats for each program, except in specific undergraduate programs where the total number of available seats in the entire system is controlled by MEC in conjunction with the input of the relevant professional associations; (v) to prepare and amend their bylaws in accordance with the general applicable standards; and (vi) to grant degrees, diplomas and other qualifications.

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

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

EaD programs can be offered at different levels and types of higher education, covering continuing education programs, undergraduate, specialization, master's and Ph.D., as well as professional education (including technical, medium and technological level of higher education). Universities and university centers accredited to offer EaD programs may create, organize and terminate programs, upon notice to MEC. Colleges ('*faculdades*') must seek prior MEC authorization.

The new regulatory framework for distance education (Decree # 9.057/2017) significantly reduced the regulatory and operational hindrances to the expansion of undergraduate and postgraduate, allowing a specific accreditation to offer EaD programs exclusively, without the need of a prior face-to-face HEI accreditation, making it possible to create a HEI dedicated to EaD programs, with lower operational costs and reduced regulatory complexity. Further, another characteristic of EaD programs in Brazil—the mandatory presence of brick-and-mortar support facilities, or '*polos*', for in-person activities such as professional practice labs and exams—has been relaxed, thus making full online programs possible.

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

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

HEIs offering EaD programs, including their *polos*, are subject to inspection by MEC at any time, as to determine compliance with legal and regulatory requirements. EaD certificates or diplomas issued by accredited HEIs have national validity, with the same force and effect as those issued for face-to-face programs.

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

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

Once a non-autonomous institution gets authorization to offer a particular program, it has to seek accreditation in the period between 50% and 75% of the program's completion. Institutional and programmatic accreditation has to be renewed periodically in accordance with the regularly applicable MEC evaluation process.

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

This increased autonomy primarily benefits university-like structures (i.e., universidades and *centros universitarios*). As already mentioned, *Universidades* are now allowed to have the same autonomy prerogatives at their satellite campuses as they already enjoy at their headquarters, such as program creation, seat openings, etc. They must, however, sustain above average performance scores and the same minimum proportion of faculty (one-third) working full time and/or with a master's/Ph.D. at each campus receiving autonomy. *Centros universitarios*, once geographically limited to the headquarters municipality, are now allowed to

expand statewide, although there will be no autonomy prerogatives for such units; their new programs and seat expansion initiatives will have to be authorized by MEC.

**Evaluation.** SINAES was established to evaluate HEI as institutions of higher education, traditional degree and technology degree programs and student academic performance, so as to improve the quality of higher education in Brazil. In practice, the CONAES conducts the monitoring and coordination efforts of SINAES. The results of the institutional and course evaluations are represented on a scale of five levels, and when facing unsatisfactory results, the HEI will be required to enter into an agreement with MEC to establish a remediation initiative. Failure to comply, in whole or in part, with the conditions provided in the term of commitment may result in one or more penalties imposed by MEC, including temporary suspension of the opening of the selective process for undergraduate programs and cancellation of accreditation or reaccreditation of the institution and the authorization for operation of its programs.

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

The evaluation of graduate programs is made by the Coordination of Superior Level Staff Improvement, which is responsible for establishing the quality standard required of master's and doctoral programs, along with the identification and evaluation of the courses that meet this standard.

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

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

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

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

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

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

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

**Student financing program.** Fundo de Financiamento Estudantil (“FIES”) is a federal program established to provide financing to students enrolled in courses in private institutions of higher education that have achieved a minimum satisfactory evaluation according to SINAES and receive a grade of 3 or higher out of 5 on the ENADE.

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

Following changes initiated in 2014, a new FIES reform was implemented by Law n. 13.530/2017, which amended the original FIES legal statute (Law n. 10.260/2001). The current FIES offer conditions were first consolidated for the 2018.1 candidate selection.

The traditional FIES financing program continues to be offered to candidates with a family income of up to three times the minimum wage, and while the previous 18-month grace period was eliminated, financing will have a zero interest rate. The risk is borne by a new guarantee fund-called *FG-FIES*-which may have initial public contributions of up to R\$ 3 billion, and contributions from HEIs ranging from 13% for the first year, between 10% and 25% for the second to fifth year (according to delinquency-related variances), and at least 10% from the sixth year on.

The second financing offer-called *P-FIES*-originally had two variables, according to the funding sources (either the Constitutional/Regional Development Funds or the BNDES). The distribution of vacancies for this modality favors programs offered in corresponding regional limits and is operated strictly by financial agents, who bear the risks of the operation, but are entitled to charge for interest.

Further reforms were implemented in December 2019, following government claims that program sustainability should be a primary concern to the traditional FIES program, as well as to promote meritocracy as part of eligibility criteria. Therefore, better academic performance will be required from applicants.

On the other hand, there was considerable flexibilization for P-FIES, the most significant being to disregard the applicant’s family income as a condition to financing access. P-FIES will also free candidates from the usual selection via ENEM (*Exame Nacional do Ensino Médio*-the official, non-mandatory high school national examination promoted by MEC), as well as allow students to apply for financing at any time, and for private banks to offer credit lines, effectively untying P-FIES from the traditional FIES annual chronogram and original modelling. Operational regulations that will detail the application, selection and contracting, including the maximum and minimum financing amounts, are expected to be implemented in the first quarter of 2020.

As of December 31, 2019, approximately 6.7% of our students in Brazil participated in FIES, representing approximately 13% of our Brazil 2019 net revenues.

### **Chilean Regulation**

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

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

In the case of higher education, the law provides a licensing system for new institutions that, once completed, makes it possible for these institutions to achieve full autonomy. This autonomy consists of every higher education institution’s right to govern itself, as provided in its bylaws, in all matters regarding the fulfillment of its purpose, and encompasses academic, economic and administrative autonomy. Academic autonomy includes the higher education entities’ power to decide by themselves the manner

in which their teaching, research and extension functions will be fulfilled and the establishment of their curricula and programs. Economic autonomy makes it possible for those establishments to manage their resources to fulfill their goals pursuant to their bylaws and the laws, while administrative autonomy empowers each higher education establishment to organize its operation in the form deemed most appropriate in accordance with its bylaws and the relevant laws.

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

The New Higher Education Law (the “New Law”), enacted on May 29, 2018, introduced major changes in the higher education sector. It created the Superintendency of Higher Education, whose purpose is to supervise and oversee compliance with the legal and regulatory provisions that regulate the higher education institutions in its field of competence as well as to supervise the allocation of resources by higher education institutions to ensure their allocation to appropriate purposes in accordance with the law and each institution’s bylaws. The Superintendency of Higher Education is empowered to enter the premises of the universities it supervises when necessary, in order to request documents for inspection processes, and carry out on-site audits. In the case of related parties, the Superintendency may request any information it deems appropriate for its audit processes, may supervise “by the means it deems appropriate” all operations, assets, files, etc. of the individuals or institutions supervised, as well as of the related third entities, and will be able to summon for deposition *any* person related to the institution who has had transactions with the institution. The Superintendency is empowered to impose fines for infractions. The Superintendency also is empowered to issue regulations to effectuate its responsibilities under the New Law.

The Undersecretary of Higher Education, which replaced the MINEDUC’s Higher Education Division, will serve as a direct collaborator with the Minister of Education in the preparation, coordination, execution and evaluation of policies and programs for higher education, especially in matters relating to its development, promotion, internationalization and ongoing improvement, both in the university and in the technical-professional subsystems.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Nuevo Milenio Scholarship (“NMS”) program supports access to vocational and technical education for students in the lowest 70% (NMS I) or 50% (NMS II) income who met or exceeded certain academic standards by providing annual scholarships (i) under NMS I in amounts up to CLP 600,000 and (ii) under NMS II in amounts up to CLP 860,000 per year.

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

**Recent developments.** On May 29, 2018, the New Law was enacted. Among other things, the New Law prohibits conflicts of interests and related party transactions involving universities and their controlling parties, with certain exceptions, including the provision of services that are educational in nature or essential for the university’s purposes.

The New Law established the Superintendency of Higher Education, with authority to regulate institutions of higher education and promulgate regulations and procedures implementing the New Law. As of May 29, 2019, the New Law’s provisions regarding related party transactions came into force, and the Superintendent has since issued some further interpretive guidance and regulations. Immediately prior to these provisions coming into force, each of the Chilean non-profit universities and the relevant Laureate services provider reached an agreement to terminate the prior network services agreement in favor of an open bidding process, wherein unrelated third parties and Laureate-related providers were invited to compete in the provision of the range of services that are essential to the fulfillment of each of their academic missions. Each of the Chilean non-profit universities has completed all of the bidding and contractual processes subsequent to the May 2019 contract terminations. The Company participated in these open bid processes, conducted by a third party, and was judged to have submitted the superior bid in many of them. Awarded contracts entered into force once the applicable university’s board approved them or in January 2020, in the case of some of the educational services, due to the academic calendar. Within the ordinary regulatory course of supervision, the Company and its Chilean non-profit universities will continue to interact with the Superintendent to maintain compliance with the New Law. We do not believe that the New Law will change our relationship with our two technical-vocational institutes in Chile that are for-profit entities. Additionally, we will continue to evaluate our accounting treatment of the Chilean non-profit universities to determine whether we can continue to consolidate them. Our continuing evaluation of the impact of the New Law may result in changes to our expectations due to changes in our interpretations of the law, assumptions used, and additional guidance that may be issued.

### **Mexican Regulation**

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

There are three levels of regulation in Mexico: federal, state and municipal. The federal authority is the Federal Ministry of Public Education (*Secretaría de Educación Pública*). Each of the 31 states and Mexico City has the right to establish a local Ministry of

Education, and each municipality of each state may establish a municipal education authority that only has authority to advertise and promote educational services and/or activities.

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

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

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

The Federal Ministry of Education has issued a set of general resolutions (*Acuerdos*) that regulate the general requirements for obtaining REVOEs. The main *Acuerdos* are (i) *Acuerdo 243*, issued on May 27, 1998, which sets the general guidelines for obtaining an Authorization or REVOE; (ii) *Acuerdo 17/11/17*, issued on November 10, 2017, which sets the procedures related to REVOEs for Superior Education studies; and (iii) *Acuerdo 18/11/18*, issued on November 27, 2018, which defines the different levels, models and educational options at Superior Education. The Federal Ministry of Education recommends to the local Ministries of Education the adoption and inclusion of the provisions contained in *Acuerdo 243* and *Acuerdo 17/11/17* in the local Law on Education and other applicable local laws and regulations.

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

*Acuerdo 17/11/17* regulates in detail the provisions contained under the General Law on Education to grant REVOEs for Superior Education studies, regarding faculty, plans and programs of studies, inspection visits, procedures, etc. *Acuerdo 17/11/17* also provides that private institutions that provide Superior Education services in accordance with presidential decrees or secretarial resolutions (*acuerdos secretariales*) issued specifically to them may maintain the obligations provided to them thereunder and may function under the simplified provisions of *Acuerdo 17/11/17*. Currently, Universidad Tecnológica de México, S.C. and Universidad del Valle de México, S.C. have secretarial resolutions that were issued in their favor before the issuance of *Acuerdo 17/11/17*. The obligations contained in these secretarial resolutions generally conform to the obligations provided under *Acuerdo 17/11/17*.

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

Private institutions with REVOEs are required to grant a minimum percentage of scholarships to students. *Acuerdo 17/11/17* requires private institutions to grant scholarships to at least five percent of the total students registered during each academic term. Scholarships consist, in whole or in part, of payment of the registration and tuition fees established by the educational institution.

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

The UNAM regulations also require private entities incorporated to UNAM to grant scholarships to at least five percent of the total students registered at such entity. The students entitled to have this benefit will be selected by UNAM. Some of our high school programs and one of our medical programs are incorporated to UNAM.

A new higher education law is expected to be sent to the Mexican congress during the second quarter of 2020, but no foreseeable material changes are expected to impact the business.

## **Peruvian Regulation**

We operate three post-secondary education institutions in Peru, two of which are universities and one of which is a technical-vocational institute. Peruvian law provides that universities and technical-vocational institutes can be operated as public or private entities, and that the private entities may be organized for profit. The Ministry of Education has overall responsibility for the national education system.

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

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

Technical-vocational institutes are regulated by the Ministry of Education, which grants operating licenses for not less than three nor more than six years, after which the Ministry conducts a revalidation process. The approval of new institute licenses is based on the evaluation by the Ministry of the institute’s institutional goals, the curricula of its education programs and their link with careers needed in the Peruvian economy, the availability of adequate qualified teachers, the institute’s infrastructure, the institute’s financial resources, and the favorable opinion of the National System of Assessment, Accreditation and Certification of Education Quality (“SINEACES”) regarding the appropriateness of the programs that the institute is offering. SINEACES is also responsible for the accreditation of programs and careers at all higher education institutions. On November 2, 2016, a new law regarding technical-vocational institutes (the “Institutes Law”) was enacted. Under the Institutes Law, technical-vocational institutes are regulated by the Ministry of Education, which grants operating licenses. The Institutes Law created two types of institutes: Higher Education Institutes (“Institutes”) and Higher Education Colleges (“Colleges”). Institutes are dedicated to technical careers and Colleges are devoted to technical careers related to education, as well as science and information Technology. Colleges grant Technical Bachelor Degrees and Professional Technical Degrees. Institutes and Colleges are subject to a mandatory license granted by the Ministry of Education, based on an evaluation to determine compliance with BQCs. BQCs include: an appropriate institutional management guaranteeing a proper relation with the educational model of the institution; appropriate academic management and proper program studies aligned with the Ministry of Education norms; appropriate infrastructure and equipment to develop educational activities; adequate teachers and staff which, at a minimum, should consist of 20% full-time staff; and appropriate financial and economic provisions. The Institutes Law provides that the process will last no more than 90 days and will grant a license for a five-year period to be renewed once expired. Unlike licenses, quality accreditation is voluntary, except for certain careers for which it might be mandatory as determined by law. Such accreditation will be taken into consideration for access to public grants for scholarships and research, among other things. Private Institutes and Colleges may be organized as for-profit or not-for-profit entities under Peruvian law. Not-for-profit Colleges’ and Institutes’ income is exempt from taxes on their educational activities. For-profit Colleges and Institutes are subject to income taxes but may qualify for a tax credit on 30% of their reinvested income, subject to a reinvestment program to be filed with the Ministry of Education for a maximum term of five years. The specific requirements of such programs were determined by regulations in August 2017. According to the schedule determined by the regulations, in May 2018, Cibertec was granted a license by the Ministry of Education for a five-year period.

In November 2018, Laureate Education Peru SRL acquired Instituto de Educación Superior Tecnológico Privado Red Avansys S.A.C. (“Avansys”). Avansys is an Institute that offers 25 degrees to approximately 3,000 students in a single campus located in downtown Lima in an educational cluster for Institutes. Avansys obtained its license from the Ministry of Education in April 2018, for a five-year period. Cibertec and Avansys merged from a corporate and tax perspective as of February 1, 2019 and changed its corporate name to Instituto de Educación Superior Cibertec SAC. (“IES Cibertec”). During November 2019, the Ministry of Education issued a license for both entities (like separate entities for regulatory purposes) to permit cross selling of

degrees in campuses of both the former Avansys and/or Cibertec. Given that the regulation to license merged entities was recently enacted, during 2020, a merged license for IES Cibertec will be required.

### **U.S. Regulation**

U.S. institutions of higher education that are eligible to receive Title IV federal student aid funds must obtain and maintain approvals from the U.S. Department of Education (the “DOE”), the state(s) in which they are located and an accrediting agency recognized by the DOE, i.e., the U.S. regulatory triad.

Our higher education institutions in the United States, Walden University and NewSchool of Architecture and Design (the sale of which is pending) (together, our “U.S. Institutions”), are subject to extensive regulation by the DOE, accrediting agencies and state educational agencies. The regulations, standards and policies of these agencies cover substantially all of the operations of our U.S. Institutions, including their educational programs, facilities, instructional and administrative staff, administrative procedures, marketing, recruiting, finances, results of operations and financial condition.

As institutions of higher education that grant degrees and diplomas, our U.S. Institutions are required to be authorized by appropriate state educational agencies. In addition, the DOE regulates our U.S. Institutions due to their participation in federal student financial aid programs under Title IV of the U.S. Higher Education Act (the “HEA”), or Title IV programs. Title IV programs currently include grants and educational loans provided directly by the federal government, including loans to students and parents through the William D. Ford Federal Direct Loan Program (the “Direct Loan Program”). The Direct Loan Program offers Federal Stafford Loans, Federal Parent PLUS Loans, Federal Grad PLUS Loans and Federal Consolidation Loans. A significant percentage of students at our U.S. Institutions rely on the availability of Title IV programs to finance their cost of attendance.

In addition to complying with specific requirements contained in the HEA and regulations issued thereunder by the DOE, in order to participate in Title IV programs, our U.S. Institutions also are required to maintain authorization by the appropriate state educational agency or agencies and be accredited by an accrediting agency recognized by the DOE.

We plan and implement our business activities to comply with the standards of these regulatory agencies. Historically, our U.S. Institutions have maintained eligibility to access Title IV funding.

### *State Education Authorization and Regulation*

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

Each of our U.S. Institutions maintains an authorization from the pertinent state regulatory authority in which such institutions are physically located.

We review the licensure or authorization requirements of various states to determine whether our activities in those states may constitute a presence or otherwise may require licensure or authorization by the respective state education agencies. Several states have asserted jurisdiction over educational institutions offering online degree programs that have no physical location or other presence in the state, but that have some activity in the state, such as enrolling or offering educational services to students who reside in the state, conducting practica or sponsoring internships in the state, employing faculty who reside in the state or advertising to or recruiting prospective students in the state. Therefore, in addition to the states in which we maintain physical facilities, we have obtained, or are in the process of obtaining or renewing, approvals or exemptions that we believe are necessary in connection with our activities that may constitute a presence in such states requiring licensure or authorization. Some of our U.S. Institutions do not have current approvals or exemptions from all of the state educational agencies that may require such an approval or exemption due to the U.S. Institution enrolling students via distance education in the state.

Additionally, the DOE recently revised its state authorization requirements pertaining to distance education. On November 1, 2019, the DOE published final regulations regarding state authorization for programs offered through distance education. Among

other provisions, these final regulations require that an institution participating in the Title IV federal student aid programs and offering post-secondary education through distance education be authorized by each state in which the institution enrolls students, if such authorization is required by the state. The final regulations also eliminated or revised certain disclosure requirements applicable to institutions participating in the Title IV federal student aid programs. The DOE will also recognize, but not require, authorization through participation in a state authorization reciprocity agreement, if the agreement does not prevent a state from enforcing its own general-purpose laws or regulations outside of the state authorization of distance education. These regulations are effective July 1, 2020, but the DOE allows institutions to opt for early implementation of the provisions related to state authorization and institutional disclosures.

In recent years, regional state compacts have created the National Council for State Authorization Reciprocity Agreements (“NC-SARA”), which is a voluntary agreement among member states and U.S. territories that establishes comparable national standards for interstate offering of postsecondary distance-education courses and programs. As of the date of this filing, all states except California participate in NC-SARA. NC-SARA requires each participating institution to have a federal composite score as measured by the DOE at the parent level of a 1.5 (or a 1.0 with justification acceptable to the state). Neither of our U.S. Institutions participates in NC-SARA because Laureate has a composite score of below 1.0. Accordingly, our U.S. Institutions must apply for and comply with each state’s authorization requirements. Many states have established or are proposing legislation to create new or different criteria for authorization of “non-SARA” institutions, including requiring them to post bonds and/or meet composite score requirements. If our U.S. Institutions do not meet these requirements, they may not enroll students in that state.

In recent years, the proprietary education industry has experienced broad-based, intensifying scrutiny in the form of increased investigations and enforcement actions. State attorneys general and educational authorizing agencies in several states, as well as the U.S. Federal Trade Commission (the “FTC”) and Consumer Financial Protection Bureau have become more active in enforcing consumer protection laws, especially related to recruiting practices and the financing of education at proprietary educational institutions.

#### *State Professional Licensure*

Many states have specific licensure requirements that an individual must satisfy to be licensed as a professional in specified fields, including fields such as education and healthcare. These requirements vary by state and by field. A student’s success in obtaining licensure following graduation typically depends on several factors, which may include, but are not limited to: the background and qualifications of the individual graduate; whether the institution or the program were approved by the applicable state agencies in the state in which the graduate seeks licensure; whether the program from which the student graduated meets all requirements for professional licensure in that state; whether the institution or the program are accredited and, if so, by what accrediting agencies; and whether the institution’s degrees are recognized by other states in which a student may seek to work. Several states also require that graduates pass a state test or examination as a prerequisite to becoming certified in certain fields, such as teaching and nursing. In several states, an educational program must be accredited by an accrediting agency affiliated with a professional association in order for graduates to be licensed in that professional field. In the field of psychology, an increasing number of states require approval by either the American Psychological Association (“APA”) or the Association of State and Provincial Psychology Boards (“ASPPB”). To date, Walden University has been unable to obtain approval of its Ph.D. program in Counseling Psychology from the ASPPB or APA.

#### *Accreditation*

Accreditation is a private, non-governmental process for evaluating the quality of educational institutions and their programs in areas, including student performance, governance, integrity, educational quality, faculty, physical resources, administrative capability and resources and financial stability. To be recognized by the DOE, accrediting agencies must comply with DOE regulations, which require, among other things, that accrediting agencies adopt specific standards for their review of educational institutions, conduct peer review evaluations of institutions and publicly designate those institutions that meet their criteria. An accredited institution is subject to periodic review or review when necessary by its accrediting agencies to determine whether it continues to meet the performance, integrity and quality required for accreditation. Walden University is institutionally accredited by the Higher Learning Commission, a regional accrediting agency recognized by the DOE. NewSchool of Architecture and Design is institutionally accredited by the WASC Senior College and University Commission (“WSCUC”). Accreditation by these accrediting agencies is important to us for several reasons, one being that it enables eligible students at our U.S. Institutions to receive Title IV financial aid. In addition, other colleges and universities depend, in part, on an institution’s accreditation in evaluating transfers of credit and applications to graduate schools. Employers also rely on the accredited status of institutions when evaluating candidates’ credentials, and students and corporate and government sponsors under tuition reimbursement programs consider accreditation as assurance that an institution maintains quality educational standards.

In addition to institution-wide accreditation, there are numerous specialized accrediting agencies that accredit specific programs or schools within their jurisdiction, many of which are in healthcare and professional fields. Accreditation of specific programs by one of these specialized accrediting agencies signifies that those programs have met the additional standards of those agencies.

In addition to being accredited by regional and/or national accrediting agencies, Walden University also has the following specialized accreditations:

- the Council for Accreditation of Counseling and Related Educational Programs accredits the M.S. in Clinical Mental Health Counseling, M.S. in Marriage, Couple and Family Counseling, M.S. in Addictions Counseling, M.S. in School Counseling and Ph.D. in Counselor Education and Supervision programs;
- the Commission on Collegiate Nursing Education accredits the Bachelor of Science in Nursing, Master of Science in Nursing and Doctor of Nursing Practice programs;
- the Accreditation Council for Business Schools and Programs accredits the B.S. in Business Administration, Master of Business Administration, Doctor of Business Administration and Ph.D. in Management programs and granted Specialized Accounting Accreditation to the B.S. in Accounting and M.S. in Accounting programs;
- the Council for the Accreditation of Educator Preparation (formerly the National Council for Accreditation of Teacher Education) accredits the initial teacher preparation programs in the Richard W. Riley College of Education and Leadership;
- the Project Management Institute Global Accreditation Center for Project Management Education Program accredits the M.S. in Project Management program;
- the ABET accredits the B.S. in Information Technology online program;
- the Council on Social Work Education accredits the master's in social work program and the bachelor's in social work program; and
- the Council on Education for Public Health accredits the master's in public health program.

In addition, the National Architecture Accrediting Board accredits NewSchool of Architecture and Design's professional architecture programs.

#### *Congressional Activity*

The U.S. Congress must authorize and appropriate funding for Title IV programs under the HEA and can change the laws governing Title IV programs at any time. Congress reauthorizes the Higher Education Act, which governs federal financial assistance for higher education, approximately every five to eight years. However, the HEA was most recently reauthorized in August 2008. Congress is considering the reauthorization of HEA and an HEA reauthorization bill called the College Affordability Act was introduced in the U.S. House of Representatives on October 15, 2019. It is possible that there will be other bills introduced in this Congress to amend the HEA, including a U.S. Senate HEA reauthorization bill. We cannot predict the timing and terms of any eventual HEA reauthorization, including any potential changes to institutional participation or student eligibility requirements or funding levels for particular Title IV programs.

In addition to comprehensive reauthorizations of the HEA, Congress may periodically revise the law and other statutory requirements governing Title IV programs. In addition to Title IV programs, eligible veterans and military personnel may receive educational benefits under other federal programs. Congress has the authority to determine the funding levels for Title IV programs, and programs benefiting eligible veterans and military personnel.

#### *Regulation of Federal Student Financial Aid Programs*

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

Significant aspects of Title IV programs include the following:

**Eligibility and certification procedures.** Each of our U.S. Institutions must apply periodically to the DOE for continued certification to participate in Title IV programs. Such recertification generally is required every six years, but may be required earlier, including when an institution undergoes a change in control or expands its activities in certain ways, such as opening an additional location, adding a new educational program or modifying the academic credentials it offers. The DOE may place an institution on provisional certification status if it finds that the institution does not fully satisfy all of the eligibility and certification standards and in certain other circumstances, such as when an institution is certified for the first time or undergoes a change in control. During the period of provisional certification, the institution must comply with any additional conditions included in the institution's program participation agreement with the DOE. In addition, the DOE may more closely review an institution that is provisionally certified if it applies for recertification or approval to open a new location, add an educational program, acquire another institution or make any other significant change. If the DOE determines that a provisionally certified institution is unable to meet its responsibilities under its program participation agreement, it may seek to revoke the institution's certification to participate in Title IV programs without advance notice or opportunity for the institution to challenge the action. Students attending provisionally certified institutions remain eligible to receive Title IV program funds. Each of our U.S. Institutions currently is provisionally certified to participate in Title IV programs due to both Laureate's failing composite score under the DOE's financial responsibility standards (see below) and the DOE's approval of Laureate's initial public offering in February 2017, which it viewed as a change in control. In addition, each of our U.S. Institutions is subject to a letter of credit and is subject to additional cash management requirements with respect to its disbursements of Title IV funds, as well as certain additional reporting and disclosure requirements.

**Gainful employment.** Under the HEA, proprietary schools generally are eligible to participate in Title IV programs for educational programs that lead to "gainful employment in a recognized occupation." On October 30, 2014, the DOE published regulations to define "gainful employment," which became effective on July 1, 2015. The DOE's gainful employment regulations include debt to earning metrics and disclosure requirements for program certifications, reporting and disclosure of program information and warnings. On July 1, 2019, the DOE issued final regulations that rescinded the gainful employment regulations. The final regulations have an effective date of July 1, 2020, but the DOE has given institutions the option to immediately implement the rescission of the gainful employment regulations. Our U.S. Institutions have opted to early implement the new regulations.

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

**Financial responsibility.** The HEA and DOE regulations establish extensive standards of financial responsibility that institutions such as ours must satisfy to participate in Title IV programs. The DOE evaluates institutions for compliance with these standards on an annual basis based on the institution's annual audited financial statements, as well as when the institution applies to the DOE to have its eligibility to participate in Title IV programs recertified. The most significant financial responsibility standard is the institution's composite score, which is derived from a formula established by the DOE based on three financial ratios: (1) equity ratio, which measures the institution's capital resources, financial viability and ability to borrow; (2) primary reserve ratio, which measures the institution's ability to support current operations from expendable resources; and (3) net income ratio, which measures the institution's ability to operate at a profit or within its means. The DOE assigns a strength factor to the results of each of these ratios on a scale from negative 1.0 to positive 3.0, with negative 1.0 reflecting financial weakness and positive 3.0 reflecting financial strength. The DOE then assigns a weighting percentage to each ratio and adds the weighted scores for the three ratios together to produce a composite score for the institution. The composite score must be at least 1.5 for the institution to be deemed financially responsible without the need for further DOE oversight. In addition to having an acceptable composite score, an institution must, among other things, provide the administrative resources necessary to comply with Title IV program requirements, meet all of its financial obligations including required refunds to students and any Title IV liabilities and debts, be current in its debt payments and not receive an adverse, qualified or disclaimed opinion by its accountants in its audited financial statements.

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

The DOE measures the financial responsibility of our U.S. Institutions on the basis of the Laureate consolidated audited financial statements and not at the individual institution level. Based on Laureate's composite score for its fiscal year ended December 31, 2018, the DOE determined that it, and consequently, Walden University and NewSchool of Architecture and Design, failed to meet the standards of financial responsibility. As a result, in a letter sent to Laureate on September 20, 2019, the DOE required Laureate to decrease its existing letter of credit to \$125.8 million (15% of Title IV program funds that the schools received during the most recently completed fiscal year), continued the institutions on Heightened Cash Monitoring 1 and required Laureate to continue to comply with additional notification and reporting requirements, including submitting bi-weekly cash flow statements for Laureate and monthly student rosters of the institutions, which has been a requirement since April 2018. Although the DOE does not measure the financial responsibility of our U.S. Institutions at the individual institutional level, the DOE has calculated an unofficial composite score for Walden for state authorization purposes, and the score is 2.6 out of a possible 3.0.

Any requirement to provide, maintain or increase a letter of credit or other sanctions that may be imposed by the DOE could increase our cost of regulatory compliance and could affect our cash flows. The DOE has the discretion to increase our letter of credit requirements at any time. If our U.S. Institutions are unable to meet the minimum composite score requirement or comply with the other standards of financial responsibility, and could not post a required letter of credit or comply with the alternative bases for establishing financial responsibility, then students at our U.S. Institutions could lose their access to Title IV program funding.

On November 1, 2016, as part of its defense to repayment rulemaking, the DOE issued a rule to revise its general standards of financial responsibility to include various actions and events that would require institutions to provide the DOE with irrevocable letters of credit upon the occurrence of certain triggering events. Due to litigation, these regulations are reinstated as of October 2018. For additional information regarding this rule and new regulations, see "—Borrower Defense-to-Repayment."

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

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

Using the DOE's formula under the "90/10 Rule," NewSchool of Architecture and Design derived approximately 36%, 36% and 36% of its revenues (calculated on a cash basis) from Title IV program funds in fiscal years 2019, 2018 and 2017, respectively. Walden University derived approximately 76%, 76% and 75% of its revenues (calculated on a cash basis) from Title IV program funds in fiscal years 2019, 2018 and 2017, respectively.

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

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

The DOE generally publishes official three-year cohort default rates annually in September for the repayment period that ended the prior September 30. NewSchool of Architecture and Design’s official cohort default rates for the 2016, 2015 and 2014 federal fiscal years were 8%, 7.4% and 5.2%, respectively. Walden University’s official cohort default rates for the 2016, 2015 and 2014 federal fiscal years were 6.9%, 7.3% and 7.5%, respectively. The average national student loan default rates published by the DOE for all institutions that participated in the federal student aid programs for 2016, 2015 and 2014 were 10.1%, 10.8% and 11.5%, respectively, and for all proprietary institutions that participated in the federal student aid programs for 2016, 2015 and 2014 were 15.2%, 15.6% and 15.5%, respectively.

**Incentive compensation rule.** Under the HEA, an institution participating in Title IV programs may not pay any commission, bonus or other incentive payments to any person involved in student recruitment or admissions or awarding of Title IV program funds if such payments are based in any part, directly or indirectly, on success in enrolling students or obtaining student financial aid. Failure to comply could result in monetary penalties and/or sanctions imposed by the DOE, which could result in lower enrollments, revenue, and net operating income. The law and regulations governing this requirement do not establish clear criteria for compliance in all circumstances, creating uncertainty about what constitutes incentive compensation and which employees are covered by the regulation, rendering development of effective and compliant performance metrics more difficult to establish.

In addition, in recent years, other post-secondary educational institutions have been named as defendants to whistleblower lawsuits, known as “*qui tam*” cases, brought by current or former employees pursuant to the Federal False Claims Act, alleging that their institutions’ compensation practices did not comply with the incentive compensation rule. A *qui tam* case is a civil lawsuit brought by one or more individuals (a “relator”) on behalf of the federal government for an alleged submission to the government of a false claim for payment. The relator, often a current or former employee, is entitled to a share of the government’s recovery in the case, including the possibility of treble damages.

**Substantial misrepresentation.** The DOE has specific rules prohibiting substantial misrepresentations to students, members of the public, accrediting agencies and state licensing agencies, as well as the DOE. In the event that the DOE determines that an institution engaged in a substantial misrepresentation, it can revoke the institution’s program participation agreement, impose limitations on the institution’s participation in Title IV programs, deny participation applications on behalf of the institution, or seek to fine, suspend or terminate the institution’s participation in Title IV programs. These regulations provide grounds for private litigants to seek to enforce the expanded regulations through False Claims Act litigation.

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

On September 8, 2016, the Minnesota Office of Higher Education (“MOHE”) sent to Walden University an information request regarding its doctoral programs and complaints filed by doctoral students as part of a program review that MOHE was conducting. On October 23, 2019, MOHE completed its program review and issued a final report that indicated no findings of noncompliance. As part of its report, MOHE made recommendations for Walden University to develop certain goals and benchmarks with respect to its doctoral programs.

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

**Borrower Defense-to-Repayment.** On November 1, 2016, the DOE published a rule that, among other provisions, established new standards and processes for determining whether a Direct Loan Program borrower has a defense to repayment (“DTR”) on a loan due to acts or omissions by the institution at which the loan was used by the borrower for educational expenses (the “2016 DTR regulations”). The 2016 DTR regulations were to take effect on July 1, 2017. On June 15, 2017, the DOE announced an

indefinite delay to its implementation of the 2016 DTR regulations, and on June 16, 2017 published a notice of intent to establish a negotiated rulemaking committee to develop proposed revisions to the rule.

Among other topics, the 2016 DTR regulations established permissible borrower defense claims for discharge, procedural rules under which claims would be adjudicated, time limits for borrowers' claims, and guidelines for recoupment by the DOE of discharged loan amounts from institutions of higher education. They also prohibited schools from using any pre-dispute arbitration agreements, prohibited schools from prohibiting relief in the form of class actions by student borrowers, and invalidated clauses imposing requirements that students pursue an internal dispute resolution process before contacting authorities regarding concerns about an institution. For proprietary institutions, the 2016 DTR regulations described the threshold for loan repayment rates that would require specific disclosures to current and prospective students and the applicable loan repayment rate methodology. The 2016 DTR regulations also established new financial responsibility and administrative capacity requirements for both not-for-profit and for-profit institutions participating in the Title IV programs. Under the 2016 DTR regulations, certain events would automatically trigger a letter of credit, and the DOE retained discretion to impose a letter of credit upon the occurrence of other events.

On July 6, 2017, the attorneys general of 18 states and the District of Columbia filed suit against the DOE, claiming that its delay of the 2016 DTR regulations violated applicable law, including the Administrative Procedure Act. Through a series of orders dated September 12 and 17, and October 12, 2018, the U.S. District Court for the District of Columbia held that procedural delays by the DOE in implementing the 2016 DTR regulations were improper and required that the 2016 DTR regulations be reinstated as of October 16, 2018.

On September 23, 2019, the DOE published final regulations regarding DTR, financial responsibility and certain other matters (the "2019 DTR regulations"). Among other things, the 2019 DTR Regulations modify the process and standards by which borrowers can assert a defense to the borrowers' obligation to repay certain Title IV loans first disbursed on or after July 1, 2020. A borrower may assert a defense to repayment if he or she can establish, by a preponderance of the evidence, that the participating institution misrepresented a material fact on which the borrower reasonably relied when deciding to undertake the loan, so long as the misrepresentation "clearly and directly" relates to initial or continued enrollment at the institution, concerns the institution's provision of educational services, and also results in financial harm to the borrower. The 2019 DTR regulations establish revised definitions for misrepresentation and financial harm and generally require a borrower to assert his or her defense to repayment within three (3) years from the date on which the student ceased to be enrolled at the institution. The 2019 DTR regulations also give the DOE five (5) years in which to seek recovery of the discharged amount from the institution, after a final written decision that a borrower is entitled to a defense to repayment. The 2019 DTR regulations also modify the "triggers" that the DOE considers early warning signs of financial difficulty, the occurrence of which may require an institution to provide the DOE with a letter of credit or other surety. The 2019 DTR regulations also include provisions regarding the treatment of operating leases in the financial responsibility composite score methodology, more specifically define and require disclosures concerning the composite score's inclusion of debt obtained for long-term purposes, and revise limited aspects of the composite score formula to account for changes in accounting terminology. The 2019 DTR regulations take effect on July 1, 2020, except for certain financial responsibility provisions that the DOE has designated for early implementation if an institution wishes to do so.

On January 16, 2020, the U.S. House of Representatives voted to pass a resolution blocking the implementation of the 2019 DTR regulations. The resolution would need to be passed by the U.S. Senate and signed by the president in order to become effective. We cannot predict the outcome of this resolution or any other attempts to block or revise the 2019 DTR regulations.

**DOE Rulemaking Activities.** On November 1, 2019, the DOE published final regulations regarding state authorization for programs offered through distance education and accreditation requirements. The general effective date of the final regulations is July 1, 2020. As part of a 2019 negotiating rulemaking, the DOE considered changes to current regulations pertaining to the definition of distance education and to the disbursement of Title IV funds for competency-based education programs. The rulemaking is currently pending with the Office of Management and Budget. Once the review by the Office of Management and Budget is complete, the DOE will issue a Notice of Proposed Rulemaking for notice and comment.

**Privacy of student records.** The Family Educational Rights and Privacy Act of 1974 ("FERPA") and the DOE's FERPA regulations require educational institutions to, among other things, protect the privacy of students' educational records by limiting an institution's disclosure of a student's personally identifiable information without the student's prior written consent. If an institution fails to comply with FERPA, the DOE may require corrective actions by the institution or may terminate an institution's receipt of further federal funds. In addition, our U.S. Institutions are obligated to safeguard student information pursuant to the Gramm-Leach-Bliley Act (the "GLBA"), a federal law designed to protect consumers' personal financial information held by financial institutions and other entities that provide financial services to consumers. The GLBA and the applicable GLBA regulations require an institution to, among other things, develop and maintain a comprehensive, written information security program designed to protect against the unauthorized disclosure of personally identifiable financial information of students, parents or other individuals with whom such institution has a customer relationship. If an institution fails to comply with the applicable GLBA requirements, it may be required to take corrective actions, be subject to monitoring and oversight by the FTC, and be subject to fines or penalties imposed by the FTC. For-profit educational institutions are also subject to the general deceptive practices jurisdiction of the FTC

with respect to their collection, use and disclosure of student information. The institution must also comply with the FTC Red Flags Rule, a section of the federal Fair Credit Reporting Act, that requires the establishment of guidelines and policies regarding identity theft related to student credit accounts.

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

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

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

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

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

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

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

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

## **Item 1A. Risk Factors**

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

### **Risks Relating to Our Continuing Business**

*We are a multinational business with continuing operations in nine countries around the world, predominantly in Latin America, and are subject to complex business, economic, legal, political, tax and foreign currency risks, which risks may be difficult to adequately address.*

In each of 2019, 2018 and 2017, over 80% of our revenues from continuing operations were generated from operations outside of the United States. Our continuing operations in four Latin American countries provided 74% of our revenues in 2019. Our portfolio of international universities, which is comprised of over 25 institutions that we own or control and one other licensed institution that we manage through a joint venture arrangement, operates in nine countries, each of which is subject to complex business, economic, legal, political, tax and foreign currency risks. We may have difficulty managing and administering an internationally dispersed business, and we may need to expend additional funds to, among other things, staff key management positions, obtain additional information technology infrastructure and successfully implement relevant course and program offerings for a significant number of international markets, which may materially adversely affect our business, financial condition and results of operations.

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

- the size of our portfolio and diverse range of institutions present numerous challenges, including difficulty in staffing and managing foreign operations as a result of distance, language, legal and other differences;
- our concentration in Latin America presents risks relating to regional economic pressures;
- each of our institutions is subject to unique business risks and challenges, including competitive pressures and diverse pricing environments at the local level;
- difficulty maintaining quality standards consistent with our brands and with local accreditation requirements;
- potential economic and political instability in the countries in which we operate, including student unrest;
- fluctuations in exchange rates, possible currency devaluations, inflation and hyperinflation;
- difficulty selecting, monitoring and controlling partners outside of the United States;
- compliance with a wide variety of domestic and foreign laws and regulations;
- expropriation of assets by governments;
- political elections and changes in government policies;
- difficulty protecting our intellectual property rights overseas due to, among other reasons, the uncertainty of laws and enforcement in certain countries relating to the protection of intellectual property rights;
- lower levels of availability or use of the Internet, through which our online programs are delivered;
- limitations on the repatriation and investment of funds and foreign currency exchange restrictions;
- limitations on our ability to realize economic benefits from certain institutions that are organized as not-for-profit or non-stock entities and that we account for as variable interest entities; and
- acts of terrorism, public health risks, crime and natural disasters, particularly in areas in which we have significant operations.

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

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

Our strategy for growth and profitability depends, in part, upon maintaining and, subsequently, increasing student enrollments in our institutions and maintaining tuition levels. Attrition rates are often due to factors outside our control. Students sometimes face financial, personal or family constraints that require them to drop out of school. They also are affected by economic and social factors prevalent in their countries. In some markets in which we operate, transfers between universities are not common and, as a result, we are less likely to fill spaces of students who drop out. In addition, our ability to attract and retain students may require us to discount tuition from published levels and may prevent us from increasing tuition levels at a rate consistent with inflation and increases in our costs. If we are unable to control the rate of student attrition, our overall enrollment levels are likely to decline, which could materially adversely affect our business, financial condition and results of operations. If we are unable to charge tuition rates that are both competitive and cover our rising expenses, our business, financial condition, cash flows and results of operations may be materially adversely affected. In addition, student enrollment may be negatively affected by our reputation and any negative publicity related to us.

***Our exploration of strategic alternatives and our activities related to previously announced divestitures may disrupt our ongoing businesses, result in increased expenses and present certain risks to the Company.***

On January 27, 2020, we announced that our board of directors had authorized the Company to explore strategic alternatives for each of its businesses. As part of this process, the Company will evaluate all potential options for its businesses, including sales, spin-offs or business combinations. As announced on January 27, 2020, the Company has already initiated separate processes to explore the sale of its Peru, Mexico and Australia/New Zealand businesses. Additionally, we are continuing to pursue previously announced divestitures. While the Company has had success with previous divestitures, there can be no assurance that our exploration of strategic alternatives will result in us being able to consummate sales, spin-offs or business combinations of any of our businesses or as to the terms, timing, structure, benefits and costs of any such transaction.

Speculation and uncertainty regarding our exploration of strategic alternatives and previously announced divestitures may cause or result in:

- disruption of our businesses;
- distraction of our management and employees;
- difficulty in recruiting, hiring, motivating and retaining talented and skilled personnel;
- reduced enrollment or increased competition for enrollment at our universities;
- increased scrutiny from our regulators;
- difficulty in maintaining or negotiating and consummating new business or strategic relationships or transactions;
- increased stock price volatility; and
- increased costs, including taxes on the proceeds from any divestiture, and advisory fees and other transaction costs.

In addition, there are risks associated with our proposed divestiture activities, including that:

- we may not be able to find buyers for our businesses or complete transactions on favorable terms;
- we may be required to indemnify buyers against certain liabilities and obligations, resulting in significant post-closing exposure to the Company in respect of liabilities of the divested businesses;
- we may have challenges in identifying and separating the intellectual property and data to be divested from the intellectual property and data that we wish to retain;

- although our previous divestitures were generally implemented on tax efficient terms, we may incur significant tax costs in implementing additional divestitures;
- we may not be able to eliminate or reduce overhead and fixed costs associated with the divested assets or businesses, which will impede our ability to operate the retained businesses on a cost effective and efficient basis;
- we may be required to record impairment charges if the Company determines that the estimated fair value of any of its remaining businesses is less than its carrying value; and
- as we explore these additional divestitures, we may have difficulty effectively forecasting future operating results.

If we are unable to mitigate these or other potential risks related to our exploration of strategic alternatives and the execution of any divestiture, the resulting disruption of our businesses may have a material adverse impact on our revenue, operating results and financial condition.

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

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

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

In recent years, there have been a number of regulatory investigations and civil litigation matters targeting post-secondary for-profit education institutions in the United States and private higher education institutions in other countries, such as Chile. These investigations and lawsuits have alleged, among other things, deceptive trade practices, false claims against the United States and noncompliance with state and DOE regulations, and breach of the requirement that universities in Chile be operated as not-for-profit institutions. These allegations have attracted adverse media coverage and have been the subject of federal and state legislative hearings and investigations in the United States and in other countries. Allegations against the post-secondary for-profit and private education sectors may affect general public perceptions of for-profit and private educational institutions, including institutions in the *Laureate International Universities* network and us, in a negative manner. Adverse media coverage regarding other for-profit or private educational institutions or regarding us directly or indirectly could damage our reputation, reduce student demand for our programs, materially adversely affect our revenues and operating profit or result in increased regulatory scrutiny.

***Growing our online academic programs could be difficult for us.***

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

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

In order to maintain and increase our revenues and margins, we must continue to develop our admissions programs and attract new students in a cost-effective manner. The level of marketing and advertising and types of strategies used are affected by the specific geographic markets, regulatory compliance requirements and the specific individual nature of each institution and its

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

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

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

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

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

All of these regulations and their applicable interpretations are subject to change. Moreover, regulatory agencies may scrutinize our institutions because they are owned or controlled by a U.S.-based for-profit corporation. Outside the United States, we may be particularly susceptible to such treatment because, in several of the countries in which we operate, our institutions are among the largest private institutions. Changes in applicable regulations may cause a material adverse effect on our business, financial condition and results of operations. For a full description of the material laws and regulations affecting our higher education institutions in the United States, and the impact of these laws and regulations on the operations of those institutions, including the ability of those institutions to continue to access U.S. federal student aid funding sources, see “-Risks Relating to our Highly Regulated Industry in the United States” and “Item 1-Business-Industry Regulation-U.S. Regulation.”

Changes in laws governing student financing could affect the availability of government-sponsored financing programs for our non-U.S. students, such as the Crédito con Aval del Estado (the “CAE Program”), a government-sponsored student loan program in Chile, the Fundo de Financiamento Estudantil (“FIES”), a government-sponsored loan program in Brazil, and the Programa Universidade Para Todos (“PROUNI”) in Brazil, all of which are offered by governments as a means of increasing student access to post-secondary education programs. If those programs are changed, or if our institutions or our students are no longer permitted to participate in those programs, or, in certain countries, if students who avail themselves of such programs do not graduate or subsequently default on their loans and we as a result become responsible for paying a significant portion of those loans, it could cause a material adverse effect on our business, financial condition and results of operations. For more information on the CAE Program, FIES and PROUNI, see “Item 1-Business-Industry Regulation-Brazilian Regulation” and “Item 1-Business-Industry Regulation-Chilean Regulation.”

The laws of the countries where we own or control institutions or may acquire ownership or control of institutions in the future must permit both private higher education institutions and foreign ownership or control of them. For political, economic or other reasons, a country could decide to change its laws or regulations to prohibit or limit private higher education institutions or foreign

ownership or control or prohibit or limit our ability to enter into contracts or agreements with these institutions. If this change occurred, it could have a material adverse effect on our business, financial condition and results of operations and we could be forced to sell an institution at a price that could be lower than its fair market value or relinquish control of an institution. A forced sale or relinquishment of control could materially adversely affect our business, financial condition and results of operations.

***Political and regulatory developments in Chile may materially adversely affect us.***

On May 29, 2018, a new Higher Education Law (the “New Law”) was enacted. Among other things, the New Law prohibits conflicts of interests and related party transactions involving universities and their controlling parties, with certain exceptions, including the provision of services that are educational in nature or essential for the university’s purposes. While we have modified some of our relationships with the Chilean universities in our network, and may need to make further modifications, we do not believe that the New Law will change our relationship with our two technical-vocational institutes in Chile that are for-profit entities. However, it is possible that the Chilean government will adopt additional laws that affect for-profit technical-vocational institutes and their relationships with their owners.

The New Law established a Superintendency of Higher Education, with authority to regulate institutions of higher education and promulgate regulations and procedures implementing the New Law. As of May 29, 2019, the New Law’s provisions regarding related party transactions came into force, and the Superintendent has since issued further interpretive guidance and regulations. Immediately prior to these provisions coming into force, each of the Chilean non-profit universities and the relevant Laureate services provider reached an agreement to terminate the prior network services agreement in favor of an open bidding process, wherein unrelated third parties and Laureate-related providers were invited to compete in the provision of the range of services that are essential to the fulfillment of each of their academic missions. Each of the Chilean non-profit universities has completed all of the bidding and contractual processes subsequent to the May 2019 contract terminations. The Company participated in these open bid processes, conducted by a third party, and was judged to have submitted the superior bid in many of them. Awarded contracts entered into force once the applicable university’s board approved them or in January 2020, in the case of some of the educational services, due to the academic calendar. Within the ordinary regulatory course of supervision, the Company and its Chilean non-profit universities will continue to interact with the Superintendent to maintain compliance with the New Law. Additionally, we will continue to evaluate our accounting treatment of the Chilean non-profit universities to determine whether we can continue to consolidate them. Our continuing evaluation of the impact of the New Law may result in changes to our expectations due to changes in our interpretations of the law, assumptions used, and additional guidance that may be issued. There is no assurance that the New Law will not have additional material adverse effects on our financial condition or results of operations.

In April 2020, Chileans will vote on whether Chile should create a new constitution and, if so, whether it should be drafted by a popularly elected assembly or one mixed with current lawmakers. Although it is too early to know whether a new constitution could include provisions that have a material adverse effect on our financial condition or results of operations, we will continue to monitor the developments.

While we believe that all of our institutions in Chile are operating in full compliance with Chilean law, we cannot predict the extent or outcome of any additional educational or constitutional reforms that may be implemented in Chile. Depending upon how these reforms are defined and implemented, there could be a material adverse effect on our financial condition and results of operations. Any additional significant disruption to our operations in Chile would have a material adverse effect on our financial condition and results of operations. Similar reforms in other countries in which we operate could also have a material adverse effect on our financial condition and results of operations.

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

The Chilean government and Congress, as well as participants in the Chilean higher education sector, are engaged in a policy debate about how to reform the student financing system including, but not limited to, discussion of reform to the CAE system, modifications to the availability of means-tested free tuition for various classes of students and other initiatives. This policy debate may or may not result in actual legislative action. We cannot predict the extent or outcome of any reforms or changes to the student financing system in Chile. Depending on how these reforms, if any, are defined and implemented, there could be an adverse effect on the ability of students in Chile to access government-sponsored higher education funding and on the ability of our institutions in Chile to attract and retain students, which could result in a material adverse effect on our financial condition and results of operations.

***We have been subject in the recent past to investigations by Chilean regulators and could become subject to other investigations in the future.***

In recent years, the not-for-profit universities in our network in Chile have been the subject of multiple investigations by various parts of the Chilean government, including the Chilean Congress, the Ministry of Education, the tax authorities and the public prosecutor, alleging various violations of Chilean law governing the non-profit status of universities. None of those investigations is currently active or has resulted in any material penalty to our institutions. While we believe that all of our institutions in Chile are operating in full compliance with Chilean law, we cannot predict what outcome may result from any future administrative processes or other investigations undertaken by the Chilean government, including by the newly appointed Superintendent of Higher Education under the New Law. Depending upon the outcome of any such processes or investigations, if any are instituted, there could be a material adverse effect on our financial condition and results of operations. Any disruption to our operations in Chile would have a material adverse effect on our financial condition and results of operations.

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

We have obtained board and operating control and controlling financial interests in entities outside the United States that are educational institutions similar to U.S. not-for-profit, non-stock universities. Under applicable law, these institutions do not have recognized “owners” or shareholders, and generally cannot declare dividends or distribute their net assets to us. For accounting purposes, we have determined that these institutions are variable interest entities under GAAP and that we are the primary beneficiary of these variable interest entities. Maintenance of our interest in the variable interest entity institutions, and our ability to receive economic benefits from these entities, is based on a combination of (1) service agreements that other Laureate entities have with the VIE institutions, allowing the institutions to access the benefits of the *Laureate International Universities* network and allowing us to recognize economies of scale throughout the network, and (2) our ability to transfer our rights to govern the VIE institutions, or the entities that possess those rights, to other parties, which would yield a return if and when these rights are transferred. In limited circumstances, we may have rights to the residual assets in liquidation. Under the mutually agreed service agreements, we are paid at market rates for providing services to institutions that are essential to the fulfillment of each of their academic missions. While we believe that these arrangements conform to applicable law, the VIE institutions are subject to regulation by various agencies based on the requirements of local jurisdictions. These agencies, as well as local legislative bodies, review and update laws and regulations as they deem necessary or appropriate. We cannot predict the form of any laws that may be enacted, or regulations that ultimately may be adopted in the future, or whether they may have a material adverse effect on our results of operations or financial condition. If local laws or regulations were to change, the VIE institutions were found to be in violation of existing local laws or regulations, or regulators were to question the financial sustainability of the VIE institutions and/or whether the contractual arrangements were at fair value, local government agencies could, among other actions:

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

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

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

Higher education markets around the world are highly fragmented and are very competitive and dynamic. Our institutions compete with traditional public and private colleges and universities and other proprietary institutions, including those that offer online professional-oriented programs. In each of the countries where we operate a private institution, our primary competitors are public and other private universities, some of which are larger, more widely known and have more established reputations than our institutions. Some of our competitors in both the public and private sectors may have greater financial and other resources than we have and have operated in their markets for many years. We also face potential competition from alternative education providers that prioritize open access education to students. A number of these providers have been formed recently to provide online curriculum from leading academics at little or no cost to the student. If this new modality is successful, it could disrupt the economics of the current education model (both for-profit and not-for-profit institutions). Other competitors may include large, well-capitalized companies that may pursue a strategy similar to ours of acquiring or establishing for-profit institutions. Public institutions receive substantial government subsidies, and public and private not-for-profit institutions have access to government and foundation grants, tax-deductible contributions and other financial resources generally not available to for-profit institutions. Accordingly, public and private not-for-profit institutions may have instructional and support resources superior to those in the for-profit sector, and public institutions can offer substantially lower tuition prices or other advantages that we cannot match.

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

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

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

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

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

Establishing new academic programs or modifying existing academic programs also may require us to make investments in specialized personnel and capital expenditures, increase marketing efforts and reallocate resources away from other uses. We may have limited experience with the subject matter of new programs and may need to modify our systems and strategy. If we are

unable to increase the number of students, offer new programs in a cost-effective manner or otherwise manage effectively the operations of newly established academic programs, our business, financial condition and results of operations could be materially adversely affected.

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

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

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

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

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

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

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

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

We have identified certain contingencies, primarily tax-related, that we have assessed as being reasonably possible of loss, but not probable of loss, and could have an adverse effect on our results of operations if the outcomes are unfavorable. In most cases, we have received indemnifications from the former owners and/or noncontrolling interest holders of the acquired businesses for contingencies. In cases where we are not indemnified, the unrecorded contingencies are primarily in Brazil and, in the aggregate, we estimate that the reasonably possible loss for these unrecorded contingencies in Brazil could be up to approximately \$49 million if the outcomes were unfavorable in all cases. If we are not able to recover amounts that are subject to indemnification, the loss for these contingencies could be greater.

During 2010, we were notified by the Spanish Taxing Authorities (“STA”) (in this case, by the Regional Inspection Office of the Special Madrid Tax Unit) that an audit of some of our Spanish subsidiaries was being initiated for 2006 and 2007. On June 29, 2012, the STA issued a final assessment to Iniciativas Culturales de España, S.L. (“ICE”), our Spanish holding company, for approximately EUR 11.1 million (\$12.3 million at December 31, 2019), including interest, for those two years based on its rejection of the tax deductibility of financial expenses related to certain intercompany acquisitions and the application of the Spanish ETVE regime. On July 25, 2012, we filed a claim with the Regional Economic-Administrative Court challenging this assessment and, in the same month, we issued a cash-collateralized letter of credit for the assessment amount, in order to suspend the payment of the tax due. Further, in July 2013, we were notified by the STA (in this case, by the Central Inspection Office for Large Taxpayers) that an audit of ICE was also being initiated for 2008 through 2010. On October 19, 2015, the STA issued a final assessment to ICE for approximately EUR 17.2 million (\$19.1 million at December 31, 2019), including interest, for those three years. We have appealed this assessment and, in order to suspend the payment of the tax assessment until the court decision, we issued a cash-collateralized letter of credit for the assessment amount plus interest and surcharges. We believe that the assessments in this case are without merit and intend to defend vigorously against them. During the second quarter of 2016, we were notified by the STA that tax audits of the Spanish subsidiaries were also being initiated for 2011 and 2012. Also during the second quarter of 2016, the Regional Administrative Court issued a decision against the Company on its appeal. The Company has further appealed at the Highest Administrative Court level, which appeal has been rejected. The Company has appealed both decisions to the National Court. In July 2017, we were notified by the STA that tax audits of the Spanish subsidiaries for 2011 and 2012 were being extended to include 2013. In the first quarter of 2018, we made payments to the STA totaling EUR 29.6 million (approximately \$32.8 million at December 31, 2019) in order to reduce the amount of future interest that could be incurred as the appeals process continues. The payments were made using cash that collateralized the letters of credit discussed above. In October of 2018, the STA issued a final assessment to our Spanish holding company for the 2011 through 2013 period of approximately EUR 4.1 million (\$4.5 million at December 31, 2019). As of December 31, 2019, the Company has posted a cash-collateralized letter of credit of approximately \$5.6 million for the assessment, plus a surcharge. The Company has appealed this assessment to the Highest Administrative Court.

In May 2019, a new tax audit was opened for fiscal years 2014-2015 for corporate income tax based on the STA’s rejection of the tax deductibility of financial expenses related to the same intercompany acquisitions as the previous tax audits. ICE received the final assessment on January 27, 2020, in which the STA rejected the allegation writ submitted by ICE and confirmed the assessment issued by the tax audit, amounting to approximately EUR 4.3 million (\$4.8 million at December 31, 2019). In this regard, ICE is going to appeal the referred assessment before the Administrative Central Court but, in order to be able to submit the appeal, ICE has to issue a guarantee to cover the referred assessment.

Finally, the referred tax audit was extended in June 2019 to the non resident income tax for the second semester of fiscal year 2015. This audit is still in progress and the entity has not yet received any estimative assessment.

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

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

We report revenues, costs and earnings in U.S. dollars, while our institutions generally collect tuition in the local currency. Exchange rates between the U.S. dollar and the local currency in the countries where we operate institutions are likely to fluctuate from period to period. In 2019, approximately 81% of our revenues originated outside the United States. We translate revenues and other results denominated in foreign currencies into U.S. dollars for our consolidated financial statements. This translation is based on average exchange rates during a reporting period. In recent years, the U.S. dollar has strengthened against many international currencies, including the Brazilian real, Chilean peso and Mexican peso. As the exchange rate of the U.S. dollar strengthens, our reported international revenues and earnings are reduced because foreign currencies translate into fewer U.S. dollars. For the year ended December 31, 2019, a hypothetical 10% adverse change in average annual foreign currency exchange rates, excluding the impacts of our derivatives, would have decreased our operating income and our Adjusted EBITDA by \$24.7 million and \$63.2 million, respectively. For more information, see “Item 7A-Quantitative and Qualitative Disclosures About Market Risk-Foreign Currency Exchange Risk.”

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

to effectively manage currency transaction and/or translation risks. Therefore, volatility in currency exchange rates may have a material adverse effect on our business, financial condition, results of operations and cash flows.

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

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

As of December 31, 2019, the net carrying value of our goodwill and other intangible assets totaled approximately \$2,822.4 million. Goodwill represents the excess of cost over the fair market value of net assets acquired in business combinations. Due to the revaluation of our assets at the time of the LBO and acquisitions we have completed historically, goodwill makes up a significant portion of our total assets. In accordance with generally accepted accounting principles, we periodically review goodwill and indefinite-lived intangibles for impairment and any excess in carrying value over the estimated fair value is charged to the results of operations. Future reviews of goodwill and indefinite-lived intangibles could result in reductions. Any reduction in net income and operating income resulting from the write down or impairment of goodwill and indefinite-lived intangibles could adversely affect our financial results. If economic or industry conditions deteriorate or if market valuations decline, including with respect to our Class A common stock, we may be required to impair goodwill and indefinite-lived intangibles in future periods.

***We experience seasonal fluctuations in our results of operations.***

Most of the institutions in our portfolio have a summer break, during which classes are generally not in session and minimal revenues are recognized. In addition to the timing of summer breaks, holidays such as Easter also have an impact on our academic calendar. Operating expenses, however, do not fully correlate to the enrollment and revenue cycles, as the institutions continue to incur expenses during summer breaks. Given the geographic diversity of our institutions and differences in timing of summer breaks, our second and fourth quarters are stronger revenue quarters as the majority of our institutions are in session for most of these respective quarters. Our first and third fiscal quarters are weaker revenue quarters because the majority of our institutions have summer breaks for some portion of one of these two quarters. Because a significant portion of our expenses do not vary proportionately with the fluctuations in our revenues, our results in a particular fiscal quarter may not indicate accurately the results we will achieve in a subsequent quarter or for the full fiscal year.

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

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

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

We rely on computer systems to support our financial reporting capabilities, including our regional shared services organizations ("SSOs"), and other operations. As with any computer systems, unforeseen issues may arise that could affect our ability to receive adequate, accurate and timely financial information, which in turn could inhibit effective and timely decisions. Furthermore, it is

possible that our information systems could experience a complete or partial shutdown. If such a shutdown occurred, it could materially adversely affect our ability to report our financial results in a timely manner or to otherwise operate our business.

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

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

Due to the sensitive nature of the information contained on our networks, such as students' grades, our networks may be targeted by hackers. A user who circumvents security measures could misappropriate proprietary information or cause interruptions or malfunctions in our operations. Although we use security and business controls to limit access and use of personal information, a third party may be able to circumvent those security and business controls, which could result in a breach of student or employee privacy. In addition, errors in the storage, use or transmission of personal information could result in a breach of student or employee privacy. As a result, we may be required to expend significant resources to protect against the threat of these security breaches or to alleviate problems caused by these breaches.

Furthermore, we are subject to a variety of laws and regulations globally regarding privacy, data protection, and data security, including those related to the collection, storage, handling, use, disclosure, transfer, and security of personal data. For example, the European Union's privacy and data security regulation, the General Data Protection Regulation (the "GDPR"), which went into effect in May 2018, imposes more stringent requirements in how we collect and process personal data and provides for significantly greater penalties for noncompliance (including possible fines of up to 4% of total company revenue). Countries in other regions, including Latin America, have passed or are considering similar privacy regulations, resulting in additional compliance burdens and uncertainty as to how some of these laws will be interpreted. We have invested, and expect to continue to invest, significant resources to comply with the GDPR and other privacy laws and regulations.

A breach, theft or loss of personal information regarding our students and their families, our employees, or other persons that is held by us or our vendors, or a violation of the laws and regulations governing privacy in one or more of the countries in which we operate, could result in significant penalties or legal liability, reputational damage, and/or remediation and compliance costs, which could be substantial and materially adversely affect our business, financial condition and results of operations.

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

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

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

All of our institutions offer a certain percentage of online course offerings. The educational content contained in such online course offerings is inherently more susceptible to infringement than campus-based learning materials because it is easier to make many digital copies of an online text, picture, video or audio file than it is to reproduce hard-copy materials. Also, intellectual property laws can vary from country to country, resulting in additional risk of infringement when licensing the same materials in multiple countries. Our institutions take reasonable precautions to ensure that all course content offerings used by them are properly licensed

and distributed; however, there is no guarantee that all of our course content offerings are properly licensed. Additionally, we create universally applicable course and program offerings that are licensed throughout our institutions, meaning that a single act of infringement could adversely affect multiple institutions around the world. Intellectual property infringement by us and our institutions can result in damaged vendor relationships, legal proceedings, loss of course content, and reputational loss, which could negatively affect our reputation, and our financial condition and results of operations may be materially adversely affected.

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

Political, social and economic developments in the countries in which we operate may cause protests and disturbances against conditions in those countries, including policies relating to the operation and funding of higher education institutions. These disturbances may involve protests on university campuses, including the occupation of university buildings and the disruption of classes. We are unable to predict whether students at institutions in the *Laureate International Universities* network will engage in various forms of protest in the future. Should we sustain student strikes, protests or occupations in the future, it could have a material adverse effect on our results of operations and on our overall financial condition. Further, we may need to make additional investments in security infrastructure and personnel on our campuses in order to prevent future student protests from disrupting the ability of our institutions to hold classes. If we are required to make substantial additional investments in security, or if we are unable to identify security enhancements that would prevent future disruptions of classes, that could cause an adverse effect on our results of operations and financial condition. In addition, we may need to pay overtime compensation to certain of our faculty and staff, which may increase our overall costs.

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

Our institutions are vulnerable to natural or other disasters, including fires, floods, earthquakes, hurricanes and other events beyond our control. A number of our institutions are located in areas such as Mexico and Peru that are prone to damage from major weather events, which may be substantial. For example, in 2017, Peru's normally arid regions experienced historic, torrential rainfall and subsequent flooding. At least one of our campuses located there suffered flood-related damage. There, as elsewhere in the country, flood-related damage caused a range of disruptions, including in our case a delay in the regularly scheduled start of classes for the semester, which caused revenue disruptions. A number of our institutions are also located in areas, such as Chile, Mexico and Peru, that are prone to earthquake damage. Also in 2017, a magnitude 7.1 earthquake struck Mexico causing a temporary suspension of activities at several UVM and UNITEC campuses located in the affected states of Mexico City, Puebla, Veracruz, Morelos, Chiapas and Estado de México. UVM and UNITEC temporarily suspended all activities on 21 campuses at the request of the Ministry of Education. The temporary suspension lasted 12 days on average and we incurred significant direct costs for repairs due to the earthquake. It is possible that one or more of our institutions would be unable to operate for an extended period of time in the event of a hurricane, earthquake or other disaster which does substantial damage to the area in which an institution is located. The failure of one or more of our institutions to operate for a substantial period of time could have a material adverse effect on our results of operations. In the event of a major natural or other disaster, we could also experience loss of life of students, faculty members and administrative staff, or liability for damages or injuries.

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

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

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

Many of our institutions are located in countries and regions that have high rates of violent crime, drug trafficking and vandalism. If we are unable to maintain adequate security levels on our campuses, and to work with local authorities to maintain adequate security in the areas adjacent to our campuses, we may not be able to continue to attract and retain students, or we may have to close a campus either temporarily or permanently. For example, in 2014 we closed a small campus of one of our universities in Mexico because of threats from a local drug cartel. In addition, high crime rates may require us to make additional investments in security infrastructure and personnel, which may cause us to increase our tuition rates in order to maintain operating margins.

Certain security measures may materially adversely affect the campus experience by making access by students more cumbersome, which may be viewed negatively by some of our existing or prospective students. If we are not able to attract and retain students because of our inability to provide them with a safe environment, or if we are required to make substantial additional investments in security, that could cause a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

***If we fail to attract and retain the key talent needed for us to timely achieve our business objectives, our business and results of operations could be harmed.***

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

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

Our business is subject to the risk of litigation by employees, students, suppliers, competitors, minority partners, counterparties in transactions in which we purchase or sell assets, stockholders, government agencies or others through private actions, class actions, administrative proceedings, regulatory actions or other litigation, some of which may take place in jurisdictions where local parties may have certain advantages over foreign parties. The outcome of litigation, particularly class action lawsuits, regulatory actions and intellectual property claims, is difficult to assess or quantify. Plaintiffs in these types of lawsuits may seek recovery of very large or indeterminate amounts, or may assert criminal charges, and the magnitude of the potential loss relating to these lawsuits may remain unknown for substantial periods of time. In addition, certain of these lawsuits, if decided adversely to us or settled by us, may result in liability material to our financial statements as a whole or may negatively affect our operating results if changes to our business operation are required. The cost to defend future litigation may be significant. There also may be adverse publicity associated with litigation that could negatively affect customer perception of our business, regardless of whether the allegations are valid or whether we are ultimately found liable. As a result, litigation may materially adversely affect our business, financial condition and results of operations. See "Item 3-Legal Proceedings."

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

Doing business on a worldwide basis requires us to comply with the laws and regulations of numerous jurisdictions. These laws and regulations place restrictions on our operations and business practices. In particular, we are subject to the FCPA, which generally prohibits companies and their intermediaries from providing anything of value to foreign officials for the purpose of

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

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

***We have in the past had material weaknesses in our internal control over financial reporting.***

In 2018, we remediated each of the four material weaknesses that were previously identified and were disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017. See “Item 9A. Controls and Procedures-Remediation of Material Weaknesses” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

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

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

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

**Risks Relating to Our Highly Regulated Industry in the United States**

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

Our postsecondary educational institutions in the United States (our “U.S. Institutions”) are subject to extensive regulatory requirements, including at the federal, state, and accrediting agency levels. Many students at our U.S. Institutions rely on the availability of federal student financial aid programs, known as Title IV programs, which are administered by the U.S. Department of Education (“DOE”), to finance their cost of attending our institutions. For the fiscal year ended December 31, 2019, Walden University and NewSchool of Architecture and Design derived approximately 76% and 36% of their revenues (calculated on a cash basis) from Title IV program funds.

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

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

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

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

Our failure to obtain any required approval of any transactions from the DOE, the institutional accrediting agencies or the pertinent state educational agencies could result in one or more of our U.S. Institutions losing continued eligibility to participate in the Title IV programs, accreditation or state licensure, which could have a material adverse effect on our U.S. business, financial condition and results of operations.

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

The U.S. Higher Education Act (the "HEA") is a federal law that governs Title IV programs. The U.S. Congress must authorize and appropriate funding for Title IV programs under the HEA and can change the laws governing Title IV programs at any time. Congress reauthorizes the Higher Education Act, which governs federal financial assistance for higher education, approximately every five to eight years. However, the HEA was most recently reauthorized in August 2008. Congress is considering the reauthorization of HEA and an HEA reauthorization bill called the College Affordability Act was introduced in the U.S. House of Representatives on October 15, 2019. Among other provisions, the College Affordability Act would revise the 90/10 Rule to an 85/15 rule and consider educational benefits for veterans and military personnel from the Department of Veteran Affairs and Department of Defense, respectively, in the same manner as Title IV funds for purposes of the rule. It is possible that there will be other bills introduced in this Congress to amend the HEA, including a U.S. Senate HEA reauthorization bill. We cannot predict the timing and terms of any eventual HEA reauthorization, including any potential changes to institutional participation, student eligibility requirements or funding levels for particular Title IV programs, which terms may materially adversely affect our business,

financial condition and results of operations. Apart from Title IV programs, eligible veterans and military personnel may receive educational benefits for the pursuit of higher education.

We cannot predict with certainty the future funding levels for Title IV programs, or for programs providing educational benefits to veterans and military personnel, or the nature of any future revisions to the law or regulations related to these programs. Because a significant percentage of the revenues of our U.S. Institutions is and is expected to be derived from Title IV programs, any action by the U.S. Congress that significantly reduces Title IV program funding or the ability of our U.S. students to participate in Title IV programs could have a material adverse effect on the enrollments, business, financial condition and results of operations of our U.S. Institutions.

In recent years, DOE has proposed or promulgated a substantial number of new regulations that impact our U.S. Institutions, including, but not limited to, borrower defenses to repayment, state authorization, and financial responsibility. For additional information regarding these regulations, see: “-The DOE may adopt regulations governing federal student loan debt forgiveness that could result in liability for amounts based on borrower defenses or affect the DOE’s assessment of our institutional capability”; “-If any of our U.S. Institutions fails to obtain or maintain any of its state authorizations in states in which such authorization is required or fail to comply with the laws and regulations of such states, that institution may not be able to operate or enroll students in that state, and may not be able to award Title IV program funds to students”; and “-If any of our U.S. Institutions do not meet specific financial responsibility standards established by the DOE, that institution may be required to post a letter of credit or accept other limitations to continue participating in Title IV programs, or that institution could lose its eligibility to participate in Title IV programs”. Any of these new or proposed regulations could have a material adverse effect on enrollments, business, financial condition, and results of operations of our U.S. Institutions.

On November 1, 2019, the DOE published final regulations regarding state authorization for programs offered through distance education and accreditation requirements. The general effective date of the final regulations is July 1, 2020. For additional information regarding these regulations, see: “-If any of our U.S. Institutions fails to obtain or maintain any of its state authorizations in states in which such authorization is required or fail to comply with the laws and regulations of such states, that institution may not be able to operate or enroll students in that state, and may not be able to award Title IV program funds to students.” As part of a 2019 negotiating rulemaking, the DOE considered changes to current regulations pertaining to the definition of distance education and to the disbursement of Title IV funds for competency-based education programs. The rulemaking is currently pending with the Office of Management and Budget. Once the review by the Office of Management and Budget is complete, the DOE will issue a Notice of Proposed Rulemaking for notice and comment. We cannot predict with certainty when these or other DOE regulations would be finalized or effective or the impact that such new regulations could have on our business, financial conditions or results of operations.

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

On November 1, 2016, the DOE published a rule that, among other provisions, established new standards and processes for determining whether a William D. Ford Federal Direct Loan Program (“Direct Loan Program”) borrower has a defense to repayment (“DTR”) on a loan due to acts or omissions by the institution at which the loan was used by the borrower for educational expenses (the “2016 DTR regulations”), while it engaged in a new rulemaking to further revise the regulations.

Among other topics, the 2016 DTR regulations established permissible borrower defense claims for discharge, procedural rules under which claims would be adjudicated, time limits for borrowers’ claims, and guidelines for recoupment by the DOE of discharged loan amounts from institutions of higher education. They also prohibited schools from using any pre-dispute arbitration agreements, prohibited schools from prohibiting relief in the form of class actions by student borrowers, and invalidated clauses imposing requirements that students pursue an internal dispute resolution process before contacting authorities regarding concerns about an institution. For proprietary institutions, the 2016 DTR regulations described the threshold for loan repayment rates that would require specific disclosures to current and prospective students and the applicable loan repayment rate methodology. The 2016 DTR regulations also established new financial responsibility and administrative capacity requirements for both not-for-profit and for-profit institutions participating in the Title IV programs. Under the 2016 DTR regulations, certain events would automatically trigger a letter of credit, and the DOE retained discretion to impose a letter of credit upon the occurrence of other events.

The 2016 DTR regulations were to take effect on July 1, 2017. On June 15, 2017, the DOE announced an indefinite delay to its implementation of the 2016 DTR regulations. On July 6, 2017, the attorneys general of 18 states and the District of Columbia filed suit against the DOE, claiming that its delay of the 2016 DTR regulations violated applicable law, including the Administrative Procedure Act. Through a series of orders dated September 12 and 17, and October 12, 2018, the U.S. District Court for the District

of Columbia held that procedural delays by the DOE in implementing the 2016 DTR regulations were improper and required that the 2016 DTR regulations be reinstated as of October 16, 2018.

On September 23, 2019, the DOE published final regulations further revising DTR and addressing certain financial responsibility and other matters (the “2019 DTR regulations”). Among other things, the 2019 DTR Regulations modify the process and standards by which borrowers can assert a defense to the borrowers’ obligation to repay certain Title IV loans first disbursed on or after July 1, 2020. A borrower may assert a defense to repayment if he or she can establish, by a preponderance of the evidence, that the participating institution misrepresented a material fact on which the borrower reasonably relied when deciding to undertake the loan, so long as the misrepresentation “clearly and directly” relates to initial or continued enrollment at the institution, concerns the institution’s provision of educational services, and also results in financial harm to the borrower. The 2019 DTR regulations establish revised definitions for misrepresentation and financial harm and generally require a borrower to assert his or her defense to repayment within three (3) years from the date on which the student ceased to be enrolled at the institution. The 2019 DTR regulations also give the DOE five (5) years in which to seek recovery of the discharged amount from the institution, after a final written decision that a borrower is entitled to a defense to repayment. The 2019 DTR regulations also modify the “triggers” that the DOE considers early warning signs of financial difficulty, the occurrence of which may require an institution to provide the DOE with a letter of credit or other surety. The 2019 DTR regulations also include provisions regarding the treatment of operating leases in the financial responsibility composite score methodology, more specifically define and require disclosures concerning the composite score’s inclusion of debt obtained for long-term purposes, and revise limited aspects of the composite score formula to account for changes in accounting terminology. The 2019 DTR regulations take effect on July 1, 2020, except for certain financial responsibility provisions that the DOE has designated for early implementation if an institution wishes to do so.

On January 16, 2020, the U.S. House of Representatives voted to pass a resolution blocking the implementation of the 2019 DTR regulations. The resolution would need to be passed by the U.S. Senate and signed by the president in order to become effective. If the resolution were enacted into Law, the 2016 DTR rules would remain in effect past July 1, 2020. We cannot predict the outcome of this resolution or any other attempts to block or revise the 2019 DTR regulations.

We cannot state with any certainty the impact that complying with the 2016 DTR regulations might have on our business. If we are required to repay the DOE for any successful DTR claims by students who attended our U.S. Institutions, or if we are required to obtain additional letters of credit or increase our current letter of credit, it could materially affect our business, financial conditions and results of operations.

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

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

If the DOE does not renew or withdraws either of our U.S. Institutions’ certifications to participate in Title IV programs at any time, students in the affected institution(s) would no longer be able to receive Title IV program funds. Similarly, the DOE could renew our U.S. Institutions’ certifications, but restrict or delay Title IV funding, limit the number of students to whom it could disburse such funds or impose other restrictions. In addition, the DOE may take emergency action to suspend any of our U.S. Institutions’ certifications without advance notice if it receives reliable information that an institution is violating Title IV requirements and it determines that immediate action is necessary to prevent misuse of Title IV funds. Any of these outcomes could have a material adverse effect on our U.S. Institutions’ enrollments and our business, financial condition and results of operations.

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

An institution must be accredited by an accrediting agency recognized by the DOE to participate in Title IV programs. Each of our U.S. Institutions is so accredited, and such accreditation is subject to renewal or review periodically or when necessary. If

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

***If either of our U.S. Institutions fails to obtain or maintain any of its state authorizations in states in which such authorization is required or fail to comply with the laws and regulations of such states, that institution may not be able to operate or enroll students in that state, and may not be able to award Title IV program funds to students.***

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

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

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

Our online educational programs offered by our U.S. Institutions and the constantly changing regulatory environment require us to continually evaluate our state regulatory compliance activities. We review the licensure or authorization requirements of other states to determine whether our activities in those states constitute a presence or otherwise require licensure or authorization by the respective state education agencies. Therefore, in addition to the states in which we maintain physical facilities, we have obtained, or are in the process of obtaining or renewing, approvals or exemptions that we believe are necessary in connection with our activities that may constitute a presence in such other states requiring licensure or authorization by the state educational agency based on the laws, rules or regulations of that state.

In recent years, regional state compacts have created the National Council for State Authorization Reciprocity Agreements ("NC-SARA"), which is a voluntary agreement among member states and U.S. territories that establishes comparable national standards for interstate offering of postsecondary distance-education courses and programs. As of the date of this filing, all states except California participate in NC-SARA. NC-SARA requires each participating institution to have a federal composite score as measured by the DOE at the parent level of a 1.5 (or a 1.0 with justification acceptable to the state). Neither of our U.S. Institutions participates in NC-SARA because Laureate has a composite score of below 1.0. Accordingly, our U.S. Institutions must apply for and comply with each state's applicable authorization requirements related to their distance education activities. Many states have established or are proposing legislation to create new or different criteria for authorization of "non-SARA" institutions, including requiring

them to post bonds and/or meet composite score requirements. If our U.S. Institutions do not meet these requirements, they may not enroll students in that state, which could have a material impact on our business.

Additionally, the DOE recently revised its state authorization requirements pertaining to distance education. On November 1, 2019, the DOE published final regulations revising its requirements relating to state authorization for programs offered through distance education. Among other provisions, these final regulations require that an institution participating in the Title IV federal student aid programs and offering post-secondary education through distance education be authorized by each state in which the institution enrolls students, if such authorization is required by the state. The final regulations also eliminated or revised certain disclosure requirements applicable to institutions participating in the Title IV federal student aid programs. The DOE stated that it would accept, although it does not require, authorization through participation in a state authorization reciprocity agreement; provided that the agreement does not prevent a state from enforcing its own general-purpose laws or regulations outside of the state authorization of distance education. These regulations are effective July 1, 2020, but the DOE allows institutions to opt for early implementation of the provisions related to state authorization and institutional disclosures.

Any failure to comply with state requirements for our campuses or our distance education programs, or any new or modified regulations at the federal or state level, could result in our inability to enroll students or receive Title IV funds for students in those states and could result in restrictions on our growth and enrollments. If any of our U.S. Institutions fails to comply with state licensure or authorization requirements, we could be subject to various sanctions, including restrictions on recruiting students, providing educational programs and other activities in that state, and fines and penalties. Additionally, new laws, regulations or interpretations related to providing online educational programs and services could increase our cost of doing business and affect our ability to recruit students in particular states, which could, in turn, negatively affect enrollments and revenues and otherwise have a material adverse effect on our business, financial condition and results of operations.

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

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

***Increased regulatory and enforcement effort of consumer protection laws could be a catalyst for legislative or regulatory restrictions, investigations, enforcement actions and claims that could, individually or in the aggregate, materially adversely affect our business, financial condition, results of operations and cash flows.***

In recent years, the proprietary education industry has experienced broad-based, intensifying scrutiny in the form of increased investigations and enforcement actions. Attorneys general and educational authorizing agencies in several states, as well as the FTC and Consumer Financial Protection Bureau have become more active in enforcing consumer protection laws, especially related to recruiting practices and the financing of education at proprietary educational institutions.

In addition, the DOE has specific rules prohibiting substantial misrepresentations to students, members of the public, accrediting agencies and state licensing agencies, as well as the DOE. In the event that the DOE determines that an institution engaged in a substantial misrepresentation, it can revoke the institution's program participation agreement, impose limitations on the institution's participation in Title IV programs, deny participation applications on behalf of the institution, or seek to fine, suspend or terminate the institution's participation in Title IV programs. These regulations provide grounds for private litigants to seek to enforce the expanded regulations through False Claims Act litigation.

In the event that any of our past or current business practices are found to violate applicable consumer protection laws, or if we are found to have made misrepresentations to our current or prospective students about our educational programs, we could be subject to monetary fines or penalties and possible limitations on the manner in which we conduct our business, which could materially adversely affect our business, financial condition, results of operations and cash flows. To the extent that more states

or government agencies commence investigations, act in concert, or direct their focus on our U.S. Institutions, the cost of responding to these inquiries and investigations could increase significantly, and the potential impact on our business would be substantially greater.

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

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

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

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

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

As described in more detail under "Item 1—Business—Industry Regulation—U.S. Regulation" in this Form 10-K, the DOE annually assesses our U.S. Institutions' financial responsibility through a composite score determination based on the Laureate consolidated audited financial statements and not at the individual institutional level. Based on Laureate's composite score for its fiscal year ended December 31, 2018, the DOE determined that it, and consequently, Walden University and NewSchool of Architecture and Design, failed to meet the standards of financial responsibility. As a result, in a letter sent to Laureate on September 20, 2019, the Department required Laureate to decrease its existing letter of credit to \$125.8 million (15% of the Title IV program funds that Walden University and the other institutions that Laureate owned in the U.S. at that time received during the most recently completed fiscal year), continued the institutions on Heightened Cash Monitoring 1 and required Laureate to continue to comply with additional notification and reporting requirements, including submitting bi-weekly cash flow statements for Laureate and monthly student rosters of the institutions, which has been a requirement since April 2018.

On November 1, 2016, as part of its defense to repayment rulemaking, the DOE issued a rule to revise its general standards of financial responsibility to include various actions and events that would require institutions to provide the DOE with irrevocable

letters of credit upon the occurrence of certain triggering events. Due to litigation, the 2016 DTR regulations were reinstated as of October 16, 2018. For additional information regarding this rule and current rulemaking, see “—Risks Relating to Our Highly Regulated Industry in the United States—The DOE has adopted regulations governing federal student loan debt forgiveness that could result in liability for amounts based on borrower defenses or affect the DOE’s assessment of our institutional capability.” If we are required to repay the DOE for any successful DTR claims by students who attended our U.S. Institutions, or we are required to obtain additional letters of credit or increase our current letter of credit, it could materially affect our business, financial conditions and results of operations.

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

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

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

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

A provision of the HEA commonly referred to as the “90/10 Rule” provides that a for-profit educational institution loses its eligibility to participate in Title IV programs if, under a complex regulatory formula that requires cash basis accounting and other adjustments to the calculation of revenues, the institution derives more than 90% of its revenues from Title IV program funds for any two consecutive fiscal years. If any of our U.S. Institutions were to violate the 90/10 Rule, that institution would become ineligible to participate in Title IV programs as of the first day of the fiscal year following the second consecutive fiscal year in which the institution exceeded the 90% threshold and would be unable to regain eligibility for two fiscal years thereafter. In addition, an institution that derives more than 90% of its revenue (on a cash basis) from Title IV programs for any single fiscal year will be placed on provisional certification for at least two fiscal years and may be subject to additional conditions or sanctions imposed by the DOE. Using the DOE’s formula under the “90/10 Rule,” Walden University and NSAD derived approximately 76% and 36% of their revenues (calculated on a cash basis), respectively, from Title IV program funds for the fiscal year ended December 31, 2019.

Walden University’s ratio could increase in the future. Congressional increases in students’ Title IV grant and loan limits may result in an increase in the revenues we receive from Title IV programs. In recent years, legislation has been introduced in Congress that would revise the 90/10 Rule to consider educational benefits for veterans and military personnel from the Department of Veteran Affairs and Department of Defense, respectively, in the same manner as Title IV funds for purposes of the rule, to prohibit institutions from participating in Title IV programs for one year if they derive more than 90% of their total revenues (calculated on a cash basis) from the Title IV programs and these other federal programs in a single fiscal year rather than the current rule of two consecutive fiscal years. The College Affordability Act, which was introduced in the U.S. House of Representatives on October 15, 2019, would revise the 90/10 Rule to an 85/15 rule and consider educational benefits for veterans and military personnel from the Department of Veteran Affairs and Department of Defense, respectively, in the same manner as Title IV funds for purposes of the rule. We cannot predict whether, or the extent to which, any of these proposed revisions could be enacted into law. In addition, reductions in state appropriations in a number of areas, including with respect to the amount of financial assistance provided to post-secondary students, could further increase our U.S. Institutions’ percentages of revenues derived from Title IV program funds. The employment circumstances of our students or their parents could also increase reliance on Title IV program funds. If Walden

University becomes ineligible to participate in Title IV programs as a result of noncompliance with the 90/10 Rule, it could have a material adverse effect on our business, financial condition and results of operations.

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

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

NewSchool of Architecture and Design's official cohort default rates for the 2016, 2015 and 2014 federal fiscal years were 8%, 7.4% and 5.2%, respectively. Walden University's official cohort default rates for the 2016, 2015 and 2014 federal fiscal years were 6.9%, 7.3% and 7.5%, respectively. The average national student loan default rates published by the DOE for all institutions that participated in the federal student aid programs for 2016, 2015 and 2014 were 10.1%, 10.8% and 11.5%, respectively, and for all proprietary institutions that participated in the federal student aid programs for 2016, 2015 and 2014 were 15.2%, 15.6% and 15.5%, respectively.

While we believe that neither of our institutions is in danger of exceeding the regulatory default rate thresholds for other Title IV programs, we cannot provide any assurance that this will continue to be the case. Any increase in interest rates on federal loans, as well as declines in income or job losses for our students, could contribute to higher default rates on student loans. Exceeding the student loan default rate thresholds and losing eligibility to participate in Title IV programs would have a material adverse effect on our business, financial condition and results of operations. Any future changes in the formula for calculating student loan default rates, economic conditions or other factors that cause our default rates to increase, could place our U.S. Institutions in danger of losing their eligibility to participate in Title IV programs, which would have a material adverse effect on our business, financial condition and results of operations.

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

Under the HEA, an institution participating in Title IV programs may not pay any commission, bonus or other incentive payments to any person involved in student recruitment or admissions or awarding of Title IV program funds, if such payments are based in any part, directly or indirectly, on success in enrolling students or obtaining student financial aid. Failure to comply could result in monetary penalties and/or sanctions imposed by the DOE, which could result in lower enrollments, revenue, and net operating income. The law and regulations governing this requirement do not establish clear criteria for compliance in all circumstances, creating uncertainty about what constitutes incentive compensation and which employees are covered by the regulation, rendering development of effective and compliant performance metrics more difficult to establish.

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

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

Higher educational institutions are susceptible to an increased risk of fraudulent activity by outside parties with respect to student enrollment and student financial aid programs. The DOE's regulations require institutions that participate in Title IV programs to refer to the Office of Inspector General credible information indicating that any applicant, employee, third-party servicer or agent of the institution that acts in a capacity that involves administration of the Title IV programs has been engaged in any fraud or other illegal conduct involving Title IV programs. We cannot be certain that our systems and processes will always be adequate in the face of increasingly sophisticated and ever-changing fraud schemes. The potential for outside parties to perpetrate fraud in connection with the award and disbursement of Title IV program funds, including as a result of identity theft, may be heightened

due to our U.S. Institutions offering various educational programs via distance education. Any significant failure by one of our U.S. Institutions to adequately detect fraudulent activity related to student enrollment and financial aid could result in loss of accreditation at the discretion of the institutions' accrediting agency, which would result in the institution losing eligibility for Title IV programs, or in direct action by the DOE to limit or terminate the institution's Title IV program participation. Any of these outcomes could have a material adverse effect on our business, financial condition and results of operations.

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

Because we operate in a highly regulated industry, we may be subject to compliance reviews and claims of noncompliance and lawsuits by government agencies, regulatory agencies and third parties, including claims brought by third parties on behalf of the federal government.

On September 8, 2016, the Minnesota Office of Higher Education ("MOHE") sent to Walden University an information request regarding its doctoral programs and complaints filed by doctoral students as part of a program review that MOHE was conducting. On October 23, 2019, MOHE completed its program review and issued a final report that indicated no findings of noncompliance. As part of its report, MOHE made recommendations for Walden University to develop certain goals and benchmarks with respect to its doctoral programs.

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

**Risks Relating to Our Indebtedness**

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

We have substantial debt. As of December 31, 2019, we had outstanding: (a) a multi-currency revolving credit facility (the "Revolving Credit Facility") scheduled to mature in October 2024; (b) senior notes consisting of Senior Notes due 2025; and (c) other long term indebtedness, consisting of capital lease obligations, notes payable, seller notes and borrowings against certain lines of credit. Our debt could have important negative consequences to our business, including:

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

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

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

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

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

In addition, the senior secured credit agreement governing our Revolving Credit Facility provides for compliance with the Consolidated Senior Secured Debt to Consolidated EBITDA Ratio, as defined in the senior secured credit agreement, which is tested quarterly. The maximum ratio, as defined, was 3.5x at December 31, 2019. As of December 31, 2019, we were in compliance with this covenant.

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

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

We conduct all of our operations through certain of our subsidiaries, and we have no significant assets other than cash of \$9.7 million as of December 31, 2019 held at corporate entities and the capital stock or other control rights of our subsidiaries. As a result, we rely on payments from contractual arrangements, such as intellectual property royalty, network fee and management services agreements. In addition, we also rely upon intercompany loan repayments and other payments from our operating subsidiaries to meet any existing or future debt service and other obligations, a substantial portion of which are denominated in U.S. dollars. The ability of our operating subsidiaries to pay dividends or to make distributions or other payments to their parent companies or directly to us will depend on their respective operating results and may be restricted by, among other things, the laws of their respective jurisdictions of organization, regulatory requirements, agreements entered into by those operating subsidiaries and the covenants of any existing or future outstanding indebtedness that we or our subsidiaries may incur. For example, our VIE institutions generally are not permitted to pay dividends. Further, because most of our income is generated by our operating subsidiaries in non-U.S. dollar denominated currencies, our ability to service our U.S. dollar denominated debt obligations may be affected by any strengthening of the U.S. dollar compared to the functional currencies of our operating subsidiaries.

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

The credit and equity markets of both mature and developing economies have historically experienced extraordinary volatility, asset erosion and uncertainty, leading to governmental intervention in the banking sector in the United States and abroad. If these market disruptions occur in the future, we may not be able to access the capital markets to obtain funding needed to refinance our existing indebtedness or expand our business. In addition, changes in the capital or other legal requirements applicable to commercial lenders may affect the availability or increase the cost of borrowing under our Revolving Credit Facility. If we are unable to obtain needed capital on terms acceptable to us, we may need to limit our growth initiatives or take other actions that materially adversely affect our business, financial condition, results of operations and cash flows.

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

Borrowings under our Revolving Credit Facility and certain local credit facilities bear interest at variable rates and other debt we incur also could be variable-rate debt. If market interest rates increase, variable-rate debt will create higher debt service requirements, which could materially adversely affect our cash flow. If these rates were to increase significantly, the risks related to our substantial debt would intensify. While we have and may in the future enter into agreements limiting our exposure to higher interest rates, any such agreements may not offer complete protection from this risk. Based on our outstanding variable-rate debt as of December 31, 2019, an increase of 1% in interest rates would result in an increase in interest expense of approximately \$4.4 million on an annual basis.

In addition, borrowings under our Revolving Credit Facility carry an interest rate based on LIBOR. On July 27, 2017, the United Kingdom's Financial Conduct Authority, which regulates LIBOR, announced that it intends to phase out LIBOR by the end of 2021. It is unclear whether new methods of calculating LIBOR will be established such that it continues to exist after 2021. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, is considering replacing U.S. dollar LIBOR with a newly-created index, calculated by reference to short-term repurchase agreements backed by U.S. Treasury securities, called the Secured Overnight Financing Rate ("SOFR"). The first publication of SOFR was released by the Federal Reserve Bank of New York in April 2018. Whether SOFR will become a widely-accepted benchmark in place of LIBOR, however, remains in question. As such, the future of LIBOR and potential alternatives thereto are uncertain at this time. The potential effects of the foregoing on our cost of capital cannot yet be determined.

**Risks Relating to Investing in Our Class A Common Stock**

***Our status as a public benefit corporation and a Certified B Corporation may not result in the benefits that we anticipate.***

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

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

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

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

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

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

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

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

We completed our initial public offering (“IPO”) in February 2017. Since our IPO, the price of our Class A common stock, as reported by the Nasdaq Global Select Market, has ranged from a low of \$10.46 on November 15, 2017 to a high of \$21.62 on January 30, 2020. The trading price of our Class A common stock may continue to fluctuate and is dependent upon a number of factors, including those described in this “Item 1A-Risk Factors” section, many of which are beyond our control and may not be related to our operating performance. These fluctuations could cause you to lose all or part of your investment in our Class A common stock as you may be unable to sell your shares at or above the price you paid, or at all. Factors that could cause fluctuations in the trading price of our Class A common stock include the following:

- quarterly variations in our results of operations;
- results of operations that vary from the expectations of securities analysts and investors;
- results of operations that vary from those of our competitors;
- changes in expectations as to our future financial performance, including financial estimates by securities analysts and investors;
- our or our competitors’ introduction of new institutions, new programs, concepts or pricing policies;
- announcements by us, our competitors or our vendors of significant acquisitions, joint marketing relationships, joint ventures or capital commitments;
- changes in laws or conditions in the education industry, the financial markets or the economy as a whole;
- failure of any of our institutions to secure or maintain accreditation or licensure;

- announcements of regulatory or other investigations, adverse regulatory action by any regulatory body including those overseas or the DOE, state agencies or accrediting agencies, regulatory scrutiny of our operations or operations of our competitors or lawsuits filed against us or our competitors;
- announcements by third parties of significant claims or proceedings against us;
- the size of our public float;
- changes in senior management or key personnel;
- changes in our dividend policy;
- adverse resolution of new or pending litigation against us;
- the occurrence of any event described in “Item 1A-Risk Factors”;
- issuances, exchanges, repurchases or sales, or expected issuances, exchanges, repurchases or sales of our capital stock; and
- general domestic and international economic conditions.

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

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

***If we or our existing investors sell or announce an intention to sell additional shares of our Class A common stock, the market price of our Class A common stock could decline.***

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

As of December 31, 2019, 90,831,285 shares of our Class B common stock were outstanding. Such amount excludes 701,125 shares of Class B common stock issuable upon the exercise of outstanding vested stock options under the 2007 Stock Incentive Plan (the “2007 Plan”), 2,719,552 shares of Class B common stock issuable upon the exercise of outstanding vested stock options under the 2013 Long-Term Incentive Plan (the “2013 Plan”), 517 shares of Class B common stock subject to outstanding unvested stock options under the 2013 Plan, 1,250,827 shares of Class A common stock and/or Class B common stock reserved for future issuance under the 2013 Plan, and 7,430 shares of Class B common stock reserved for future issuance under the Laureate Education, Inc. Deferred Compensation Plan (the “Deferred Compensation Plan”). All of our outstanding shares of Class B common stock became eligible for sale on August 5, 2017. Sales of a substantial number of shares of our Class B common stock, which will automatically convert into Class A common stock upon sale, could cause the market price of our Class A common stock to decline.

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

We may retain future earnings, if any, for future operation, expansion and debt repayment and have no current plans to pay any ordinary cash dividends for the foreseeable future. Any decision to declare and pay dividends in the future will be made at the discretion of our board of directors and will depend on, among other things, our results of operations, financial condition, cash requirements, contractual restrictions and other factors that our board of directors may deem relevant. In addition, our ability to pay dividends may be limited by covenants of any existing and future outstanding indebtedness we or our subsidiaries incur, including our Revolving Credit Facility and the indenture governing our outstanding notes. In addition, we are permitted under the terms of our debt instruments to incur additional indebtedness, which may restrict or prevent us from paying dividends on our common stock. Furthermore, our ability to declare and pay dividends may be limited by instruments governing future outstanding

indebtedness we may incur. As a result, you may not receive any return on an investment in our Class A common stock unless you sell your Class A common stock for a price greater than that which you paid for it.

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

Each share of our Class B common stock has ten votes per share, and each share of our Class A common stock has one vote per share. As of February 14, 2020, stockholders who hold shares of Class B common stock, including Wengen, and our executive officers, employees and directors and their affiliates, together hold approximately 89% of the voting power of our outstanding capital stock, and therefore have significant influence over the management affairs of the Company and control over all matters requiring stockholder approval, including election of directors and significant corporate transactions, such as a merger or other sale of our company or its assets, for the foreseeable future. Because of the 10-to-1 voting ratio between our Class B and Class A common stock, the holders of our Class B common stock collectively will continue to control a majority of the combined voting power of our common stock even when the shares of Class B common stock represent less than a majority of the outstanding shares of our Class A and Class B common stock.

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

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

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

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

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

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

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

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

- the dual class structure of our common stock;
- authorizing the issuance of “blank check” preferred stock that could be issued by our board of directors to increase the number of outstanding shares and thwart a takeover attempt;
- prohibiting the use of cumulative voting for the election of directors;
- as a public benefit corporation, requiring a two-thirds majority vote of the outstanding stock to effect a non-cash merger with an entity that is not a public benefit corporation with an identical public benefit;
- limiting the ability of stockholders to call special meetings or amend our bylaws;
- following the conversion of all of our Class B common stock into Class A common stock, requiring all stockholder actions to be taken at a meeting of our stockholders; and
- establishing advance notice and duration of ownership requirements for nominations for election to our board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings.

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

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

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

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

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

#### **Item 1B. Unresolved Staff Comments**

None.

## Item 2. Properties

Laureate is headquartered in Baltimore, Maryland. The following table summarizes the properties included in continuing operations by segment and in discontinued operations, each as of December 31, 2019:

Segment	Square feet leased space	Square feet owned space	Total square feet
Brazil	10,560,298	2,806,808	13,367,106
Mexico	28,241,609	8,998,500	37,240,109
Andean	6,649,113	10,239,172	16,888,285
Rest of World	1,031,084	—	1,031,084
Online & Partnerships	222,114	—	222,114
Corporate (including headquarters)	117,114	—	117,114
Discontinued Operations	5,284,630	6,896,292	12,180,922
<b>Total</b>	<b>52,105,962</b>	<b>28,940,772</b>	<b>81,046,734</b>

Our Brazil, Mexico, Andean and Rest of World segments lease or own various sites that may include a local headquarters and all or some of the facilities of a campus or location. In many countries, our facilities are subject to mortgages.

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

We monitor the capacity of our higher education institutions on a regular basis and make decisions to expand capacity based on expected enrollment and other factors. Our leased facilities are occupied under leases whose remaining terms range from one month to 19 years. A majority of these leases contain provisions giving us the right to renew the lease for additional periods at various rental rates, although generally at rates higher than we are currently paying.

## Item 3. Legal Proceedings

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

On December 6, 2019, the Occupational Safety and Health Administration of the U.S. Department of Labor (“OSHA”) dismissed a complaint made by Michael S. Ryan, the former chief accounting officer of the Company, alleging retaliatory employment practices in violation of the whistleblower provisions of the Sarbanes-Oxley Act (*Michael S. Ryan vs. Laureate Education, Inc., Case No. 3-0050-17-011*). On January 2, 2020, Mr. Ryan filed Objections to the Secretary’s Findings, and Request for Hearing Before an Administrative Law Judge (the “Objections and Request for Hearing”) with the Chief Administrative Law Judge and a hearing has been set for September, 2020. Mr. Ryan’s complaint to OSHA, which was filed on November 16, 2016, also alleges a lack of compliance with U.S. GAAP and violations of certain SEC rules and regulations. The complaint does not seek any specified amount of damages. The Company has investigated the allegations made in the complaint with the assistance of outside legal and accounting advisers and believes that its consolidated financial statements are in compliance with U.S. GAAP and SEC rules and regulations in all material respects and that the allegations are baseless and without merit. The Company currently is assessing its response to the Objections and Request for Hearing. The Company intends to continue to defend itself vigorously.

During 2010, we were notified by the Spanish Taxing Authorities (“STA”) (in this case, by the Regional Inspection Office of the Special Madrid Tax Unit) that an audit of some of our Spanish subsidiaries was being initiated for 2006 and 2007. On June 29, 2012, the STA issued a final assessment to Iniciativas Culturales de España, S.L. (“ICE”), our Spanish holding company, for approximately EUR 11.1 million (\$12.3 million at December 31, 2019), including interest, for those two years based on its rejection of the tax deductibility of financial expenses related to certain intercompany acquisitions and the application of the Spanish ETVE regime. On July 25, 2012, we filed a claim with the Regional Economic-Administrative Court challenging this assessment and, in the same month, we issued a cash-collateralized letter of credit for the assessment amount, in order to suspend the payment of the tax due. Further, in July 2013, we were notified by the STA (in this case, by the Central Inspection Office for Large Taxpayers) that an audit of ICE was also being initiated for 2008 through 2010. On October 19, 2015, the STA issued a final assessment to ICE for approximately EUR 17.2 million (\$19.1 million at December 31, 2019), including interest, for those three years. We have

appealed this assessment and, in order to suspend the payment of the tax assessment until the court decision, we issued a cash-collateralized letter of credit for the assessment amount plus interest and surcharges. We believe that the assessments in this case are without merit and intend to defend vigorously against them. During the second quarter of 2016, we were notified by the STA that tax audits of the Spanish subsidiaries were also being initiated for 2011 and 2012. Also during the second quarter of 2016, the Regional Administrative Court issued a decision against the Company on its appeal. The Company has further appealed at the Highest Administrative Court level, which appeal has been rejected. The Company has appealed both decisions to the National Court. In July 2017, we were notified by the STA that tax audits of the Spanish subsidiaries for 2011 and 2012 were being extended to include 2013. In the first quarter of 2018, we made payments to the STA totaling EUR 29.6 million (approximately \$32.8 million at December 31, 2019) in order to reduce the amount of future interest that could be incurred as the appeals process continues. The payments were made using cash that collateralized the letters of credit discussed above. In October of 2018, the STA issued a final assessment to our Spanish holding company for the 2011 through 2013 period of approximately EUR 4.1 million (\$4.5 million at December 31, 2019). As of December 31, 2019, the Company has posted a cash-collateralized letter of credit of approximately \$5.6 million for the assessment, plus a surcharge. The Company has appealed this assessment to the Highest Administrative Court.

In May 2019, a new tax audit was opened for fiscal years 2014-2015 for corporate income tax based on the STA's rejection of the tax deductibility of financial expenses related to the same intercompany acquisitions as the previous tax audits. ICE received the final assessment on January 27, 2020, in which the STA rejected the allegation writ submitted by ICE and confirmed the assessment issued by the tax audit, amounting to approximately EUR 4.3 million (\$4.8 million at December 31, 2019). ICE intends to appeal the referred assessment before the Administrative Central Court but, in order to be able to submit the appeal, ICE must issue a guarantee to cover the referred assessment.

Finally, the referred tax audit was extended in June 2019 to the non resident income tax for the second semester of fiscal year 2015. This audit is still in progress and the entity has not yet received any estimative assessment.

On June 10, 2019, the Supreme People's Court affirmed the judgment of the Higher Court of Hunan Province in favor of current and former Laureate affiliates and dismissed an appeal filed by Mr. Zhen Ziban, an heir of Chen Zhengxian, a minority shareholder in our former network institution in China, Hunan International Economics University ("HIEU"). Mr. Zheng had had six months to apply to the Supreme People's Court for a retrial of the case. Mr. Zheng failed to apply within the prescribed timeframe to the Supreme People's Court of the People's Republic of China (the "Supreme People's Court") for a retrial of the case commenced by Mr. Chen against LEI Lie Ying Limited and Steven Lin (a former Laureate employee) seeking return of a capital contribution of RMB 172 million and for loss of interest of RMB 28 million or the distribution of dividends in an equivalent amount. Accordingly, we believe that this matter is resolved.

On June 10, 2019, the Supreme People's Court affirmed the judgment of the Higher Court of Hunan Province in favor of current and former Laureate affiliates and dismissed an appeal filed by Guangdong Nanbo Education Investment Co Ltd. Guangdong Nanbo Education Investment Co Ltd. had six months to apply to the Supreme People's Court for a retrial of the case. Guangdong Nanbo Education Investment Co Ltd., a minority shareholder in the HIEU group, failed to apply within the prescribed timeframe to the Supreme People's Court for a retrial of the case commenced by such entity against LEI Lie Ying Limited (as majority shareholder) and Laureate Shanghai alleging the invalidity of service agreements entered into between HIEU and Laureate Shanghai and the infringement by LEI Lie Ying Limited of HIEU's interests, and seeking the repayment of RMB 265 million in fees paid under those agreements. Accordingly, we believe that this matter is resolved.

On September 11, 2019, the People's Court of Tianxin District, Changsha City, in the People's Republic of China issued a Notice of Assistance in Enforcement addressed to Lei Lie Ying Limited, a private limited company formerly indirectly owned by us ("LEILY"), and HIEU requesting that (i) Zhang Jianbo and Chen Zhengxian's alleged rights in certain land owned by HIEU be frozen, (ii) such land be disposed of instead pursuant to the terms of a series of agreements allegedly entered into in 2009 and (iii) the proceeds thereof be deposited with the court pending final resolution of the dispute. Under the agreements entered into for the sale of our interest in LEILY, we are required to defend this action and to indemnify the purchaser against any liabilities which arise from these claims, subject to an aggregate cap on liability of RMB 400 million (approximately \$57 million at December 31, 2019). We believe that the claims are without merit and intend to defend vigorously against them.

#### **Item 4. Mine Safety Disclosures**

Not applicable.

## Part II

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

#### **Market Information**

Our Class A common stock has traded on the Nasdaq under the symbol “LAUR” since February 1, 2017. Prior to that date, there was no public trading market for our Class A common stock. On February 14, 2020, the last reported sale price of our common stock was \$21.25. There is currently no established public trading market for our Class B common stock.

#### **Holders of Record**

There were 118,578,038 holders of record of our Class A common stock and 90,814,034 holders of record of our Class B common stock as of February 14, 2020. The number of beneficial owners of our Class A common stock is substantially greater than the number of record holders, because substantially all of our Class A common stock is held in “street name” by banks and brokers.

#### **Dividend Policy**

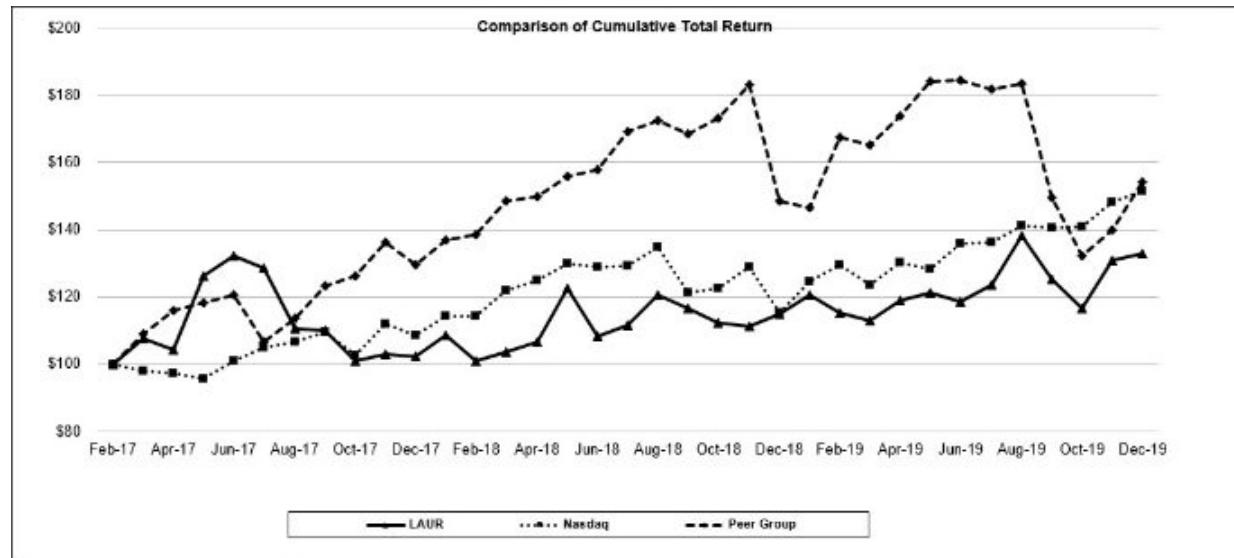
We currently do not anticipate paying any ordinary cash dividends on our Class A common stock or Class B common stock in the foreseeable future. We expect to retain our future earnings, if any, for use in the operation and expansion of our business. The terms of our senior secured credit agreement governing our Revolving Credit Facility and the indenture governing our outstanding Senior Notes due 2025 limit our ability to pay cash dividends in certain circumstances. Furthermore, if we are in default under the senior secured credit agreement governing our Revolving Credit Facility or the indenture governing our outstanding Senior Notes due 2025, our ability to pay cash dividends will be limited in the absence of a waiver of that default or an amendment to such agreement or such indenture. In addition, our ability to pay cash dividends on shares of our Class A common stock may be limited by restrictions on our ability to obtain sufficient funds through dividends from our subsidiaries. For more information on our senior secured credit agreement governing our Revolving Credit Facility and the indenture governing our outstanding Senior Notes due 2025, see “Item 7-Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Note 10, Debt, in our consolidated financial statements. Subject to the foregoing, the payment of cash dividends in the future, if any, will be at the discretion of our board of directors and will depend upon such factors as earnings levels, capital requirements, our overall financial condition and any other factors deemed relevant by our board of directors.

#### **Equity Compensation Plan Information**

The information required by Item 201(d) of Regulation S-K is incorporated by reference to Part III, Item 12 of this Form 10-K.

#### **Stock Performance Graph**

The following graph compares the cumulative total return of our Class A common stock, an industry peer group index, and the Nasdaq Composite Index from February 1, 2017 (the first day on which our Class A common stock traded on the Nasdaq Global Select Market) through December 31, 2019. We believe that our industry peer group represents the majority of the market value of publicly traded companies whose primary business is post-secondary education. The returns set forth on the following graph are based on historical results and are not intended to suggest future performance. The performance graph assumes \$100 investment on February 1, 2017 in either our Class A common stock, the companies in our industry peer group, or the Nasdaq Composite Index. Data for the Nasdaq Composite Index and our peer group assume reinvestment of dividends.



The peer group included in the performance graph above consists of Strategic Education, Inc. (STRA), Adtalem Global Education, Inc. (ATGE), Grand Canyon Education, Inc. (LOPE), Cogna Educação S.A. (COGN3) and YDUQS (YDUQ3).

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

#### **Recent Sales of Unregistered Securities**

None.

#### **Issuer Purchases of Equity Securities (*in thousands, except per share amounts*)**

The following table provides a summary of the Company’s purchases of its Class A common stock during the fourth quarter of the fiscal year ended December 31, 2019 pursuant to the Company’s authorized stock repurchase program:

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value of shares yet to be purchased under the plans or programs <sup>(1)</sup>
10/1/19 - 10/31/19	2,759 \$	16.37	2,759 \$	150,000
11/1/19 - 11/30/19	2,999 \$	16.86	2,999 \$	99,442
12/1/19 - 12/31/19	4,100 \$	17.13	4,100 \$	29,192
Total	9,858 \$	16.84	9,858 \$	29,192

<sup>(1)</sup> On August 8, 2019, the Company announced that its board of directors had authorized a stock repurchase program to acquire up to \$150,000 of the Company’s Class A common stock. In early October 2019, the Company’s stock repurchases reached the previously authorized limit of \$150,000 and, on October 14, 2019, the Company’s board of directors approved the increase of its existing authorization to repurchase shares of the Company’s Class A common stock by \$150,000. In January 2020, the Company’s stock repurchases reached the authorized limit.

## Item 6. Selected Financial Data

Set forth below are selected consolidated financial data of Laureate Education, Inc., at the dates and for the periods indicated. The selected historical statements of operations data and statements of cash flows data for the fiscal years ended December 31, 2019, 2018 and 2017 and balance sheet data as of December 31, 2019 and 2018 have been derived from our audited consolidated financial statements included elsewhere in this Form 10-K. The selected historical statements of operations data and statements of cash flows data for the fiscal year ended December 31, 2016 and 2015 and balance sheet data as of December 31, 2017, 2016 and 2015, as recast for discontinued operations, have been derived from our accounting records. Our historical results are not necessarily indicative of our future results. The data should be read in conjunction with the consolidated financial statements, related notes, and other financial information included therein.

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

(Dollar amounts in thousands)	Fiscal Year Ended December 31,				
	2019	2018	2017	2016	2015
<b>Consolidated Statements of Operations:</b>					
<b>Revenues</b>	\$ 3,250,326	\$ 3,290,213	\$ 3,333,073	\$ 3,255,908	\$ 3,345,937
Costs and expenses:					
Direct costs	2,671,557	2,697,049	2,775,326	2,747,028	2,900,947
General and administrative expenses	252,179	299,264	315,471	222,496	194,686
Loss on impairment of assets	470	10,030	7,121	—	—
<b>Operating income</b>	326,120	283,870	235,155	286,384	250,304
Interest income	12,209	11,856	11,865	14,414	9,474
Interest expense	(167,331)	(235,214)	(334,900)	(390,374)	(367,284)
Loss on debt extinguishment	(28,267)	(7,481)	(8,392)	(17,363)	(1,263)
Gain on derivatives	7,277	88,292	28,656	(6,084)	(2,607)
Other income (expense), net	9,222	12,226	(1,892)	457	(423)
Foreign currency exchange (loss) gain, net	(27,081)	(32,564)	3,231	77,087	(128,449)
(Loss) gain on sales and disposals of subsidiaries, net <sup>(1)</sup>	(37,751)	254	(10,490)	398,081	—
Income (loss) from continuing operations before income taxes and equity in net income (loss) of affiliates	94,398	121,239	(76,767)	362,602	(240,248)
Income tax (expense) benefit	(80,656)	(131,771)	92,989	(33,272)	(94,424)
Equity in net income (loss) of affiliates, net of tax	219	(2)	152	90	2,495
<b>Income (loss) from continuing operations</b>	13,961	(10,534)	16,374	329,420	(332,177)
Income from discontinued operations, net of tax expense of \$17,539 for 2019, \$48,771 for 2018 and \$26,176 for 2017	53,941	84,884	77,390	36,766	16,332
Gain on sales of discontinued operations, net, including tax benefit of \$33,472 for 2019, \$3,466 for 2018 and \$0 for 2017	869,762	296,580	—	—	—
<b>Net income (loss)</b>	937,664	370,930	93,764	366,186	(315,845)
Net loss (income) attributable to noncontrolling interests	820	(863)	(2,299)	5,661	(403)
<b>Net income (loss) attributable to Laureate Education, Inc.</b>	\$ 938,484	\$ 370,067	\$ 91,465	\$ 371,847	\$ (316,248)

<sup>(1)</sup> In 2016, represents a gain of approximately \$249.4 million resulting from the Swiss institutions sale that closed on June 14, 2016, and a gain of approximately \$148.7 million resulting from the French institutions sale that closed on July 20, 2016. In 2017, primarily represents a final purchase price settlement related to the sale of the Swiss institutions. In 2019, primarily represents a loss from the release of accumulated foreign currency translation upon dissolution of several dormant subsidiaries.

(Dollar amounts in thousands)	Fiscal Year Ended December 31,				
	2019	2018	2017	2016	2015
<b>Consolidated Statements of Cash Flows:</b>					
Net cash provided by operating activities	\$ 339,769	\$ 396,858	\$ 192,157	\$ 192,256	\$ 171,418
Net cash provided by (used in) investing activities	1,116,760	115,494	(284,682)	297,297	(159,095)
Net cash (used in) provided by financing activities	(1,673,977)	(410,129)	157,570	(445,722)	34,424
<b>Segment Data:</b>					
<b>Revenues:</b>					
Brazil	\$ 578,449	\$ 654,300	\$ 765,746	\$ 690,804	\$ 672,917
Mexico	652,846	646,134	646,154	626,011	678,193
Andean	1,189,701	1,155,691	1,085,640	969,717	913,388
Rest of World	190,136	177,995	161,917	284,467	399,101
Online & Partnerships	634,125	664,226	690,374	704,976	707,998
Corporate	5,069	(8,133)	(16,758)	(20,067)	(25,660)
<b>Total Revenues</b>	<b>\$ 3,250,326</b>	<b>\$ 3,290,213</b>	<b>\$ 3,333,073</b>	<b>\$ 3,255,908</b>	<b>\$ 3,345,937</b>
<b>Other Data:</b>					
Total enrollments (rounded to the nearest hundred):					
Brazil	271,900	280,000	271,200	259,000	257,200
Mexico	204,200	206,300	214,200	213,800	205,000
Andean	326,000	309,200	299,100	286,600	270,700
Rest of World	16,400	13,900	12,800	11,800	25,300
Online & Partnerships	56,600	60,600	63,500	68,300	72,400
Total	875,100	870,000	860,800	839,500	830,600
New enrollments (rounded to the nearest hundred):					
Brazil	198,300	170,800	149,900	134,500	142,300
Mexico	112,300	109,000	107,300	108,400	101,000
Andean	133,000	119,200	116,600	117,200	112,500
Rest of World	12,100	10,100	9,100	11,600	16,500
Online & Partnerships	30,400	33,500	35,000	39,300	39,500
Total	486,100	442,600	417,900	411,000	411,800

(Dollar amounts in thousands)	As of December 31,				
	2019	2018	2017	2016	2015
<b>Consolidated Balance Sheets:</b>					
Cash and cash equivalents	\$ 339,629	\$ 387,780	\$ 319,040	\$ 294,733	\$ 277,558
Restricted cash	186,921	195,792	206,705	173,044	145,787
Net working capital (current assets less current liabilities)	(127,877)	27,046	(85,898)	(324,430)	(491,084)
Property and equipment, net	1,199,219	1,275,341	1,375,994	1,354,996	1,445,700
Goodwill	1,701,495	1,707,089	1,825,285	1,783,474	1,948,364
Tradenames	1,119,454	1,126,244	1,167,302	1,153,348	1,199,943
Other intangible assets, net	1,431	25,429	35,779	46,035	50,158
Total assets	6,515,628	6,769,636	7,391,285	7,062,534	7,403,168
Total debt, including due to shareholders of acquired companies	1,400,657	2,739,303	3,161,473	3,626,486	4,252,391
Deferred compensation	12,744	12,778	14,470	14,128	32,343
Total liabilities, excluding debt, due to shareholders of acquired companies and derivative instruments	2,298,525	1,954,314	2,214,687	2,401,855	2,723,591
Convertible redeemable preferred stock	—	—	400,276	332,957	—
Redeemable noncontrolling interests and equity	12,295	14,396	13,721	23,876	51,746
Total Laureate Education, Inc. stockholders' equity	2,816,963	2,061,079	1,575,164	632,210	324,759

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

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

### **Introduction**

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

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

### **Overview**

#### Our Business

We have built the largest international portfolio of degree-granting higher education institutions, primarily focused in Latin America, with 875,100 students enrolled at our 29 institutions in nine countries on more than 150 campuses included in our continuing operations as of December 31, 2019, which we collectively refer to as the *Laureate International Universities* network. We believe the global higher education market presents an attractive long-term opportunity, primarily because of the large and growing imbalance between the supply and demand for quality higher education around the world. Advanced education opportunities drive higher earnings potential, and we believe the projected growth in the middle-class population worldwide and limited government resources dedicated to higher education create substantial opportunities for high-quality private institutions to meet this growing and unmet demand. Our outcomes-driven strategy is focused on enabling students to prosper and thrive in the dynamic and evolving knowledge economy.

As of December 31, 2019, our international portfolio of 29 institutions comprised 28 institutions we owned or controlled and one additional institution that we managed through a joint venture arrangement. We have six operating segments as described below. We group our institutions by geography in: 1) Brazil; 2) Mexico; 3) Andean; 4) Central America & U.S. Campuses; and 5) Rest of World for reporting purposes. Our sixth segment, Online & Partnerships, includes fully online institutions that operate globally.

#### *Discontinued Operations*

In 2017, the Company announced the divestiture of certain subsidiaries in our Rest of World and Central America & U.S. Campuses segments. In August 2018, the Company announced the divestiture of additional subsidiaries located in Europe, Asia and Central America. After completing all of the announced divestitures, the Company's remaining principal markets would be Brazil, Chile, Mexico and Peru, along with the Online and Partnerships segment and the institutions in Australia and New Zealand. At the time of the August 2018 announcement, the markets being divested by sale (the Discontinued Operations) included the institutions in Portugal and Spain, which were part of the Andean segment, all remaining institutions in the Central America & U.S. Campuses segment, and all remaining institutions in the Rest of World segment, except for Australia, New Zealand and the managed institutions in the Kingdom of Saudi Arabia and China. The institutions in the Kingdom of Saudi Arabia were managed under a contract that expired at the end of August 2019 and was not renewed. Accordingly, these institutions were disposed of other than by sale on August 31, 2019, and, beginning in the third quarter of 2019, have been included in Discontinued Operations for all periods

presented. The divestitures represented a strategic shift that had a major effect on the Company's operations and financial results. Accordingly, in accordance with Accounting Standard Codification (ASC) 205-20, "Discontinued Operations," the results of the divestitures that are part of the strategic shift are presented as discontinued operations for all periods in our consolidated financial statements included elsewhere in our Form 10-K. Since our entire Central America & U.S. Campuses operating segment is included in Discontinued Operations, it no longer meets the criteria for a reportable segment under ASC 280, "Segment Reporting," and, therefore, it is excluded from the segments information for all periods presented. In addition, the portions of the Andean and Rest of World reportable segments that are included in Discontinued Operations have also been excluded from the segment information for all periods presented. Unless indicated otherwise, the information in the MD&A relates to continuing operations.

The Company began closing sale transactions in the first quarter of 2018. To date, we have completed the sales of subsidiaries in Cyprus, Italy, China, Germany, Morocco, Thailand, South Africa, India, Spain, Portugal, Turkey, Panama, and Costa Rica, as well as Kendall College, LLC (Kendall) and the University of St. Augustine for Health Sciences, LLC (St. Augustine) in the United States, and Centro Universitário do Norte (UniNorte), an institution in the Brazil segment that was included in continuing operations as it was not part of the strategic shift. We have not yet completed the divestitures of our subsidiaries in Honduras and Malaysia, as well as NewSchool of Architecture and Design, LLC (NSAD), a small campus-based institution in the United States, for which we have a signed sale agreement. See also Note 4, Discontinued Operations and Assets Held for Sale, Note 6, Dispositions and Asset Sales and Note 25, Subsequent Events, in our consolidated financial statements included elsewhere in this Form 10-K.

#### *Exploration of Strategic Alternatives*

On January 27, 2020, Laureate announced that its Board of Directors had authorized the Company to explore strategic alternatives for each of its businesses to unlock shareholder value. As part of this process, the Company will evaluate all potential options for its remaining businesses, including sales, spin-offs or business combinations. There can be no assurance as to the outcome of this process, including whether it will result in the completion of any transaction, as to the values that may be realized from any potential transaction or as to how long the review process will take. During this process of exploring strategic alternatives, if the Company should determine that the estimated fair value of any of its remaining businesses is less than its carrying value, the Company will be required to record impairment charges that could be material.

#### Our Segments

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

- In Brazil, approximately 73% of post-secondary students are enrolled in private higher education institutions. While the federal government defines the national curricular guidelines, institutions are licensed to operate by city. Laureate owns 12 institutions in seven states throughout Brazil, with a particularly strong presence in the competitive São Paulo market. Many students finance their own education while others rely on the government-sponsored programs such as Prouni and FIES.
- Public universities in Mexico enroll approximately two-thirds of students attending post-secondary education. However, many public institutions are faced with capacity constraints or the quality of the education is considered low. Laureate owns two institutions and is present throughout the country with a footprint of over 40 campuses. Each institution in Mexico has a national license. Students in our Mexican institutions typically finance their own education.
- The Andean segment includes institutions in Chile and Peru. In Chile, private universities enroll approximately 72% of post-secondary students and there are government-sponsored student financing programs. In Peru, the public sector plays a significant role, but private universities are increasingly providing the capacity to meet growing demand.
- As of December 31, 2019, the Central America & U.S. Campuses segment includes institutions in Costa Rica, Honduras and the United States. Students in Central America typically finance their own education while students in the United States finance

their education in a variety of ways, including U.S. Department of Education (DOE) Title IV programs. The entire Central America & U.S. Campuses segment is included in Discontinued Operations. As discussed in Note 25, Subsequent Events, of our consolidated financial statements included elsewhere in this Form 10-K, we completed the sale of our operations in Costa Rica on January 10, 2020.

- The Rest of World segment includes campus-based institutions in Asia Pacific with operations in Australia, Malaysia, and New Zealand. Additionally, the Rest of World segment manages one institution in China through a joint venture arrangement and, until August 31, 2019 when the contract expired, the Rest of World segment also managed eight licensed institutions in the Kingdom of Saudi Arabia. The institutions in Malaysia and the Kingdom of Saudi Arabia are included in Discontinued Operations.
- The Online & Partnerships segment includes fully online institutions that offer profession-oriented degree programs in the United States through Walden University (Walden), a U.S.-based accredited institution, and through the University of Liverpool and the University of Roehampton in the United Kingdom. These online institutions primarily serve working adults with undergraduate and graduate degree program offerings. Students in the United States finance their education in a variety of ways, including Title IV programs. We no longer accept new enrollments at the University of Liverpool and the University of Roehampton, which are in a teach-out process.

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

The following information for our reportable segments is presented as of December 31, 2019:

	Countries	Institutions	Enrollment	2019 Revenues (\$ in millions) <sup>(1)</sup>	% Contribution to 2019 YTD Revenues
Brazil	1	12	271,900	\$ 578.4	18%
Mexico	1	2	204,200	652.8	20%
Andean	2	8	326,000	1,189.7	37%
Rest of World	3	4	16,400	190.1	6%
Online & Partnerships <sup>(2)</sup>	2	3	56,600	634.1	19%
Total <sup>(1)</sup>	9	29	875,100	\$ 3,250.3	100%

<sup>(1)</sup> Amounts related to Corporate, partially offset by the elimination of intersegment revenues, total \$5.1 million and are not separately presented.

<sup>(2)</sup> We no longer accept new enrollments at the University of Liverpool and the University of Roehampton.

#### Challenges

Our international operations are subject to complex business, economic, legal, regulatory, political, tax and foreign currency risks, which may be difficult to adequately address. The majority of our operations are outside the United States. As a result, we face risks that are inherent in international operations, including: fluctuations in exchange rates, possible currency devaluations, inflation and hyper-inflation; price controls and foreign currency exchange restrictions; potential economic and political instability in the countries in which we operate; expropriation of assets by local governments; key political elections and changes in government policies; multiple and possibly overlapping and conflicting tax laws; and compliance with a wide variety of foreign laws. See “Item 1A—Risk Factors—Risks Relating to Our Continuing Business—We are a multinational business with continuing operations in nine countries around the world, predominantly in Latin America, and are subject to complex business, economic, legal, political, tax and foreign currency risks, which risks may be difficult to adequately address.” There are also risks associated with our decision to divest certain operations and explore other strategic alternatives. See “Item 1A—Risk Factors—Risks Relating to Our Continuing Business—Our exploration of strategic alternatives and our activities related to previously announced divestitures may disrupt our ongoing businesses, result in increased expenses and present certain risks to the Company.” We plan to grow our continuing operations organically by: 1) adding new programs and course offerings; 2) expanding target student demographics; and 3) increasing capacity at existing and new campus locations. Our success in growing our business will depend on the ability to anticipate and effectively manage these and other risks related to operating in various countries.

## Regulatory Environment and Other Matters

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

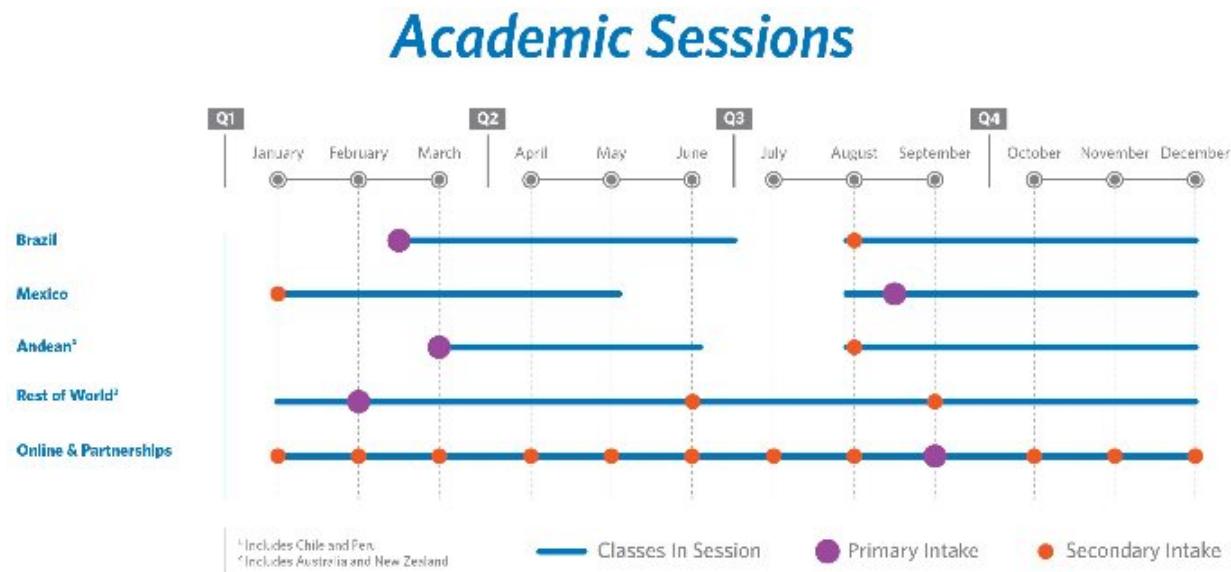
## Key Business Metric

### *Enrollment*

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

Each of our institutions has an enrollment cycle that varies by geographic region and academic program. During each academic year, each institution has a “Primary Intake” period in which the majority of the enrollment occurs. Most institutions also have one or more smaller “Secondary Intake” periods. The first calendar quarter generally coincides with the Primary Intakes for our institutions in the Brazil, Andean and Rest of World segments. The third calendar quarter generally coincides with the Primary Intakes for our institutions in the Mexico and Online & Partnerships segments.

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



## Principal Components of Income Statement

### *Revenues*

The majority of our revenue is derived from tuition and educational services. The amount of tuition generated in a given period depends on the price per credit hour and the total credit hours or price per program taken by the enrolled student population. The price per credit hour varies by program, by market and by degree level. Additionally, varying levels of discounts and scholarships are offered depending on market-specific dynamics and individual achievements of our students. Revenues are recognized net of scholarships, other discounts, refunds, waivers and the fair value of any guarantees made by Laureate related to student financing programs. In addition to tuition revenues, we generate other revenues from student fees, dormitory/residency fees and other education-related activities. These other revenues are less material to our overall financial results and have a tendency to trend with tuition revenues. The main drivers of changes in revenues between periods are student enrollment and price. We continually monitor market conditions and carefully adjust our tuition rates to meet local demand levels. We proactively seek the best price and content combinations to remain competitive in all the markets in which we operate.

### *Direct Costs*

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

### *General and Administrative Expenses*

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

### Factors Affecting Comparability

#### *Acquisitions*

Our past experiences provide us with the expertise to further our mission of providing high-quality, accessible and affordable higher education to students by expanding into new markets if opportunities arise, primarily through acquisitions. Acquisitions affect the comparability of our financial statements from period to period. Acquisitions completed during one period impact comparability to a prior period in which we did not own the acquired entity. Therefore, changes related to such entities are considered “incremental impact of acquisitions” for the first 12 months of our ownership. We have made only small acquisitions in 2019, 2018, and 2017 that had essentially no impact on the comparability of the periods presented.

#### *Dispositions*

Any dispositions of our continuing operations affect the comparability of our financial statements from period to period. Dispositions completed during one period impact comparability to a prior period in which we owned the divested entity. Therefore, changes related to such entities are considered “incremental impact of dispositions” for the first 12 months subsequent to the disposition. As discussed above, all of the divestitures that are part of the strategic shift announced in August 2018 are included in Discontinued Operations for all periods presented. In November 2019, we completed the sale of UniNorte, which is part of continuing operations, and is, therefore, included in the incremental impact of dispositions.

#### *Foreign Exchange*

The majority of our institutions are located outside the United States. These institutions enter into transactions in currencies other than USD and keep their local financial records in a functional currency other than the USD. We monitor the impact of foreign currency movements and the correlation between the local currency and the USD. Our revenues and expenses are generally denominated in local currency. The USD is our reporting currency and our subsidiaries operate in various other functional currencies, including: Australian Dollar, Brazilian Real, Chilean Peso, Euro, Mexican Peso, New Zealand Dollar, and Peruvian Nuevo Sol. The principal foreign exchange exposure is the risk related to the translation of revenues and expenses incurred in each country from the local currency into USD. See “Risk Factors—Risks Relating to Our Continuing Business—Our reported revenues and earnings may be negatively affected by the strengthening of the U.S. dollar and currency exchange rates.” In order to provide a

framework for assessing how our business performed excluding the effects of foreign currency fluctuations, we present organic constant currency in our segment results, which is calculated using the change from prior-year average foreign exchange rates to current-year average foreign exchange rates, as applied to local-currency operating results for the current year, and then excludes the impact of acquisitions, divestitures and other items, as described in the segments results.

#### *Seasonality*

Most of the institutions in our network have a summer break during which classes are generally not in session and minimal revenues are recognized. In addition to the timing of summer breaks, holidays such as Easter also have an impact on our academic calendar. Operating expenses, however, do not fully correlate to the enrollment and revenue cycles, as the institutions continue to incur expenses during summer breaks. Given the geographic diversity of our institutions and differences in timing of summer breaks, our second and fourth quarters are stronger revenue quarters as the majority of our institutions are in session for most of these respective quarters. Our first and third fiscal quarters are weaker revenue quarters because the majority of our institutions have summer breaks for some portion of one of these two quarters. Due to this seasonality, revenues and profits in any one quarter are not necessarily indicative of results in subsequent quarters and may not be correlated to new enrollment in any one quarter. See "Item 1A—Risk Factors—Risks Relating to Our Continuing Business—We experience seasonal fluctuations in our results of operations."

#### *Income Tax Expense*

Our consolidated income tax provision is derived based on the combined impact of federal, state and foreign income taxes. Also, discrete items can arise in the course of our operations that can further impact the Company's effective tax rate for the period. Our tax rate fluctuates from period to period due to changes in the mix of earnings between our tax-paying entities, our tax-exempt entities and our loss-making entities for which it is not 'more likely than not' that a tax benefit will be realized on the loss. See "Item 1A—Risk Factors—Risks Relating to Our Continuing Business—We may have exposure to greater-than-anticipated tax liabilities."

#### Results of the Discontinued Operations

The results of operations of the Discontinued Operations for the years ended December 31, 2019, 2018, and 2017 were as follows:

	For the year ended December 31,		
	2019	2018	2017
Revenues	\$ 501.7	\$ 929.7	\$ 1,044.9
Depreciation and amortization	1.2	29.2	63.6
Share-based compensation expense	0.3	1.1	2.9
Other direct costs	390.8	740.9	823.3
Loss on impairment of assets	43.3	3.1	33.5
Operating income	66.2	155.5	121.6
Other non-operating income (expense)	5.3	(21.8)	(18.1)
Pretax income of discontinued operations	71.5	133.7	103.6
Income tax expense	(17.5)	(48.8)	(26.2)
Income from discontinued operations, net of tax	53.9	84.9	77.4
Gain on sales of discontinued operations, net of tax	869.8	296.6	—
Net income from discontinued operations	\$ 923.7	\$ 381.5	\$ 77.4

Enrollments at our discontinued operations as of December 31, 2019, 2018 and 2017 were 66,600, 164,300 and 207,400, respectively.

#### *Year Ended December 31, 2019*

On February 1, 2019, we sold the operations of St. Augustine, which resulted in a gain of approximately \$223.0 million.

On February 12, 2019, we sold our operations in Thailand, which resulted in a gain of approximately \$10.8 million.

During the first quarter of 2019, a legal matter related to the January 2018 sale of LEI Lie Ying Limited (LEILY), for which the Company had indemnified the buyer and recorded a contingent liability, was settled with no cost to the Company. Accordingly, the Company reversed the liability and recognized additional gain on the sale of LEILY of approximately \$13.7 million.

On April 8, 2019, we sold Monash South Africa as well as the real estate associated with that institution, which resulted in a gain of approximately \$2.3 million.

On May 9, 2019, we sold our operations in India, which resulted in a gain of approximately \$19.5 million.

On May 31, 2019, we sold our institutions in Spain and Portugal, which resulted in a gain of approximately \$615.0 million.

On August 27, 2019, we sold our operations in Turkey, which resulted in a loss of approximately \$37.7 million.

During the third quarter of 2019, we recorded an impairment charge of approximately \$25.0 million related to long-lived assets of our institutions in Costa Rica, in order to write down the carrying value of those assets to their estimated fair value. The sale of the Costa Rica institutions was completed on January 10, 2020.

In early October 2019, we sold Universidad Interamericana de Panamá (UIP), in addition to a real estate which served as the campus of UIP, and recognized a gain of approximately \$21.0 million.

During the fourth quarter of 2019, we recorded an impairment charge of approximately \$17.8 million related to long-lived assets of our operations in Honduras, in order to write down the carrying value of those assets to their estimated fair value.

#### *Year Ended December 31, 2018*

On January 11, 2018, we sold the operations of European University-Cyprus Ltd (EUC) and Laureate Italy S.r.L. (Laureate Italy), which resulted in a gain on sale of approximately \$218.0 million.

On January 25, 2018, we sold the operations of LEILY, which resulted in a gain on sale of approximately \$84.0 million.

On April 12, 2018, we sold the operations of Laureate Germany, which resulted in a loss on sale of approximately \$5.5 million.

On April 13, 2018, we sold the operations of Laureate Somed, the operator of Université Internationale de Casablanca, a comprehensive campus-based university in Casablanca, Morocco, and recognized a gain on the sale of approximately \$17.4 million.

On August 6, 2018, we sold the operations of Kendall, which resulted in a loss on sale of approximately \$17.2 million.

In connection with our goodwill impairment testing in the fourth quarter of 2018, we wrote off the remaining goodwill balance of \$3.1 million associated with our operations in the Kingdom of Saudi Arabia, which are now included in Discontinued Operations.

#### *Year Ended December 31, 2017*

Upon completion of our impairment testing for 2017, we recorded a total impairment loss of \$33.5 million related to the discontinued operations described in Note 4, Discontinued Operations and Assets Held for Sale, in our consolidated financial statements included elsewhere in this Form 10-K, which under ASC 360-10 are required to be recorded at the lower of their carrying values or their estimated “fair values less costs to sell.” Two subsidiaries in our Central America & U.S. Campuses that met the held-for-sale criteria during the fourth quarter of 2017 recorded impairments totaling approximately \$17.4 million, and the German institutions within our Rest of World segment recorded impairment of approximately \$16.1 million. Because the estimated fair values of these disposal groups were less than their carrying values by more than the carrying value of the long-lived assets, we recorded an impairment on the long-lived assets and wrote the remaining tradenames and Property and equipment, net down to a carrying value of \$0.

### **Results of Operations**

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

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

- Segment Results.

#### Summary Comparison of Consolidated Results

##### *Discussion of Significant Items Affecting the Consolidated Results for the Years Ended December 31, 2019, 2018 and 2017*

###### *Year Ended December 31, 2019*

During the first quarter of 2019, we used approximately \$340.0 million of the net proceeds from the sale of St. Augustine to repay a portion of our term loan that had a maturity date of April 2024 (the 2024 Term Loan). In addition, the Company elected to repay approximately \$35.0 million of the approximately \$51.7 million principal balance outstanding for certain notes payable at a real estate subsidiary in Chile. In connection with these debt repayments, the Company recorded a loss on debt extinguishment of \$10.6 million, primarily related to the write off of a pro-rata portion of the unamortized deferred financing costs associated with the repaid debt balances. This loss is included in other non-operating (expense) income in the table below.

During the second quarter of 2019, we fully repaid the remaining balance outstanding under our 2024 Term Loan, using the proceeds received from the sales of our operations in India, Spain and Portugal. The remaining proceeds were used to repay borrowings outstanding under the senior secured revolving credit facility. In connection with these debt repayments, the Company recorded a loss on debt extinguishment of \$15.6 million related to the write off of a pro-rata portion of the unamortized deferred financing costs associated with the repaid debt balances, as well as the debt discount associated with the 2024 Term Loan. This loss is included in other non-operating (expense) income in the table below.

On November 1, 2019, we sold UniNorte, a traditional higher education institution in Manaus, Brazil, which resulted in a loss on sale of approximately \$0.3 million. This loss is included in other non-operating (expense) income in the table below.

During the third and fourth quarters of 2019, we dissolved several dormant subsidiaries, resulting in the release of accumulated foreign currency translation loss of approximately \$37.5 million. This loss is included in other non-operating (expense) income in the table below and is part of the continuing operations as these entities were not part of the strategic shift described in Note 1, Description of Business, and Note 4, Discontinued Operations and Assets Held for Sale in our consolidated financial statements included elsewhere in this Form 10-K.

###### *Year Ended December 31, 2018*

On February 1, 2018, we amended our Senior Secured Credit Facility to reduce the interest rate on our 2024 Term Loan. In connection with this transaction, we also repaid \$350.0 million of the principal balance of the 2024 Term Loan. As a result of this transaction, the Company recorded a \$7.5 million loss on debt extinguishment related to the pro-rata write-off of the term loan's remaining deferred financing costs. This loss is included in other non-operating (expense) income in the table below.

Effective September 30, 2018, the University of Liverpool (Liverpool), an institution in our Online & Partnerships segment, began a teach-out process that is expected to be completed in April 2021. As a result, during the third quarter of 2018, we recorded an impairment charge of \$10.0 million related to fixed assets of this entity that are no longer recoverable based on expected future cash flows.

###### *Year Ended December 31, 2017*

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

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

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

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

Upon completion of our impairment testing for 2017, we recorded a total impairment loss of \$7.1 million related to impairments of certain Property and equipment, net as well as impairments of Deferred costs and Other intangible assets, which were not associated with the discontinued operations and therefore are included in the results of our continuing operations. These included the impairment of a lease intangible, certain modular buildings, and online course development costs.

*Comparison of Consolidated Results for the Years Ended December 31, 2019, 2018 and 2017*

(in millions)	2019	2018	2017	% Change Better/(Worse)	
				2019 vs. 2018	2018 vs. 2017
Revenues	\$ 3,250.3	\$ 3,290.2	\$ 3,333.1	(1)%	(1)%
Direct costs	2,671.6	2,697.0	2,775.3	1 %	3 %
General and administrative expenses	252.2	299.3	315.5	16 %	5 %
Loss on impairment of assets	0.5	10.0	7.1	95 %	(41)%
Operating income	326.1	283.9	235.2	15 %	21 %
Interest expense, net of interest income	(155.1)	(223.4)	(323.0)	31 %	31 %
Other non-operating (expense) income	(76.6)	60.7	11.1	nm	nm
Income (loss) from continuing operations before income taxes and equity in net income of affiliates	94.4	121.2	(76.8)	(22)%	nm
Income tax (expense) benefit	(80.7)	(131.8)	93.0	39 %	nm
Equity in net income of affiliates, net of tax	0.2	—	0.2	nm	(100)%
Income (loss) from continuing operations	14.0	(10.5)	16.4	nm	(164)%
Income from discontinued operations, net of tax	53.9	84.9	77.4	(37)%	10 %
Gain on sales of discontinued operations, net of tax	869.8	296.6	—	193 %	nm
Net income	937.7	370.9	93.8	153 %	nm
Net loss (income) attributable to noncontrolling interests	0.8	(0.9)	(2.3)	(189)%	(61)%
Net income attributable to Laureate Education, Inc.	\$ 938.5	\$ 370.1	\$ 91.5	154 %	nm

nm - percentage changes not meaningful

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

*Comparison of Consolidated Results for the Year Ended December 31, 2019 to the Year Ended December 31, 2018*

Revenues decreased by \$39.9 million to \$3,250.3 million for the year ended December 31, 2019 from \$3,290.2 million for the year ended December 31, 2018. The effect of a net change in foreign currency exchange rates decreased revenues by \$135.4 million, mainly due to weakening of the Chilean Peso and the Brazilian Real relative to the USD compared to 2018. In addition, the incremental impact of the disposition of UniNorte decreased revenues by \$8.4 million for 2019 compared to 2018. These decreases in revenues were partially offset by higher average total enrollment at a majority of our institutions, which increased revenues by \$86.1 million; the effect of changes in tuition rates and enrollments in programs at varying price points ("product mix"), pricing and timing, which increased revenues by \$4.6 million; and other Corporate and Eliminations changes, which accounted for an increase in revenues of \$13.2 million.

*Direct costs and general and administrative expenses combined* decreased by \$72.5 million to \$2,923.8 million for 2019 from \$2,996.3 million for 2018. The direct costs decrease was due to the effect of a net change in foreign currency exchange rates, which decreased costs by \$118.7 million; the incremental impact of the disposition of UniNorte, which decreased costs by \$7.9 million; changes in acquisition-related contingent liabilities for taxes other-than-income tax, net of changes in indemnification assets, which resulted in a year-over-year decrease in costs of \$0.9 million; and other Corporate and Eliminations expenses, which accounted for a decrease in costs of \$14.4 million in 2019. Partially offsetting these direct cost decreases was the effect of overall higher organic enrollments, which increased costs by \$47.1 million compared to 2018, in addition to share-based compensation expense and Excellence-in-Process (EiP) implementation expense, which increased direct costs by \$22.3 million.

*Operating income* increased by \$42.2 million to \$326.1 million for 2019 from \$283.9 million for 2018. The increase in operating income was primarily the result of increased operating income at our Andean and Rest of World segments combined with a decrease in impairment loss of \$9.5 million and lower 2019 operating expenses at Corporate. These increases in operating income were partially offset by a decrease in operating income at our Brazil segment.

*Interest expense, net of interest income* decreased by \$68.3 million to \$155.1 million for 2019 from \$223.4 million for 2018. The decrease in interest expense was primarily attributable to lower average debt balances as a result of the debt repayments.

*Other non-operating income (expense)* decreased by \$137.3 million to expense of \$(76.6) million for 2019, compared to income of \$60.7 million for 2018. This decrease was attributable to: (1) a decrease in gain on derivative instruments of \$81.0 million, primarily related to a gain recorded in 2018 upon the conversion of the Series A Preferred Stock; (2) a loss on sale and disposal of subsidiaries in 2019 compared to a gain in 2018 for a change of \$38.0 million, which is primarily related to the release of accumulated foreign currency translation in 2019 upon the dissolution of several dormant subsidiaries; (3) an increase in loss on debt extinguishment of \$20.8 million, related to increased debt repayments in 2019; and (4) a decrease in other non-operating income of \$3.0 million, primarily related to proceeds from corporate-owned life insurance in 2018, partially offset by an increase in the estimated fair value of an equity security held at Corporate in 2019. These decreases in non-operating income were partially offset by less foreign currency exchange loss of \$5.5 million.

*Income tax expense* decreased by \$51.1 million to \$80.7 million for 2019 from \$131.8 million for 2018. This decrease was primarily due to a year-over-year reduction in withholding tax expense as a result of the redesignation of certain intercompany loans from permanent to temporary during 2018, which increased withholding tax expense in 2018, in addition to a reduction in 2019 withholding tax expense resulting from changes to tax treaties between U.S. and non-U.S. jurisdictions.

*Income from discontinued operations, net of tax* decreased by \$31.0 million to \$53.9 million for 2019 from \$84.9 million for 2018. The income from discontinued operations included impairment charges related to assets held for sale of \$43.3 million in 2019 compared to \$3.1 million in 2018.

*Gain on sales of discontinued operations, net of tax* increased by \$573.2 million to \$869.8 million for 2019 related to the sales of our St. Augustine, Thailand, South Africa, India, Spain, Portugal, Turkey, and Panama operations, compared to \$296.6 million for 2018 related to the sales of Kendall and our institutions in Cyprus, Italy, China, Germany, and Morocco.

#### *Comparison of Consolidated Results for the Year Ended December 31, 2018 to the Year Ended December 31, 2017*

*Revenues* decreased by \$42.9 million to \$3,290.2 million for the year ended December 31, 2018 from \$3,333.1 million for the year ended December 31, 2017. This revenue decrease was driven by the effect of a net change in foreign currency exchange rates, which decreased revenues by \$114.6 million compared to 2017. This decrease in revenues was partially offset by higher average total enrollment at a majority of our institutions, which increased revenues by \$21.2 million; the effect of product mix, pricing and timing, which increased revenues by \$41.8 million; and other Corporate and Eliminations changes, which accounted for an increase in revenues of \$8.7 million.

*Direct costs and general and administrative expenses combined* decreased by \$94.5 million to \$2,996.3 million for 2018 from \$3,090.8 million for 2017. The direct costs decrease was due to the effect of a net change in foreign currency exchange rates, which decreased costs by \$89.4 million; share-based compensation expense and EiP implementation expense, which decreased direct costs by \$56.5 million; and other Corporate and Eliminations expenses, which accounted for a decrease in costs of \$19.9 million in 2018, primarily attributable to an expense of \$22.8 million in 2017 related to the portion of the refinancing transactions that was deemed to be a debt modification.

Offsetting these direct cost decreases was the overall higher enrollments and costs related to expanding our continuing operations, which increased costs by \$40.8 million compared to 2017. Acquisition-related contingent liabilities for taxes other-than-income tax, net of changes in recorded indemnification assets, increased direct costs by \$7.4 million in 2018 and decreased direct costs

by \$2.8 million in 2017, increasing expenses by \$10.2 million in 2018 compared to 2017. An operating gain on the sale of an asset group at Ad Portas decreased direct costs by \$20.3 million in 2017.

*Operating income* increased by \$48.7 million to \$283.9 million for 2018 from \$235.2 million for 2017. The increase in operating income was primarily the result of increased operating income at our Andean and Mexico segments combined with decreased operating loss at our Rest of World segment and lower 2018 operating expenses at Corporate, primarily related to lower share-based compensation expense in 2018 and the 2017 debt modification expenses as described above.

*Interest expense, net of interest income* decreased by \$99.6 million to \$223.4 million for 2018 from \$323.0 million for 2017. The decrease in interest expense was primarily attributable to lower average debt balances and lower interest rates during 2018 resulting from the 2017 debt refinancing transactions.

*Other non-operating income* increased by \$49.6 million to \$60.7 million for 2018 from \$11.1 million for 2017. This increase was primarily attributable to a higher gain on derivative instruments of \$59.6 million compared to 2017, primarily related to the embedded derivatives on our Series A Preferred Stock that was retired in 2018; other non-operating income in 2018 compared to an expense in 2017 for a change of \$14.2 million; an increase in gain on sale of subsidiaries of \$10.7 million compared to 2017, primarily related to the adjustment in 2017 of the sale purchase price of Swiss hospitality management schools; and a decrease in loss on debt extinguishment of \$0.9 million. These increases were partially offset by a loss on foreign currency exchange in 2018 compared to gain in 2017, for a change of \$35.8 million.

*Income tax benefit (expense)* changed by \$224.8 million to an expense of \$(131.8) million for 2018 from a benefit of \$93.0 million for 2017. This change was due in part to a \$59.6 million change in recorded withholding tax on intercompany loan redesignations in 2017 and 2018, a \$12.9 million 2018 deferred tax asset release on a real estate sale between profitable and not-for-profit entities in Chile, an \$8.3 million 2017 valuation allowance release in Brazil, a \$4.7 million 2017 contingency release in Brazil, and a \$2.8 million 2017 tax benefit related to tax rate change in Chile. In addition, the effects of the U.S. tax reform legislation resulted in a benefit in 2017 of \$82.4 million for the remeasurement of deferred tax assets/liabilities due to the decrease in the U.S. federal tax rate from 35% to 21% beginning in 2018, and a \$53.3 million benefit for valuation allowance release on the deferred tax assets other than net operating losses that, when realized, will become indefinite-lived net operating losses. Changes in the mix of pre-tax book income attributable to taxable and non-taxable entities in various taxing jurisdictions also contributed to the overall change.

*Income from discontinued operations, net of tax* increased by \$7.5 million to \$84.9 million for 2018 from \$77.4 million for 2017.

*Gain on sales of discontinued operations, net of tax* for 2018 was \$296.6 million related to the sales of our Cyprus, Italy, China, Germany, Morocco, and Kendall subsidiaries in 2018.

#### Non-GAAP Financial Measure

We define Adjusted EBITDA as income (loss) from continuing operations, *before* equity in net (income) loss of affiliates, net of tax, income tax expense (benefit), (gain) loss on sale or disposal of subsidiaries, net, foreign currency exchange (gain) loss, net, other (income) expense, net, loss (gain) on derivatives, loss on debt extinguishment, interest expense and interest income, *plus* depreciation and amortization, share-based compensation expense, loss on impairment of assets and expenses related to implementation of our Excellence-in-Process (EiP) initiative. When we review Adjusted EBITDA on a segment basis, we exclude inter-segment revenues and expenses that eliminate in consolidation. Adjusted EBITDA is used in addition to and in conjunction with results presented in accordance with GAAP and should not be relied upon to the exclusion of GAAP financial measures.

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

The following table presents Adjusted EBITDA and reconciles net income (loss) from continuing operations to Adjusted EBITDA for the years ended December 31, 2019, 2018 and 2017:

(in millions)				% Change Better/(Worse)	
	2019	2018	2017	2019 vs. 2018	2018 vs. 2017
Income (loss) from continuing operations	\$ 14.0	\$ (10.5)	\$ 16.4	nm	(164)%
Plus:					
Equity in net income of affiliates, net of tax	(0.2)	—	(0.2)	nm	(100)%
Income tax expense (benefit)	80.7	131.8	(93.0)	39 %	nm
Income (loss) from continuing operations before income taxes and equity in net income of affiliates	94.4	121.2	(76.8)	(22)%	nm
Plus:					
Loss (gain) on sale of subsidiaries, net	37.8	(0.3)	10.5	nm	103 %
Foreign currency exchange loss (gain), net	27.1	32.6	(3.2)	17 %	nm
Other (income) expense, net	(9.2)	(12.2)	1.9	(25)%	nm
Gain on derivatives	(7.3)	(88.3)	(28.7)	(92)%	nm
Loss on debt extinguishment	28.3	7.5	8.4	nm	11 %
Interest expense	167.3	235.2	334.9	29 %	30 %
Interest income	(12.2)	(11.9)	(11.9)	3 %	— %
Operating income	326.1	283.9	235.2	15 %	21 %
Plus:					
Depreciation and amortization	192.2	210.8	201.1	9 %	(5)%
EBITDA	518.3	494.7	436.3	5 %	13 %
Plus:					
Share-based compensation expense <sup>(a)</sup>	12.7	9.7	61.8	(31)%	84 %
Loss on impairment of assets <sup>(b)</sup>	0.5	10.0	7.1	95 %	(41)%
EiP implementation expenses <sup>(c)</sup>	115.1	95.8	100.2	(20)%	4 %
Adjusted EBITDA	\$ 646.6	\$ 610.2	\$ 605.4	6 %	1 %

nm - percentage changes not meaningful

<sup>(a)</sup> Represents non-cash, share-based compensation expense pursuant to the provisions of ASC 718, "Stock Compensation."

<sup>(b)</sup> Represents non-cash charges related to impairments of long-lived assets. For further details on certain impairment items see "Discussion of Significant Items Affecting the Consolidated Results for the Years Ended December 31, 2019, 2018 and 2017."

<sup>(c)</sup> EiP implementation expenses are related to our enterprise-wide initiative to optimize and standardize Laureate's processes, creating vertical integration of procurement, information technology, finance, accounting and human resources. It included the establishment of regional shared services organizations (SSOs) around the world, as well as improvements to the Company's system of internal controls over financial reporting. The EiP initiative also includes other back- and mid-office areas, as well as certain student-facing activities, expenses associated with streamlining the organizational structure and certain non-recurring costs incurred in connection with the planned and completed dispositions. Beginning in 2019, EiP also includes expenses associated with an enterprise-wide program aimed at revenue growth.

#### *Comparison of Depreciation and Amortization, Share-based Compensation and EiP Implementation Expenses for the Years Ended December 31, 2019 and 2018*

Depreciation and amortization decreased by \$18.6 million to \$192.2 million for 2019 from \$210.8 million for 2018. The effects of foreign currency exchange decreased depreciation and amortization expense by \$7.8 million for 2019 compared to 2018. In addition, the incremental impact of the disposition of UniNorte decreased depreciation and amortization expense by \$2.7 million for 2019. Other items decreased depreciation and amortization expense by \$8.1 million.

*Share-based compensation expense* increased by \$3.0 million to \$12.7 million for 2019 from \$9.7 million for 2018. This increase is mostly attributable to the effect of a correction of an immaterial error in the first quarter of 2018, which reduced share-based compensation expense for 2018.

*EiP implementation expenses* increased by \$19.3 million to \$115.1 million for 2019 from \$95.8 million for 2018. This increase is primarily attributable to the inclusion in EiP of expenses associated with an enterprise-wide program aimed at revenue growth.

*Comparison of Depreciation and Amortization, Share-based Compensation and EiP Implementation Expenses for the Years Ended December 31, 2018 and 2017*

*Depreciation and amortization* increased by \$9.7 million to \$210.8 million for 2018 from \$201.1 million for 2017. Depreciation and amortization expense increased by \$15.0 million, primarily attributable to a larger depreciable asset base in 2018 compared to 2017, as well as accelerated depreciation on certain corporate assets whose estimated useful lives were reduced. This increase was partially offset by the effects of foreign currency exchange, which decreased depreciation and amortization expense by \$5.3 million for 2018 compared to 2017.

*Share-based compensation expense* decreased by \$52.1 million to \$9.7 million for 2018 from \$61.8 million for 2017. This decrease is mostly attributable to stock options that were granted to the Company's then-CEO in 2017 under the Executive Profits Interests (EPI) agreement. The EPI options vested upon consummation of the IPO on February 6, 2017, resulting in additional share-based compensation expense of \$14.6 million during 2017. Additionally, in 2017, the Company recognized \$21.0 million of share-based compensation expense for award modifications, of which \$6.0 million related to stock option repricing and \$15.0 million related to the extension of the post-employment exercise periods of vested stock options for several executives in connection with their separation from the Company. Also, in 2018, the Company reversed expense for certain performance-based stock option awards where the performance target became improbable of achievement and recorded the correction of an immaterial error in the prior year.

*EiP implementation expenses* decreased by \$4.4 million to \$95.8 million for 2018 from \$100.2 million for 2017. The year-over-year decrease in EiP expenses relates primarily to higher severance costs recognized in 2017, which were predominantly contractual termination benefits recognized in accordance with ASC 712, "Compensation-Nonretirement Postemployment Benefits," partially offset by higher 2018 expenses attributable to compliance monitoring of information technology general controls and costs incurred in connection with the dispositions.

## Segment Results

We have five reportable segments: Brazil, Mexico, Andean, Rest of World, and Online & Partnerships. As discussed in “Overview,” the entire Central America & U.S. Campuses segment is included in Discontinued Operations and therefore is excluded from segment results. For purposes of the following comparison of results discussion, “*segment direct costs*” represent direct costs by segment as they are included in Adjusted EBITDA, such that depreciation and amortization expense, loss on impairment of assets, share-based compensation expense and EiP implementation expenses have been excluded. Organic enrollment is based on average total enrollment for the period. For a further description of our segments, see “Overview.”

The following tables, derived from our consolidated financial statements included elsewhere in this Form 10-K, presents selected financial information of our reportable segments included in continuing operations:

(in millions)	2019	2018	2017	2019 vs. 2018	2018 vs. 2017	% Change Better/(Worse)
<b>For the year ended December 31,</b>						
<b>Revenues:</b>						
Brazil	\$ 578.4	\$ 654.3	\$ 765.7	(12)%	(15)%	
Mexico	652.8	646.1	646.2	1 %	— %	
Andean	1,189.7	1,155.7	1,085.6	3 %	6 %	
Rest of World	190.1	178.0	161.9	7 %	10 %	
Online & Partnerships	634.1	664.2	690.4	(5)%	(4)%	
Corporate	5.1	(8.1)	(16.8)	163 %	52 %	
Consolidated Total Revenues	\$ 3,250.3	\$ 3,290.2	\$ 3,333.1	(1)%	(1)%	
<b>Adjusted EBITDA:</b>						
Brazil	\$ 82.3	\$ 104.0	\$ 134.2	(21)%	(23)%	
Mexico	147.8	143.2	147.2	3 %	(3)%	
Andean	343.3	317.1	301.2	8 %	5 %	
Rest of World	32.0	28.4	24.2	13 %	17 %	
Online & Partnerships	190.9	194.7	204.5	(2)%	(5)%	
Corporate	(149.7)	(177.3)	(205.9)	16 %	14 %	
Consolidated Total Adjusted EBITDA	\$ 646.6	\$ 610.2	\$ 605.4	6 %	1 %	

## *Brazil*

### *Financial Overview*



*Comparison of Brazil Results for the Year Ended December 31, 2019 to the Year Ended December 31, 2018*

(in millions)	Revenues	Direct Costs	Adjusted EBITDA
<b>December 31, 2018</b>	<b>\$ 654.3</b>	<b>\$ 550.3</b>	<b>\$ 104.0</b>
Organic enrollment <sup>(1)</sup>	24.3		
Product mix, pricing and timing <sup>(1)</sup>	(40.8)		
Organic constant currency	(16.5)	(1.4)	(15.1)
Foreign exchange	(51.0)	(44.5)	(6.5)
Acquisitions	—	—	—
Dispositions	(8.4)	(5.2)	(3.2)
Other <sup>(2)</sup>	—	(3.1)	3.1
<b>December 31, 2019</b>	<b>\$ 578.4</b>	<b>\$ 496.1</b>	<b>\$ 82.3</b>

<sup>(1)</sup> Organic enrollment and Product mix, pricing and timing are not separable for the calculation of direct costs and therefore are combined and defined as Organic constant currency for the calculation of Adjusted EBITDA.

<sup>(2)</sup> Other is composed of acquisition-related contingent liabilities for taxes other-than-income tax, net of changes in recorded indemnification assets.

Revenues decreased by \$75.9 million, a 12% decrease from 2018.

- Product mix, pricing and timing decreased revenues due to an increase in discounts and scholarships as a percentage of revenue, combined with a reduction in the number of students participating in the Brazilian government student loan program (FIES), who have a higher average revenue per student than non-FIES students.
- Organic enrollment increased during 2019 by 3%, increasing revenues by \$24.3 million. The increase in enrollments in 2019 was attributable to growth in distance learning, which has a lower average revenue per student than our campus-based programs.
- Revenues represented 18% of our consolidated total revenues for 2019 compared to 20% for 2018.

Adjusted EBITDA decreased by \$21.7 million, a 21% decrease from 2018.

- The sale of UniNorte in 2019 accounted for a decrease in Adjusted EBITDA of \$3.2 million.

*Comparison of Brazil Results for the Year Ended December 31, 2018 to the Year Ended December 31, 2017*

(in millions)	Revenues	Direct Costs	Adjusted EBITDA
<b>December 31, 2017</b>	<b>\$ 765.7</b>	<b>\$ 631.5</b>	<b>\$ 134.2</b>
Organic enrollment <sup>(1)</sup>	20.6		
Product mix, pricing and timing <sup>(1)</sup>	(35.3)		
Organic constant currency	(14.7)	(16.2)	1.5
Foreign exchange	(96.7)	(74.4)	(22.3)
Acquisitions	—	—	—
Dispositions	—	—	—
Other <sup>(2)</sup>	—	9.4	(9.4)
<b>December 31, 2018</b>	<b>\$ 654.3</b>	<b>\$ 550.3</b>	<b>\$ 104.0</b>

<sup>(1)</sup> Organic enrollment and Product mix, pricing and timing are not separable for the calculation of direct costs and therefore are combined and defined as Organic constant currency for the calculation of Adjusted EBITDA.

<sup>(2)</sup> Other is composed of acquisition-related contingent liabilities for taxes other-than-income tax, net of changes in recorded indemnification assets.

Revenues decreased by \$111.4 million, a 15% decrease from 2017.

- The decrease in revenues was primarily due to weakening of the Brazilian Real relative to the USD compared to 2017, partially offset by the effect of higher organic enrollment, which increased during 2018 by 3%, increasing revenues by \$20.6 million.
- Revenues represented 20% of our consolidated total revenues for 2018 compared to 23% for 2017.

Adjusted EBITDA decreased by \$30.2 million, a 23% decrease from 2017.

- Acquisition-related contingent liabilities for taxes other-than-income tax, net of changes in recorded indemnification assets, increased direct costs by \$3.2 million in 2018 and decreased direct costs by \$6.2 million in 2017, increasing expenses by \$9.4 million in 2018 compared to 2017.

## Mexico

### Financial Overview



### Comparison of Mexico Results for the Year Ended December 31, 2019 to the Year Ended December 31, 2018

(in millions)	Revenues	Direct Costs	Adjusted EBITDA
<b>December 31, 2018</b>	<b>\$ 646.1</b>	<b>\$ 502.9</b>	<b>\$ 143.2</b>
Organic enrollment <sup>(1)</sup>	(16.0)		
Product mix, pricing and timing <sup>(1)</sup>	26.0		
Organic constant currency	10.0	1.8	8.2
Foreign exchange	(3.3)	(1.9)	(1.4)
Acquisitions	—	—	—
Dispositions	—	—	—
Other <sup>(2)</sup>	—	2.2	(2.2)
<b>December 31, 2019</b>	<b>\$ 652.8</b>	<b>\$ 505.0</b>	<b>\$ 147.8</b>

<sup>(1)</sup> Organic enrollment and Product mix, pricing and timing are not separable for the calculation of direct costs and therefore are combined and defined as Organic constant currency for the calculation of Adjusted EBITDA.

<sup>(2)</sup> Other is composed of acquisition-related contingent liabilities for taxes other-than-income tax, net of changes in recorded indemnification assets.

Revenues increased by \$6.7 million, a 1% increase from 2018.

- Revenues increase from product mix, pricing and timing was partially offset by a decrease in organic enrollment of 2%, which decreased revenues by \$16.0 million.
- Revenues represented 20% of our consolidated total revenues for both 2019 and 2018.

Adjusted EBITDA increased by \$4.6 million, a 3% increase from 2018.

*Comparison of Mexico Results for the Year Ended December 31, 2018 to the Year Ended December 31, 2017*

(in millions)	Revenues	Direct Costs	Adjusted EBITDA
<b>December 31, 2017</b>	<b>\$ 646.2</b>	<b>\$ 499.0</b>	<b>\$ 147.2</b>
Organic enrollment <sup>(1)</sup>	(18.0)		
Product mix, pricing and timing <sup>(1)</sup>	29.2		
Organic constant currency	11.2	12.0	(0.8)
Foreign exchange	(11.3)	(8.9)	(2.4)
Acquisitions	—	—	—
Dispositions	—	—	—
Other <sup>(2)</sup>	—	0.8	(0.8)
<b>December 31, 2018</b>	<b>\$ 646.1</b>	<b>\$ 502.9</b>	<b>\$ 143.2</b>

<sup>(1)</sup> Organic enrollment and Product mix, pricing and timing are not separable for the calculation of direct costs and therefore are combined and defined as Organic constant currency for the calculation of Adjusted EBITDA.

<sup>(2)</sup> Other is composed of acquisition-related contingent liabilities for taxes other-than-income tax, net of changes in recorded indemnification assets.

Revenues decreased by \$0.1 million, remaining relatively flat compared to 2017.

- Organic enrollment decreased during 2018 by 2%, decreasing revenues by \$18.0 million, which was more than offset by increases from product mix, pricing and timing.
- Revenues represented 20% of our consolidated total revenues for 2018 compared to 19% for 2017.

Adjusted EBITDA decreased by \$4.0 million, a 3% decrease from 2017.

## *Andean*

### *Financial Overview*



*Comparison of Andean Results for the Year Ended December 31, 2019 to the Year Ended December 31, 2018*

(in millions)	Revenues	Direct Costs	Adjusted EBITDA
<b>December 31, 2018</b>	<b>\$ 1,155.7</b>	<b>\$ 838.6</b>	<b>\$ 317.1</b>
Organic enrollment <sup>(1)</sup>	65.6		
Product mix, pricing and timing <sup>(1)</sup>	35.9		
Organic constant currency	101.5	60.6	40.9
Foreign exchange	(67.5)	(52.8)	(14.7)
Acquisitions	—	—	—
Dispositions	—	—	—
Other	—	—	—
<b>December 31, 2019</b>	<b>\$ 1,189.7</b>	<b>\$ 846.4</b>	<b>\$ 343.3</b>

<sup>(1)</sup> Organic enrollment and Product mix, pricing and timing are not separable for the calculation of direct costs and therefore are combined and defined as Organic constant currency for the calculation of Adjusted EBITDA.

Revenues increased by \$34.0 million, a 3% increase from 2018.

- Organic enrollment increased during 2019 by 6%, increasing revenues by \$65.6 million, primarily at our institutions in Peru.
- Revenue represented 37% of our consolidated total revenues for 2019 compared to 35% for 2018.

Adjusted EBITDA increased by \$26.2 million, an 8% increase from 2018.

- The overall increase in Adjusted EBITDA was partially offset by the effect of weakening foreign currency exchange rates, primarily the Chilean Peso, relative to the USD.

*Comparison of Andean Results for the Year Ended December 31, 2018 to the Year Ended December 31, 2017*

(in millions)	Revenues	Direct Costs	Adjusted EBITDA
<b>December 31, 2017</b>	<b>\$ 1,085.6</b>	<b>\$ 784.4</b>	<b>\$ 301.2</b>
Organic enrollment <sup>(1)</sup>	31.2		
Product mix, pricing and timing <sup>(1)</sup>	40.0		
Organic constant currency	71.2	31.2	40.0
Foreign exchange	(1.1)	2.7	(3.8)
Acquisitions	—	—	—
Dispositions	—	—	—
Other <sup>(2)</sup>	—	20.3	(20.3)
<b>December 31, 2018</b>	<b>\$ 1,155.7</b>	<b>\$ 838.6</b>	<b>\$ 317.1</b>

<sup>(1)</sup> Organic enrollment and Product mix, pricing and timing are not separable for the calculation of direct costs and therefore are combined and defined as Organic constant currency for the calculation of Adjusted EBITDA.

<sup>(2)</sup> Other includes an operating gain on the sale of property and equipment from Ad Portas to UDLA Ecuador in 2017.

Revenues increased by \$70.1 million, a 6% increase from 2017.

- Organic enrollment increased during 2018 by 3%, increasing revenues by \$31.2 million.
- Revenues represented 35% of our consolidated total revenues for 2018 compared to 32% for 2017.

Adjusted EBITDA increased by \$15.9 million, a 5% increase from 2017.

- The overall increase in Adjusted EBITDA was partially offset by the effect of an operating gain in 2017 of approximately \$20.3 million, which we recognized after the sale of property and equipment from Ad Portas to UDLA Ecuador in November 2017. This gain is included in the Other line item in the above table.

## Rest of World

### Financial Overview



Comparison of Rest of World Results for the Year Ended December 31, 2019 to the Year Ended December 31, 2018

(in millions)	Revenues	Direct Costs	Adjusted EBITDA
<b>December 31, 2018</b>	<b>\$ 178.0</b>	<b>\$ 149.6</b>	<b>\$ 28.4</b>
Organic enrollment <sup>(1)</sup>	21.8		
Product mix, pricing and timing <sup>(1)</sup>	3.9		
Organic constant currency	25.7	20.2	5.5
Foreign exchange	(13.6)	(11.7)	(1.9)
Acquisitions	—	—	—
Dispositions	—	—	—
Other	—	—	—
<b>December 31, 2019</b>	<b>\$ 190.1</b>	<b>\$ 158.1</b>	<b>\$ 32.0</b>

<sup>(1)</sup> Organic enrollment and Product mix, pricing and timing are not separable for the calculation of direct costs and therefore are combined and defined as Organic constant currency for the calculation of Adjusted EBITDA.

Revenues increased by \$12.1 million, a 7% increase from 2018.

- Organic enrollment increased during 2019 by 12%, increasing revenues by \$21.8 million.
- Revenues represented 6% of our consolidated total revenues for 2019 compared to 5% for 2018.

Adjusted EBITDA increased by \$3.6 million, a 13% increase from 2018.

- Foreign exchange affected the results for 2019, primarily due to the weakening of the Australian Dollar relative to the USD.

*Comparison of Rest of World Results for the Year Ended December 31, 2018 to the Year Ended December 31, 2017*

(in millions)	Revenues	Direct Costs	Adjusted EBITDA
<b>December 31, 2017</b>	\$ 161.9	\$ 137.7	\$ 24.2
Organic enrollment <sup>(1)</sup>	20.7		
Product mix, pricing and timing <sup>(1)</sup>	0.9		
Organic constant currency	21.6	15.4	6.2
Foreign exchange	(5.5)	(3.5)	(2.0)
Acquisitions	—	—	—
Dispositions	—	—	—
Other	—	—	—
<b>December 31, 2018</b>	<b>\$ 178.0</b>	<b>\$ 149.6</b>	<b>\$ 28.4</b>

<sup>(1)</sup> Organic enrollment and Product mix, pricing and timing are not separable for the calculation of direct costs and therefore are combined and defined as Organic constant currency for the calculation of Adjusted EBITDA.

Revenues increased by \$16.1 million, a 10% increase from 2017.

- Organic enrollment increased during 2018 by 13%, increasing revenues by \$20.7 million.
- Revenues represented 5% of our consolidated total revenues for both 2018 and 2017.

Adjusted EBITDA increased by \$4.2 million, a 17% increase from 2017.

### **Online & Partnerships**

#### *Financial Overview*



*Comparison of Online & Partnerships Results for the Year Ended December 31, 2019 to the Year Ended December 31, 2018*

(in millions)	Revenues	Direct Costs	Adjusted EBITDA
<b>December 31, 2018</b>	<b>\$ 664.2</b>	<b>\$ 469.5</b>	<b>\$ 194.7</b>
Organic enrollment <sup>(1)</sup>	(9.6)		
Product mix, pricing and timing <sup>(1)</sup>	(20.5)		
Organic constant currency	(30.1)	(26.3)	(3.8)
Foreign exchange	—	—	—
Acquisitions	—	—	—
Dispositions	—	—	—
Other	—	—	—
<b>December 31, 2019</b>	<b>\$ 634.1</b>	<b>\$ 443.2</b>	<b>\$ 190.9</b>

<sup>(1)</sup>Organic enrollment and Product mix, pricing and timing are not separable for the calculation of direct costs and therefore are combined and defined as Organic constant currency for the calculation of Adjusted EBITDA.

Revenues decreased by \$30.1 million, a 5% decrease from 2018.

- Organic enrollment decreased during 2019 by 3%, decreasing revenues by \$9.6 million. This decrease was attributable to a decrease in organic enrollment at the University of Liverpool and the University of Roehampton as we no longer accept new enrollments at those institutions, partially offset by organic growth at Walden University.
- A portion of the product mix, pricing and timing decrease was due to higher discounts and scholarships as a percentage of revenues.
- Revenues represented 19% of our consolidated total revenues for 2019 compared to 20% for 2018.

Adjusted EBITDA decreased by \$3.8 million, a 2% decrease compared to 2018.

*Comparison of Online & Partnerships Results for the Year Ended December 31, 2018 to the Year Ended December 31, 2017*

(in millions)	Revenues	Direct Costs	Adjusted EBITDA
<b>December 31, 2017</b>	<b>\$ 690.4</b>	<b>\$ 485.9</b>	<b>\$ 204.5</b>
Organic enrollment <sup>(1)</sup>	(33.3)		
Product mix, pricing and timing <sup>(1)</sup>	7.1		
Organic constant currency	(26.2)	(16.4)	(9.8)
Foreign exchange	—	—	—
Acquisitions	—	—	—
Dispositions	—	—	—
Other	—	—	—
<b>December 31, 2018</b>	<b>\$ 664.2</b>	<b>\$ 469.5</b>	<b>\$ 194.7</b>

<sup>(1)</sup>Organic enrollment and Product mix, pricing and timing are not separable for the calculation of direct costs and therefore are combined and defined as Organic constant currency for the calculation of Adjusted EBITDA.

Revenues decreased by \$26.2 million, a 4% decrease from 2017.

- Organic enrollment decreased during 2018 by 6%, decreasing revenues by \$33.3 million.
- Revenues represented 20% of our consolidated total revenues for 2018 compared to 21% for 2017.

Adjusted EBITDA decreased by \$9.8 million, a 5% decrease compared to 2017.

### **Corporate**

*Corporate revenues* represent amounts from our consolidated joint venture with the University of Liverpool, as well as centralized IT costs charged to various segments, offset by the elimination of intersegment revenues. 2017 also included revenues from contractual arrangements with UDLA Ecuador, an institution in Ecuador that was formerly consolidated into Laureate prior to 2013.

*Operating results for Corporate for the years ended December 31, 2019, 2018 and 2017 were as follows:*

(in millions)	2019	2018	2017	% Change	
				Better/(Worse)	2019 vs. 2018
Revenues	\$ 5.1	\$ (8.1)	\$ (16.8)		163%
Expenses	154.8	169.2	189.1		9%
Adjusted EBITDA	\$ (149.7)	\$ (177.3)	\$ (205.9)		14%

*Comparison of Corporate Results for the Year Ended December 31, 2019 to the Year Ended December 31, 2018*

Adjusted EBITDA increased by \$27.6 million, a 16% increase from 2018.

- Labor costs and other professional fees decreased expenses by \$31.1 million for 2019 compared to 2018, related to cost-reduction efforts.
- Other items accounted for a decrease in Adjusted EBITDA of \$3.5 million. This decrease includes the year-over-year impact of the resolution of an earnout liability during 2018 that was related to the 2014 acquisition of Monash South Africa; the reversal of the earnout liability increased Adjusted EBITDA for 2018.

*Comparison of Corporate Results for the Year Ended December 31, 2018 to the Year Ended December 31, 2017*

Adjusted EBITDA increased by 28.6 million, a 14% increase from 2017.

- 2017 included an expense of \$22.8 million related to the portion of the 2017 refinancing transactions that was deemed to be a debt modification.
- 2017 included an expense of \$4.5 million related to a transaction with a former business partner.
- 2017 included \$4.9 million of revenue from contractual arrangements with UDLA Ecuador.
- Other items accounted for an increase in Adjusted EBITDA of \$6.2 million, which primarily included a positive impact from the resolution of an earnout liability related to the 2014 acquisition of Monash South Africa.

## Liquidity and Capital Resources

### Liquidity Sources

We anticipate that cash flow from operations and available cash will be sufficient to meet our current operating requirements for at least the next 12 months from the date of issuance of this report.

Our primary source of cash is revenue from tuition charged to students in connection with our various education program offerings. The majority of our students finance the cost of their own education and/or seek third-party financing programs. We anticipate generating sufficient cash flow from operations in the majority of countries where we operate to satisfy the working capital and financing needs of our organic growth plans for each country. If our educational institutions within one country were unable to maintain sufficient liquidity, we would consider using internal cash resources or reasonable short-term working capital facilities to accommodate any short- to medium-term shortfalls.

As of December 31, 2019, our secondary source of liquidity was cash and cash equivalents of \$339.6 million, which does not include \$55.4 million of cash recorded at subsidiaries that are classified as held for sale at December 31, 2019. Our cash accounts are maintained with high-quality financial institutions with no significant concentration in any one institution.

The Company also maintains a revolving credit facility with a syndicate of financial institutions as a source of liquidity. The revolving credit facility provides for borrowings of \$410.0 million and a maturity date of October 7, 2024. If certain conditions are satisfied, the Third Amended and Restated Credit Agreement (the Third A&R Credit Agreement) also provides for an incremental revolving and term loan facilities not to exceed \$565.0 million plus additional amounts so long as both immediately before and after giving effect to such incremental facilities the Company's Consolidated Senior Secured Debt to Consolidated EBITDA ratio, as defined in the Third A&R Credit Agreement, on a pro forma basis, does not exceed 2.75x.

The Company has taken actions to reduce leverage, improve liquidity, and increase cash flow. As discussed below, we used proceeds from the additional divestitures that occurred in 2019 to repay debt, including full repayment of the 2024 Term Loan.

The Company has some subsidiaries in our Rest of World and Central America & U.S. Campuses segments that are classified as held for sale as of December 31, 2019, as discussed in “Overview” and in Note 4, Discontinued Operations and Assets Held for Sale, of our consolidated financial statements included elsewhere in this Form 10-K. The Company intends to use substantially all proceeds from these subsidiary sales to repay debt.

#### *2019 and 2020 Sale Transactions*

On February 1, 2019, we completed the sale of St. Augustine and received net proceeds of approximately \$346.4 million (approximately \$301.8 million net of cash sold). The Company used \$340.0 million of the net proceeds to repay a portion of the 2024 Term Loan, with the remaining proceeds utilized to repay borrowings outstanding under our revolving credit facility.

On February 12, 2019, we completed the sale of our Thailand operations. The total purchase price was approximately \$35.3 million, resulting in net proceeds of approximately \$26.4 million. Of the \$26.4 million in net proceeds, \$22.2 million (approximately \$18.8 million net of cash sold) was received at closing. Of the remaining balance, \$2.8 million was received in May 2019 and the remaining balance of approximately \$1.4 million was received in February 2020 upon satisfaction of certain post-closing requirements.

On April 8, 2019, we completed the sale of our institution in South Africa, Monash South Africa, as well as the sale of the real estate associated with that institution. Including working capital adjustments, the Company received approximately \$9.0 million from the buyer, which approximated the amount of cash sold with the business.

On May 9, 2019, we completed the sale of our operations in India for net proceeds of approximately \$145.8 million (approximately \$77.3 million net of cash sold), before the payment to the 10% minority owners and after transaction fees and taxes, including receipt in July 2019 of certain taxes that were withheld at closing. The Company used the proceeds to repay a portion of the 2024 Term Loan.

On May 31, 2019, we completed the sale of our institutions in Spain and Portugal and received net proceeds of approximately \$906.0 million (approximately \$760.0 million net of cash sold). The Company used the net proceeds to repay indebtedness, including full repayment of the remaining balance outstanding under the 2024 Term Loan. Additionally, the buyer assumed debt of approximately \$109.0 million.

On August 27, 2019, we completed the sale of our institution in Turkey for a total purchase price of \$90.0 million, which consisted of cash proceeds of \$75.0 million and deferred purchase price of \$15.0 million in the form of an instrument payable one year after closing. At the date of sale, Bilgi had approximately \$89.0 million of cash and restricted cash on its balance sheet. Following the sale, the Company fully repaid a note payable at Universidad del Valle de México (UVM Mexico) that had a remaining balance outstanding of approximately \$102.2 million.

In early October 2019, we completed the sale of our institution in Panama, in addition to real estate that serves as the institution's campus, and received net proceeds of approximately \$82.0 million.

On November 1, 2019, we completed the sale of UniNorte, a traditional higher education institution in Manaus, Brazil. The Company received net cash proceeds of approximately \$43.0 million.

On January 10, 2020, we completed the sale of our institution in Costa Rica. Consideration for the transaction consisted of \$15.0 million of cash paid at closing and up to \$7.0 million to be paid within the next two years if the institution meets certain performance metrics. Additionally, the buyer assumed obligations to pay approximately \$30.0 million in finance lease indebtedness.

#### *Liquidity Restrictions*

Our liquidity is affected by restricted cash balances, which totaled \$186.9 million and \$195.8 million as of December 31, 2019 and 2018, respectively.

Restricted cash consists of cash equivalents held to collateralize standby letters of credit in favor of the DOE. These letters of credit are required by the DOE in order to allow our U.S. institutions to participate in the Title IV program. As of December 31, 2019 and 2018, we had approximately \$127.3 million and \$139 million, respectively, posted as LOCs in favor of the DOE. As of December 31, 2019, the amount required by the DOE to be posted was approximately \$125.8 million.

As of both December 31, 2019 and 2018, we had EUR 5.0 million (approximately \$5.6 million at December 31, 2019) posted as cash-collateral for LOCs related to the Spain Tax Audits.

As part of our normal operations, our insurers issue surety bonds on our behalf, as required by various state education authorities in the United States. We are obligated to reimburse our insurers for any payments made by the insurers under the surety bonds. As of December 31, 2019 and 2018, the total face amount of these surety bonds was \$25.6 million and \$22.2 million, respectively.

#### *Indefinite Reinvestment of Foreign Earnings*

We earn a significant portion of our income from subsidiaries located in countries outside the United States. As part of our business strategies, we have determined that, except for one of our institutions in Peru, all earnings from our foreign continuing operations will be deemed indefinitely reinvested outside of the United States. As of December 31, 2019, \$275.6 million of our total \$339.6 million of cash and cash equivalents were held by foreign subsidiaries, including \$157.0 million held by variable interest entities (VIEs). These amounts above do not include \$55.4 million of cash recorded at subsidiaries that are classified as held for sale at December 31, 2019, of which \$49.5 million was held by foreign subsidiaries. As of December 31, 2018, \$327.2 million of our total \$387.8 million of cash and cash equivalents were held by foreign subsidiaries, including \$158.4 million held by VIEs. These amounts above do not include \$217.1 million of cash recorded at subsidiaries that are classified as held for sale at December 31, 2018, of which \$209.1 million was held by foreign subsidiaries. The VIEs' cash and cash equivalents balances are generally required to be used only for the operations of these VIEs.

Our plans to indefinitely reinvest certain earnings are supported by projected working capital and long-term capital requirements in each foreign subsidiary location in which the earnings are generated. We have analyzed our domestic operation's cash repatriation strategies, projected cash flows, projected working capital and liquidity, and the expected availability within the debt or equity markets to provide funds for our domestic needs. As a result, we rely on payments from contractual arrangements, such as intellectual property royalty, network fee and management services agreements, as well as repayments of intercompany loans to meet any of our existing or future debt service and other obligations, a substantial portion of which are denominated in USD. Based on our analysis, we believe we have the ability to indefinitely reinvest these foreign earnings. If our expectations change based on future developments, including as a result of the announcement on January 27, 2020 to explore strategic alternatives, such that some or all of the undistributed earnings of our foreign subsidiaries may be remitted to the United States in the foreseeable future, we will be required to recognize deferred tax expense and liabilities on those amounts and pay additional taxes. For Peru, we have recognized deferred tax liabilities of approximately \$2.5 million for the portion of the undistributed foreign earnings that are not expected to be indefinitely reinvested outside the United States.

#### **Liquidity Requirements**

Our short-term liquidity requirements include: funding for debt service (including finance leases); operating lease obligations; payments due to shareholders of acquired companies; payments of deferred compensation; working capital; operating expenses; payments of third-party obligations; capital expenditures; settlements of derivatives; and business development activities.

Long-term liquidity requirements include: payments on long-term debt (including finance leases); operating lease obligations; payments of long-term amounts due to shareholders of acquired companies; payments of deferred compensation; and payments of third-party obligations.

#### ***Debt***

On April 26, 2017, we completed an offering of \$800.0 million aggregate principal amount of 8.250% Senior Notes due 2025 (the Senior Notes due 2025). The Senior Notes due 2025 were issued at par and will mature on May 1, 2025. Interest on the Senior Notes due 2025 is payable semi-annually on May 1 and November 1, and the first interest payment date was November 1, 2017.

Substantially concurrently with the issuance of the Senior Notes due 2025, we consummated a refinancing of our Senior Secured Credit Facility by means of an amendment and restatement of the existing amended and restated credit agreement (the Second Amended and Restated Credit Agreement) to provide a new revolving credit facility that had an original borrowing capacity of \$385.0 million and originally matured in April 2022 (the Revolving Credit Facility), as well as a syndicated term loan of \$1,600.0 million that had a maturity date of April 26, 2024 (the 2024 Term Loan). As previously noted, the 2024 Term Loan was

fully repaid in 2019. The Company entered into the Third A&R Credit Agreement on October 7, 2019. Among other things, the Third A&R Credit Agreement increased the borrowing capacity of our revolving credit facility from \$385.0 million to \$410.0 million and extended the maturity date from April 26, 2022 to October 7, 2024.

As of December 31, 2019, senior long-term borrowings totaled \$1,002.4 million and consisted of \$202.4 million of Revolving Credit Facility borrowings under the Senior Secured Credit Facility that matures in October 2024 and \$800.0 million in Senior Notes due 2025 that mature in May 2025.

As of December 31, 2019, other debt balances totaled \$342.7 million and our finance lease obligations and sale-leaseback financings were \$100.1 million. Other debt includes lines of credit and short-term borrowing arrangements of subsidiaries, mortgages payable, and notes payable.

Approximately \$55.5 million of long-term debt, including the current portion, is included in the held-for-sale liabilities recorded on the consolidated balance sheet as of December 31, 2019. For further description of the held-for-sale amounts see Note 4, Discontinued Operations and Assets Held for Sale in our consolidated financial statements included elsewhere in this Form 10-K.

#### Senior Secured Credit Facility

As of December 31, 2019, the outstanding balance under our Senior Secured Credit Facility was \$202.4 million, which consisted entirely of amounts outstanding under our \$410.0 million revolving credit facility, as the term loans were fully repaid in 2019 with proceeds from the divestitures. As of December 31, 2018, the outstanding balance under our previous senior credit facility was \$1,321.6 million, which consisted of \$93.5 million outstanding under our \$385.0 million revolving credit facility and an aggregate outstanding balance of \$1,228.1 million, net of a debt discount, under the term loans.

#### Senior Notes

As of both December 31, 2019 and 2018, the outstanding balance under our Senior Notes due 2025 was \$800.0 million.

#### Covenants

Under the Third A&R Credit Agreement, we are subject to a Consolidated Senior Secured Debt to Consolidated EBITDA financial maintenance covenant (a leverage ratio covenant), as defined in the Third A&R Credit Agreement, unless certain conditions are satisfied. As of December 31, 2019, we were in compliance with the leverage ratio covenant. The maximum ratio, as defined, is 3.50x as of December 31, 2019 and thereafter. In addition, notes payable at some of our locations contain financial maintenance covenants.

#### Other Debt

Other debt includes lines of credit and short-term borrowing arrangements of subsidiaries, mortgages payable, and notes payable.

As of December 31, 2019 and 2018, the aggregate outstanding balances on our lines of credit were \$14.5 million and \$37.9 million, respectively.

In December 2017, UVM Mexico entered into an agreement with a bank for a loan of MXN 1,700.0 million (approximately \$89.0 million at the time of the loan). The loan matures in December 2023 and carries a variable interest rate based on TIE, plus an applicable margin, which is established based on the ratio of debt to EBITDA, as defined in the agreement (9.06% as of December 31, 2019). Payments on the loan were deferred until December 2018, at which time quarterly principal payments were due, beginning at MXN 42.5 million (\$2.2 million at December 31, 2019) and increasing to MXN 76.5 million (\$4.0 million at December 31, 2019), with a balloon payment of MXN 425.0 million (\$22.4 million at December 31, 2019) due at maturity. During the year ended December 31, 2019, this loan was reassigned to another wholly owned subsidiary of the Company in Mexico. As of December 31, 2019 and 2018, the outstanding balance of this loan was \$77.6 million and \$83.1 million, respectively.

The Company obtained financing to fund the construction of two new campuses at one of our institutions in Peru, Universidad Peruana de Ciencias Aplicadas. During the year ended December 31, 2019, the Company repaid the loans except for one, which matures in October 2022. As of December 31, 2019 and 2018, the outstanding balance on the loans was \$14.5 million and \$32.9 million, respectively.

We have outstanding notes payable at Universidad Privada del Norte (UPN), one of our institutions in Peru. These loans have varying maturity dates through December 2024. As of December 31, 2019 and 2018, these loans had an aggregate balance of \$23.5 million and \$30.2 million, respectively.

In December 2017, one of our subsidiaries in Peru entered into an agreement to borrow PEN 247.5 million (approximately \$76.0 million at the agreement date). The loan matures in December 2022. Quarterly payments in the amount of PEN 9.3 million (\$2.8 million at December 31, 2019) were due from March 2018 through December 2019. The quarterly payments increase to PEN 14.4 million (\$4.4 million at December 31, 2019) in March 2020 through the loan's maturity in December 2022. As of December 31, 2019 and 2018, this loan had a balance of \$52.3 million and \$62.8 million, respectively.

In December 2013, Laureate acquired THINK and financed a portion of the purchase price by borrowing AUD 45.0 million (\$31.2 million at December 31, 2019) under a syndicated facility agreement in the form of two term loans of AUD 22.5 million each. Facility A was payable at its maturity date of December 20, 2018. Facility B was amended in 2016 to be a revolving facility of up to AUD 15.0 million (\$10.4 million at December 31, 2019) and any balance outstanding was repayable at its maturity date of December 20, 2018. In October 2017, these loan facilities were further amended to provide the lender a security interest in all of the assets of Laureate's Australian operations. In addition, Facility A was converted from a term loan to a loan with a balloon payment due at maturity. In December 2018, these loan facilities were again amended to extend the maturity date from December 20, 2018 to June 30, 2020. As of December 31, 2019 and 2018, \$14.4 million and \$14.7 million, respectively, was outstanding under these loan facilities.

We acquired Faculdades Metropolitanas Unidas Educacionais Ltda. (FMU) on September 12, 2014 and financed a portion of the purchase price by borrowing amounts under two loans that totaled BRL 259.1 million (approximately \$110.3 million at the borrowing date). Beginning in October 2017, the loans require semi-annual principal payments of BRL 22.0 million (\$5.4 million at December 31, 2019), continuing through their maturity dates in April 2021. As of December 31, 2019 and 2018, the outstanding balance of these loans was \$16.2 million and \$28.4 million, respectively.

On December 20, 2017, one of our subsidiaries in Brazil entered into an agreement to borrow BRL 360.0 million (approximately \$110.0 million at the time of the loan). The loan matures on December 25, 2022. Quarterly payments in the amount of BRL 13.5 million (\$3.3 million at December 31, 2019) were due from March 2019 through December 2019, at which point the quarterly payments increase to BRL 22.5 million (\$5.5 million at December 31, 2019) from March 2020 through December 2020, then to BRL 27.0 million (\$6.6 million at December 31, 2019) from March 2021 through maturity in December 2022. As of December 31, 2019 and 2018, the loan had a balance of \$75.0 million and \$92.7 million, respectively.

In addition to this loan, the same Laureate subsidiary in Brazil entered into two additional loans during the year ended December 31, 2019 totaling BRL 190.0 million (approximately \$47.5 million at the time of loan). These loans have maturity dates of May 2021 and December 2021. As of December 31, 2019, the outstanding balance on these loans was \$46.6 million.

#### *Leases*

We conduct a significant portion of our operations from leased facilities. These facilities include our corporate headquarters, other office locations, and many of our higher education facilities. As discussed in Note 11, Leases, in our consolidated financial statements included elsewhere in this Form 10-K, we have significant liabilities recorded related to our leased facilities, which will require future cash payments.

#### *Due to Shareholders of Acquired Companies*

One method of payment for past acquisitions was the use of promissory notes payable to the sellers of the acquired companies. As of December 31, 2019 and 2018, we recorded \$21.5 million and \$45.4 million, respectively, for these liabilities. See also Note 7, Due to Shareholders of Acquired Companies, in our consolidated financial statements included elsewhere in this Form 10-K.

#### *Capital Expenditures*

Capital expenditures consist of purchases of property and equipment and expenditures for deferred costs. Our capital expenditure program is a component of our liquidity and capital management strategy. This program includes discretionary spending, which we can adjust in response to economic and other changes in our business environment, to grow our network through the following: (1) capacity expansion at institutions to support enrollment growth; (2) new campuses for institutions in our existing markets; (3) information technology to increase efficiency and controls; and (4) online content development. Our non-discretionary spending includes the maintenance of existing facilities. We typically fund our capital expenditures through cash flow from operations and external financing. In the event that we are unable to obtain the necessary funding for capital expenditures, our long-term growth

strategy could be significantly affected. We believe that our internal sources of cash and our ability to obtain additional third-party financing, subject to market conditions, will be sufficient to fund our investing activities.

Our total capital expenditures for our continuing and discontinued operations, excluding receipts from the sale of subsidiaries and property and equipment, were \$173.3 million, \$257.9 million and \$293.8 million during 2019, 2018 and 2017, respectively. The 33% decrease in capital expenditures for 2019 compared to 2018 was driven mainly by reduced capital expenditures as a result of divestitures, as well as lower spending in Costa Rica, Peru and Brazil due to significant capital expenditures made in prior periods to launch several new campuses in these geographies, and reduced accreditation/regulatory expenditures in Brazil. The 12% decrease in capital expenditures for 2018 compared to 2017 was primarily due to lower spending on growth initiatives in Brazil and Peru in 2018.

#### *Redeemable Noncontrolling Interests and Equity*

In connection with certain past acquisitions, we entered into put/call arrangements with certain minority shareholders, and we may be required or elect to purchase additional ownership interests in the associated entities within a specified timeframe. Certain of our call rights contain minimum payment provisions. If we exercise such call rights, the consideration required could be higher than the estimated put values. Upon exercise of these puts or calls, our ownership interests in these subsidiaries would increase.

#### *Laureate Education, Inc. Deferred Compensation Plan*

Laureate maintains a deferred compensation plan to provide certain executive employees and members of our Board of Directors with the opportunity to defer their salaries, bonuses, and Board of Directors' retainers and fees in order to accumulate funds for retirement on a pre-tax basis. Participants are 100% vested in their respective deferrals and the earnings thereon. Laureate does not make contributions to the plan or guarantee returns on the investments. Although plan investments and participant deferrals are kept in a separate trust account, the assets remain Laureate's property and are subject to claims of general creditors.

As of December 31, 2019 and 2018, plan assets included in Other assets in our Consolidated Balance Sheets were \$4.5 million and \$4.9 million, respectively. As of December 31, 2019 and 2018, the plan liabilities reported in our Consolidated Balance Sheets were \$6.8 million and \$7.0 million, respectively. As of December 31, 2019 and 2018, \$1.8 million and \$1.2 million, respectively, of the total plan liability was classified as a current liability; the remainder was noncurrent and recorded in Other long-term liabilities.

#### *Stock Repurchase Program*

On August 8, 2019, the Company announced that its board of directors had authorized a stock repurchase program to acquire up to \$150.0 million of the Company's Class A common stock. In early October 2019, the Company's stock repurchases reached the authorized limit of \$150.0 million. On October 14, 2019, the Company's board of directors approved the increase of its existing authorization to repurchase shares of the Company's Class A common stock by \$150.0 million for a total authorization (including the previously authorized repurchases) of up to \$300.0 million of the Company's Class A common stock. The Company's repurchases were made in a block trade, as well as on the open market at prevailing market prices and pursuant to a Rule 10b5-1 stock repurchase plan, in accordance with applicable rules and regulations promulgated under the Securities Exchange Act of 1934, as amended. In January 2020, the Company's stock repurchases reached the total authorized limit of \$300.0 million.

#### **Cash Flows**

In the consolidated statements of cash flows, the changes in operating assets and liabilities are presented excluding the effects of exchange rate changes, acquisitions, and reclassifications, as these effects do not represent operating cash flows. Accordingly, the amounts in the consolidated statements of cash flows do not agree with the changes of the operating assets and liabilities as presented in the consolidated balance sheets. The effects of exchange rate changes on cash are presented separately in the consolidated statements of cash flows.

The following table summarizes our cash flows from operating, investing, and financing activities for each of the past three fiscal years:

(in millions)	2019	2018	2017
<b>Cash provided by (used in):</b>			
Operating activities	\$ 339.8	\$ 396.9	\$ 192.2
Investing activities	1,116.8	115.5	(284.7)
Financing activities	(1,674.0)	(410.1)	157.6
Effects of exchange rates changes on cash	(7.3)	(13.5)	25.9
Change in cash included in current assets held for sale	167.8	(30.9)	(33.0)
Net change in cash and cash equivalents and restricted cash	\$ (57.0)	\$ 57.8	\$ 58.0

*Comparison of Cash Flows for the Year Ended December 31, 2019 to the Year Ended December 31, 2018*

*Operating activities*

Cash provided by operating activities decreased by \$57.1 million to \$339.8 million for 2019, compared to \$396.9 million for 2018. This decrease in operating cash flows during 2019 was primarily due to the following: (1) changes in operating assets and liabilities and other working capital, which decreased operating cash by \$102.9 million, due largely to the year-over-year effect of cash received during the fall intake cycle of 2018 for entities that were subsequently divested in 2019; and (2) proceeds from the settlement of derivative contracts were \$22.9 million higher in 2018 than in 2019 due to the fact that, in 2018, we received \$14.1 million in cash from the settlement of interest rate swaps whereas, in 2019, we made a cash payment of \$(8.8) million in order to settle certain cross currency and interest rate swaps, primarily in Chile.

Partially offsetting these operating cash decreases were increases in operating cash flows resulting from: (1) a \$45.4 million decrease in cash paid for interest, prior to interest income, that is attributable to the lower average debt balances as a result of the debt repayments, from \$234.1 million of cash paid for interest in 2018 to \$188.7 million in 2019; and (2) a decrease in cash paid for taxes of \$23.3 million, from \$143.0 million in 2018, which included approximately \$34.5 million of payments to the Spanish Tax Authorities, to \$119.7 million in 2019.

*Investing activities*

Cash flows from investing activities increased by \$1,001.3 million, to \$1,116.8 million for 2019 from \$115.5 million in 2018. This increase is primarily attributable to: (1) higher cash receipts from the sales of discontinued operations of \$890.2 million, from \$375.8 million in 2018 (for the sales of Kendall and our operations in Cyprus, Italy, China, Germany, and Morocco) to \$1,266.0 million in 2019 (for the sales of St. Augustine and our Thailand, South Africa, India, Spain, Portugal, Turkey, Panama, and UniNorte operations); (2) a decrease in capital expenditures of \$84.6 million; (3) a year-over-year increase in cash from derivative settlements of \$22.9 million, related to the foreign exchange swap agreements associated with the sale of the Cyprus and Italy institutions in 2018 and the Spain and Portugal institutions in 2019, as well as the settlement of the net investment hedges in 2019; (4) a year-over-year decrease in cash paid for acquisitions of \$15.8 million; and (5) proceeds of \$11.5 million in the 2019 fiscal period from the sale of shares of a preferred stock investment in a private education company.

Partially offsetting these increases in investing cash flows was the effect of proceeds received from corporate-owned life insurance policies in 2018, resulting in a year-over-year decrease of \$26.6 million. Other items accounted for the remaining change of \$2.9 million.

#### *Financing activities*

Cash used in financing activities increased by \$1,263.9 million to \$1,674.0 million for 2019 from \$410.1 million for 2018. The increased financing cash outflows were primarily attributable to: (1) higher net payments of long-term debt in 2019 as compared to 2018 of \$1,002.2 million, related to the use of divestiture proceeds for debt repayment; (2) payments of \$264.1 million made during the third and fourth quarters of 2019 to repurchase shares of our Class A common stock under our stock repurchase program; (3) higher payments for debt issuance costs and redemption and call premiums during 2019 of \$8.5 million, which was mostly related to a debt repayment in Chile; (4) higher payments to purchase noncontrolling interests of \$5.6 million, primarily attributable to the payment made during 2019 to acquire the remaining 10% noncontrolling interest of one of our operations in India, immediately prior to the sale of those operations; and (5) higher payments of deferred purchase price for acquisitions of \$6.5 million, due primarily to the full repayment of the St. Augustine seller note in 2019.

These increases in financing cash outflows were partially offset by: (1) an \$11.1 million reduction in dividend payments for the Series A Preferred Stock (no further dividend payments were required following the April 2018 conversion of the Series A Preferred Stock into Class A common stock); and (2) proceeds from stock option exercises during 2019 of \$14.0 million. Other items accounted for the remaining difference of \$2.1 million.

#### *Comparison of Cash Flows for the Year Ended December 31, 2018 to the Year Ended December 31, 2017*

##### *Operating activities*

Cash provided by operating activities increased by \$204.7 million to \$396.9 million for 2018, compared to \$192.2 million for 2017. This increase in operating cash flows during 2018 was primarily due to the following: (1) cash paid for interest, prior to interest income, decreased by \$150.1 million, from \$384.2 million for 2017 to \$234.1 million for 2018 as a result of the 2017 refinancing transactions and the \$350.0 million principal repayment made in connection with the February 1, 2018 amendment of the Senior Secured Credit Facility; (2) during 2017, we fully repaid the FMU seller notes, the interest portion of which was classified in operating cash flows, resulting in a year-over-year increase in operating cash flows of \$35.0 million; (3) during 2017, we made payments of \$22.8 million for third-party general and administrative expenses in connection with the debt refinancing that was completed during the second quarter of 2017; and (4) proceeds from the settlement of derivative contracts increased operating cash flows by \$14.1 million for 2018, as compared to 2017, related to cash received from the settlement of interest rate swaps.

Partially offsetting these operating cash increases was an increase in cash paid for taxes of \$12.5 million, from \$130.5 million in 2017 to \$143.0 million in 2018. The increase in cash paid for taxes was primarily due to approximately \$34.8 million of payments made to the Spanish Tax Authorities during 2018, plus a U.S. payment of \$3.5 million related to tax reform, partially offset by an approximately \$20 million refund received by one of our Spanish subsidiaries during the first quarter of 2018 from an estimated tax payment made in 2016. Changes in operating assets and liabilities and other working capital accounted for the remaining change in operating cash of \$4.8 million.

##### *Investing activities*

Cash flows from investing activities increased by \$400.2 million to an investing cash inflow of \$115.5 million for 2018, from an investing cash outflow of \$(284.7) million in 2017. This increase was primarily attributable to the sales of Kendall and the Cyprus, Italy, China, Germany, and Morocco institutions during 2018, which resulted in a \$366.0 million year-over-year increase in receipts from the sales of these Discontinued Operations and property and equipment. In addition, capital expenditures decreased from 2017 to 2018 by \$35.9 million. Also, in 2018, the Company received proceeds from corporate-owned life insurance policies, which are deferred compensation plan assets, contributing to a total year-over-year increase in proceeds from insurance of \$27.0 million.

These investing cash increases were partially offset by a \$10.0 million realized loss in 2018 on the foreign exchange swap agreements associated with the sale of the Cyprus and Italy institutions, as well as an increase in cash paid for acquisitions of \$16.2 million, primarily related to the November 2018 acquisition of Avansys in Peru. Other items accounted for the remaining change of \$2.5 million.

## Financing activities

Cash flows from financing activities decreased by \$567.7 million to a financing cash outflow of \$(410.1) million for 2018, compared to a financing cash inflow of \$157.6 million for 2017. This decrease was primarily attributable to the \$456.4 million of net proceeds from the 2017 IPO, and net proceeds from the issuance of Series A Preferred Stock during 2017 of \$55.3 million. Additionally, net payments of long-term debt during 2018, which included the \$350.0 million repayment of the 2024 Term Loan, were \$242.3 million higher than in 2017.

These financing cash decreases were partially offset by lower payments during 2018 for debt issuance costs and redemption and call premiums of \$80.7 million, related to the debt refinancing that was completed during the second quarter of 2017, in addition to lower payments of deferred price for acquisitions during 2018 versus 2017 of \$81.2 million, due primarily to the repayment of the FMU seller note in September 2017. Payments to purchase noncontrolling interests were also \$17.3 million lower in 2018 versus 2017. In addition, payments of dividends on the Series A Preferred Stock decreased by \$8.3 million in 2018, as a result of the April 23, 2018 conversion of the Series A Preferred Stock into Class A common stock (no further dividend payments are required following the conversion). Other items accounted for the remaining change of \$1.2 million.

## Contractual Obligations

The following table reflects a summary of our contractual obligations as of December 31, 2019:

(in millions)	Total	Payments due by period			
		less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt <sup>(a)</sup>	\$ 1,360.4	\$ 114.0	\$ 184.9	\$ 252.0	\$ 809.5
Operating lease obligations <sup>(b)</sup>	1,339.2	178.1	318.6	292.6	549.9
Interest payments <sup>(c)</sup>	484.9	104.9	184.1	157.7	38.2
Finance lease obligations <sup>(d)</sup>	116.9	12.3	24.0	19.2	61.4
Due to shareholders of acquired companies <sup>(e)</sup>	25.6	13.8	11.8	—	—
Other obligations <sup>(f)</sup>	31.1	5.7	10.1	5.7	9.6
Total	\$ 3,358.1	\$ 428.8	\$ 733.5	\$ 727.2	\$ 1,468.6

<sup>(a)</sup> Amount shown includes approximately \$15.3 million of debt related to subsidiaries that are classified as held for sale as of December 31, 2019.

<sup>(b)</sup> Includes approximately \$29.0 million of minimum future operating lease payments related to subsidiaries classified as held for sale as of December 31, 2019.

<sup>(c)</sup> Interest payments relate to long-term debt, including interest on obligations related to subsidiaries that are classified as held for sale as of December 31, 2019. Interest payments for variable-rate long-term debt were calculated using the variable interest rates in effect at December 31, 2019.

<sup>(d)</sup> Also includes approximately \$24.0 million of finance lease obligations related to subsidiaries classified as held for sale as of December 31, 2019.

<sup>(e)</sup> Due to shareholders of acquired companies represent promissory notes payable to the sellers of companies acquired by us. It also includes \$0.8 million of due to shareholder liabilities related to subsidiaries classified as held for sale.

<sup>(f)</sup> Other obligations consists primarily of contractually owed service-related compensation, foreign tax settlement payments, and other contractual obligations.

The preceding table does not reflect unrecognized income tax benefits, including interest and penalties, as of December 31, 2019 of approximately \$90.1 million. We are unable to make a reasonably reliable estimate of the period of any cash settlements. It is reasonably possible that our liability for unrecognized tax benefits could change during the time period.

## **Off-Balance Sheet Arrangements**

As of December 31, 2019, we have the following off-balance sheet arrangements:

### Student Loan Guarantees

The accredited Chilean institutions in our network participate in a government-sponsored student financing program known as Crédito con Aval del Estado (the CAE Program). As part of the CAE Program, these institutions provide guarantees which result in contingent liabilities to third-party financing institutions, beginning at 90% of the tuition loans made directly to qualified students enrolled through the CAE Program and declining to 60% over time. The guarantees by these institutions are in effect during the period in which the student is enrolled. The maximum potential amount of payments our institutions could be required to make under the CAE Program was approximately \$474.0 million and \$499.0 million at December 31, 2019 and 2018, respectively. This maximum potential amount assumes that all students in the CAE Program do not graduate, so that our guarantee would not be assigned to the government, and that all students default on the full amount of the CAE-qualified loan balances. As of December 31, 2019 and 2018, we recorded \$30.9 million and \$28.3 million, respectively, as estimated long-term guarantee liabilities for these obligations, through a reduction of Revenues.

### Subsidiary Shares as Collateral

In conjunction with the purchase of Universidade Potiguar in Brazil (UNP), we pledged all of the acquired shares as a guarantee of our payments of rents as they become due. In the event that we default on any payment, the pledge agreement provides for a forfeiture of the relevant pledged shares. In the event of forfeiture, Laureate may be required to transfer the books and management of UNP to the former owners.

We acquired the remaining 49% ownership interest in Universidade Anhembi Morumbi (UAM Brazil) in April 2013. As part of the agreement to purchase the 49% ownership interest, we pledged 49% of our total shares in UAM Brazil as a guarantee of our payment obligations under the purchase agreement. In the event that we default on any payment, the agreement provides for a forfeiture of the pledged shares.

In connection with the purchase of FMU on September 12, 2014, we pledged our acquired shares to third-party lenders as a guarantee of our payment obligations under the loans that financed a portion of the purchase price. The shares are pledged until full payment of the loans, which mature in April 2021.

In connection with a loan agreement entered into by a Laureate subsidiary in Peru, all of the shares of UPN Peru, one of our universities, were pledged to the third-party lender as a guarantee of the payment obligations under the loan.

### Standby Letters of Credit

As of December 31, 2019, Laureate had outstanding letters of credit (LOCs), which consisted primarily of the following:

- Fully cash-collateralized LOCs of \$127.3 million in favor of the DOE, which are included in Restricted cash. These LOCs were required to allow Walden and NewSchool to continue participating in the DOE Title IV program.
- Fully cash-collateralized LOCs totaling \$5.6 million, which are included in Restricted cash, that were issued to continue the appeals process with the Spain Tax Authorities who challenged the holding company structure in Spain.

### Surety Bonds

As part of our normal operations, our insurers issue surety bonds on our behalf, as required by various state education authorities in the United States. We are obligated to reimburse our insurers for any payments made by the insurers under the surety bonds. As of December 31, 2019, the total face amount of these fully cash-collateralized surety bonds was \$25.6 million.

In November 2016, in order to continue participating in Prouni, a federal program that offers tax benefits designed to increase higher education participation rates in Brazil, UAM Brazil posted a guarantee in the amount of \$15.3 million. In connection with the issuance of the guarantee, UAM Brazil obtained a non-collateralized surety bond from a third party in order to secure the guarantee. The cost of the surety bond was \$1.4 million, of which half was reimbursed by the former owner of UAM Brazil, and is being amortized over the five-year term.

## Critical Accounting Policies and Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires our management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities. Actual results could differ from these estimates. Our significant accounting policies are discussed in Note 2, Significant Accounting Policies, in our consolidated financial statements included elsewhere in this Form 10-K. Our critical accounting policies require the most significant judgments and estimates about the effect of matters that are inherently uncertain. As a result, these accounting policies and estimates could materially affect our financial statements and are critical to the understanding of our results of operations and financial condition. Management has discussed the selection of these critical accounting policies and estimates with the audit committee of the board of directors.

### Variable Interest Entities (VIEs)

Laureate consolidates in its financial statements certain internationally based educational organizations that do not have shares or other equity ownership interests. Although these educational organizations may be considered not-for-profit entities in their home countries and they are operated in compliance with their respective not-for-profit legal regimes, we believe they do not meet the definition of a not-for-profit entity under GAAP, and therefore we treat them as “for-profit” entities for accounting purposes. These entities generally cannot declare dividends or distribute their net assets to the entities that control them. Under ASC 810-10, “Consolidation,” we have determined that these institutions are VIEs and that Laureate is the primary beneficiary of these VIEs because we have, as further described herein: (1) the power to direct the activities of the VIEs that most significantly affect their educational and economic performance and (2) the right to receive economic benefits from contractual and other arrangements with the VIEs that could potentially be significant to the VIEs. We account for the acquisition of the right to control a VIE in accordance with ASC 805, “Business Combinations.”

As with all of our educational institutions, the VIE institutions' primary source of income is tuition fees paid by students, for which the students receive educational services and goods that are proportionate to the prices charged. Laureate maintains control of these VIEs through our rights to designate a majority of the governing entities' board members, through which we have the legal ability to direct the activities of the entities. Laureate maintains a variable interest in these VIEs through mutual contractual arrangements at market rates and terms that provide them with necessary products and services, and/or intellectual property, and has the ability to enter into additional such contractual arrangements at market rates and terms. We also have the ability to transfer our rights to govern these VIEs, or the entities that possess those rights, to other parties, which could yield a return if and when these rights are transferred.

We generally do not have legal entitlement to distribute the net assets of the VIEs. Generally, in the event of liquidation or the sale of the net assets of the VIEs, the net proceeds can only be transferred either to another VIE institution with similar purposes or to the government. In the unlikely case of liquidation or a sale of the net assets of the VIE, we may be able to retain the residual value by naming another Laureate-controlled VIE resident in the same jurisdiction as the recipient, if one exists; however, we generally cannot name a for-profit entity as the recipient. Moreover, because the institution generally would be required to provide for the continued education of its students, liquidation would not be a likely course of action and would be unlikely to result in significant residual assets available for distribution. However, we operate our VIEs as going concern enterprises, maintain control in perpetuity, and have the ability to provide additional contractual arrangements for educational and other services priced at up to market rates with Laureate-controlled service companies. Typically, we are not legally obligated to make additional investments in the VIE institutions.

Laureate for-profit entities provide necessary products and services, and/or intellectual property, to all institutions in the *Laureate International Universities* network, including the VIE institutions, through contractual arrangements at market rates and terms, which are accretive to Laureate. We periodically modify the rates we charge under these arrangements so that they are priced at or below fair market value and to add additional services. If it is determined that contractual arrangements with any institution are not on market terms, it could have an adverse regulatory impact on such institution. We believe that these arrangements improve the quality of the academic curriculum and the students' educational experience. There are currently four types of contractual arrangements: (i) intellectual property (IP) royalty arrangements; (ii) network fee arrangements; (iii) management service arrangements; and (iv) lease arrangements.

- (i) Under the IP royalty arrangements, institutions in the *Laureate International Universities* network pay to Laureate royalty payments for the use of Laureate's tradename and best practice policies and procedures.
- (ii) Institutions in the *Laureate International Universities* network gain access to other network resources, including academic content, support with curriculum design, online programs, professional development, student exchange and access to

dual degree programs, through network fee arrangements whereby the institutions pay stipulated fees to Laureate for such access.

- (iii) Institutions in the *Laureate International Universities* network contract with Laureate and pay fees under management services agreements for the provision of support and managerial services including access to management, legal, tax, finance, accounting, treasury and other services, which in some cases Laureate provides through shared service arrangements in certain jurisdictions.
- (iv) Laureate for-profit entities own various campus real estate properties and have entered into long-term lease contracts with the respective institutions in the *Laureate International Universities* network, whereby they pay market-based rents for the use of the properties in the conduct of their educational operations.

Revenues recognized by our for-profit entities from these contractual arrangements with our consolidated VIEs were \$39.0 million, \$100.2 million and \$123.2 million for the years ended December 31, 2019, 2018 and 2017, respectively. These revenues are eliminated in consolidation.

Under our accounting policy, we allocate all of the income or losses of these VIEs to Laureate unless there is a noncontrolling interest where the economics of the VIE are shared with a third party. The income or losses of these VIEs allocated to Laureate represent the earnings after deducting charges related to contractual arrangements with our for-profit entities as described above. We believe that the income remaining at the VIEs after these charges accretes value to our rights to control these entities.

Laureate's VIEs are generally exempt from income taxes. As a result, the VIEs generally do not record deferred tax assets or liabilities or recognize any income tax expense in the Consolidated Financial Statements. No deferred taxes are recognized by the for-profit service companies for the remaining income in these VIEs, as the legal status of these entities generally prevents them from declaring dividends or making distributions to their sponsors. However, these for-profit service companies record income taxes related to revenues from their contractual arrangements with these VIEs.

#### *Risks in relation to the VIEs*

We believe that all of the VIE institutions in the Laureate network are operated in full compliance with local law and that the contractual arrangements with the VIEs are legally enforceable; however, these VIEs are subject to regulation by various agencies based on the requirements of local jurisdictions. These agencies, as well as local legislative bodies, review and update laws and regulations as they deem necessary or appropriate. We cannot predict the form of any laws that may be enacted, or regulations that ultimately may be adopted in the future, or what effects they might have on our business, financial condition, results of operations and cash flows. If local laws or regulations were to change, if the VIEs were found to be in violation of existing local laws or regulations, or if the regulators were to question the financial sustainability of the VIEs and/or whether the contractual arrangements were at fair value, local government agencies could, among other actions:

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

Laureate's ability to conduct our business would be negatively affected if local governments were to carry out any of the aforementioned or other similar actions. In any such case, Laureate may no longer be able to consolidate the VIEs.

The VIEs in Brazil and Mexico include several not-for-profit foundations that had insignificant revenues and operating expenses. Selected Consolidated Statements of Operations information for VIEs that are included in continuing operations was as follows, net of the charges related to the above-described contractual arrangements:

(in millions)

For the years ended December 31,	2019	2018	2017
<b>Selected Statements of Operations information:</b>			
Revenues, by segment:			
Brazil	\$ —	\$ —	\$ 0.1
Mexico	0.1	0.1	—
Andean	435.6	441.3	418.0
Revenues	435.7	441.4	418.1
Depreciation and amortization	25.6	25.5	26.9
Operating income (loss), by segment:			
Brazil	—	(0.1)	—
Mexico	(0.3)	(0.5)	(0.9)
Andean	50.8	9.7	(4.9)
Operating income (loss)	50.5	9.1	(5.7)
Net income attributable to Laureate Education, Inc.	55.2	33.2	13.0

The following table reconciles the Net income attributable to Laureate Education, Inc. as presented in the table above, to the amounts in our Consolidated Statements of Operations:

(in millions)

For the years ended December 31,	2019	2018	2017
Variable interest entities	\$ 55.2	\$ 33.2	\$ 13.0
Other operations including discontinued operations	840.8	503.1	513.2
Corporate and eliminations	42.5	(166.3)	(434.8)
Net income attributable to Laureate Education, Inc.	\$ 938.5	\$ 370.1	\$ 91.5

The following table presents selected assets and liabilities of the consolidated VIEs. Except for Goodwill, the assets in the table below include the assets that can be used only to settle the obligations for the VIEs. The liabilities in the table are liabilities for which the creditors of the VIEs do not have recourse to the general credit of Laureate.

(in millions)	December 31, 2019		December 31, 2018	
	VIE	Consolidated	VIE	Consolidated
<b>Balance Sheets data:</b>				
Cash and cash equivalents	\$ 157.0	\$ 339.6	\$ 158.4	\$ 387.8
Current assets held for sale	16.1	83.8	183.9	337.7
Other current assets	173.1	519.5	141.3	491.7
Total current assets	346.1	942.9	483.6	1,217.1
Goodwill	160.0	1,701.5	168.5	1,707.1
Tradenames	61.7	1,119.5	66.9	1,126.2
Other intangible assets, net	—	1.4	—	25.4
Operating lease right-of-use assets, net	65.8	861.9	—	—
Long-term assets held for sale	52.5	306.0	165.1	1,035.2
Other long-term assets	262.6	1,582.5	312.7	1,658.5
Total assets	948.6	6,515.6	1,196.8	6,769.6
Current liabilities held for sale	11.7	64.2	101.3	321.5
Other current liabilities	130.6	1,006.6	106.7	868.6
Long-term operating leases, less current portion	56.6	792.4	—	—
Long-term liabilities held for sale	29.7	124.9	42.3	358.9
Long-term debt and other long-term liabilities	28.6	1,711.1	24.5	3,155.3
Total liabilities	257.2	3,699.2	274.7	4,704.3
Total stockholders' equity	691.4	2,804.2	922.1	2,050.9
Total stockholders' equity attributable to Laureate Education, Inc.	691.4	2,817.0	921.7	2,061.1

The amounts classified as held-for-sale assets and liabilities at December 31, 2019 in the table above relate to a VIE that is included in our Central America & U.S. Campuses segment. The amounts classified as held-for-sale assets and liabilities at December 31, 2018 in the table above relate to VIEs that were included in our Rest of World, Andean, and Central America & U.S. Campuses segments.

#### Chile - Higher Education Law

On May 29, 2018, a new Higher Education Law (the New Law) was enacted. Among other things, the New Law prohibits conflicts of interests and related party transactions involving universities and their controlling parties, with certain exceptions. These exceptions include the provision of services that are educational in nature or essential for the university's purposes.

The New Law established a Superintendency of Higher Education, with authority to regulate institutions of higher education and promulgate regulations and procedures implementing the New Law. As of May 29, 2019, the New Law's provisions regarding related party transactions came into force and the Superintendent has since issued further interpretive guidance and regulations. Immediately prior to these provisions coming into force, each of the Chilean non-profit universities and the relevant Laureate services provider reached an agreement to terminate the prior network services agreement in favor of an open bidding process, wherein unrelated third parties and Laureate-related providers were invited to compete in the provision of the range of services that are essential to the fulfillment of each of their academic missions. Each of the Chilean non-profit universities has completed all of the bidding and contractual processes subsequent to the May 2019 contract terminations. The Company participated in these open bid processes, conducted by a third party, and was judged to have submitted the superior bid in many of them. Awarded contracts entered into force once the applicable university's board approved them or in January 2020, in the case of some of the educational services, due to the academic calendar. Within the ordinary regulatory course of supervision, the Company and the Chilean non-profit universities will continue to interact with the Superintendent to maintain compliance with the New Law. We do not believe that the New Law will change our relationship with our two technical-vocational institutions in Chile that are for-

profit entities. Additionally, we will continue to evaluate our accounting treatment of the Chilean non-profit universities to determine whether we can continue to consolidate them. Our continuing evaluation of the impact of the New Law may result in changes to our expectations due to changes in our interpretations of the law, assumptions used, and additional guidance that may be issued.

#### Business Combinations

We apply the purchase accounting standards under ASC 805, “Business Combinations,” to acquisitions. The purchase price of an acquisition is allocated, for accounting purposes, to individual tangible and identifiable intangible assets acquired, liabilities assumed, and noncontrolling interests based on their estimated fair values on the acquisition date. Any excess purchase price over the assigned values of net assets acquired is recorded as goodwill. The acquisition date is the date on which control is obtained by the acquiring company. Any non-monetary consideration transferred and any previously held noncontrolling interests that are part of the purchase consideration are remeasured at fair value on the acquisition date, with any resulting gain or loss recognized in earnings. The preliminary allocations of the purchase price are subject to revision in subsequent periods based on the final determination of fair values, which must be finalized no later than the first anniversary of the date of the acquisition. Transaction costs are expensed as incurred. See Note 5, Acquisitions, in our consolidated financial statements included elsewhere in this Form 10-K for details of our business combinations.

#### Goodwill and Indefinite-lived Intangible Assets

We perform annual impairment tests of indefinite-lived intangible assets, including goodwill and tradenames, as of October 1st each year. We also evaluate these assets on an interim basis if events or changes in circumstances between annual tests indicate that the assets may be impaired. We have not made material changes to the methodology used to assess impairment loss on indefinite-lived tradenames during the past three fiscal years. Our impairment testing in the fourth quarter of 2019 resulted in no impairment of goodwill or indefinite-lived tradenames. If the estimates and related assumptions used in assessing the recoverability of our goodwill and indefinite-lived tradenames decline, we may be required to record impairment charges for those assets. We base our fair value estimates on assumptions that we believe to be reasonable but that are unpredictable and inherently uncertain. Actual results may differ from those estimates. In addition, we make certain judgments and assumptions in allocating shared assets and liabilities to determine the carrying values for each of our reporting units.

##### *Goodwill*

We have the option of first performing a qualitative assessment (i.e., step zero) before calculating the fair value of the reporting unit (i.e., step one of the two-step fair value-based impairment test). A reporting unit is defined as a component of an operating segment for which discrete financial information is available and regularly reviewed by management of the segment. If we determine on the basis of qualitative factors that the fair value of the reporting unit is more likely than not less than the carrying amount, the two-step impairment test is required.

If we do not perform the qualitative assessment for a reporting unit or determine that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, a quantitative two-step fair value-based test is performed. In the first step, we estimate the fair value of each reporting unit, utilizing a weighted combination of a discounted cash flow analysis and a market multiples analysis. If the recorded net assets of the reporting unit are less than the reporting unit’s estimated fair value, then there is no goodwill deemed to be impaired. If the recorded net assets of the reporting unit exceed its estimated fair value, then goodwill is potentially impaired and we perform the second step. In the second step, we calculate the implied fair value of goodwill by deducting the estimated fair value of all tangible and identifiable intangible net assets of the reporting unit from the estimated fair value of the reporting unit. If the recorded amount of goodwill exceeds this implied fair value, the difference is recognized as a loss on impairment of assets in the consolidated statements of operations.

Our valuation approach utilizes a weighted combination of a discounted cash flow analysis and a market multiples analysis. The discounted cash flow analysis relies on historical data and internal estimates, which are developed as a part of our long-range plan process, and includes an estimate of terminal value based on these expected cash flows using the generally accepted Gordon Dividend Growth formula, which derives a valuation using an assumed perpetual annuity based on the reporting unit’s residual cash flows. The discount rate is based on the generally accepted Weighted Average Cost of Capital methodology, and is derived using a cost of equity based on the generally accepted Capital Asset Pricing Model and a cost of debt based on the typical rate paid by market participants. The market multiples analysis utilizes multiples of business enterprise value to revenues, operating income and earnings before interest, taxes, depreciation and amortization of comparable publicly traded companies and multiples based on fair value transactions where public information is available. Significant assumptions used in estimating the fair value of each reporting unit include: (1) the revenue and profitability growth rates and (2) the discount rate.

We also evaluate the sensitivity of a change in assumptions related to goodwill impairment, assessing whether a 10% reduction in our estimates of revenue or a 1% increase in our estimated discount rates would result in impairment of goodwill. Using the current estimated cash flows and discount rates, each reporting unit's estimated fair value exceeds its carrying value by at least 15% in instances where we performed step one of the two-step fair value-based impairment testing. We have determined that none of our reporting units with material goodwill were at risk of failing the first step of the goodwill impairment test as of December 31, 2019.

We completed our IPO on February 6, 2017 at an initial public offering price that was below the expected range and since then our stock price at times has traded below the initial public offering price. While our market capitalization is currently in excess of the carrying value of our stockholders' equity, a significant decline in our stock price for an extended period of time could be considered an impairment indicator that would cause us to perform an interim impairment test that could result in additional impairments of goodwill or other intangible assets.

#### *Indefinite-lived Intangible Assets*

The impairment test for indefinite-lived intangible assets, such as indefinite-lived tradenames, generally requires a new determination of the fair value of the intangible asset using the relief-from-royalty method. This method estimates the amount of royalty expense that we would expect to incur if the assets were licensed from a third party. We use publicly available information in determining certain assumptions to assist us in estimating fair value using market participant assumptions. If the fair value of the intangible asset is less than its carrying value, the intangible asset is adjusted to its new estimated fair value, and an impairment loss is recognized. Significant assumptions used in estimating the fair value of indefinite-lived tradenames include: (1) the revenue growth rates; (2) the discount rates; and (3) the estimated royalty rates.

#### Long-Lived Assets and Finite-Lived Intangible Assets

We evaluate our long-lived assets, including property and equipment and finite-lived intangible assets, to determine whether events or changes in circumstances indicate that the remaining estimated useful lives of such assets may warrant revision or that their carrying values may not be fully recoverable.

Indicators of impairment include, but are not limited to:

- a significant deterioration of operating results;
- a change in regulatory environment;
- a significant change in the use of an asset, its physical condition, or a change in management's intended use of the asset;
- an adverse change in anticipated cash flows; or
- a significant decrease in the market price of an asset.

If an impairment indicator is present, we evaluate recoverability by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to result from the use and eventual disposition of the assets. If the assets are determined to be impaired, the impairment recognized is the excess of the carrying amount over the fair value of the assets. Fair value is generally determined by the discounted cash flow method. The discount rate used in any estimate of discounted cash flows is the rate commensurate with a similar investment of similar risk. We use judgment in determining whether a triggering event has occurred and in estimating future cash flows and fair value. Changes in our judgments could result in impairments in future periods.

We recorded impairment losses on long-lived assets for the years ended December 31, 2019, 2018 and 2017. See Note 9, Goodwill and Other Intangible Assets, in our consolidated financial statements included elsewhere in this Form 10-K for further details.

#### Deferred Costs

Deferred costs on the consolidated balance sheets consist primarily of direct costs associated with online course development, accreditation and costs to obtain a contract. Deferred costs associated with the development of online educational programs are capitalized after technological feasibility has been established. Deferred online course development costs are amortized to direct costs on a straight-line basis over the estimated period that the associated products are expected to generate revenues. Deferred online course development costs are evaluated on a quarterly basis through review of the corresponding course catalog. If a course is no longer listed or offered in the current course catalog, then the costs associated with its development are written off. As of December 31, 2019 and 2018, the unamortized balances of online course development costs were \$55.7 million and \$57.1 million, respectively. We defer direct and incremental third-party costs incurred for obtaining initial accreditation and for the renewal of accreditations. These accreditation costs are amortized to direct costs over the life of the accreditation on a straight-line basis. As of December 31, 2019 and 2018, the unamortized balances of accreditation costs were \$2.7 million and \$2.7 million, respectively.

Laureate also defers certain commissions and bonuses earned by third party agents and our employees that are considered incremental and recoverable costs of obtaining a contract with a customer. These costs are amortized over the period of benefit, which ranges from two to four years. As of December 31, 2019 and 2018, the unamortized balances of contract costs were \$11.6 million and \$7.0 million, respectively.

At December 31, 2019 and 2018, our total deferred costs were \$209.2 million and \$184.9 million, respectively, with accumulated amortization of \$(139.2) million and \$(118.0) million, respectively.

#### Income Taxes

We record the amount of income taxes payable or refundable for the current year, as well as deferred tax assets and liabilities for the expected future tax consequences of events that we have recognized in our consolidated financial statements or tax returns. We exercise judgment in assessing future profitability and the likely future tax consequences of these events.

#### *Deferred Taxes*

Estimates of deferred tax assets and liabilities are based on current tax laws, rates and interpretations, and, in certain cases, business plans and other expectations about future outcomes. We develop estimates of future profitability based upon historical data and experience, industry projections, forecasts of general economic conditions, and our own expectations. Our accounting for deferred tax consequences represents management's best estimate of future events that can be appropriately reflected in our accounting estimates. Changes in existing tax laws and rates, their related interpretations, as well as the uncertainty generated by the current economic environment, may impact the amounts of deferred tax liabilities or the valuations of deferred tax assets.

#### *Tax Contingencies*

We are subject to regular review and audit by both domestic and foreign tax authorities. We apply a more-likely-than-not threshold for tax positions, under which we must conclude that a tax position is more likely than not to be sustained in order for us to continue to recognize the benefit. This assumes that the position will be examined by the appropriate taxing authority and that full knowledge of all relevant information is available. In determining the provision for income taxes, judgment is used, reflecting estimates and assumptions, in applying the more-likely-than-not threshold. A change in the assessment of the outcome of a tax review or audit could materially adversely affect our consolidated financial statements.

See Note 16, Income Taxes, in our consolidated financial statements included elsewhere in this Form 10-K for details of our deferred taxes and tax contingencies.

#### *Indefinite Reinvestment of Foreign Earnings*

We earn a significant portion of our income from subsidiaries located in countries outside the United States. Except for one of our institutions in Peru, deferred tax liabilities have not been recognized for undistributed foreign earnings of continuing operations because management believes that the earnings will be indefinitely reinvested outside the United States under the Company's planned tax-neutral methods. ASC 740, "Income Taxes," requires that we evaluate our circumstances to determine whether or not there is sufficient evidence to support the assertion that we will reinvest undistributed foreign earnings indefinitely. Our assertion that earnings from our foreign operations will be indefinitely reinvested is supported by projected working capital and long-term capital plans in each foreign subsidiary location in which the earnings are generated. Additionally, we believe that we have the ability to indefinitely reinvest foreign earnings based on our domestic operation's cash repatriation strategies, projected cash flows, projected working capital and liquidity, and the expected availability of capital within the debt or equity markets. If our expectations change based on future developments, including as a result of the announcement on January 27, 2020 to explore strategic alternatives, such that some or all of the undistributed earnings of our foreign subsidiaries may be remitted to the United States in the foreseeable future, we will be required to recognize deferred tax expense and liabilities on those amounts.

#### Revenue Recognition

Laureate's revenues primarily consist of tuition and educational service revenues. We also generate other revenues from student fees, dormitory/residency fees and other education-related activities. These other revenues are less material to our overall financial results and have a tendency to trend with tuition revenues. Revenues are recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. These revenues are recognized net of scholarships and other discounts, refunds, waivers and the fair value of any guarantees made by Laureate related to student financing programs. For further description, see also Note 3, Revenue, in our consolidated financial statements included elsewhere in this Form 10-K.

### Allowance for Doubtful Accounts

Receivables are deemed to be uncollectible when they have been outstanding for two years, or earlier when collection efforts have ceased, at which time they are written off. Prior to that, we record an allowance for doubtful accounts to reduce our receivables to their net realizable value. Our allowance estimation methodology is based on the age of the receivables, the status of past-due amounts, historical collection trends, current economic conditions and student enrollment status. In the event that current collection trends differ from historical trends, an adjustment is made to the allowance account and bad debt expense.

### Derivatives

In the normal course of business, our operations have significant exposure to fluctuations in foreign currency values and interest rate changes. Accordingly, we mitigate a portion of these risks through a risk-management program that includes the use of derivative financial instruments (derivatives). Laureate selectively enters into foreign exchange forward contracts to reduce the earnings impact related to receivables and payables that are denominated in foreign currencies. In addition, in certain cases Laureate uses interest rate swaps to mitigate certain risks associated with floating-rate debt arrangements. We do not engage in speculative or leveraged transactions, nor do we hold or issue derivatives for trading purposes.

We report all derivatives on the consolidated balance sheets at fair value. The values are derived using valuation models commonly used for derivatives. These valuation models require a variety of inputs, including contractual terms, market prices, forward-price yield curves, notional quantities, measures of volatility and correlations of such inputs. Our fair value models incorporate the measurement of our own nonperformance risk into our calculations. Our derivatives expose us to credit risk to the extent that the counterparty may possibly fail to perform its contractual obligation when we are in a net gain position. As a result, our valuation models reflect measurements for counterparty credit risk. We also actively monitor counterparty credit ratings for any significant changes that could impact the nonperformance risk calculation for our fair value. We value derivatives using management's best estimate of inputs we believe market participants would use in pricing the asset or liability at the measurement date. Derivative and hedge accounting requires judgment in the use of estimates that are inherently uncertain and that may change in subsequent periods. External factors, such as economic conditions, will impact the inputs to the valuation model over time. The effect of changes in assumptions and estimates could materially impact our financial statements. See Note 15, Derivative Instruments, in our consolidated financial statements included elsewhere in this Form 10-K for details of our derivatives.

### Share-Based Compensation

We use the Black-Scholes-Merton option pricing model to calculate the fair value of stock options. This option valuation model requires the use of subjective assumptions, including the estimated fair value of the underlying common stock, the expected stock price volatility, and the expected term of the option. Prior to the IPO, the estimated fair value of the underlying common stock was based on third-party valuations. After our IPO, the estimated fair value of the underlying common stock is based on the closing price of our Class A common stock on the grant date. Because we have only been publicly traded since February 2017, our volatility estimates are based on an average of: (1) a peer group of companies and (2) Laureate's historical volatility. We estimate the expected term of awards to be the weighted average mid-point between the vesting date and the end of the contractual term. We use this method to estimate the expected term because we do not have sufficient historical exercise data.

We have granted restricted stock, restricted stock units, stock options, and performance awards for which the vesting is based on our annual performance metrics. For interim periods, we use our year-to-date actual results, financial forecasts, and other available information to estimate the probability of the award vesting based on the performance metrics. The related compensation expense recognized is affected by our estimates of the vesting probability of these performance awards. See Note 14, Share-based Compensation and Equity, in our consolidated financial statements included elsewhere in this Form 10-K for further discussion of these arrangements.

### **Recently Issued Accounting Standards**

Refer to Note 2, Significant Accounting Policies, in our consolidated financial statements included elsewhere in this Form 10-K for recently issued accounting standards.

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

We are exposed to market risk primarily from fluctuations in interest rates and foreign currency exchange rates. We may seek to control a portion of these risks through a risk-management program that includes the use of derivatives to reduce earnings and cash flow volatility associated with changes in interest rates and foreign currency exchange rates. As a policy, we do not engage in speculative or leveraged transactions, nor do we hold or issue derivatives for trading purposes.

### Interest Rate Risk

We are subject to risk from fluctuations in interest rates, primarily relating to our Senior Secured Credit Facility and certain local debt, which bear interest at variable rates. However, we mitigate this risk in part by entering into floating-to-fixed interest rate swap contracts in order to fix a portion of our floating-rate debt.

Based on our outstanding variable-rate debt as of December 31, 2019, an increase of 100 basis points in our weighted-average interest rate would result in an increase in interest expense of \$4.4 million on an annual basis.

See Note 15, Derivative Instruments, in our consolidated financial statements included elsewhere in this Form 10-K for further discussion of our derivatives.

### Foreign Currency Exchange Risk

We use the USD as our reporting currency. We derived approximately 81% of our revenues from students outside of the United States for the year ended December 31, 2019. Our business is transacted through a network of international and domestic subsidiaries, generally in the local currency, considered the functional currency for that subsidiary.

Our foreign currency exchange rate risk is related to the following items:

- Adjustments relating to the translation of our assets and liabilities from the subsidiaries' functional currencies to USD. These adjustments are recorded in accumulated other comprehensive income (loss) on our consolidated balance sheets.
- Gains and losses resulting from foreign currency exchange rate changes related to intercompany loans that are deemed to have the characteristics of a long-term investment. These gains and losses are recorded in accumulated other comprehensive income (loss) on our consolidated balance sheets.
- Gains and losses resulting from foreign currency exchange rate changes related to intercompany loans that are not deemed to have the characteristics of a long-term investment. These gains and losses are recorded in foreign currency exchange gain (loss) on our consolidated statements of operations.
- Gains and losses on foreign currency transactions. These gains and losses are recorded in foreign currency exchange gain (loss) on our consolidated statements of operations.

For the year ended December 31, 2019, a hypothetical 10% adverse change in average annual foreign currency exchange rates, excluding the impacts of our derivatives, would have decreased Operating income and Adjusted EBITDA by approximately \$24.7 million and \$63.2 million, respectively.

We monitor the impact of foreign currency movements related to differences between our subsidiaries' local currencies and the USD. Our U.S. debt facilities are primarily denominated in USD. We enter into foreign exchange forward contracts to protect the USD value of our assets and future cash flows, as well as to reduce the earnings impact of exchange rate fluctuations on receivables and payables denominated in currencies other than the functional currencies. See Note 15, Derivative Instruments, in our consolidated financial statements included elsewhere in this Form 10-K for additional discussion regarding our derivatives.

**Item 8. Financial Statements**

**Report of Management on Internal Control over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. We conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2019, based on the framework in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013. Based on our evaluation, we have concluded that our internal control over financial reporting was effective as of December 31, 2019.

The effectiveness of our internal control over financial reporting as of December 31, 2019, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Date: February 27, 2020

/s/ EILIF SERCK-HANSEN

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Eilif Serck-Hanssen

President and Chief Executive Officer

/s/ JEAN-JACQUES CHARHON

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Jean-Jacques Charhon

Executive Vice President and Chief Financial Officer

## **Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders of Laureate Education, Inc.

### ***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the accompanying consolidated balance sheets of Laureate Education, Inc. and its subsidiaries (the “Company”) as of December 31, 2019 and 2018, and the related consolidated statements of operations, of comprehensive income, of stockholders’ equity and of cash flows for each of the three years in the period ended December 31, 2019, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 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, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

### ***Change in Accounting Principle***

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019. The adoption of the accounting standard for leases is also discussed below as a critical audit matter.

### ***Basis for Opinions***

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

### ***Definition and Limitations of Internal Control over Financial Reporting***

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

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

#### **Critical Audit Matters**

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

#### *Goodwill and Indefinite-Lived Tradenames Impairment Assessments - Brazil Reporting Unit and the Tradename Associated with a Subsidiary in the Brazil Segment*

As described in Notes 2 and 9 to the consolidated financial statements, the Company's consolidated goodwill balance was \$1.7 billion and tradenames balance was \$1.1 billion as of December 31, 2019. The goodwill associated with the Brazil reporting unit was \$388 million, and a portion of the consolidated tradenames balance is associated with a subsidiary in the Brazil segment. Management performs annual impairment tests of non-amortizable intangible assets, which consist of goodwill and indefinite-lived tradenames, as of October 1st each year or on an interim basis if events or changes in circumstances between annual tests indicate that the assets may be impaired. Goodwill is impaired when the carrying amount of a reporting unit's goodwill exceeds its implied fair value. If management does not perform the qualitative assessment for a reporting unit or determines that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, a quantitative two-step fair value-based test is performed. In the first step, management estimates the fair value of each reporting unit utilizing a weighted combination of a discounted cash flow analysis that relies on historical data and internal estimates and a market multiples analysis. The impairment test for indefinite-lived intangible assets generally requires a new determination of the fair value of the intangible asset using the relief-from-royalty method. Significant assumptions used in estimating the fair value of each reporting unit include the revenue and profitability growth rates and the discount rate. Significant assumptions used in estimating the fair value of indefinite-lived tradenames include the revenue growth rates, the discount rates, and the estimated royalty rates.

The principal considerations for our determination that performing procedures relating to the goodwill impairment assessment of the Brazil reporting unit and the indefinite-lived tradename impairment assessment associated with a subsidiary in the Brazil segment is a critical audit matter are (i) there was a high degree of auditor judgment and subjectivity involved in performing procedures relating to the fair value measurement of the Brazil reporting unit and the tradename associated with a subsidiary in the Brazil segment due to the significant amount of judgment by management when developing these estimates; (ii) significant audit effort was necessary in performing procedures and evaluating audit evidence obtained relating to management's significant assumptions, including the revenue and profitability growth rates and the discount rate for the fair value of the Brazil reporting unit, and the revenue growth rates, the discount rate, and the estimated royalty rate for the fair value of the tradename associated with a subsidiary in the Brazil segment; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's goodwill and indefinite-lived tradenames impairment assessments, including controls over the valuation of the Brazil reporting unit and the tradename associated with a subsidiary in the Brazil segment. These procedures also included, among others, testing management's process for developing the fair value estimates; evaluating the appropriateness of the discounted cash flow analysis and relief-from-royalty method; testing the completeness, accuracy, and relevance of the underlying data used in the discounted cash flow analysis and relief-from-royalty method; and evaluating the reasonableness of significant assumptions used by management in the discounted cash flow analysis and relief-from-royalty method, including the revenue and profitability growth rates, the discount rate, and the estimated royalty rate. Evaluating management's assumptions related to the revenue and profitability growth rates and the estimated royalty rate involved evaluating whether the assumptions used by management were reasonable considering the current and past performance of the reporting unit, consistency with external market data, and whether the assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in the evaluation of the discount rate in the discounted cash flow analysis used by management for developing the fair value of the Brazil reporting unit and the discount rate and the estimated royalty rate used by management in the relief-from-royalty method for developing the fair value measurement of the tradename associated with a subsidiary in the Brazil segment.

*Adoption of the accounting standard on leases - Present value of operating lease payments*

As described above and in Notes 2 and 11 to the consolidated financial statements, the Company adopted the new accounting standard on leases on January 1, 2019 and, as a result, the Company's consolidated right-of-use assets, net and lease liabilities for operating leases were \$862 million and \$884 million, respectively, as of December 31, 2019. For operating leases, right-of-use assets and lease liabilities are recognized at the commencement date of the lease based on the estimated present value of lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, management uses an incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The significant assumption used in estimating the present value of the lease payments is the incremental borrowing rate.

The principal considerations for our determination that performing procedures relating to the present value of operating lease payments upon adoption of the accounting standard on leases is a critical audit matter are there was significant judgment by management when determining the estimated present value of lease payments, which in turn led to a high degree of auditor judgment and subjectivity in performing procedures to evaluate the incremental borrowing rate. In addition, the audit effort involved the use of professionals with specialized skill and knowledge to assist in the evaluation of the reasonableness of the incremental borrowing rate.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's adoption of the accounting standard on leases, including controls over the estimated present value of lease payments. These procedures also included, among others, testing the completeness, accuracy and relevance of the underlying data used in the estimated present value of lease payments; and evaluating the appropriateness of the incremental borrowing rate used by management. Professionals with specialized skill and knowledge were used to assist in the evaluation of the incremental borrowing rate by developing an independent reasonable range of the incremental borrowing rate based on the financial information used by management and evaluating whether management's estimate was within that reasonable range.

/s/ PricewaterhouseCoopers LLP

Baltimore, Maryland  
February 27, 2020

We have served as the Company's auditor since 2007, which includes periods before the Company became subject to SEC reporting requirements.

**LAUREATE EDUCATION, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Operations**  
**IN THOUSANDS, except per share amounts**

For the years ended December 31,	2019	2018	2017
<b>Revenues</b>	\$ 3,250,326	\$ 3,290,213	\$ 3,333,073
Costs and expenses:			
Direct costs	2,671,557	2,697,049	2,775,326
General and administrative expenses	252,179	299,264	315,471
Loss on impairment of assets	470	10,030	7,121
<b>Operating income</b>	326,120	283,870	235,155
Interest income	12,209	11,856	11,865
Interest expense	(167,331)	(235,214)	(334,900)
Loss on debt extinguishment	(28,267)	(7,481)	(8,392)
Gain on derivatives	7,277	88,292	28,656
Other income (expense), net	9,222	12,226	(1,892)
Foreign currency exchange (loss) gain, net	(27,081)	(32,564)	3,231
(Loss) gain on sales and disposals of subsidiaries, net	(37,751)	254	(10,490)
Income (loss) from continuing operations before income taxes and equity in net income (loss) of affiliates	94,398	121,239	(76,767)
Income tax (expense) benefit	(80,656)	(131,771)	92,989
Equity in net income (loss) of affiliates, net of tax	219	(2)	152
<b>Income (loss) from continuing operations</b>	13,961	(10,534)	16,374
Income from discontinued operations, net of tax expense of \$17,539 for 2019, \$48,771 for 2018 and \$26,176 for 2017	53,941	84,884	77,390
Gain on sales of discontinued operations, net, including tax benefit of \$33,472 for 2019, \$3,466 for 2018 and \$0 for 2017	869,762	296,580	—
<b>Net income</b>	937,664	370,930	93,764
Net loss (income) attributable to noncontrolling interests	820	(863)	(2,299)
<b>Net income attributable to Laureate Education, Inc.</b>	\$ 938,484	\$ 370,067	\$ 91,465
Accretion of Series A convertible redeemable preferred stock and other redeemable noncontrolling interests and equity	\$ (208)	\$ (62,825)	\$ (298,497)
Gain upon conversion of Series A convertible redeemable preferred stock	—	74,110	—
Net income (loss) available to common stockholders	\$ 938,276	\$ 381,352	\$ (207,032)
<b>Basic earnings (loss) per share:</b>			
Income (loss) from continuing operations	\$ 0.06	\$ —	\$ (1.64)
Income from discontinued operations	4.17	1.79	0.44
Basic earnings (loss) per share	\$ 4.23	\$ 1.79	\$ (1.20)
<b>Diluted earnings (loss) per share:</b>			
Income (loss) from continuing operations	\$ 0.06	\$ (0.06)	\$ (1.64)
Income from discontinued operations	4.16	1.79	0.44
Diluted earnings (loss) per share	\$ 4.22	\$ 1.73	\$ (1.20)

The accompanying notes are an integral part of these consolidated financial statements.

**LAUREATE EDUCATION, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income**  
**IN THOUSANDS**

For the years ended December 31,	2019	2018	2017
<b>Net income</b>	\$ 937,664	\$ 370,930	\$ 93,764
Other comprehensive income (loss):			
Foreign currency translation adjustment, net of tax of \$0 for all years	42,935	(200,006)	120,436
Unrealized (loss) gain on derivative instruments, net of tax of \$0 for all years	(7,950)	13,709	9,875
Minimum pension liability adjustment, net of tax of \$0, \$144 and \$105, respectively	3,596	(350)	(377)
Total other comprehensive income (loss)	38,581	(186,647)	129,934
<b>Comprehensive income</b>	976,245	184,283	223,698
Net comprehensive loss (income) attributable to noncontrolling interests	953	(1,355)	(4,570)
<b>Comprehensive income attributable to Laureate Education, Inc.</b>	\$ 977,198	\$ 182,928	\$ 219,128

*The accompanying notes are an integral part of these consolidated financial statements.*

**LAUREATE EDUCATION, INC. AND SUBSIDIARIES**  
**Consolidated Balance Sheets**  
**IN THOUSANDS, except per share amounts**

	December 31, 2019	December 31, 2018
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (includes VIE amounts of \$157,003 and \$158,387, see Note 2)	\$ 339,629	\$ 387,780
Restricted cash	186,921	195,792
Receivables:		
Accounts and notes receivable	432,910	373,855
Other receivables	18,350	11,357
Allowance for doubtful accounts	(190,785)	(159,931)
Receivables, net	260,475	225,281
Income tax receivable	22,416	18,515
Prepaid expenses and other current assets	49,686	52,079
Current assets held for sale	83,800	337,686
Total current assets (includes VIE amounts of \$346,125 and \$483,613, see Note 2)	942,927	1,217,133
Notes receivable, net	9,882	2,397
Property and equipment:		
Land	229,663	234,826
Buildings	662,376	645,177
Furniture, equipment and software	952,599	952,117
Leasehold improvements	329,011	356,660
Construction in-progress	57,393	60,919
Accumulated depreciation and amortization	(1,031,823)	(974,358)
Property and equipment, net	1,199,219	1,275,341
Operating lease right-of-use assets, net	861,878	—
Land use rights, net	1,628	1,552
Goodwill	1,701,495	1,707,089
Other intangible assets:		
Tradenames	1,119,454	1,126,244
Other intangible assets, net	1,431	25,429
Deferred costs, net	69,998	66,835
Deferred income taxes	125,417	136,487
Derivative instruments	—	3,259
Other assets	176,326	172,673
Long-term assets held for sale	305,973	1,035,197
Total assets (includes VIE amounts of \$948,632 and \$1,196,813, see Note 2)	\$ 6,515,628	\$ 6,769,636

*The accompanying notes are an integral part of these consolidated financial statements.*

**LAUREATE EDUCATION, INC. AND SUBSIDIARIES**  
**Consolidated Balance Sheets (continued)**  
**IN THOUSANDS, except per share amounts**

	December 31, 2019	December 31, 2018
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 119,523	\$ 65,357
Accrued expenses	214,808	222,162
Accrued compensation and benefits	182,080	194,678
Deferred revenue and student deposits	216,816	193,226
Current portion of operating leases	91,558	—
Current portion of long-term debt and finance leases	118,822	100,818
Current portion of due to shareholders of acquired companies	11,523	23,820
Income taxes payable	25,501	17,864
Derivative instruments	—	4,021
Other current liabilities	25,969	46,621
Current liabilities held for sale	64,204	321,520
Total current liabilities (includes VIE amounts of \$142,343 and \$207,977, see Note 2)	1,070,804	1,190,087
Long-term operating leases, less current portion	792,358	—
Long-term debt and finance leases, less current portion	1,260,317	2,593,094
Due to shareholders of acquired companies, less current portion	9,995	21,571
Deferred compensation	12,744	12,778
Income taxes payable	62,200	90,087
Deferred income taxes	218,378	217,558
Derivative instruments	—	6,656
Other long-term liabilities	147,472	213,600
Long-term liabilities held for sale	124,914	358,863
Total liabilities (includes VIE amounts of \$257,199 and \$274,744, see Note 2)	3,699,182	4,704,294
Redeemable noncontrolling interests and equity	12,295	14,396
Stockholders' equity:		
Preferred stock, par value \$0.001 per share – 49,889 shares authorized as of December 31, 2019 and December 31, 2018 respectively, no shares issued and outstanding as of December 31, 2019 and December 31, 2018	—	—
Class A common stock, par value \$0.004 per share – 700,000 shares authorized, 119,575 shares issued and outstanding as of December 31, 2019 and 107,450 shares issued and outstanding as of December 31, 2018	542	430
Class B common stock, par value \$0.004 per share – 175,000 shares authorized, 90,831 shares issued and outstanding as of December 31, 2019 and 116,865 shares issued and outstanding as of December 31, 2018	363	467
Additional paid-in capital	3,724,636	3,703,796
Retained earnings (accumulated deficit)	436,509	(530,919)
Accumulated other comprehensive loss	(1,073,981)	(1,112,695)
Treasury stock at cost (16,008 shares held at December 31, 2019 and 0 shares held at December 31, 2018)	(271,106)	—
Total Laureate Education, Inc. stockholders' equity	2,816,963	2,061,079
Noncontrolling interests	(12,812)	(10,133)
Total stockholders' equity	2,804,151	2,050,946
Total liabilities and stockholders' equity	\$ 6,515,628	\$ 6,769,636

The accompanying notes are an integral part of these consolidated financial statements.

**LAUREATE EDUCATION, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Stockholders' Equity**  
**IN THOUSANDS**

	Laureate Education, Inc. Stockholders											Total stockholders' equity	
	Class A Common Stock		Class B Common Stock		Common Stock		Additional paid-in capital	(Accumulated deficit) retained earnings	Accumulated other comprehensive income	Non-controlling interests			
	Shares	Amount	Shares	Amount	Shares	Amount							
Balance at December 31, 2016	—	\$ —	—	\$ —	133,376	\$ 534	2,721,432	\$ (1,037,701)	\$ (1,052,055)	\$ 32,182	\$ 664,392		
Non-cash stock compensation	—	—	—	—	—	—	64,788	—	—	—	—	64,788	
Reclassification of Common stock into Class B common stock on January 31, 2017	—	—	133,376	534	(133,376)	(534)	—	—	—	—	—	—	
Issuance of Class A common stock in initial public offering	35,000	140	—	—	—	—	456,219	—	—	—	—	456,359	
Conversion of Class B shares to Class A shares	1,229	5	(1,229)	(5)	—	—	—	—	—	—	—	—	
Note exchange transaction	18,683	75	—	—	—	—	245,672	—	—	—	—	245,747	
Vesting of restricted stock and restricted stock units, net of shares withheld to satisfy tax withholding	140	—	296	1	—	—	(2,152)	—	—	—	—	(2,151)	
Reclassification to equity upon expiration of put right on share-based awards	—	—	—	—	—	—	5,500	—	—	—	—	5,500	
Dividends to noncontrolling interests	—	—	—	—	—	—	(1,419)	—	—	—	—	(1,419)	
Distributions to noncontrolling interest holders	—	—	—	—	—	—	—	—	—	—	167	167	
Change in noncontrolling interests	—	—	—	—	—	—	(11,569)	—	(1,164)	(23,884)	—	(36,617)	
Accretion of redeemable noncontrolling interests and equity	—	—	—	—	—	—	(5,183)	—	—	—	—	(5,183)	
Accretion of Series A Preferred Stock	—	—	—	—	—	—	(292,450)	—	—	—	—	(292,450)	
Beneficial conversion feature for Series A Preferred Stock	—	—	—	—	—	—	265,368	—	—	—	—	265,368	
Reclassification of redeemable noncontrolling interests and equity	—	—	—	—	—	—	—	—	—	—	(917)	(917)	
Net income	—	—	—	—	—	—	—	91,465	—	—	2,299	93,764	
Foreign currency translation adjustment, net of tax of \$0	—	—	—	—	—	—	—	—	118,165	2,271	—	120,436	
Unrealized gain on derivatives, net of tax of \$0	—	—	—	—	—	—	—	—	9,875	—	—	9,875	
Minimum pension liability adjustment, net of tax of \$105	—	—	—	—	—	—	—	—	(377)	—	—	(377)	
Balance at December 31, 2017	55,052	\$ 220	132,443	\$ 530	—	\$ —	3,446,206	\$ (946,236)	\$ (925,556)	\$ 12,118	\$ 1,587,282		

The accompanying notes are an integral part of these consolidated financial statements.

**LAUREATE EDUCATION, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Stockholders' Equity (continued)**  
**IN THOUSANDS**

	Laureate Education, Inc. Stockholders										
	Class A Common Stock		Class B Common Stock		Additional paid-in capital	(Accumulated deficit) retained earnings	Accumulated other comprehensive (loss) income	Treasury stock at cost	Non-controlling interests		Total stockholders' equity
	Shares	Amount	Shares	Amount							
Balance at December 31, 2017	55,052	\$ 220	132,443	\$ 530	\$ 3,446,206	\$ (946,236)	\$ (925,556)	\$ —	\$ 12,118	\$ 1,587,282	
Adoption of accounting standards	—	—	—	—	—	45,250	—	—	—	—	45,250
Balance at January 1, 2018	55,052	220	132,443	530	3,446,206	(900,986)	(925,556)	—	12,118	1,632,532	
Non-cash stock compensation	—	—	—	—	10,791	—	—	—	—	—	10,791
Conversion of Class B shares to Class A shares	15,638	63	(15,638)	(63)	—	—	—	—	—	—	—
Vesting of restricted stock and restricted stock units, net of shares withheld to satisfy tax withholding	617	3	60	—	(2,531)	—	—	—	—	—	(2,528)
Distributions from noncontrolling interest holders	—	—	—	—	—	—	—	—	334	334	
Change in noncontrolling interests	—	—	—	—	(471)	—	—	—	(23,305)	(23,776)	
Accretion of redeemable noncontrolling interests and equity	—	—	—	—	(292)	—	—	—	—	—	(292)
Accretion of Series A Preferred Stock	—	—	—	—	(61,974)	—	—	—	—	—	(61,974)
Gain upon conversion of Series A Preferred Stock	—	—	—	—	74,110	—	—	—	—	—	74,110
Reclassification of Series A Preferred Stock upon conversion	36,143	144	—	—	237,957	—	—	—	—	—	238,101
Reclassification of redeemable noncontrolling interests and equity	—	—	—	—	—	—	—	—	(635)	(635)	
Net income	—	—	—	—	—	370,067	—	—	863	370,930	
Foreign currency translation adjustment, net of tax of \$0	—	—	—	—	—	—	(200,498)	—	492	(200,006)	
Unrealized gain on derivatives, net of tax of \$0	—	—	—	—	—	—	13,709	—	—	—	13,709
Minimum pension liability adjustment, net of tax of \$144	—	—	—	—	—	—	(350)	—	—	—	(350)
Balance at December 31, 2018	107,450	\$ 430	116,865	\$ 467	\$ 3,703,796	\$ (530,919)	\$ (1,112,695)	\$ —	\$ (10,133)	\$ 2,050,946	
Adoption of accounting standards	—	—	—	—	—	28,944	—	—	—	—	28,944
Balance at January 1, 2019	107,450	430	116,865	467	3,703,796	(501,975)	(1,112,695)	—	(10,133)	2,079,890	
Non-cash stock compensation	—	—	—	—	12,994	—	—	—	—	—	12,994
Conversion of Class B shares to Class A shares	26,034	104	(26,034)	(104)	—	—	—	—	—	—	—
Purchase of treasury stock at cost	(16,008)	—	—	—	—	—	—	(271,106)	—	—	(271,106)
Exercise of stock options and vesting of restricted stock and restricted stock units, net of shares withheld to satisfy tax withholding	2,099	8	—	—	11,754	—	—	—	—	—	11,762
Distributions to noncontrolling interest holders	—	—	—	—	—	—	—	—	(1,356)	(1,356)	
Change in noncontrolling interests	—	—	—	—	(3,700)	—	—	—	—	—	(3,700)
Accretion of redeemable noncontrolling interests and equity	—	—	—	—	(208)	—	—	—	—	—	(208)
Reclassification of redeemable noncontrolling interests and equity	—	—	—	—	—	—	—	—	(370)	(370)	
Net income	—	—	—	—	—	938,484	—	—	(820)	937,664	
Foreign currency translation adjustment, net of tax of \$0	—	—	—	—	—	—	43,068	—	(133)	42,935	
Unrealized loss on derivatives, net of tax of \$0	—	—	—	—	—	—	(7,950)	—	—	—	(7,950)
Minimum pension liability adjustment, net of tax of \$0	—	—	—	—	—	—	3,596	—	—	—	3,596
Balance at December 31, 2019	119,575	\$ 542	90,831	\$ 363	\$ 3,724,636	\$ 436,509	\$ (1,073,981)	\$ (271,106)	\$ (12,812)	\$ 2,804,151	

The accompanying notes are an integral part of these consolidated financial statements.

**LAUREATE EDUCATION, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows**  
**IN THOUSANDS**

For the years ended December 31,	2019	2018	2017
<b>Cash flows from operating activities</b>			
Net income	\$ 937,664	\$ 370,930	\$ 93,764
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	193,356	239,998	264,742
Amortization of operating lease right-of-use assets	122,673	—	—
Loss on impairment of assets	43,754	13,110	40,597
Gain on sales and disposal of subsidiaries and property and equipment, net	(796,333)	(292,108)	(5,837)
Gain on derivative instruments	(7,438)	(89,143)	(29,278)
(Payments for) proceeds from settlement of derivative contracts	(8,772)	14,117	—
Loss on debt extinguishment	28,752	7,481	8,392
Non-cash interest expense	3,535	15,408	49,582
Interest paid on deferred purchase price for acquisitions	(5,305)	(4,463)	(39,419)
Non-cash share-based compensation expense	12,994	10,791	64,788
Bad debt expense	100,829	112,440	124,308
Deferred income taxes	(29,813)	(7,474)	(164,785)
Unrealized foreign currency exchange loss	29,186	37,796	4,135
Non-cash loss (gain) from non-income tax contingencies	9,075	6,839	(2,883)
Other, net	(5,341)	(10,297)	3,463
Changes in operating assets and liabilities:			
Receivables	(163,202)	(83,316)	(129,335)
Prepaid expenses and other assets	(42,047)	(39,347)	(60,051)
Accounts payable and accrued expenses	5,574	(7,512)	(30,407)
Income tax receivable/payable, net	(36,220)	48,875	(10,695)
Deferred revenue and other liabilities	(53,152)	52,733	11,076
Net cash provided by operating activities	339,769	396,858	192,157
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	(155,641)	(238,046)	(274,063)
Expenditures for deferred costs	(17,701)	(19,866)	(19,717)
Receipts from sales of discontinued operations, net of cash sold, property and equipment and other	1,266,042	375,807	9,831
Settlement of derivatives related to sale of discontinued operations and net investment hedge	12,866	(9,960)	—
Proceeds from property insurance recoveries and corporate-owned life insurance	842	27,356	370
Business acquisitions, net of cash acquired	(1,205)	(17,019)	(835)
Payments from (to) related parties and investments in affiliates	84	(2,778)	(268)
Proceeds from sale of investment	11,473	—	—
Net cash provided by (used in) investing activities	1,116,760	115,494	(284,682)
<b>Cash flows from financing activities</b>			
Proceeds from issuance of long-term debt, net of original issue discount	1,123,179	485,470	2,898,836
Payments on long-term debt	(2,507,790)	(867,915)	(3,038,946)
Payments of deferred purchase price for acquisitions	(20,157)	(13,650)	(94,891)
Payments to purchase noncontrolling interests	(5,761)	(127)	(17,443)
Proceeds from issuance of convertible redeemable preferred stock, net of issuance costs	—	—	55,290
Payment of dividends on Series A Preferred Stock and to noncontrolling interests	—	(11,103)	(19,371)
Proceeds from initial public offering, net of issuance costs	—	—	456,359
Proceeds from exercise of stock options	14,007	—	—
Payments to repurchase common stock	(264,093)	—	—
Withholding of shares to satisfy tax withholding for vested stock awards and exercised stock options	(2,245)	(2,528)	(2,151)
Payments of debt issuance costs and redemption and call premiums for debt modification	(9,091)	(587)	(81,242)

Noncontrolling interest holder's loan to subsidiaries	—	—	943
Distributions (to) from noncontrolling interest holders	(2,026)	311	186
Net cash (used in) provided by financing activities	(1,673,977)	(410,129)	157,570
Effects of exchange rate changes on Cash and cash equivalents and Restricted cash	(7,338)	(13,481)	25,906
Change in cash included in current assets held for sale	167,764	(30,915)	(32,983)
Net change in Cash and cash equivalents and Restricted cash	(57,022)	57,827	57,968
Cash and cash equivalents and Restricted cash at beginning of period	583,572	525,745	467,777
Cash and cash equivalents and Restricted cash at end of period	\$ 526,550	\$ 583,572	\$ 525,745

*The accompanying notes are an integral part of these consolidated financial statements.*

**Laureate Education, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
(*Dollars and shares in thousands*)

## **Note 1. Description of Business**

Laureate Education, Inc. and subsidiaries (hereinafter Laureate, we, us, our, or the Company) provide higher education programs and services to students through an international portfolio of licensed universities and higher education institutions (institutions). Laureate's programs are provided through institutions that are campus-based and internet-based, or through electronically distributed educational programs (online). On October 1, 2015, we redomiciled in Delaware as a public benefit corporation as a demonstration of our long-term commitment to our mission to benefit our students and society. The Company completed its initial public offering (IPO) on February 6, 2017 and its shares are listed on the Nasdaq Global Select Market under the symbol "LAUR."

### *Discontinued Operations*

On August 9, 2018, the Company announced the divestiture of additional subsidiaries located in Europe, Asia and Central America, which are included in the Rest of World, Andean, and Central America & U.S. Campuses segments. Previously, the Company had announced the divestiture of certain subsidiaries in the Rest of World and Central America & U.S. Campuses segments. After completing all of these announced divestitures, the Company's remaining principal markets would be Brazil, Chile, Mexico and Peru, along with the Online & Partnerships segment and the institutions in Australia and New Zealand. This represented a strategic shift that had a major effect on the Company's operations and financial results. Accordingly, all of the divestitures that were part of this strategic shift, including the divestitures announced on August 9, 2018 and those announced previously, as well as the Company's operations in the Kingdom of Saudi Arabia that were managed under a contract that expired on August 31, 2019 and was not renewed, are accounted for as discontinued operations for all periods presented in accordance with Accounting Standards Codification (ASC) 205-20, "Discontinued Operations" (ASC 205). See Note 4, Discontinued Operations and Assets Held for Sale, for more information. Unless indicated otherwise, the information in the footnotes to the Consolidated Financial Statements relates to continuing operations.

### *Exploration of Strategic Alternatives*

As discussed in Note 25, Subsequent Events, on January 27, 2020, Laureate announced that its Board of Directors had authorized the Company to explore strategic alternatives for each of its businesses to unlock shareholder value. As part of this process, the Company will evaluate all potential options for its remaining businesses, including sales, spin-offs or business combinations. There can be no assurance as to the outcome of this process, including whether it will result in the completion of any transaction, as to the values that may be realized from any potential transaction or as to how long the review process will take.

## **Note 2. Significant Accounting Policies**

The preparation of the Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States (GAAP) requires our management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

### **Principles of Consolidation and Investments in Affiliates**

#### *General*

Our Consolidated Financial Statements include all accounts of Laureate, our majority-owned subsidiaries, and educational institutions that are part of our network and, although not owned by Laureate, are variable interest entities (VIEs) pursuant to ASC Topic 810-10, "Consolidation." As of December 31, 2019, the Laureate network includes five VIE institutions in three countries. Of these five institutions, four are included in continuing operations and one is a discontinued operation. Laureate has determined it is the "primary beneficiary" of these VIEs, as such term is defined in ASC 810-10-20, and has consolidated the financial results of operations, assets and liabilities, and cash flows of these VIEs in the Company's Consolidated Financial Statements. Intercompany accounts and transactions have been eliminated in consolidation.

## *Noncontrolling Interests*

A noncontrolling interest is the portion of a subsidiary that is not attributable to us either directly or indirectly. A noncontrolling interest can also be referred to as a minority interest. We recognize noncontrolling interest holders' share of equity and net income or loss separately in Noncontrolling interests in the Consolidated Balance Sheets and Net loss (income) attributable to noncontrolling interests in the Consolidated Statements of Operations. For the VIEs in our network, we generally do not recognize a noncontrolling interest. A noncontrolling interest is only recognized when a VIE's economics are shared with a third party (e.g., when the transferor of the control of the VIE retained a portion of the economics associated with it).

## *The Variable Interest Entity (VIE) Arrangements*

Laureate consolidates in its financial statements certain internationally based educational organizations that do not have shares or other equity ownership interests. Although these educational organizations may be considered not-for-profit entities in their home countries and they are operated in compliance with their respective not-for-profit legal regimes, we believe they do not meet the definition of a not-for-profit entity under GAAP, and therefore we treat them as "for-profit" entities for accounting purposes. These entities generally cannot declare dividends or distribute their net assets to the entities that control them.

Under ASC 810-10, "Consolidation," we have determined that these institutions are VIEs and that Laureate is the primary beneficiary of these VIEs because we have, as further described herein: (1) the power to direct the activities of the VIEs that most significantly affect their educational and economic performance and (2) the right to receive economic benefits from contractual and other arrangements with the VIEs that could potentially be significant to the VIEs. We account for the acquisition of the right to control a VIE in accordance with ASC 805, "Business Combinations."

As with all of our educational institutions, the VIE institutions' primary source of income is tuition fees paid by students, for which the students receive educational services and goods that are proportionate to the prices charged. Laureate maintains control of these VIEs through our rights to designate a majority of the governing entities' board members, through which we have the legal ability to direct the activities of the entities. Laureate maintains a variable interest in these VIEs through mutual contractual arrangements at market rates and terms that provide them with necessary products and services, and/or intellectual property, and has the ability to enter into additional such contractual arrangements at market rates and terms. We also have the ability to transfer our rights to govern these VIEs, or the entities that possess those rights, to other parties, which could yield a return if and when these rights are transferred.

We generally do not have legal entitlement to distribute the net assets of the VIEs. Generally, in the event of liquidation or the sale of the net assets of the VIEs, the net proceeds can only be transferred either to another VIE institution with similar purposes or to the government. In the unlikely case of liquidation or a sale of the net assets of the VIE, we may be able to retain the residual value by naming another Laureate-controlled VIE resident in the same jurisdiction as the recipient, if one exists; however, we generally cannot name a for-profit entity as the recipient. Moreover, because the institution generally would be required to provide for the continued education of its students, liquidation would not be a likely course of action and would be unlikely to result in significant residual assets available for distribution. However, we operate our VIEs as going concern enterprises, maintain control in perpetuity, and have the ability to provide additional contractual arrangements for educational and other services priced at up to market rates with Laureate-controlled service companies. Typically, we are not legally obligated to make additional investments in the VIE institutions.

Laureate for-profit entities provide necessary products and services, and/or intellectual property, to all institutions in the *Laureate International Universities* network, including the VIE institutions, through contractual arrangements at market rates and terms, which are accretive to Laureate. We periodically modify the rates we charge under these arrangements so that they are priced at or below fair market value and to add additional services. If it is determined that contractual arrangements with any institution are not on market terms, it could have an adverse regulatory impact on such institution. We believe that these arrangements improve the quality of the academic curriculum and the students' educational experience. There are currently four types of contractual arrangements: (i) intellectual property (IP) royalty arrangements; (ii) network fee arrangements; (iii) management service arrangements; and (iv) lease arrangements.

- (i) Under the IP royalty arrangements, institutions in the *Laureate International Universities* network pay to Laureate royalty payments for the use of Laureate's tradename and best practice policies and procedures.
- (ii) Institutions in the *Laureate International Universities* network gain access to other network resources, including academic content, support with curriculum design, online programs, professional development, student exchange and access to dual degree programs, through network fee arrangements whereby the institutions pay stipulated fees to Laureate for such access.

- (iii) Institutions in the *Laureate International Universities* network contract with Laureate and pay fees under management services agreements for the provision of support and managerial services including access to management, legal, tax, finance, accounting, treasury and other services, which in some cases Laureate provides through shared service arrangements in certain jurisdictions.
- (iv) Laureate for-profit entities own various campus real estate properties and have entered into long-term lease contracts with the respective institutions in the *Laureate International Universities* network, whereby they pay market-based rents for the use of the properties in the conduct of their educational operations.

Revenues recognized by Laureate's for-profit entities from these contractual arrangements with our consolidated VIEs, including those in continuing operations and discontinued operations, were \$39,005, \$100,227 and \$123,237 for the years ended December 31, 2019, 2018 and 2017, respectively. These revenues are eliminated in consolidation.

Under our accounting policy, we allocate all of the income or losses of these VIEs to Laureate unless there is a noncontrolling interest where the economics of the VIE are shared with a third party. The income or losses of these VIEs allocated to Laureate represent the earnings after deducting charges related to contractual arrangements with our for-profit entities as described above. We believe that the income remaining at the VIEs after these charges accretes value to our rights to control these entities.

Laureate's VIEs are generally exempt from income taxes. As a result, the VIEs generally do not record deferred tax assets or liabilities or recognize any income tax expense in the Consolidated Financial Statements. No deferred taxes are recognized by the for-profit service companies for the remaining income in these VIEs, as the legal status of these entities generally prevents them from declaring dividends or making distributions to their sponsors. However, these for-profit service companies record income taxes related to revenues from their contractual arrangements with these VIEs.

#### *Risks in relation to the VIEs*

We believe that all of the VIE institutions in the Laureate network are operated in full compliance with local law and that the contractual arrangements with the VIEs are legally enforceable; however, these VIEs are subject to regulation by various agencies based on the requirements of local jurisdictions. These agencies, as well as local legislative bodies, review and update laws and regulations as they deem necessary or appropriate. We cannot predict the form of any laws that may be enacted, or regulations that ultimately may be adopted in the future, or what effects they might have on our business, financial condition, results of operations and cash flows. If local laws or regulations were to change, if the VIEs were found to be in violation of existing local laws or regulations, or if the regulators were to question the financial sustainability of the VIEs and/or whether the contractual arrangements were at fair value, local government agencies could, among other actions:

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

Laureate's ability to conduct our business would be negatively affected if local governments were to carry out any of the aforementioned or other similar actions. In any such case, Laureate may no longer be able to consolidate the VIEs.

The VIEs in Brazil and Mexico include several not-for-profit foundations that had insignificant revenues and operating expenses. Selected Consolidated Statements of Operations information for VIEs that are included in continuing operations was as follows, net of the charges related to the above-described contractual arrangements:

<b>For the years ended December 31,</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Selected Statements of Operations information:</b>			
Revenues, by segment:			
Brazil	\$ —	\$ —	\$ 104
Mexico	57	94	—
Andean	435,648	441,294	418,019
Revenues	435,705	441,388	418,123
Depreciation and amortization	25,584	25,489	26,899
Operating income (loss), by segment:			
Brazil	20	(71)	(1)
Mexico	(333)	(489)	(876)
Andean	50,816	9,692	(4,858)
Operating income (loss)	50,503	9,132	(5,735)
Net income attributable to Laureate Education, Inc.	55,212	33,199	13,035

Included in 2018 and 2017 net income for the VIEs in the table above is non-operating investment income that was recorded by three of the Chilean institutions relating to investments that these institutions had in a for-profit, education-related real estate subsidiary of Laureate in Chile. This non-operating investment income, which eliminated in consolidation, totaled \$14,331 and \$11,696 for the years ended December 31, 2018 and 2017, respectively.

Income attributable to Laureate Education, Inc. related to VIEs that are included in discontinued operations totaled \$9,577, \$86,887 and \$30,145 for the years ended December 31, 2019, 2018 and 2017, respectively.

The following table reconciles the Net income attributable to Laureate Education, Inc. as presented in the table above, to the amounts in our Consolidated Statements of Operations:

<b>For the years ended December 31,</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Net income (loss) attributable to Laureate Education, Inc.:</b>			
Variable interest entities	\$ 55,212	\$ 33,199	\$ 13,035
Other operations including discontinued operations	840,755	503,149	513,205
Corporate and eliminations	42,517	(166,281)	(434,775)
Net income attributable to Laureate Education, Inc.	\$ 938,484	\$ 370,067	\$ 91,465

The following table presents selected assets and liabilities of the consolidated VIEs. Except for Goodwill, the assets in the table below include the assets that can be used only to settle the obligations for the VIEs. The liabilities in the table are liabilities for which the creditors of the VIEs do not have recourse to the general credit of Laureate.

	December 31, 2019		December 31, 2018	
	VIE	Consolidated	VIE	Consolidated
<b>Balance Sheets data:</b>				
Cash and cash equivalents	\$ 157,003	\$ 339,629	\$ 158,387	\$ 387,780
Current assets held for sale	16,050	83,800	183,880	337,686
Other current assets	173,072	519,498	141,346	491,667
Total current assets	346,125	942,927	483,613	1,217,133
Goodwill	159,957	1,701,495	168,473	1,707,089
Tradenames	61,691	1,119,454	66,929	1,126,244
Other intangible assets, net	—	1,431	—	25,429
Operating lease right-of-use assets, net	65,761	861,878	—	—
Long-term assets held for sale	52,519	305,973	165,087	1,035,197
Other long-term assets	262,579	1,582,470	312,711	1,658,544
Total assets	948,632	6,515,628	1,196,813	6,769,636
Current liabilities held for sale	11,741	64,204	101,320	321,520
Other current liabilities	130,602	1,006,600	106,657	868,567
Long-term operating leases, less current portion	56,571	792,358	—	—
Long-term liabilities held for sale	29,666	124,914	42,265	358,863
Long-term debt and other long-term liabilities	28,619	1,711,106	24,502	3,155,344
Total liabilities	257,199	3,699,182	274,744	4,704,294
Total stockholders' equity	691,433	2,804,151	922,069	2,050,946
Total stockholders' equity attributable to Laureate Education, Inc.	691,433	2,816,963	921,747	2,061,079

The amounts classified as held-for-sale assets and liabilities at December 31, 2019 in the table above relate to a VIE that is included in our Central America & U.S. Campuses segment. The amounts classified as held-for-sale assets and liabilities at December 31, 2018 in the table above relate to VIEs that were included in our Rest of World, Andean and Central America & U.S. Campuses segments. Refer to Note 4, Discontinued Operations and Assets Held for Sale, for further discussion. The VIEs' cash balances are generally required to be used only for the benefit of the operations of these VIEs.

#### Chile - Higher Education Law

On May 29, 2018, a new Higher Education Law (the New Law) was enacted. Among other things, the New Law prohibits conflicts of interests and related party transactions involving universities and their controlling parties, with certain exceptions. These exceptions include the provision of services that are educational in nature or essential for the university's purposes.

The New Law established a Superintendency of Higher Education, with authority to regulate institutions of higher education and promulgate regulations and procedures implementing the New Law. As of May 29, 2019, the New Law's provisions regarding related party transactions came into force and the Superintendent has since issued further interpretive guidance and regulations. Immediately prior to these provisions coming into force, each of the Chilean non-profit universities and the relevant Laureate services provider reached an agreement to terminate the prior network services agreement in favor of an open bidding process, wherein unrelated third parties and Laureate-related providers were invited to compete in the provision of the range of services that are essential to the fulfillment of each of their academic missions. Each of the Chilean non-profit universities has completed all of the bidding and contractual processes subsequent to the May 2019 contract terminations. The Company participated in these open bid processes, conducted by a third party, and was judged to have submitted the superior bid in many of them. Awarded contracts entered into force once the applicable university's board approved them or in January 2020, in the case of some of the educational services, due to the academic calendar. Within the ordinary regulatory course of supervision, the Company and the

Chilean non-profit universities will continue to interact with the Superintendent to maintain compliance with the New Law. We do not believe that the New Law will change our relationship with our two technical-vocational institutions in Chile that are for-profit entities. Additionally, we will continue to evaluate our accounting treatment of the Chilean non-profit universities to determine whether we can continue to consolidate them. Our continuing evaluation of the impact of the New Law may result in changes to our expectations due to changes in our interpretations of the law, assumptions used, and additional guidance that may be issued.

#### *Affiliates*

When Laureate exercises significant influence over an affiliated entity, but does not control the entity, we account for our investments using the equity method of accounting. Significant influence occurs generally through ownership, directly or indirectly, of at least 20% and up to 50% of the voting interests. Under the equity method of accounting, Laureate records the proportionate share of these investments in Other assets in the Consolidated Balance Sheets. Our proportionate share of income or loss related to these investments is recorded in Equity in net income (loss) of affiliates, net of tax, in the Consolidated Statements of Operations.

#### **Business Combinations**

Effective January 1, 2009, Laureate adopted the accounting guidance for business combinations as prescribed by ASC 805, "Business Combinations." When we complete a business combination, all tangible and identifiable intangible assets acquired and all liabilities assumed are recorded at fair value. Any excess purchase price is recorded as goodwill. Transaction costs associated with business combinations are expensed as incurred. If Laureate acquires less than 100% of an entity (a partial acquisition) and consolidates the entity upon acquisition, all assets and liabilities, including noncontrolling interests, are recorded at their estimated fair value. When a partial acquisition results in Laureate obtaining control of an entity, Laureate remeasures any previously existing investment in the entity at fair value and records a gain or loss. Partial acquisitions in which Laureate's control does not change are accounted for as equity transactions. Revenues and the results of operations of the acquired business are included in the accompanying Consolidated Financial Statements commencing on the date of acquisition.

Laureate accounts for acquired businesses using the acquisition method of accounting. Certain acquisitions require the payment of contingent amounts of purchase consideration if specified operating results are achieved in periods subsequent to the acquisition date. For acquisitions consummated on or after January 1, 2009, we record such contingent consideration at fair value on the acquisition date, with subsequent adjustments recognized in Direct costs in our Consolidated Statements of Operations. Cash payments of contingent consideration that are made soon after the consummation of a business combination are classified within investing activities. Cash payments of contingent consideration that are made later than that are classified within financing and operating activities. The portion of the cash payment up to the acquisition date fair value of the contingent consideration liability (including any measurement-period adjustments) will be classified as a financing outflow, and amounts paid in excess of the acquisition date fair value of that liability will be classified as an operating outflow.

Laureate generally obtains indemnification from the sellers of the higher education institutions upon acquisition for various contingent liabilities that may arise and are related to pre-acquisition events in order to protect itself from economic losses arising from such exposures. Prior to January 1, 2009, we did not record indemnification assets related to any liabilities recorded as part of the purchase price allocation. Instead, an indemnification asset was recorded when the seller was obligated to make a payment under the indemnification and the amount was determined to be reasonably assured of collection. In cases in which the contingent liability was extinguished for an amount less than originally established or the related statute of limitations lapses such that the contingent amount was no longer required to be paid, the remaining liability was reversed, and any difference between the liability's carrying value and settlement amount was recognized in our Consolidated Statements of Operations.

For acquisitions consummated on or after January 1, 2009, we recognize an indemnification asset at the same time and on the same basis as the related indemnified item, subject to any contractual limitations and to the extent that collection is reasonably assured, in accordance with ASC 805. When indemnified, subsequent changes in the indemnified item are offset by changes in the indemnification asset. We assess the realizability of the indemnification assets each reporting period. The Company records changes in uncertain income tax positions as a component of Income tax expense, while related changes to the indemnification asset are included in Operating income in the Consolidated Statements of Operations. Changes in the principal portion of non-income tax contingencies, as well as changes in any related indemnification asset, are included in Operating income.

#### **Redeemable Noncontrolling Interests and Equity**

In certain cases, Laureate initially purchases a majority ownership interest in a company and uses various put and call arrangements with the noncontrolling interest holders that require or enable us to purchase all or a portion of the remaining minority ownership

at a later date. The nature of these Minority Put Arrangements and our accounting for the redeemable noncontrolling interests are discussed below.

#### *Minority Put Arrangements*

Minority Put Arrangements give noncontrolling interest holders the right to require Laureate to purchase their shares (Put option). The Put option price is generally established by multiplying an agreed-upon earnings measurement of the acquired company by a negotiated factor within a specified time frame. The future earnings measurement is based on an agreed-upon set of rules that are not necessarily consistent with GAAP, which we refer to as “non-GAAP earnings.”

Laureate accounts for all of these Minority Put Arrangements as temporary equity in an account presented between liabilities and equity called Redeemable noncontrolling interests and equity on the Consolidated Balance Sheets. This classification is appropriate because the instruments are contingently redeemable based on events outside Laureate’s control. This accounting treatment is in accordance with ASC 480-10-S99, “Distinguishing Liabilities from Equity.”

Redeemable noncontrolling interests are accreted to their redemption value (Put value) over the period from the date of issuance to the first date on which the Put option is exercisable. In a computation of earnings per share, the accretion of redeemable noncontrolling interests to their redemption value would be a reduction of earnings available to common stockholders.

#### **Foreign Currency Translation and Transaction Gains and Losses**

The United States Dollar (USD) is the functional currency of Laureate and our subsidiaries operating in the United States. Our subsidiaries’ financial statements are maintained in their functional currencies. The functional currency of each of our foreign subsidiaries is the currency of the economic environment in which the subsidiary primarily does business. Our foreign subsidiaries’ financial statements are translated into USD using the exchange rates applicable to the dates of the financial statements. Assets and liabilities are translated into USD using the period-end spot foreign exchange rates. Income and expenses are translated at the weighted-average exchange rates in effect during the period. Equity accounts are translated at historical exchange rates. The effects of these translation adjustments are reported as a component of Accumulated other comprehensive income (loss) included in the Consolidated Statements of Stockholders’ Equity.

Laureate has certain intercompany loans that are deemed to have the characteristics of a long-term investment. That is, the settlement of the intercompany loan is not planned or anticipated in the foreseeable future. Transaction gains and losses related to these types of loans are recorded as a component of Accumulated other comprehensive income (loss) included in the Consolidated Statements of Stockholders’ Equity. Transaction gains and losses related to all other intercompany loans are included in Foreign currency exchange gain (loss), net in the Consolidated Statements of Operations.

For any transaction that is in a currency different from the entity’s functional currency, Laureate records a gain or loss based on the difference between the exchange rate at the transaction date and the exchange rate at the transaction settlement date (or rate at period end, if unsettled) as Foreign currency exchange gain (loss), net in the Consolidated Statements of Operations.

#### **Cash and Cash Equivalents**

Laureate considers all highly liquid investments that are purchased with an original maturity of three months or less to be cash equivalents.

#### **Restricted Cash**

Laureate’s United States institutions participate in the United States Department of Education (DOE) Title IV student financing assistance lending programs (Title IV programs). Restricted cash includes cash equivalents held to collateralize standby letters of credit in favor of the DOE. Letters of credit are required by the DOE in order to allow our United States institutions to participate in the Title IV program. In addition, Laureate may at times have restricted cash in escrow pending potential acquisition transactions, hold a United States deposit for a letter of credit in lieu of a surety bond, or otherwise have cash that is not immediately available for use in current operations.

#### **Financial Instruments**

Laureate’s financial instruments consist of cash and cash equivalents, restricted cash, accounts and notes receivable, other receivables, accounts payable, amounts due to shareholders of acquired companies, derivative instruments, debt, operating and

finance lease obligations, and redeemable noncontrolling interests and equity. The fair value of these financial instruments approximates their carrying amounts reported in the Consolidated Balance Sheets with the exception of debt, as discussed in Note 10, Debt. Additional information about fair value is provided in Note 21, Fair Value Measurement.

Our cash accounts are maintained with high-quality financial institutions with no significant concentration in any one institution. Our accounts receivable are not concentrated with any one significant customer. Our United States institutions participate in the DOE Title IV program and certain Chilean institutions in the Laureate network participate in a government-sponsored student financing program known as the Crédito con Aval del Estado, the CAE Program. In Brazil, our institutions participate in Fundo de Financiamento ao Estudante do Ensino Superior (FIES), a government-sponsored education subsidy program. During the course of the year, Laureate could have material receivables related to Title IV, the CAE Program and FIES.

#### **Accounts and Notes Receivable**

We recognize student receivables when an academic session begins, although students generally enroll in courses prior to the start of the academic session. Receivables are recognized only to the extent that it is probable that we will collect substantially all of the consideration to which we are entitled in exchange for the goods and services that will be transferred to the student.

Laureate offers long-term financing through note receivable agreements with students at certain of our institutions. These notes receivable generally are not collateralized. Non-interest bearing, long-term student receivables are recorded at present value using a discount rate approximating the unsecured borrowing rate for an individual. Differences between the present value and the principal amount of long-term student receivables are accreted through Interest income over their terms. Occasionally, certain of our institutions have sold certain long-term student receivables to local financial institutions without recourse. These transactions were deemed sales of receivables and the receivables were derecognized from our Consolidated Balance Sheets.

Certain Chilean institutions in the Laureate network also participate in the CAE Program. In this program, these institutions provide guarantees to third-party financing institutions for tuition loans made to qualifying students. Refer to Note 12, Commitments and Contingencies, for further discussion of this program.

#### **Allowance for Doubtful Accounts**

Receivables are deemed to be uncollectible when they have been outstanding for two years, or earlier when collection efforts have ceased, at which time they are written off. Prior to that, Laureate records an allowance for doubtful accounts to reduce our receivables to their net realizable value. Our allowance estimation methodology is based on the age of the receivables, the status of past-due amounts, historical collection trends, current economic conditions and student enrollment status. In the event that current collection trends differ from historical trends, an adjustment is made to the allowance account and bad debt expense.

The reconciliations of the beginning and ending balances of the Allowance for doubtful accounts were as follows:

<b>For the years ended December 31,</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Balance at beginning of period	\$ 163,670	\$ 178,392	\$ 165,713
Additions: charges to bad debt expense	94,290	102,877	109,342
Additions: charges to other accounts <sup>(a)</sup>	9,510	—	—
Deductions <sup>(b)</sup>	(73,312)	(117,599)	(96,663)
Balance at end of period	\$ 194,158	\$ 163,670	\$ 178,392

<sup>(a)</sup> Charges to other accounts includes reclassifications.

<sup>(b)</sup> Deductions includes accounts receivable written off against the allowance (net of recoveries), reclassifications, and foreign currency translation. The beginning and ending balances of the Allowance for doubtful accounts include the current portion, as shown on the face of Consolidated Balance Sheets, in addition to the noncurrent portion that is included in Notes receivable, net on the Consolidated Balance Sheets.

#### **Property and Equipment, and Leased Assets**

Property and equipment includes land, buildings, furniture, equipment, software, library books, leasehold improvements, and construction in-progress. We record property and equipment at cost less accumulated depreciation and amortization. Software that is developed for internal use is classified within the line item titled Furniture, equipment and software in our Consolidated Balance

Sheets. Repairs and maintenance costs are expensed as incurred. Assets under construction are recorded in Construction in-progress until they are available for use. Interest is capitalized as a component of the cost of projects during the construction period.

We conduct a significant portion of our operations at leased facilities. These facilities include our corporate headquarters, other office locations, and many of Laureate's higher education facilities. Laureate analyzes each lease agreement to determine whether it should be classified as a finance lease or an operating lease. For operating leases, right-of-use (ROU) assets and lease liabilities are recognized at the commencement date of the lease based on the estimated present value of lease payments over the lease term. For finance leases, we initially record the assets and lease liabilities at the present value of the future minimum lease payments. As most of the Company's leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The significant assumption used in estimating the present value of the lease payments is the incremental borrowing rate.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements, including structural improvements, are amortized using the straight-line method over the lesser of the estimated useful life of the asset or the lease term, including reasonably-assured renewals or purchase options that are considered likely to be exercised. Laureate includes the amortization of assets recorded under finance leases within depreciation expense. Assets under finance leases are typically amortized over the related lease term using the straight-line method. We recognize operating lease rent expense on a straight-line basis over the lease term.

Depreciation and amortization periods are as follows:

Buildings	10-50 years
Furniture, equipment and software	2-10 years
Leasehold improvements	2-25 years

### Land Use Rights

Certain of our institutions have obtained land use rights for certain time periods from government authorities. Land use rights allow us to use the land to build our campus facilities. Upon expiry of a land use right, it will either be renewed or the land will be returned to the government authority. Land use rights are stated at cost less accumulated amortization and any recognized impairment loss. Amortization is provided on a straight-line basis over the respective term of the land use right agreement, and is recorded as rent expense within Direct costs in our Consolidated Statements of Operations.

### Direct and Deferred Costs

Direct costs reported on the Consolidated Statements of Operations represent the cost of operations, including selling and administrative expenses, which are directly attributable to specific business units.

Deferred costs on the Consolidated Balance Sheets consist primarily of direct costs associated with online course development, accreditation and costs to obtain a contract. Deferred costs associated with the development of online educational programs are capitalized after technological feasibility has been established. Deferred online course development costs are amortized to Direct costs on a straight-line basis over the estimated period that the associated products are expected to generate revenues. Deferred online course development costs are evaluated on a quarterly basis through review of the corresponding course catalog. If a course is no longer listed or offered in the current course catalog, then the costs associated with its development are written off. As of December 31, 2019 and 2018, the unamortized balances of online course development costs were \$55,728 and \$57,065, respectively. Laureate defers direct and incremental third-party costs incurred for obtaining initial accreditation and for the renewal of accreditations. These accreditation costs are amortized to Direct costs over the life of the accreditation on a straight-line basis. As of December 31, 2019 and 2018, the unamortized balances of accreditation costs were \$2,697 and \$2,734, respectively. As discussed in Note 3, Revenue, Laureate also defers certain commissions and bonuses earned by third party agents and our employees that are considered incremental and recoverable costs of obtaining a contract with a customer. These costs are amortized over the period of benefit which ranges from two to four years. As of December 31, 2019 and 2018, the unamortized balances of contract costs were \$11,573 and \$7,036, respectively.

At December 31, 2019 and 2018, Laureate's total Deferred costs were \$209,163 and \$184,855, respectively, with accumulated amortization of \$(139,165) and \$(118,020), respectively.

## **Debt Issuance Costs**

Debt issuance costs were paid as a result of certain debt transactions and are presented as a deduction from debt. These debt issuance costs are amortized over the term of the associated debt instruments. The amortization expense is recognized as a component of Interest expense in the Consolidated Statements of Operations. As of December 31, 2019 and 2018, the unamortized balances of deferred financing costs were \$66,069 and \$88,241, respectively.

## **Goodwill, Other Intangible Assets and Long-lived Assets**

### *Goodwill*

Goodwill primarily represents the amounts paid by Wengen Alberta, Limited Partnership (Wengen), the Company's controlling stockholder, in excess of the fair value of the net assets acquired in the August 2007 leveraged buyout transaction (LBO) (see Note 9, Goodwill and Other Intangible Assets), plus the excess purchase price over fair value of net assets for businesses acquired after the LBO transaction.

Goodwill is evaluated annually as of October 1st each year for impairment at the reporting unit level, in accordance with ASC 350, "Intangibles - Goodwill and Other." We also evaluate goodwill for impairment on an interim basis if events or changes in circumstances between annual tests indicate that the asset may be impaired. Goodwill is impaired when the carrying amount of a reporting unit's goodwill exceeds its implied fair value. A reporting unit is defined as a component of an operating segment for which discrete financial information is available and regularly reviewed by management of the segment. We have not made material changes to the methodology used to assess impairment loss during the past three fiscal years.

We have the option of first performing a qualitative assessment (i.e., step zero) before calculating the fair value of the reporting unit (i.e., step one of the two-step fair value-based impairment test). If we determine on the basis of qualitative factors that the fair value of the reporting unit is more likely than not less than the carrying amount, the two-step impairment test is required.

If we do not perform the qualitative assessment for a reporting unit or determine that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, a quantitative two-step fair value-based test is performed. In the first step, we estimate the fair value of each reporting unit, utilizing a weighted combination of a discounted cash flow analysis and a market multiples analysis. If the recorded net assets of the reporting unit are less than the reporting unit's estimated fair value, then there is no goodwill deemed to be impaired. If the recorded net assets of the reporting unit exceed its estimated fair value, then goodwill is potentially impaired and we perform the second step. In the second step, we calculate the implied fair value of goodwill by deducting the estimated fair value of all tangible and identifiable intangible net assets of the reporting unit from the estimated fair value of the reporting unit. If the recorded amount of goodwill exceeds this implied fair value, the difference is recognized as a loss on impairment of assets in the consolidated statements of operations.

Our valuation approach utilizes a weighted combination of a discounted cash flow analysis and a market multiples analysis. The discounted cash flow analysis relies on historical data and internal estimates, which are developed as a part of our long-range plan process, and includes an estimate of terminal value based on these expected cash flows using the generally accepted Gordon Dividend Growth formula, which derives a valuation using an assumed perpetual annuity based on the reporting unit's residual cash flows. The discount rate is based on the generally accepted Weighted Average Cost of Capital methodology, and is derived using a cost of equity based on the generally accepted Capital Asset Pricing Model and a cost of debt based on the typical rate paid by market participants. The market multiples analysis utilizes multiples of business enterprise value to revenues, operating income and earnings before interest, taxes, depreciation and amortization of comparable publicly traded companies and multiples based on fair value transactions where public information is available. Significant assumptions used in estimating the fair value of each reporting unit include: (1) the revenue and profitability growth rates and (2) the discount rate.

### *Other Intangible Assets*

Other intangible assets on the Consolidated Balance Sheets include acquired indefinite-lived tradenames, which are valued using the relief-from-royalty method. This method estimates the amount of royalty expense that we would expect to incur if the assets were licensed from a third party. We use publicly available information in determining certain assumptions to assist us in estimating fair value using market participant assumptions. Any costs incurred to internally develop new tradenames are expensed as incurred. Accreditations are not considered a separate unit of account and their values are embedded in the cash flows generated by the institution, which are used to value its tradename. The Company does not believe accreditations have significant value on their own due to the fact that they are neither exclusive nor scarce, and the direct costs associated with obtaining accreditations are not material.

Indefinite-lived tradenames are evaluated annually as of October 1st each year for impairment as well as on an interim basis if events or changes in circumstances between annual tests indicate that the asset may be impaired. The impairment test for indefinite-lived intangible assets generally requires a new determination of the fair value of the intangible asset using the relief-from-royalty method. If the fair value of the intangible asset is less than its carrying value, the intangible asset is adjusted to its new estimated fair value, and an impairment loss is recognized. Significant assumptions used in estimating the fair value of indefinite-lived tradenames include: (1) the revenue growth rates; (2) the discount rates; and (3) the estimated royalty rates.

Other intangible assets on the Consolidated Balance Sheets also include intangible assets with finite useful lives such as acquired student rosters and non-compete agreements. We use the income approach to establish the asset values of these intangible assets. The cost of finite-lived intangible assets is amortized on a straight-line basis over the intangible assets' estimated useful lives.

#### *Long-lived Assets*

Long-lived assets, including finite-lived intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be fully recoverable. These events or changes in circumstances may include, but are not limited to, a significant deterioration of operating results, a change in regulatory environment, changes in business plans, or adverse changes in anticipated future cash flows. If an impairment indicator is present, we evaluate recoverability by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to result from the use and eventual disposition of the assets. If the assets are determined to be impaired, the impairment recognized is the excess of the carrying amount over the fair value of the assets. Fair value is generally determined by the discounted cash flow method. The discount rate used in any estimate of discounted cash flows is the rate commensurate with a similar investment of similar risk.

#### **Derivative Instruments**

In the normal course of business, our operations have significant exposure to fluctuations in foreign currency values and interest rate changes. Accordingly, Laureate mitigates a portion of these risks through a risk-management program that includes the use of derivative financial instruments (derivatives). Laureate selectively enters into foreign exchange forward contracts to reduce the earnings impact related to receivables and payables that are denominated in foreign currencies. In addition, in certain cases Laureate uses interest rate swaps to mitigate certain risks associated with floating-rate debt arrangements. We do not engage in speculative or leveraged transactions, nor do we hold or issue derivatives for trading purposes. Laureate reports all derivatives on our Consolidated Balance Sheets at fair value, including any identified embedded derivatives. Realized and unrealized gains and/or losses resulting from derivatives are recognized in our Consolidated Statements of Operations, unless designated and effective as a hedge.

For derivatives that are both designated and effective as cash flow hedges, gains or losses associated with the change in fair value of the derivatives are recognized on our Consolidated Balance Sheets as a component of Accumulated other comprehensive income (loss) and amortized over the term of the related hedged items. For derivatives that are both designated and effective as net investment hedges, gains or losses associated with the change in fair value of the derivatives are recognized on our Consolidated Balance Sheets as a component of Accumulated other comprehensive income (loss).

#### **Revenue Recognition**

Laureate's revenues primarily consist of tuition and educational service revenues. We also generate other revenues from student fees, dormitory/residency fees and other education-related activities. These other revenues are less material to our overall financial results and have a tendency to trend with tuition revenues. Revenues are recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. These revenues are recognized net of scholarships and other discounts, refunds, waivers and the fair value of any guarantees made by Laureate related to student financing programs. For further description, see Note 3, Revenue.

#### **Advertising**

Laureate expenses advertising costs as incurred. Advertising expenses were \$227,399, \$232,282 and \$222,679 for the years ended December 31, 2019, 2018 and 2017, respectively, and are recorded in Direct costs in our Consolidated Statements of Operations.

## **Share-based Compensation**

Share-based compensation expense is based on the grant-date fair value estimated in accordance with the provisions of ASC 718, "Compensation – Stock Compensation." Laureate recognizes share-based compensation expense, less estimated forfeitures, on a straight-line basis over the requisite service period for time based awards and graded vesting basis for performance-based awards. Laureate estimates forfeitures based on historical activity, expected employee turnover, and other qualitative factors which are adjusted for changes in estimates and award vesting. All expenses for an award will be recognized by the time it becomes fully vested.

We use the Black-Scholes-Merton option pricing model to calculate the fair value of stock options. This option valuation model requires the use of subjective assumptions, including the estimated fair value of the underlying common stock, the expected stock price volatility, and the expected term of the option. Prior to the IPO, the estimated fair value of the underlying common stock was based on third-party valuations. After our IPO, the estimated fair value of the underlying common stock is based on the closing price of our Class A common stock on the grant date. Because we have only been publicly traded since February 2017, our volatility estimates are based on an average of: (1) a peer group of companies and (2) Laureate's historical volatility. We estimate the expected term of awards to be the weighted average mid-point between the vesting date and the end of the contractual term. We use this method to estimate the expected term because we do not have sufficient historical exercise data.

Laureate has granted restricted stock, restricted stock units, stock options, and performance awards for which the vesting is based on annual performance metrics of the Company. For interim periods, we use our year-to-date actual results, financial forecasts, and other available information to estimate the probability of the award vesting based on the performance metrics. The related compensation expense recognized is affected by our estimates of the vesting probability of these performance awards. In one case, Laureate granted a small number of restricted stock units where vesting is based on the fulfillment of both a service condition and a market condition; a Monte Carlo simulation method was used to estimate the grant date fair value of these awards.

## **Income Taxes**

Laureate records the amount of taxes payable or refundable for the current year. Deferred income tax assets and liabilities are recorded with respect to temporary differences in the accounting treatment of items for GAAP financial reporting purposes and for income tax purposes. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period in which the new rate is enacted. Where, based on the weight of all available evidence, it is more likely than not that some portion of recorded deferred tax assets will not be realized, a valuation allowance is established for the amount that, in management's judgment, is sufficient to reduce the deferred tax asset to an amount that is more likely than not to be realized.

A tax position must meet a minimum probability threshold before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position and having full knowledge of all relevant information.

We earn a significant portion of our income from subsidiaries located in countries outside the United States. For all continuing operations except one institution in Peru, deferred tax liabilities have not been recognized for undistributed foreign earnings because management believes that the earnings will be indefinitely reinvested outside the United States under the Company's planned tax neutral methods. Our assertion that earnings from our foreign operations will be indefinitely reinvested is supported by projected working capital and long-term capital plans in each foreign subsidiary location in which the earnings are generated. Additionally, we believe that we have the ability to indefinitely reinvest foreign earnings based on our domestic operation's cash repatriation strategies, projected cash flows, projected working capital and liquidity, and the expected availability of capital within the debt or equity markets. If our expectations change based on future developments, including as a result of the announcement on January 27, 2020 to explore strategic alternatives, such that some or all of the undistributed earnings of our foreign subsidiaries may be remitted to the United States in the foreseeable future, we will be required to recognize deferred tax expense and liabilities on those amounts. For Peru, we have recognized deferred tax liabilities of approximately \$2,500 for the portion of the undistributed foreign earnings that are not expected to be indefinitely reinvested outside the United States.

For additional information regarding income taxes and deferred tax assets and liabilities, see Note 16, Income Taxes.

## **Contingencies**

Laureate accrues for contingent obligations when it is probable that a liability has been incurred and the amount or range of amounts

is reasonably estimable. As new facts become known to management, the assumptions related to a contingency are reviewed and adjustments are made, as necessary. Any legal costs incurred related to contingencies are expensed as incurred.

### **Recently Issued Accounting Standards Not Yet Adopted**

#### *Accounting Standards Update (ASU) No. 2016-13 (ASU 2016-13), Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*

In June 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-13, which sets forth a “current expected credit loss” (CECL) model and requires companies to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable supportable forecasts. ASU 2016-13 applies to financial instruments that are not measured at fair value, including receivables that result from revenue transactions. This ASU is effective for Laureate beginning on January 1, 2020. We do not expect this guidance to have a material impact on our Consolidated Financial Statements.

#### *ASU No. 2017-04 (ASU 2017-04), Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*

In January 2017, the FASB issued ASU 2017-04 in order to simplify the test for goodwill impairment by eliminating Step 2, which measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. Under the amendments in this ASU, an entity should perform its annual goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. However, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. This ASU is effective for Laureate beginning on January 1, 2020 and we do not expect the adoption of this guidance to have a material impact on our Consolidated Financial Statements. The Company's next annual goodwill impairment test will occur as of October 1, 2020.

### **Recently Adopted Accounting Standards**

#### *ASU No. 2017-12 (ASU 2017-12), Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*

On August 28, 2017, the FASB issued ASU 2017-12, which contains significant amendments to the hedge accounting model. The new guidance is intended to simplify the application of hedge accounting and should allow for more hedging strategies to qualify for hedge accounting. ASU 2017-12 also amends the presentation and disclosure requirements and changes how companies assess effectiveness. Public business entities like Laureate will have until the end of the first quarter in which a hedge is designated to perform an initial assessment of a hedge's effectiveness. After initial qualification, the new guidance permits a qualitative effectiveness assessment for certain hedges instead of a quantitative test, such as a regression analysis, if the company can reasonably support an expectation of high effectiveness throughout the term of the hedge. An initial quantitative test to establish that the hedge relationship is highly effective is still required. We adopted this ASU on January 1, 2019 and the impact was not material.

#### *ASU No. 2016-02 (ASU 2016-02), Leases (Topic 842)*

On February 25, 2016, the FASB issued ASU 2016-02, which requires lessees to recognize on their balance sheet a right-of-use (ROU) asset and a lease liability for virtually all of their leases (other than leases that meet the definition of a short-term lease). The liability is equal to the present value of the lease payments. The asset is based on the liability, subject to adjustment, such as for initial direct costs and uneven rent payments. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating or finance. Operating leases result in straight-line expense (similar to operating leases prior to adoption of ASU 2016-02) while finance leases result in a front-loaded expense pattern (similar to capital leases prior to adoption of ASU 2016-02).

Laureate adopted ASU 2016-02 as of January 1, 2019 under a modified retrospective method. The standard provided companies with an additional, optional transition method that allowed entities to prospectively apply the requirements by recognizing a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. We elected this optional transition method. In accordance with ASC Topic 842 we also elected the package of practical expedients, which permits us to not reassess: (1) whether any expired or existing contracts are or contain leases; (2) the lease classification for any expired or existing leases; and (3) any initial direct costs for any existing leases as of the effective date. We did not elect the hindsight practical expedient, which permits entities to use hindsight in determining the lease term and assessing impairment. We elected the practical expedient to combine our lease and related nonlease components for our building leases.

Adopting ASU 2016-02 had a material impact on our Consolidated Balance Sheet as we recorded significant asset and liability balances in connection with our leased properties. The most significant impacts to our Consolidated Financial Statements of adopting this standard are as follows:

- The recognition of ROU assets, net, and lease liabilities for operating leases, which totaled \$861,878 and \$883,916, respectively, as of December 31, 2019;
- An increase in 2019 rent expense of approximately \$13,000 for continuing operations primarily related to build-to-suit arrangements where Laureate was deemed to be the owner of the construction. Upon adoption of this standard, these arrangements were classified on the balance sheet as operating leases and the related ROU asset is being amortized to rent expense rather than depreciation expense; and
- A cumulative-effect adjustment to retained earnings upon adoption of \$28,944, which is primarily attributable to the reclassification into retained earnings of deferred gain liabilities related to sale-leaseback transactions that were classified as operating leases upon adoption.

*ASU No. 2018-15 (ASU 2018-15), Intangibles-Goodwill and Other- Internal-Use Software (Subtopic 350-40)*

In August 2018, the FASB issued ASU 2018-15, which addresses the accounting for implementation costs associated with a hosted service. The standard provides amendments to align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). Laureate elected to early adopt ASU 2018-15 on January 1, 2019. The adoption did not have a material effect on our Consolidated Financial Statements.

## Note 3. Revenue

### Revenue Recognition

Laureate's revenues primarily consist of tuition and educational service revenues. We also generate other revenues from student fees, dormitory/residency fees and other education-related activities. These other revenues are less material to our overall financial results and have a tendency to trend with tuition revenues. Revenues are recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. These revenues are recognized net of scholarships and other discounts, refunds, waivers and the fair value of any guarantees made by Laureate related to student financing programs. Laureate's institutions have various billing and academic cycles.

We adopted ASC Topic 606, "Revenue from Contracts with Customers" (Topic 606) as of January 1, 2018 using the modified retrospective transition method and elected to apply the standard only to contracts that were not completed as of that date. We recorded a net increase to opening retained earnings of approximately \$1,400 as of January 1, 2018 due to the cumulative impact of adopting Topic 606, with the impact primarily related to the deferral of costs to obtain a contract which were previously expenses as incurred. Results for reporting periods beginning after January 1, 2018 are presented under ASC Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with the Company's historic accounting under ASC Topic 605.

We determine revenue recognition through the five-step model prescribed by Topic 606, as follows:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, we satisfy a performance obligation.

We assess collectibility on a portfolio basis prior to recording revenue. Generally, students cannot re-enroll for the next academic session without satisfactory resolution of any past-due amounts. If a student withdraws from an institution, Laureate's obligation to issue a refund depends on the refund policy at that institution and the timing of the student's withdrawal. Generally, our refund obligations are reduced over the course of the academic term. We record refunds as a reduction of deferred revenue as applicable.

The following table shows the components of Revenues by reportable segment and as a percentage of total net revenue for the years ended December 31, 2019 and 2018:

	Brazil	Mexico	Andean	Rest of World	Online & Partnerships	Corporate <sup>(1)</sup>	Total
<b>2019</b>							
Tuition and educational services	\$ 997,130	\$ 715,817	\$ 1,242,508	\$ 201,806	\$ 707,963	\$ —	\$ 3,865,224 119 %
Other	9,935	101,224	87,479	7,934	50,157	5,069	261,798 8 %
Gross revenue	1,007,065	817,041	1,329,987	209,740	758,120	5,069	4,127,022 127 %
Less: Discounts / waivers / scholarships	(428,616)	(164,195)	(140,286)	(19,604)	(123,995)	—	(876,696) (27)%
Total	\$ 578,449	\$ 652,846	\$ 1,189,701	\$ 190,136	\$ 634,125	\$ 5,069	\$ 3,250,326 100 %
<b>2018</b>							
Tuition and educational services	\$ 1,024,019	\$ 701,223	\$ 1,202,944	\$ 186,049	\$ 723,648	\$ —	\$ 3,837,883 117 %
Other	11,585	99,015	85,519	8,725	54,499	(8,133)	251,210 7 %
Gross revenue	1,035,604	800,238	1,288,463	194,774	778,147	(8,133)	4,089,093 124 %
Less: Discounts / waivers / scholarships	(381,304)	(154,104)	(132,772)	(16,779)	(113,921)	—	(798,880) (24)%
Total	\$ 654,300	\$ 646,134	\$ 1,155,691	\$ 177,995	\$ 664,226	\$ (8,133)	\$ 3,290,213 100 %

<sup>(1)</sup> Includes the elimination of intersegment revenues.

### Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of accounting in Topic 606. A contract's transaction price is allocated to each performance obligation identified in the arrangement based on the relative standalone selling price of each distinct good or service in the contract and recognized as revenue when, or as, the performance obligation is satisfied. The primary method used to estimate standalone selling price is the adjusted market assessment approach, under which we evaluate the market and estimate the price that a customer would be willing to pay for the goods and services we provide.

Our performance obligations are primarily satisfied over time during the course of an academic semester or academic year. Laureate's transaction price is determined based on gross price, net of scholarships and other discounts, refunds, waivers and the fair value of any guarantees made by Laureate related to student financing programs. The majority of our revenue is derived from tuition and educational services agreements with students, and thus, is recognized over time on a weekly straight-line basis over each academic session. We view the knowledge gained by the student as the benefit which the student receives during the academic sessions. We use the output method to recognize tuition and educational services revenue as this method faithfully depicts our performance toward complete satisfaction of the performance obligation. Dormitory/residency revenues, which are included in the Other line item in the table above, are recognized over time throughout the occupancy period using the output method based on the proportional period of time elapsed which faithfully depicts our performance toward complete satisfaction of the performance obligation.

We have elected the optional exemption to not disclose amounts where the performance obligation is part of a contract that has an original expected duration of one year or less. We expect to recognize substantially all revenue on these remaining performance obligations over the next 12 months.

### Contract Balances

The timing of billings, cash collections and revenue recognition results in accounts receivable (contract assets) and deferred revenue and student deposits (contract liabilities) on the Consolidated Balance Sheets. We have various billing and academic cycles and recognize student receivables when an academic session begins, although students generally enroll in courses prior to the start of the academic session. Receivables are recognized only to the extent that it is probable that we will collect substantially all of the consideration to which we are entitled in exchange for the goods and services that will be transferred to the student. We receive advance payments or deposits from our students before revenue is recognized, which are recorded as contract liabilities in deferred revenue and student deposits. Payment terms vary by university with some universities requiring payment in advance of the academic session and other universities allowing students to pay in installments over the term of the academic session.

All of our contract assets are considered accounts receivable and are included within the Accounts and notes receivable balance in the accompanying Consolidated Balance Sheets. Total accounts receivable from our contracts with students were \$432,910 and \$373,855 as of December 31, 2019 and 2018, respectively. All contract asset amounts are classified as current. Contract liabilities in the amount of \$216,816 and \$193,226 were included within the Deferred revenue and student deposits balance in the current liabilities section of the accompanying Consolidated Balance Sheets as of December 31, 2019 and 2018, respectively. Substantially all of the contract liability balance at the beginning of the year was recognized into revenue during the year ended December 31, 2019.

#### **Costs to Obtain a Contract**

Certain commissions and bonuses earned by third party agents and our employees are considered incremental and recoverable costs of obtaining a contract with a customer. These costs are deferred and then amortized over the period of benefit which ranges from two to four years. We determined the expected period of benefit, by university, as the expected student enrollment period. As of December 31, 2019 and 2018, the asset balances were approximately \$23,900 and \$11,500, respectively, and the accumulated amortization balances were approximately \$12,300 and \$4,400, respectively, both of which are included in Deferred costs, net, in the accompanying Consolidated Balance Sheets. The associated operating costs of approximately \$10,200 and \$4,400, respectively, were recorded in Direct costs in the accompanying Consolidated Statement of Operations for the years ended December 31, 2019 and 2018. We also pay certain commissions and bonuses where the period of benefit is one year or less. We have elected the practical expedient available in ASC 340-40 whereby any incremental costs of obtaining a contract are recognized as an expense when incurred if the amortization period of the asset that would have been recognized is one year or less.

#### **Practical Expedients and Optional Exemptions**

We elected to adopt this standard using the modified retrospective approach with the cumulative effect of adoption recognized at the initial date of application. We have elected to apply the standard only to contracts that are not completed at the initial date of application.

As noted above, we recognize the incremental costs of obtaining a contract with a student as an expense when incurred in instances where the amortization period of the asset that we would have recognized is one year or less.

We have made an accounting policy election to exclude from the measurement of the transaction price all taxes assessed by governmental authorities that are both imposed on and concurrent with specific revenue-producing transactions and collected by the entity from our customers (e.g., sales, use, value added and excise taxes).

## Note 4. Discontinued Operations and Assets Held for Sale

As discussed in Note 1, Description of Business, on August 9, 2018, the Company announced that it planned to focus on its principal markets and would divest certain of its other markets. The principal markets that would remain (the Continuing Operations) included Brazil, Chile, Mexico and Peru, along with the Online & Partnerships segment and the institutions in Australia and New Zealand. At the time of the announcement on August 9, 2018, the markets being divested by sale (the Discontinued Operations) included the institutions in Portugal and Spain, which were part of the Andean segment, all remaining institutions in the Central America & U.S. Campuses segment, and all remaining institutions in the Rest of World segment, except for Australia, New Zealand and the managed institutions in the Kingdom of Saudi Arabia and China. The institutions in the Kingdom of Saudi Arabia were managed under a contract that expired at the end of August 2019 and was not renewed. Accordingly, these institutions were disposed of other than by sale on August 31, 2019 and, beginning in the third quarter of 2019, have been included in Discontinued Operations for all periods presented. As of December 31, 2019, one VIE institution in Honduras is included in the Discontinued Operations.

The goal of the divestitures was to create a more focused and simplified business model and generate proceeds to be used for further repayment of long-term debt. As described in Note 6, Dispositions and Asset Sales, and Note 25, Subsequent Events, a number of sale transactions closed during 2018, 2019 and 2020. The timing and ability to complete any of the remaining transactions is uncertain and will be subject to market and other conditions, which may include regulatory approvals and consents of third parties.

Summarized operating results of the Discontinued Operations are presented in the following table:

For the year ended December 31,	2019	2018	2017
Revenues	\$ 501,739	\$ 929,681	\$ 1,044,917
Depreciation and amortization	1,185	29,188	63,609
Share-based compensation expense	333	1,053	2,944
Other direct costs	390,778	740,873	823,256
Loss on impairment of assets	43,284	3,080	33,476
Operating income	66,159	155,487	121,632
Other non-operating income (expense)	5,321	(21,832)	(18,066)
Pretax income of discontinued operations	71,480	133,655	103,566
Income tax expense	(17,539)	(48,771)	(26,176)
Income from discontinued operations, net of tax	\$ 53,941	\$ 84,884	\$ 77,390
Operating cash flows of discontinued operations	\$ 40,224	\$ 169,248	\$ 122,907
Investing cash flows of discontinued operations	\$ (23,646)	\$ (72,636)	\$ (75,776)
Financing cash flows of discontinued operations	\$ (53,952)	\$ (20,825)	\$ (81,507)

### 2019 Loss on Impairment of Assets

Of the total impairment loss of \$43,284, approximately \$25,000 relates to an impairment of long-lived assets at the Costa Rica institutions that was recorded during the third quarter of 2019, in order to write down the carrying value of those assets to their estimated fair value, per ASC 360-10. As discussed in Note 25, Subsequent Events, the Costa Rica institutions were sold on January 10, 2020. The remaining impairment loss primarily relates to an impairment of long-lived assets at our Honduras institution that was recorded during the fourth quarter of 2019, in order to write down the carrying value of those assets to their estimated fair value.

### 2018 Loss on Impairment of Assets

In connection with our goodwill impairment testing in the fourth quarter of 2018, we wrote off the remaining goodwill balance of \$3,080 associated with our operations in the Kingdom of Saudi Arabia, which are now included in Discontinued Operations.

### 2017 Loss on Impairment of Assets

Of the total \$33,476 of impairments shown in the table above, approximately \$17,400 relates to impairment of tradenames and other long-lived assets at two subsidiaries in our Central America & U.S. Campuses segment and approximately \$16,100 relates

to impairment of other long-lived assets for several subsidiaries in our Rest of World segment which, per ASC 360-10, were required to be recorded at the lower of their carrying values or their estimated 'fair values less costs to sell' and were written down to a carrying value of \$0.

The assets and liabilities of the Discontinued Operations, which are subject to finalization, have been classified as held for sale as of December 31, 2019 and 2018, in accordance with ASC 205. The assets and liabilities are recorded at the lower of their carrying values or their estimated 'fair values less costs to sell.' In addition to the Discontinued Operations, Centro Universitário do Norte (UniNorte), an institution in the Brazil segment, was classified as held for sale as of December 31, 2018, and was then sold on November 1, 2019. UniNorte was included in Continuing Operations as it was not part of the strategic shift described above. The carrying amounts of the major classes of assets and liabilities that were classified as held for sale are presented in the following table:

	December 31, 2019	December 31, 2018
<b>Assets of Discontinued Operations</b>		
Cash and cash equivalents	\$ 55,401	\$ 215,644
Receivables, net	14,762	62,576
Property and equipment, net	182,530	671,121
Goodwill	9,753	131,329
Tradenames	6,890	124,932
Operating lease right-of-use assets, net	59,231	—
Other assets	52,730	106,326
Subtotal: assets of Discontinued Operations	\$ 381,297	\$ 1,311,928
<b>Other assets classified as Held for Sale: UniNorte Brazil</b>		
Receivables, net	\$ —	\$ 6,983
Property and equipment, net	—	16,726
Goodwill	—	15,165
Tradenames	—	8,146
Other assets	—	13,935
<b>Other land and buildings classified as held for sale</b>		
Property and equipment, net	8,476	—
Subtotal: other assets classified as held for sale	\$ 8,476	\$ 60,955
Total assets held for sale	\$ 389,773	\$ 1,372,883

	December 31, 2019	December 31, 2018
<b>Liabilities of Discontinued Operations</b>		
Deferred revenue and student deposits	\$ 14,287	\$ 115,969
Operating leases, including current portion	63,304	—
Long-term debt, including current portion	55,495	279,612
Other liabilities	56,032	269,558
<b>Subtotal: liabilities of Discontinued Operations</b>	<b>\$ 189,118</b>	<b>\$ 665,139</b>
<b>Other liabilities classified as held for sale: UniNorte Brazil</b>		
Deferred revenue and student deposits	\$ —	\$ 469
Long-term debt, including current portion	—	5,370
Other liabilities	—	9,405
<b>Subtotal: other liabilities classified as held for sale</b>	<b>\$ —</b>	<b>\$ 15,244</b>
<b>Total liabilities held for sale</b>	<b>\$ 189,118</b>	<b>\$ 680,383</b>

*Discontinued Operations with Signed Sale Agreements Pending Closure at December 31, 2019*

#### **Agreement to Sell NewSchool of Architecture and Design, LLC (NSAD)**

On June 14, 2019, the Company and Exeter Street Holdings, LLC, an indirect wholly owned subsidiary of the Company, entered into a membership interests purchase agreement with Ambow NSAD, Inc. and Ambow Education Holding, Ltd. (the NSAD Buyers) to sell 100% of the outstanding membership interests of NSAD to the NSAD Buyers for a purchase price of one dollar, subject to certain adjustments. In addition, the Company estimates that it will pay subsidies to the NSAD Buyers for continued operations and campus facilities of up to approximately \$7,300. The closing of the sale is subject to regulatory approvals and other conditions precedent and is expected to close during the first half of 2020. NSAD is a higher education institution located in California that offers undergraduate and graduate degrees and non-degree certificates in design and construction management.

#### *Other Matters*

#### **Inti Education Holdings Sdn. Bhd. (Inti Holdings)**

As previously reported, on December 11, 2017, Exeter Street Holdings Sdn. Bhd., a Malaysia corporation (Exeter Street), and Laureate Education Asia Limited, a Hong Kong corporation (Laureate Asia), both of which are indirect wholly owned subsidiaries of the Company, entered into a sale purchase agreement (as amended on January 17, 2019, the Inti Agreement) with Comprehensive Education Pte. Ltd., a Singapore corporation (Comprehensive, the purchaser) that is an affiliate of Affinity Equity Partners, a private equity firm based in Hong Kong. Pursuant to the Inti Agreement, Comprehensive agreed to purchase from Exeter Street all of the issued and outstanding shares in the capital of Inti Holdings, and Laureate Asia agreed to guarantee certain obligations of Exeter Street. Inti Holdings is the indirect owner of INTI University and Colleges, a higher education institution with five campuses in Malaysia.

The closing of the transaction under the Inti Agreement was subject to certain conditions, including approval by regulators in Malaysia, which approval was obtained on June 24, 2019. On June 25, 2019, the Company notified Comprehensive that the conditions precedent had been duly satisfied and scheduled closing for July 12, 2019. On July 9, 2019, Comprehensive notified the Company that it disagreed with the Company's position that the conditions precedent had been satisfied and formally moved to terminate the Inti Agreement, an act viewed by the Company as a repudiatory breach of the Inti Agreement. The Company is currently evaluating all options and continues to classify Inti Holdings as a discontinued operation.

## Note 5. Acquisitions

We had no material acquisitions in 2019.

### 2018 Acquisition in Peru

On November 5, 2018, Laureate Education Peru, SRL, an indirect wholly owned subsidiary of the Company, acquired all of the capital stock of Instituto de Educación Superior Tecnológico Privado Red Avansys SAC (Avansys), an institution in Peru, for a total purchase price of approximately 63,000 Peruvian Nuevo Sols (approximately \$18,900 at the acquisition date), plus debt assumed. The cash paid at acquisition, net of cash acquired, was \$17,019. We accounted for this acquisition as a business combination. For this acquisition, Revenues, Operating income and Net income attributable to Laureate Education, Inc. were immaterial for the year ended December 31, 2018.

The following table summarizes the estimated fair value of all assets acquired and the liabilities assumed at the date of acquisition:

	Avansys Peru
Current assets	\$ 3,921
Property and equipment	13,673
Goodwill	4,658
Other long-term assets	815
Total assets acquired	23,067
Current portion of long-term debt	874
Other current liabilities	3,332
Total liabilities assumed	4,206
Net assets acquired attributable to Laureate Education, Inc.	18,861
Debt assumed	874
Net assets acquired attributable to Laureate Education, Inc. plus debt assumed	\$ 19,735
Net assets acquired	\$ 18,861
Cash acquired	(1,842)
Net cash paid at acquisition	\$ 17,019

### 2018 Summary

The amounts recorded for the 2018 acquisition are considered final. None of the goodwill related to the 2018 acquisition is expected to be deductible for income tax purposes. Pro forma results of operations have not been presented because the effects of the acquisition were not material to the Company's financial results.

### 2017 Acquisition in Australia

In June 2017, our Rest of World segment acquired the assets and business of the nursing division of Careers Australia (CA Nursing), a vocational institution in Australia, for a cash purchase price of Australian Dollar (AUD) 1,107 (\$835 at the date of acquisition) plus debt assumed of AUD 9,850 (\$7,433 at the acquisition date). We accounted for this acquisition as a business combination. For this acquisition, Revenues, Operating income and Net income attributable to Laureate Education, Inc. were immaterial for the year ended December 31, 2017.

The following table summarizes the estimated fair value of all assets acquired and the liabilities assumed at the date of acquisition:

	CA Nursing Australia
Current assets	\$ 2,552
Property and equipment	9,581
Goodwill	3,584
Other intangible assets	3,293
Total assets acquired	19,010
Current portion of long-term debt	166
Other current liabilities	8,997
Long-term debt, less current portion	7,267
Other long-term liabilities	1,745
Total liabilities assumed	18,175
Net assets acquired attributable to Laureate Education, Inc.	835
Debt assumed	7,433
Net assets acquired attributable to Laureate Education, Inc. plus debt assumed	\$ 8,268
Net assets acquired	\$ 835
Net cash paid at acquisition	\$ 835

#### *2017 Summary*

The amounts recorded for the 2017 acquisition are considered final. None of the goodwill related to the 2017 acquisition is expected to be deductible for income tax purposes. Pro forma results of operations for the acquisition completed during 2017 have not been presented because the effects of that acquisition were not material to the Company's financial results.

### **Note 6. Dispositions and Asset Sales**

#### **2019 Dispositions**

##### *Sale of the University of St. Augustine for Health Sciences, LLC*

On February 1, 2019, the Company completed the sale of the University of St. Augustine for Health Sciences, LLC (St. Augustine), in the United States. The total transaction value under the sale agreement was \$400,000. Upon completion of the sale, the Company received net proceeds of approximately \$346,400, which included \$11,700 of customary closing adjustments, and was net of \$58,100 of debt assumed by the purchaser and \$7,200 of fees. The proceeds net of cash sold were approximately \$301,800, which the Company used to repay outstanding indebtedness under its U.S. term loan and revolving credit facility. The Company recognized a gain on the sale of approximately \$223,000, which is included in Gain on sales of discontinued operations, net, on the Consolidated Statement of Operations for the year ended December 31, 2019.

#### *Sale of Thailand Operations*

On February 12, 2019, the Company completed the sale of its interests in Thai Education Holdings Company Limited, a Thailand corporation (TEDCO), and Far East Stamford International Co. Ltd. (FES), a Thailand corporation. TEDCO was the owner of a controlling interest in FES, which was the license holder for Stamford International University, which had three campuses in Thailand. The total purchase price was approximately \$35,300, and net proceeds were approximately \$26,400, net of debt assumed by the buyer and other customary closing adjustments and fees. Of the \$26,400 in net proceeds, \$22,200, or \$18,800 net of cash sold, was received at closing. The balance of \$4,200 was payable upon satisfaction of certain post-closing requirements; the first post-closing requirement was satisfied in May 2019 and the Company received \$2,800. The second post-closing requirement was satisfied in February 2020 and the Company received approximately \$1,400. For the year ended December 31, 2019, the Company recognized a gain on the sale of approximately \$10,800, which is included in Gain on sales of discontinued operations, net, on the Consolidated Statement of Operations.

#### *Additional Gain on Sale of China Operations*

On January 25, 2018, the Company completed the sale of LEI Lie Ying Limited (LEILY). A portion of the purchase price was held back and subject to deduction of any indemnifiable losses payable to the buyer pursuant to the sale purchase agreement. On January 25, 2019, Laureate received HKD 71,463 (approximately \$9,100 at date of receipt) for the second and final holdback payment, net of legal fees. Also, as of December 31, 2018, the Company had recorded a liability of approximately \$14,300 related to loss contingencies for which the Company had indemnified the buyer. During the first quarter of 2019, the legal matter that this loss contingency related to was settled, with no cost to the Company. Accordingly, during the first quarter of 2019, the Company reversed the loss contingency and recognized additional gain on the sale of LEILY of approximately \$13,700, which is included in Gain on sales of discontinued operations, net, on the Consolidated Statement of Operations for the year ended December 31, 2019. The remaining liability recorded relates to certain legal fees. Additionally, at the closing of the sale on January 25, 2018, a portion of the total transaction value was paid into an escrow account and will be distributed to the Company pursuant to the terms and conditions of the escrow agreement. As of December 31, 2019, the Company has recorded a receivable of approximately \$25,900 for the portion of the escrowed amount that the Company expects to receive.

#### *Sale of Monash South Africa*

On April 8, 2019, the Company completed the sale of its institution in South Africa, Monash South Africa, as well as the sale of the real estate associated with that institution. The transactions consisted of: (i) the transfer by Monash South Africa Limited (MSA), an Australia limited company that is an indirect 75%-owned subsidiary of the Company, to The Independent Institute of Education Limited (IIE), a South Africa limited company that is a subsidiary of ADvTECH Limited, of all of MSA's assets and certain of its operational liabilities for a sale price of 15,000 South African Rand (ZAR) (subject to customary adjustments) (or approximately \$1,100 at the closing date) and (ii) the sale by LEI AMEA Investments B.V., a Netherlands limited company that is an indirect wholly owned subsidiary of the Company, of all of the shares of Laureate South Africa Pty. Ltd. (LSA), a South Africa limited company, to IIE for a net sale price of approximately ZAR 99,000 (subject to customary adjustments) (or approximately \$7,000 at the closing date). In addition, IIE assumed debt of approximately \$20,200. In the aggregate, including working capital adjustments, the Company received approximately \$9,000 from the buyer, which approximated the amount of cash sold with the business. The Company recognized a gain for these transactions of approximately \$2,300, which is included in Gain on sales of discontinued operations, net, on the Consolidated Statement of Operations for the year ended December 31, 2019.

#### *Sale of India Operations*

On May 9, 2019, LEI Singapore Holdings Pte Limited, a Singapore corporation, Laureate I B.V., a Netherlands private limited company (Laureate I), and Laureate International B.V., a Netherlands private limited company (collectively, the India Sellers), all of which are indirect wholly owned subsidiaries of the Company, closed a transaction pursuant to the share purchase agreement (the India Agreement), among the India Sellers, Global University Systems India Bidco B.V., a Netherlands private limited liability company (the India Purchaser) and Global University Systems Holding B.V. (the India Purchaser Guarantor), a Netherlands private limited liability company. Pursuant to the India Agreement, the India Purchaser acquired from the India Sellers all of the issued and outstanding shares in the capital of Pearl Retail Solutions Private Limited, an India corporation (PRS), M-Power Energy India Private Limited (M-Power), an India corporation, and Data Ram Sons Private Limited (Data Ram), an India corporation. As a result of the closing of the transaction, the Company no longer consolidates its network institutions in India, including Creative Arts Education Society (CAES), the operator of Pearl Academy, and University of Petroleum and Energy Studies (UPES). In connection with the India Agreement, certain of the India Sellers also closed a separate transaction with the minority owners of PRS relating to the purchase by them of the minority owners' 10% interest in PRS.

The total purchase price under the India Agreement was \$145,600. The net proceeds received by the India Sellers, before the payment to the 10% minority owners and after transaction fees and taxes, including receipt in July 2019 of certain taxes withheld at closing, were approximately \$145,800, or approximately \$77,300 net of cash sold, which the Company used to repay indebtedness under its term loan that had a maturity date of April 2024 (the 2024 Term Loan). The Company recognized a gain for these transactions of approximately \$19,500, which is included in Gain on sales of discontinued operations, net, on the Consolidated Statement of Operations for the year ended December 31, 2019.

#### *Sale of Spain and Portugal Operations*

On May 31, 2019, Iniciativas Culturales de España S.L., a Spanish private limited liability company (ICE), and Laureate I, both of which are indirect wholly owned subsidiaries of the Company, closed a previously announced transaction pursuant to the sale and purchase agreement (the Spain and Portugal Sale Agreement) with Samarinda Investments, S.L., a Spanish limited liability company (Samarinda). Pursuant to the Spain and Portugal Sale Agreement, Samarinda acquired from ICE all of the issued and outstanding shares in the capital of each of Universidad Europea de Madrid, S.L.U., Iniciativas Educativas de Mallorca, S.L.U., Iniciativa Educativa UEA, S.L.U., Universidad Europea de Canarias, S.L.U., and Universidad Europea de Valencia, S.L.U. (together, the Spain Companies), and Samarinda acquired from Laureate I all of the issued and outstanding shares in the capital of Ensilis—Educação e Formação, Unipessoal, Lda. (the Portugal Company). Three of the Spain Companies are the entities that operate Universidad Europea de Madrid, Universidad Europea de Canarias, and Universidad Europea de Valencia. The Portugal Company is the entity that operates Universidade Europeia, a comprehensive university in Portugal, and Instituto Português de Administração de Marketing (IPAM Lisbon and IPAM Porto), post-secondary schools of marketing in Portugal.

The total purchase price under the Spain and Portugal Sale Agreement was EUR 770,000 (or approximately \$857,000 at the date of closing), subject to customary closing adjustments. After payment of transaction fees, receipt of working capital and other adjustments, as well as settlement of foreign currency swaps, the total net proceeds received by ICE and Laureate I were approximately \$906,000, or approximately \$760,000 net of cash sold, which the Company used to repay indebtedness, including full repayment of the remaining balance outstanding under the 2024 Term Loan. Additionally, the buyer assumed debt of approximately \$109,000. The Company recognized a gain for these transactions of approximately \$615,000, including a tax benefit of approximately \$30,000 that relates to the reversal of net deferred tax liabilities, which is included in Gain on sales of discontinued operations, net, on the Consolidated Statement of Operations for the year ended December 31, 2019.

#### *Sale of Turkey Operations*

On August 27, 2019, Laureate I B.V. and Can Uluslararası Yatırım Holding A.Ş. (Can Holding), a Turkish company, executed and closed a Sale and Purchase Agreement (the Turkey SPA). Pursuant to the Turkey SPA, Can Holding purchased from Laureate I B.V. 100% of the share capital of Education Turkey B.V. (ET), a private limited liability company incorporated under the laws of the Netherlands. ET and certain of its direct and indirect subsidiaries and affiliates together have the right to appoint a majority of the Trustees of Bilgi Eğitim ve Kültür Vakfı (Bilgi Foundation). Bilgi Foundation is the sponsor of Istanbul Bilgi University (Bilgi), an institution located in Turkey that the Company previously consolidated under the variable interest entity model. As a result of the closing of the Turkey SPA on August 27, 2019, the Company no longer consolidates Bilgi.

The total purchase price was \$90,000, which consisted of cash proceeds of \$75,000 and deferred purchase price of \$15,000 in the form of an instrument payable one year after closing. The deferred purchase price carries no stated interest rate. At the date of sale, Bilgi had approximately \$89,000 of cash and restricted cash on its balance sheet. The Company recognized a loss for this transaction of approximately \$37,700, which is included in Gain on sales of discontinued operations, net, on the Consolidated Statement of Operations for the year ended December 31, 2019.

#### *Sale of Universidad Interamericana de Panamá (UIP)*

In early October 2019, the Company closed on the previously announced sale of UIP, in addition to real estate which serves as the campus of UIP, to Universal Knowledge Systems, Inc. and Global Education Services, Inc. (the UIP Buyers). Pursuant to the sale and purchase agreement (the UIP Agreement), the UIP Buyers purchased from the Universidad U Latina, SRL and Education Holding Costa Rica EHCR, SRL (the UIP Sellers) 100% of the ownership interests of UIP, a higher education institution in Panama. Excelencia y Superación S.A. (EXUSA), an affiliate of the UIP Buyers, was also party to the UIP Agreement as a guarantor of the UIP Sellers' obligations under the UIP Agreement. In addition, Desarrollos Urbanos Educativos S. de R.L. (DUE), an indirect wholly owned subsidiary of the Company, entered into and closed a real estate purchase agreement (the DUE Real Estate Purchase Agreement) with EXUSA, pursuant to which EXUSA or its designees purchased the campus real estate. The total enterprise value under the UIP Agreement and the DUE Real Estate Purchase Agreement was approximately \$86,750, and the net proceeds received were approximately \$82,000. The Company recognized a net gain for this transaction of approximately \$21,000, including

a tax benefit of approximately \$1,500, which is included in Gain on sales of discontinued operations, net, on the Consolidated Statement of Operations for the year ended December 31, 2019.

#### *Sale of UniNorte*

On November 1, 2019, the Company closed on the previously announced sale of its institution UniNorte, a traditional higher education institution in Manaus, Brazil. Under the sale agreement, Cenesup - Centro Nacional de Ensino Superior Ltda., a limited liability company organized under the laws of Brazil (the UniNorte Purchaser) purchased 100% of the quota capital of Sodecam - Sociedade de Desenvolvimento Cultural do Amazonas Ltda., a limited liability company organized under the laws of Brazil, which is the maintaining entity of UniNorte. The Company and Ser Educacional S.A., the parent of the UniNorte Purchaser, are also parties to the Agreement as guarantors of certain obligations of their respective subsidiaries. The Company received cash proceeds of approximately \$43,000, net of transaction costs, and recognized a loss on the transaction of approximately \$300, which is included in (Loss) gain on sales and disposals of subsidiaries, net in Continuing Operations as UniNorte was not part of the strategic shift described in Note 1, Description of Business, and Note 4, Discontinued Operations and Assets Held for Sale.

#### *Dissolution of Dormant Subsidiaries*

During the third and fourth quarters of 2019, the Company dissolved several dormant subsidiaries, resulting in the release of accumulated foreign currency translation loss of approximately \$37,500. This loss is included in (Loss) gain on sales and disposals of subsidiaries, net in Continuing Operations, as these entities were not part of the strategic shift described in Note 1, Description of Business, and Note 4, Discontinued Operations and Assets Held for Sale.

### **2018 Dispositions**

#### *Sale of Cyprus and Italy Operations*

On January 11, 2018, we completed the sale of European University-Cyprus Ltd (EUC) and Laureate Italy S.r.L. (Laureate Italy). Upon closing, we received gross proceeds of approximately EUR 232,000 (approximately \$275,500, or approximately \$244,300 net of cash sold and net of the approximately \$4,100 working capital settlement between the Company and the buyer that was completed during the second quarter of 2018), and recognized a total gain on sale for the year ended December 31, 2018 of approximately \$218,000, which is included in Gain on sales of discontinued operations, net, on the Consolidated Statement of Operations. The Company used the proceeds from this transaction, along with borrowings on our revolving credit facility that were subsequently repaid with the China sale proceeds discussed below, to repay \$350,000 of the principal balance on our syndicated term loan that had a maturity date of April 2024 (the 2024 Term Loan), as discussed in Note 10, Debt.

#### *Sale of China Operations*

On January 25, 2018, we completed the sale of LEI Lie Ying Limited (LEILY) for a total transaction value of Chinese Renminbi (RMB) 1,430,000 (approximately \$225,500 at the time of sale), of which RMB 50,000 (approximately \$7,900 at the time of sale) will not be paid because certain conditions were not satisfied by the closing date. At closing, the Company received initial gross proceeds totaling approximately \$128,800 (approximately \$110,800 net of cash sold), net of banker transaction fees and certain taxes and duties totaling approximately \$16,000. Six months after the closing date, the buyer was required to pay to the Company the Hong Kong Dollar (HKD) equivalent of RMB 120,000 (the First Holdback Payment). On July 27, 2018, the Company received the First Holdback Payment from the buyer, net of withholding taxes and agreed-upon legal fees, for a net payment of HKD 142,221 or \$18,117 at the date of receipt, prior to banker transaction fees. Twelve months after the closing date, the buyer was required to pay to the Company the HKD equivalent of RMB 60,000 (the Second Holdback Payment). On January 25, 2019, Laureate received HKD 71,463 (approximately \$9,100) for the Second Holdback Payment, net of legal fees. Both the First Holdback Payment and the Second Holdback Payment were subject to deduction of any indemnifiable losses payable by the Company to the buyer pursuant to the sale purchase agreement. The remainder of the transaction value was paid into an escrow account and will be distributed to the Company pursuant to the terms and conditions of the escrow agreement.

As of December 31, 2018, the Company had recorded a receivable for the Second Holdback Payment that was collected in January 2019, as well as a receivable of approximately \$25,900 for the portion of the escrowed amount that the Company expects to receive. In addition, the Company had recorded a liability of approximately \$14,300 related to loss contingencies for which we have indemnified the buyer. The Company recognized a gain on the sale of LEILY for the year ended December 31, 2018 of approximately \$84,000, including tax effect, which is included in Gain on sales of discontinued operations, net, on the Consolidated Statement of Operations.

#### *Sale of German Operations*

On April 12, 2018, LEI European Investments B.V., a Netherlands private limited liability company (LEI BV), and Laureate International B.V., a Netherlands private limited liability company (Laureate International), both of which are indirect, wholly owned subsidiaries of Laureate Education, Inc., executed and closed a Sale and Purchase Agreement (the Laureate Germany SPA) with Global University Systems Germany B.V., a Netherlands private limited liability company (Global University Systems). Pursuant to the Laureate Germany SPA, Global University Systems purchased from LEI BV all of the issued and outstanding shares of capital stock of Laureate Germany Holding GmbH and its consolidated institutions, including the University of Applied Sciences Europe and Laureate Academies GmbH (collectively, Laureate Germany), and Laureate International guaranteed the obligations of LEI BV under the Laureate Germany SPA. Upon completion of the sale, LEI BV received gross proceeds of EUR 1,000 (approximately \$1,200 at the date of receipt). At the date of sale, Laureate Germany had approximately \$12,900 of cash and restricted cash on its balance sheet. In connection with this transaction, the Company contributed capital to Laureate Germany of approximately \$3,600. The Company recognized a loss on the sale of Laureate Germany for the year ended December 31, 2018 of approximately \$5,500, which is included in Gain on sales of discontinued operations, net, on the Consolidated Statement of Operations.

#### *Sale of Moroccan Operations*

On November 29, 2017, Laureate Middle East Holdings B.V., a Netherlands private limited liability company and an indirect, wholly owned subsidiary of the Company (LMEH), and La Société Maroc Emirats Arabes Unis de Développement, a Morocco company (SOMED and, together with LMEH, the Morocco Sellers), Laureate I B.V., a Netherlands private limited liability company and an indirect, wholly owned subsidiary of the Company (the Morocco Guarantor), and UPM Pédagogique, a Morocco company (the Morocco Purchaser), entered into a Share Purchase Agreement (the Laureate Somed SPA), pursuant to which the Morocco Purchaser agreed to purchase from the Morocco Sellers all of the issued and outstanding capital shares of Laureate Somed Holding, a Morocco company (Laureate Somed), for a total transaction value of 500,000 Moroccan Dirhams, and the Morocco Guarantor agreed to guarantee certain obligations of LMEH under the Laureate Somed SPA. The transaction closed on April 13, 2018, and LMEH received net proceeds of 300,000 Moroccan Dirhams (approximately \$32,500 at the date of sale, or approximately \$31,100 net of cash sold). The proceeds were used for general debt repayment across the Company rather than repayment of a specific tranche. Prior to the consummation of the sale, LMEH owned approximately 60% of the capital shares of Laureate Somed, while SOMED owned the remaining approximately 40% of the capital shares of Laureate Somed. Laureate Somed is the operator of Université Internationale de Casablanca, a comprehensive campus-based university in Casablanca, Morocco. The Company recognized a gain on the sale of Laureate Somed of approximately \$17,400 for the year ended December 31, 2018, which is included in Gain on sales of discontinued operations, net, on the Consolidated Statement of Operations.

#### *Sale of Kendall College, LLC*

On January 15, 2018, Kendall College, LLC (Kendall), an Illinois limited liability company and indirect wholly owned subsidiary of Laureate, The Dining Room at Kendall NFP, an Illinois not-for-profit corporation, National Louis University, an Illinois not for profit corporation (NLU), and Laureate, solely as guarantor of certain of Kendall's obligations thereunder, entered into an asset purchase agreement. On August 6, 2018, we closed the transaction and Kendall transferred to NLU certain assets, including all of Kendall's education programs, subject to certain conditions, in exchange for consideration of one dollar. Closing of the transaction was subject to prior receipt of regulatory consents, including those of the U.S. Department of Education and the Higher Learning Commission.

As part of the agreement, at closing Laureate paid to NLU \$14,000 to support NLU's construction of facilities for the acquired culinary program on NLU's campus, subject to possible partial recoupment under specified conditions during the 10-year post-closing period. In addition, at closing Laureate paid approximately \$2,100 to NLU for a working capital adjustment and other items provided for under the agreement. This payment was included in the loss on sale, which totaled approximately \$17,200, including tax effect, and is included in Gain on sales of discontinued operations, net, on the Consolidated Statement of Operations for the year ended December 31, 2018.

Also, at the closing date of the sale, the cease-use criteria were met for a leased building that was not part of the sale transaction and that has a lease term ending in July 2028. Accordingly, during the third quarter of 2018, the Company recorded a liability of approximately \$24,000 for the present value of the remaining lease costs, less estimated sublease income, which was charged to loss from discontinued operations, net of tax, on the Consolidated Statements of Operations.

The transactions described below are included in Continuing Operations, since these 2017 transactions were not part of the strategic shift described in Note 1, Description of Business, and Note 4, Discontinued Operations and Assets Held for Sale.

### **2017 Asset Sale and Purchase Price Settlement Agreement**

#### *Ad Portas Asset Sale*

In November 2017, we completed the sale of an asset group at Ad Portas, a for-profit real estate subsidiary in our Andean segment, to UDLA Ecuador, a licensed institution in Ecuador that was formerly consolidated into Laureate. This asset group included property and equipment and was previously classified as assets held for sale in our Quarterly Report on Form 10-Q for the period ended September 30, 2017. We received total consideration of approximately \$55,000, which included cash proceeds of \$17,784, and recognized an operating gain on the sale of this property and equipment of approximately \$20,300. Contemporaneous with this transaction, we also repurchased UDLA Ecuador's noncontrolling interest in a Chilean real estate subsidiary of Laureate for a purchase price of \$36,247, which included a cash payment of \$6,085. The payment is included in Payments to purchase noncontrolling interests in the 2017 Consolidated Statement of Cash Flows. During the year ended December 31, 2017, the Chilean real estate subsidiary made dividend payments to UDLA Ecuador of \$1,242 related to this investment.

Certain for-profit entities of Laureate provided services and/or intellectual property to UDLA Ecuador through contractual arrangements at market rates. During the years ended December 31, 2018 and 2017, the total amounts recognized through these contractual arrangements, primarily as other revenues, were \$864 and \$13,927, respectively.

#### *Purchase Price Settlement Agreement for Swiss Hospitality Management Schools*

In December 2017, we reached a final purchase price settlement agreement with Eurazeo, the buyer of our Swiss hospitality management schools in 2016, and made a payment to Eurazeo of approximately \$9,300. This payment is included in Receipts from sales of discontinued operations, net of cash sold, property and equipment and other on the 2017 Consolidated Statements of Cash Flows. The total settlement amount was approximately \$10,300, which is included in (Loss) gain on sales and disposals of subsidiaries, net, in the Consolidated Statement of Operations for the year ended December 31, 2017, as it represented an adjustment of the sale purchase price.

### **Note 7. Due to Shareholders of Acquired Companies**

The amounts due to shareholders of acquired companies generally arise in connection with Laureate's acquisition of a majority or all of the ownership interest of these companies. Promissory notes payable to the sellers of acquired companies, referred to as "seller notes," are commonly used as a means of payment for business acquisitions. Seller note payments are classified as Payments of deferred purchase price for acquisitions within financing activities in our Consolidated Statements of Cash Flows. The amounts due to shareholders of acquired companies, currencies, and interest rates applied were as follows:

	December 31, 2019	December 31, 2018	Nominal Currency	Interest Rate %
Universidade Anhembi Morumbi (UAM Brazil)	\$ 20,179	\$ 30,912	BRL	CDI + 2%
IADE Group	1,109	1,141	EUR	3%
Faculdade Porto-Alegrense (FAPA)	230	1,943	BRL	IGP-M
University of St. Augustine for Health Sciences, LLC (St. Augustine)	—	11,395	USD	7%
Total due to shareholders of acquired companies	21,518	45,391		
Less: Current portion of due to shareholders of acquired companies	11,523	23,820		
Due to shareholders of acquired companies, less current portion	\$ 9,995	\$ 21,571		

BRL: Brazilian Real

CDI: Certificados de Depósitos Interbancários (Brazil)

EUR: European Euro

IGP-M: General Index of Market Prices (Brazil)

USD: United States Dollar

The aggregate maturities of Due to shareholders of acquired companies as of December 31, 2019, were as follows:

2020	\$	13,018
2021		11,808
2022		—
2023		—
2024		—
Aggregate maturities		24,826
Less: imputed interest discount		(3,308)
Total	\$	21,518

#### *UAM Brazil*

A portion of the UAM Brazil acquisition was financed with a seller note in the amount of BRL 200,808 (\$49,226 at December 31, 2019), which was scheduled to be paid in nine equal installments of BRL 22,312 (\$5,470 at December 31, 2019), adjusted for inflation based on CDI plus 200 basis points. The initial seven installments were paid during the years ended December 31, 2013 through 2019. The remaining two installments are due annually on August 31st of each year. On the acquisition date we recorded the note payable at its discounted present value, which is being accreted over the term of the note. As of December 31, 2019, the carrying value of the note was \$20,179.

#### *FAPA*

In August 2019, the FAPA seller note matured and was settled, with an amount of \$230 withheld from the payment. This amount relates to certain contingencies for which we are indemnified by the seller. This amount will remain until the contingencies have been resolved.

#### *St. Augustine*

During the second quarter of 2019, the Company fully repaid the St. Augustine seller note, following the resolution of certain legal matters for which the Company was indemnified by the former owner.

### **Note 8. Business and Geographic Segment Information**

Laureate's educational services are offered through six operating segments: Brazil, Mexico, Andean, Central America & U.S. Campuses, Rest of World and Online & Partnerships. Laureate determines its operating segments based on information utilized by the chief operating decision maker to allocate resources and assess performance.

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

In Brazil, approximately 73% of post-secondary students are enrolled in private higher education institutions. While the federal government defines the national curricular guidelines, institutions are licensed to operate by city. Laureate owns 12 institutions in seven states throughout Brazil, with a particularly strong presence in the competitive São Paulo market. Many students finance their own education while others rely on the government-sponsored programs such as Prouni and FIES.

Public universities in Mexico enroll approximately two-thirds of students attending post-secondary education. However, many public institutions are faced with capacity constraints or the quality of the education is considered low. Laureate owns two institutions and is present throughout the country with a footprint of over 40 campuses. Each institution in Mexico has a national license. Students in our Mexican institutions typically finance their own education.

The Andean segment includes institutions in Chile and Peru. In Chile, private universities enroll approximately 72% of post-secondary students and there are government-sponsored student financing programs. In Peru, the public sector plays a significant role, but private universities are increasingly providing the capacity to meet growing demand.

As of December 31, 2019, the Central America & U.S. Campuses segment includes institutions in Costa Rica, Honduras and the United States. Students in Central America typically finance their own education while students in the United States finance their education in a variety of ways, including U.S. Department of Education (DOE) Title IV programs. The entire Central America & U.S. Campuses segment is included in Discontinued Operations. As discussed in Note 25, Subsequent Events, we completed the sale of our operations in Costa Rica on January 10, 2020.

The Rest of World segment includes campus-based institutions in Asia Pacific with operations in Australia, Malaysia, and New Zealand. Additionally, the Rest of World segment manages one institution in China through a joint venture arrangement and, until August 31, 2019 when the contract expired, the Rest of World segment also managed eight licensed institutions in the Kingdom of Saudi Arabia. The institutions in Malaysia and the Kingdom of Saudi Arabia are included in Discontinued Operations.

The Online & Partnerships segment includes fully online institutions that offer profession-oriented degree programs in the United States through Walden University (Walden), a U.S.-based accredited institution, and through the University of Liverpool and the University of Roehampton in the United Kingdom. These online institutions primarily serve working adults with undergraduate and graduate degree program offerings. Students in the United States finance their education in a variety of ways, including Title IV programs. We no longer accept new enrollments at the University of Liverpool and the University of Roehampton, which are in a teach-out process.

As discussed in Note 1, Description of Business, and Note 4, Discontinued Operations and Assets Held for Sale, a number of our subsidiaries have met the requirements to be classified as discontinued operations, including the entire Central America & U.S. Campuses segment. As a result, the operations of the Central America & U.S. Campuses segment have been excluded from the segment information for all periods presented. In addition, the portion of the Rest of World reportable segment that is included in Discontinued Operations has also been excluded from the segment information for all periods presented.

Intersegment transactions are accounted for in a similar manner as third-party transactions and are eliminated in consolidation. The “Corporate” amounts presented in the following tables include corporate charges that were not allocated to our reportable segments and adjustments to eliminate intersegment items.

We evaluate segment performance based on Adjusted EBITDA, which is a non-GAAP performance measure defined as Income (loss) from continuing operations before income taxes and equity in net income of affiliates, adding back the following items: (Loss) gain on sales and disposals of subsidiaries, net, Foreign currency exchange (loss) gain, net, Other income (expense), net, Gain on derivatives, Loss on debt extinguishment, Interest expense, Interest income, Depreciation and amortization expense, Loss on impairment of assets, Share-based compensation expense and expenses related to our Excellence-in-Process (EiP) initiative. EiP is an enterprise-wide initiative to optimize and standardize Laureate's processes, creating vertical integration of procurement, information technology, finance, accounting and human resources. It included the establishment of regional shared services organizations (SSOs) around the world, as well as improvements to the Company's system of internal controls over financial reporting. The EiP initiative also includes other back- and mid-office areas, as well as certain student-facing activities, expenses associated with streamlining the organizational structure and certain non-recurring costs incurred in connection with the planned dispositions described in Note 4, Discontinued Operations and Assets Held for Sale, and the completed dispositions described in Note 6, Dispositions and Asset Sales. Beginning in 2019, EiP also includes expenses associated with an enterprise-wide program aimed at revenue growth.

When we review Adjusted EBITDA on a segment basis, we exclude intercompany revenues and expenses related to network fees and royalties between our segments, which eliminate in consolidation. We use total assets as the measure of assets for reportable segments.

The following tables provide financial information for our reportable segments, including a reconciliation of Adjusted EBITDA to Income (loss) from continuing operations before income taxes and equity in net income (loss) of affiliates, as reported in the Consolidated Statements of Operations, for the years ended December 31, 2019, 2018 and 2017:

	Brazil	Mexico	Andean	Rest of World	Online & Partnerships	Corporate	Total
<b>2019</b>							
Revenues	\$ 578,449	\$ 652,846	\$ 1,189,701	\$ 190,136	\$ 634,125	\$ 5,069	\$ 3,250,326
Adjusted EBITDA	82,256	147,807	343,264	32,046	190,920	(149,739)	646,554
Depreciation and amortization expense	31,194	31,132	65,142	12,354	29,203	23,146	192,171
Loss on impairment of assets	222	—	—	—	—	248	470
Total assets	1,068,362	1,315,377	1,715,145	194,409	1,303,811	918,524	6,515,628
Expenditures for long-lived assets	23,654	30,239	51,546	10,591	14,825	18,840	149,695
<b>2018</b>							
Revenues	\$ 654,300	\$ 646,134	\$ 1,155,691	\$ 177,995	\$ 664,226	\$ (8,133)	\$ 3,290,213
Adjusted EBITDA	103,969	143,221	317,126	28,405	194,742	(177,256)	610,207
Depreciation and amortization expense	35,532	31,007	70,905	13,915	33,506	25,945	210,810
Loss on impairment of assets	—	—	—	—	10,030	—	10,030
Total assets	1,011,391	971,309	1,608,406	196,370	1,308,854	1,673,306	6,769,636
Expenditures for long-lived assets	32,423	31,376	59,493	13,507	21,079	27,280	185,158
<b>2017</b>							
Revenues	\$ 765,746	\$ 646,154	\$ 1,085,640	\$ 161,917	\$ 690,374	\$ (16,758)	\$ 3,333,073
Adjusted EBITDA	134,205	147,171	301,249	24,182	204,543	(205,934)	605,416
Depreciation and amortization expense	35,715	27,990	67,764	17,459	35,440	16,765	201,133
Loss on impairment of assets	3,320	—	2,530	—	255	1,016	7,121
Expenditures for long-lived assets	50,244	38,615	72,098	8,356	23,730	24,001	217,044

As discussed in Note 4, Discontinued Operations and Assets Held for Sale, a number of our entities have been classified as Discontinued Operations and their assets have been classified as assets held for sale and excluded from the segment information for all periods presented. Accordingly, in order to reconcile to total consolidated assets as of December 31, 2019 and 2018 in the table above, assets held for sale related to Discontinued Operations of \$381,297 and \$1,311,928, respectively, are included in the Corporate amounts.

<b>For the years ended December 31,</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Adjusted EBITDA of reportable segments:			
Brazil	\$ 82,256	\$ 103,969	\$ 134,205
Mexico	147,807	143,221	147,171
Andean	343,264	317,126	301,249
Rest of World	32,046	28,405	24,182
Online & Partnerships	190,920	194,742	204,543
Total Adjusted EBITDA of reportable segments	796,293	787,463	811,350
Reconciling items:			
Corporate	(149,739)	(177,256)	(205,934)
Depreciation and amortization expense	(192,171)	(210,810)	(201,133)
Loss on impairment of assets	(470)	(10,030)	(7,121)
Share-based compensation expense	(12,661)	(9,738)	(61,844)
EiP expenses	(115,132)	(95,759)	(100,163)
Operating income	326,120	283,870	235,155
Interest income	12,209	11,856	11,865
Interest expense	(167,331)	(235,214)	(334,900)
Loss on debt extinguishment	(28,267)	(7,481)	(8,392)
Gain on derivatives	7,277	88,292	28,656
Other income (expense), net	9,222	12,226	(1,892)
Foreign currency exchange (loss) gain, net	(27,081)	(32,564)	3,231
(Loss) gain on sales and disposals of subsidiaries, net	(37,751)	254	(10,490)
Income (loss) from continuing operations before income taxes and equity in net income (loss) of affiliates	\$ 94,398	\$ 121,239	\$ (76,767)

### Geographic Information

No individual customer accounted for more than 10% of Laureate's consolidated revenues. Revenues from customers by geographic area, primarily generated by students enrolled at institutions in those areas, were as follows:

<b>For the years ended December 31,</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>External Revenues</b>			
Mexico <sup>(1)</sup>	\$ 650,593	\$ 643,348	\$ 644,015
Chile	638,516	654,002	617,213
United States	619,185	627,127	635,637
Brazil <sup>(1)</sup>	578,433	654,070	765,358
Peru	545,291	493,008	450,719
Other foreign countries	218,308	218,658	220,131
Consolidated total	\$ 3,250,326	\$ 3,290,213	\$ 3,333,073

<sup>(1)</sup> Excludes intercompany revenues and therefore does not agree to the table above

Long-lived assets are composed of Property and equipment, net. Laureate's long-lived assets of continuing operations by geographic area were as follows:

December 31,	2019	2018
<b>Long-lived assets</b>		
Peru	\$ 354,100	\$ 336,898
Chile	287,919	338,187
Mexico	232,380	233,048
Brazil	197,235	198,071
United States	88,108	100,438
Other foreign countries	39,477	68,699
<b>Consolidated total</b>	<b>\$ 1,199,219</b>	<b>\$ 1,275,341</b>

## Note 9. Goodwill and Other Intangible Assets

The change in the net carrying amount of Goodwill from December 31, 2017 through December 31, 2019 was composed of the following items:

	Brazil	Mexico	Andean	Rest of World	Online & Partnerships	Total
<b>Balance at December 31, 2017</b>	\$ 493,373	\$ 503,373	\$ 272,181	\$ 95,617	\$ 460,740	\$ 1,825,284
Acquisitions	—	—	4,658	—	—	4,658
Reclassification to Long-term assets held for sale	(15,165)	—	—	—	—	(15,165)
Impairments	—	—	—	—	—	—
Currency translation adjustments	(71,756)	(5,154)	(22,580)	(8,198)	—	(107,688)
Adjustments to prior acquisitions	—	—	—	—	—	—
<b>Balance at December 31, 2018</b>	\$ 406,452	\$ 498,219	\$ 254,259	\$ 87,419	\$ 460,740	\$ 1,707,089
Acquisitions	1,333	—	—	—	—	1,333
Reclassification to Long-term assets held for sale	—	—	—	—	—	—
Impairments	—	—	—	—	—	—
Currency translation adjustments	(19,625)	27,037	(12,932)	(1,407)	—	(6,927)
Adjustments to prior acquisitions	—	—	—	—	—	—
<b>Balance at December 31, 2019</b>	\$ 388,160	\$ 525,256	\$ 241,327	\$ 86,012	\$ 460,740	\$ 1,701,495

In March 2019, the Company's indirect, wholly owned subsidiary, UAM Brazil, acquired a company in Brazil that, prior to the acquisition, was a vendor providing distance-learning and marketing services to the Company's Brazil operations. The total purchase price was BRL 5,022 (\$1,333 at the date of purchase), which was recorded as Goodwill given the immaterial nature of the acquisition. The acquiree was merged into UAM Brazil.

### Other Intangible Assets

Amortization expense for intangible assets subject to amortization was \$1,352, \$5,780 and \$11,514 for the years ended December 31, 2019, 2018 and 2017, respectively. The estimated future amortization expense for intangible assets for the years ending December 31, 2020, 2021, 2022, 2023, 2024 and beyond is \$787, \$450, \$194, \$0, \$0 and \$0, respectively.

The following table summarizes our identifiable intangible assets as of December 31, 2019:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Amortization Period (Yrs)
<i>Subject to amortization:</i>				
Student rosters	\$ 67,579	\$ (67,579)	\$ —	0.0
Other	24,975	(23,544)	1,431	2.1
<i>Not subject to amortization:</i>				
Tradenames	1,119,454	—	1,119,454	—
<b>Total</b>	<b>\$ 1,212,008</b>	<b>\$ (91,123)</b>	<b>\$ 1,120,885</b>	

The following table summarizes our identifiable intangible assets as of December 31, 2018:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Amortization Period (Yrs)
<i>Subject to amortization:</i>				
Student rosters	\$ 69,540	\$ (69,253)	\$ 287	0.9
Other	57,933	(32,791)	25,142	11.2
<i>Not subject to amortization:</i>				
Tradenames	1,126,244	—	1,126,244	—
<b>Total</b>	<b>\$ 1,253,717</b>	<b>\$ (102,044)</b>	<b>\$ 1,151,673</b>	

The decrease in Other intangible assets in 2019 related primarily to our adoption of ASC Topic 842, which resulted in the reclassification of certain lease intangibles to operating lease ROU assets.

#### Impairment Tests

The following table summarizes the Loss on impairment of assets:

For the years ended December 31,	2019	2018	2017
Impairments of Goodwill	\$ —	\$ —	\$ —
Impairments of Deferred costs and Other intangible assets, net	—	—	2,696
Impairments of long-lived assets	470	10,030	4,425
<b>Total</b>	<b>\$ 470</b>	<b>\$ 10,030</b>	<b>\$ 7,121</b>

We perform annual impairment tests of our non-amortizable intangible assets, which consist of goodwill and tradenames, in the fourth quarter of each year. The impairment charges discussed below were recorded to reduce the assets' carrying values to fair value.

For the purposes of our annual impairment testing of the Company's goodwill, fair value measurements were determined primarily using the income approach, based largely on inputs that are not observable to active markets, which would be deemed "Level 3" fair value measurements as defined in Note 21, Fair Value Measurement. These inputs include our expectations about future revenue growth and profitability, marginal income tax rates by jurisdiction, and the discount rate. Where a market approach is used, the inputs also include publicly available data about our competitors' financial ratios and transactions.

For purposes of our annual impairment testing of the Company's indefinite-lived tradenames, fair value measurements were determined using the income approach, based largely on inputs that are not observable to active markets, which would be deemed "Level 3" fair value measurements as defined in Note 21, Fair Value Measurement. These inputs include our expectations about future revenue growth, marginal income tax rates by jurisdiction, the discount rate and the estimated royalty rate. We use publicly available information and proprietary third-party arm's length agreements that Laureate has entered into with various licensors in determining certain assumptions to assist us in estimating fair value using market participant assumptions.

## 2018 Loss on Impairment of Assets

### *University of Liverpool*

Effective September 30, 2018, the University of Liverpool (Liverpool), an institution in our Online & Partnerships segment, elected not to renew its institutional partnership agreement and therefore the existing agreement will terminate in April 2021. Accordingly, Liverpool stopped enrolling new students and began a teach-out process that is expected to be completed in April 2021. As a result, during the third quarter of 2018 we recorded an impairment charge of \$10,030 related to fixed assets of this entity that are no longer recoverable based on expected future cash flows. Since Liverpool does not meet the criteria to be classified as held-for-sale or a discontinued operation, its results are reported within continuing operations for all periods presented.

## 2017 Loss on Impairment of Assets

The 2017 impairment charges related to the impairment of a lease intangible, certain modular buildings and software development costs.

## Note 10. Debt

Outstanding long-term debt was as follows:

	December 31, 2019	December 31, 2018
Senior long-term debt:		
Senior Secured Credit Facility (stated maturity dates of October 2024 as of December 31, 2019 and April 2022 and April 2024 as of December 31, 2018), net of discount	\$ 202,400	\$ 1,321,629
Senior Notes (stated maturity date May 2025)	800,000	800,000
Total senior long-term debt	1,002,400	2,121,629
Other debt:		
Lines of credit	14,542	37,899
Notes payable and other debt	328,153	503,182
Total senior and other debt	1,345,095	2,662,710
Finance lease obligations and sale-leaseback financings	100,113	119,443
Total long-term debt and finance leases	1,445,208	2,782,153
Less: total unamortized deferred financing costs	66,069	88,241
Less: current portion of long-term debt and finance leases	118,822	100,818
Long-term debt and finance leases, less current portion	\$ 1,260,317	\$ 2,593,094

As of December 31, 2019, aggregate annual maturities of the senior and other debt, excluding finance lease obligations and sale-leaseback financings, were as follows:

December 31,	Senior and Other Debt
2020	\$ 112,858
2021	110,279
2022	72,338
2023	41,558
2024	207,553
Thereafter	800,509
Total senior and other debt	\$ 1,345,095

### Senior Secured Credit Facility

During the second quarter of 2017, we completed a refinancing of our Senior Secured Credit Facility by means of an amendment and restatement of the existing amended and restated credit agreement (the Second Amended and Restated Credit Agreement) to provide a revolving credit facility that had an original borrowing capacity of \$385,000 and originally matured in April 2022 (the Revolving Credit Facility), as well as a syndicated term loan of \$1,600,000 that had a maturity date of April 26, 2024 (the 2024

Term Loan). The prior senior credit facility was fully repaid, and that repayment amount is included in Payments on long-term debt in the Consolidated Statement of Cash Flows for the year ended December 31, 2017, with the exception of approximately \$283,000 of loan principal related to the prior term loan that was rolled over by certain lenders into the 2024 Term Loan. Accordingly, that rollover amount was a non-cash transaction.

#### *2024 Term Loan*

On February 1, 2018, we amended our Senior Secured Credit Facility to reduce the interest rate on the 2024 Term Loan. In connection with this transaction, we also repaid \$350,000 of the principal balance of the 2024 Term Loan in addition to \$1,239 of accrued interest using the proceeds from the sale of our Cyprus and Italy operations, along with borrowings on our revolving credit facility that were subsequently repaid with the China sale proceeds.

Pursuant to the February 1, 2018 amendment, the interest rate margins applicable to the 2024 Term Loan were amended to 3.50% for LIBOR term loans and 2.50% for ABR term loans and such interest rate margins were no longer based upon the Company's consolidated total debt to consolidated EBITDA ratio. The amendment effectively reduced the current interest rate margins applicable to the outstanding term loans, which prior to the amendment were based on the Company's consolidated total debt to consolidated EBITDA ratio, by 100 basis points, from 4.50% to 3.50% for LIBOR term loans, and 3.50% to 2.50% for ABR term loans.

As of December 31, 2018, all loans outstanding under the 2024 Term Loan were LIBOR loans and had a total interest rate of 6.03% and the total balance outstanding was \$1,228,129. As discussed in Note 6, Dispositions and Asset Sales, the sale of St. Augustine was completed on February 1, 2019 and the Company used \$340,000 of the net proceeds to repay a portion of the 2024 Term Loan. During the second quarter of 2019, the Company fully repaid the remaining balance outstanding under its 2024 Term Loan, using the proceeds received from the sales of its operations in India, Spain and Portugal, as discussed in Note 6, Dispositions and Asset Sales.

#### *Revolving Credit Facility*

Pursuant to terms of the Second Amended and Restated Credit Agreement in 2017, the maturity date for the Revolving Credit Facility was April 26, 2022. On October 7, 2019, the Company entered into a Third Amended and Restated Credit Agreement (the Third A&R Credit Agreement). Among other things, the Third A&R Credit Agreement increased the borrowing capacity of our revolving credit facility from \$385,000 to \$410,000 and extended the maturity date from April 26, 2022 to October 7, 2024.

Under the Third A&R Credit Agreement, the revolving credit facility bears interest at a per annum interest rate, at the option of the Company, at either the LIBO rate or the ABR rate, as defined in the agreement, plus an applicable margin of 2.50% per annum, 2.25% per annum, 2.00% per annum or 1.75% per annum for LIBOR loans, and 1.50% per annum, 1.25% per annum, 1.00% per annum or 0.75% per annum for ABR loans, in each case, based on the Company's Consolidated Total Debt to Consolidated EBITDA ratio, as defined in the agreement.

As a subfacility under the Revolving Credit Facility, the Third A&R Credit Agreement provides for letter of credit commitments in the aggregate amount of \$50,000. The Third A&R Credit Agreement also provides, subject to the satisfaction of certain conditions, for incremental revolving and term loan facilities, at the request of the Company, not to exceed the greater of (a) \$565,000 or (b) 100% of the consolidated EBITDA of the Company, plus additional amounts so long as both immediately before and after giving effect to such incremental facilities the Company's Consolidated Senior Secured Debt to Consolidated EBITDA ratio, as defined in the Third A&R Credit Agreement, on a pro forma basis, does not exceed 2.75x.

As of December 31, 2019, the Revolving Credit Facility had a total outstanding balance of \$202,400, which consisted of \$121,300 of LIBOR Loans that had an average interest rate of 3.61% and \$81,100 of ABR loans that had an interest rate of 5.75%. Prior to the Third A&R Credit Agreement, the Revolving Credit Facility bore interest at a per annum interest rate, at the option of the Company, at either the LIBO rate or the Alternate Base Rate (ABR) rate plus an applicable margin of 3.75% per annum or 3.50% per annum for LIBO rate loans, and 2.75% per annum or 2.50% per annum for ABR rate loans, in each case, based on the Company's Consolidated Total Debt to Consolidated EBITDA ratio, as defined in the Second Amended and Restated Credit Agreement. As of December 31, 2018, the Revolving Credit Facility consisted entirely of ABR loans that had an interest rate of 8.25%, with total outstanding balances of \$93,500.

#### *Guarantors of the Senior Secured Credit Facility*

Laureate Education, Inc. is the borrower under our Senior Secured Credit Facility. All of Laureate's required United States legal entities, excluding certain subsidiaries that the Company considers dormant based on the lack of activity, Walden University, LLC (Walden), Kendall, NewSchool of Architecture and Design (NewSchool), and National Hispanic University (NHU), are guarantors of the Senior Secured Credit Facility, and all of the guarantors' assets, both real and intangible, are pledged as collateral. Certain Walden assets are also pledged as collateral, including all of Walden's United States receivables other than Title IV student loans, all of its copyrights, patents, and trademarks. As of December 31, 2019 and 2018, the carrying value of the Walden receivables and intangibles pledged as collateral was \$400,484 and \$403,658, respectively. Additionally, not more than 65% of the shares held directly by United States guarantors in non-domestic subsidiaries are pledged as collateral.

#### **Senior Notes**

On April 26, 2017, we completed an offering of \$800,000 aggregate principal amount of 8.250% Senior Notes due 2025 (the Senior Notes due 2025). The Senior Notes due 2025 were issued at par and will mature on May 1, 2025. Interest on the Senior Notes due 2025 is payable semi-annually on May 1 and November 1, and the first interest payment date was November 1, 2017. We may redeem the Senior Notes due 2025, in whole or in part, at any time on or after May 1, 2020, at redemption prices starting at 106.188% of the principal amount thereof and decreasing from there each year thereafter until May 1, 2023, plus accrued and unpaid interest. From and after May 1, 2023, we may redeem all or part of the Senior Notes due 2025 at a redemption price of 100%, plus accrued and unpaid interest. We may also redeem up to 40% of the Senior Notes due 2025 using the proceeds of certain equity offerings completed before May 1, 2020, at a redemption price equal to 108.250% of the principal amount thereof, plus accrued and unpaid interest. In addition, at any time prior to May 1, 2020, we may redeem the Senior Notes due 2025, in whole or in part, at a price equal to 100% of the principal amount, plus a "make-whole" premium, plus accrued and unpaid interest.

As of December 31, 2019, the outstanding balance of our Senior Notes due 2025 was \$800,000. As of December 31, 2018, the outstanding balance of our Senior Notes due 2025 was also \$800,000.

#### **Estimated Fair Value of Debt**

The estimated fair value of our debt was determined using observable market prices since the majority of our securities, including the Senior Secured Credit Facility and the Senior Notes due 2025, are traded in a brokered market. The fair value of our remaining debt instruments approximates carrying value based on their terms. As of December 31, 2019 and December 31, 2018, our long-term debt was classified as Level 2 within the fair value hierarchy, based on the frequency and volume of trading in the brokered market. The estimated fair value of our debt was as follows:

	December 31, 2019		December 31, 2018	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Total senior and other debt	\$ 1,345,095	\$ 1,406,954	\$ 2,662,710	\$ 2,675,684

#### **Senior Notes due 2019 - Note Exchange Transaction**

On April 15, 2016, Laureate entered into separate, privately negotiated note exchange agreements (the Note Exchange Agreements) with certain existing holders (the Existing Holders) of the then-outstanding 9.250% Senior Notes due 2019 (the Senior Notes due 2019) pursuant to which we agreed to exchange (the Note Exchange) \$250,000 in aggregate principal amount of Senior Notes due 2019 for shares of the Company's Class A common stock. The exchange was to be completed within one year and one day after the consummation of an initial public offering of our common stock that generated gross proceeds of at least \$400,000 or 10% of the equity value of the Company (a Qualified Public Offering). On February 6, 2017, the Company completed an initial public offering of its Class A common stock at a price per share of \$14.00 that qualified as a Qualified Public Offering.

The Note Exchange Agreements provided that, within 60 days after the consummation of a Qualified Public Offering, at the option of the Existing Holders or their transferees, Laureate would repurchase up to an additional \$62,500 aggregate principal amount of Senior Notes due 2019 at the redemption price set forth in Section 3.07 of the indenture governing the Senior Notes due 2019 that is applicable as of the date of pricing of the Qualified Public Offering, plus accrued and unpaid interest and special interest. On March 1, 2017, in accordance with the terms of the Note Exchange Agreements, we repurchased Senior Notes due 2019 with an aggregate principal amount of \$22,556 at a repurchase price of 104.625% of the aggregate principal amount, for a total payment of \$23,599; the difference was recognized as Loss on debt extinguishment along with the portion of unamortized debt issuance costs that were written off.

On April 28, 2017, the Company elected to redeem all of its outstanding Senior Notes due 2019 (other than the Exchanged Notes) and on May 31, 2017 (the Redemption Date), the Senior Notes due 2019 (other than the Exchanged Notes) were redeemed. As described further below, the Exchanged Notes were redeemed on August 11, 2017. The aggregate principal amount outstanding of the 9.250% Senior Notes due 2019 (excluding the Exchanged Notes) was \$1,125,443. The redemption price for the notes that were redeemed was equal to 104.625% of the principal amount thereof, for a total redemption price of \$1,177,495, plus accrued and unpaid interest and special interest to the Redemption Date, for an aggregate payment to holders of the senior notes of \$1,205,630.

On August 2, 2017, we sent notices to the holders of these notes indicating that the closing of the exchange contemplated by the Note Exchange Agreements would be consummated on Friday, August 11, 2017. On August 11, 2017, Laureate issued 18,683 shares of Class A common stock, which was equal to 104.625% of the aggregate principal amount of Senior Notes due 2019 to be exchanged, or \$261,600, divided by \$14.00, the initial public offering price per share of Class A common stock in the Qualified Public Offering. Upon completion of the Note Exchange, the Company also paid approximately \$11,100 to the exchanging holders, an amount equal to the interest and special interest accrued with respect to the Exchanged Notes to, but excluding, the date of consummation of the Note Exchange. Shares of our Class A common stock issued in the Note Exchange are listed on the Nasdaq Global Select Market.

#### **Certain Covenants**

As of December 31, 2019, our senior long-term debt contained certain negative covenants including, among others: (1) limitations on additional indebtedness; (2) limitations on dividends; (3) limitations on asset sales, including the sale of ownership interests in subsidiaries and sale-leaseback transactions; and (4) limitations on liens, guarantees, loans or investments. The Third A&R Credit Agreement did not change the financial covenant that the Company was previously subject to under the Second Amended and Restated Credit Agreement. The Third A&R Credit Agreement provides, solely with respect to the revolving credit facility, that the Company shall not permit its consolidated senior secured debt to consolidated EBITDA ratio to exceed 3.50x as of the last day of each quarter commencing with the quarter ending December 31, 2019; provided, that if (i) the Company's consolidated total debt to consolidated EBITDA ratio is not greater than 4.75x as of such date and (ii) less than 25% of the Revolving Credit Facility is utilized as of that date, then such financial covenant shall not apply. As of December 31, 2019, we were in compliance with the leverage ratio covenant. In addition, indebtedness at some of our locations contain financial maintenance covenants.

#### **Debt Modification and Loss on Debt Extinguishment**

In 2019, the Company recorded a Loss on debt extinguishment of \$28,267 related primarily to the write off of a pro-rata portion of the unamortized deferred financing costs associated with repaid debt balances, as well as the debt discount associated with the 2024 Term Loan.

In 2018, Laureate recorded a Loss on debt extinguishment of \$7,481 related to the February 1, 2018 amendment of our Senior Secured Credit Facility and the write-off of a pro-rata portion of the term loan's remaining deferred financing costs in connection with the \$350,000 principal payment.

As a result of the 2017 refinancing transactions and the note exchange transaction described above, Laureate recorded a Loss on debt extinguishment of \$8,392 during the year ended December 31, 2017 related primarily to the write off of unamortized deferred financing costs associated with certain lenders that did not participate in the new debt instruments. In addition, approximately \$22,800 was charged to General and administrative expenses related to new third-party costs paid in connection with the portion of the refinancing transactions that was deemed to be a modification. Also in connection with the refinancing transactions, approximately \$70,800 of new deferred financing costs were capitalized, which related primarily to the excess of the redemption price over the principal amount of the Senior Notes due 2019 that were redeemed and the call premium that applied to a portion of the repaid senior credit facilities.

#### **Debt Issuance Costs**

Amortization of debt issuance costs and accretion of debt discounts that are recorded in Interest expense in the Consolidated Statements of Operations totaled approximately \$12,025, \$12,542 and \$14,100 for the years ended December 31, 2019, 2018 and 2017, respectively. During the years ended December 31, 2019, 2018 and 2017, we paid and capitalized a total of \$8,607, \$513 and \$81,097, respectively, in debt issuance costs. Certain unamortized debt issuance costs were written off in 2019, 2018 and 2017 in connection with debt agreement amendments as discussed above. As of December 31, 2019 and 2018, our unamortized debt issuance costs were \$66,069 and \$88,241, respectively.

## **Currency and Interest Rate Swaps**

The interest and principal payments for Laureate's senior long-term debt arrangements are to be paid primarily in USD. Our ability to make debt service payments is subject to fluctuations in the value of the USD relative to foreign currencies, because a majority of our operating cash used to make these payments is generated by subsidiaries with functional currencies other than USD. As part of our overall risk management policies, Laureate has at times entered into foreign currency swap contracts and interest rate swap contracts. See also Note 15, Derivative Instruments.

## **Other Debt**

### *Lines of Credit*

Individual Laureate subsidiaries have the ability to borrow pursuant to unsecured lines of credit and similar short-term borrowing arrangements (collectively, lines of credit). The lines of credit are available for working capital purposes and enable us to borrow and repay until those lines mature. At December 31, 2019 and 2018, the aggregate outstanding balances on our lines of credit were \$14,542 and \$37,899, respectively. At December 31, 2019, we had additional available borrowing capacity under our outstanding lines of credit of \$26,059. At December 31, 2019, we had one line of credit outstanding that had an interest rate of 7.93%. At December 31, 2018, interest rates on our lines of credit ranged from 6.50% to 11.00%. Our weighted-average short-term borrowing rate was 7.93% and 8.37% at December 31, 2019 and 2018, respectively.

### *Notes Payable*

Notes payable include mortgages payable that are secured by certain fixed assets. The notes payable have varying maturity dates and repayment terms through 2025. These loans contain certain financial maintenance covenants and Laureate is in compliance with these covenants. Interest rates on notes payable ranged from 3.23% to 10.25% and 3.97% to 11.25% at December 31, 2019 and 2018, respectively.

On May 12, 2016, two outstanding loans at Universidad del Valle de México (UVM Mexico) that originated in 2007 and 2012 and were both scheduled to mature in May 2021 were refinanced and combined into one loan. The maturity date of the combined loan was extended to May 15, 2023 and principal repayments were suspended until May 15, 2018. The new refinanced loan carried a variable interest rate based on the 28-day Mexican Interbanking Offer Rate (TIIE), plus the applicable margin. The applicable margin for the interest calculation was established based on the ratio of debt to EBITDA, as defined in the agreement. Beginning May 15, 2016, interest was paid monthly. The outstanding balance of the loan on May 12, 2016 was MXN 2,224,600 (\$120,527 at that date). During the year ended December 31, 2019, this loan was fully repaid. As of December 31, 2018, the interest rate on the loan was 11.25% and the outstanding balance on the loan was \$102,239.

In addition to the loans above, in August 2015, UVM Mexico entered into an agreement with a bank for a loan of MXN 1,300,000 (approximately \$79,000 at the time of the loan). The loan carried a variable interest rate based on TIIE plus an applicable margin and was scheduled to mature in August 2020. During December 2017, this loan was paid in full and a new loan in the amount of MXN 1,700,000 (approximately \$89,000 at the time of the loan) was obtained. The new loan matures in December 2023 and carries a variable interest rate based on TIIE, plus an applicable margin, which is established based on the ratio of debt to EBITDA, as defined in the agreement (9.06% and 10.50% as of December 31, 2019 and 2018, respectively). Payments on the loan were deferred until December 2018, at which time quarterly principal payments were due, beginning at MXN 42,500 (\$2,242 at December 31, 2019) and increasing over the term of the loan to MXN 76,500 (\$4,035 at December 31, 2019), with a balloon payment of MXN 425,000 (\$22,419 at December 31, 2019) due at maturity. During the year ended December 31, 2019 this loan was reassigned to another wholly owned subsidiary of the company within Mexico. As of December 31, 2019 and December 31, 2018, the outstanding balance of this loan was \$77,569 and \$83,086, respectively.

The Company obtained financing to fund the construction of two new campuses at one of our institutions in Peru, Universidad Peruana de Ciencias Aplicadas. As of December 31, 2019 and 2018, the loans had an outstanding balance of \$14,542 and \$32,886, respectively, and a weighted average interest rate of 7.93% and 7.97%, respectively. These loans have varying maturity dates with the final payment due in October 2022. As of December 31, 2019 and 2018, \$0 and \$14,409, respectively, of the outstanding balances on the loans were payable to an institutional investor that is a minority shareholder of Laureate.

Laureate has outstanding notes payable at Universidad Privada del Norte (UPN), one of our institutions in Peru. These loans all have interest rates ranging from 7.85% to 8.70% and varying maturity dates through December 2024. As of December 31, 2019 and 2018, these loans had a balance of \$23,480 and \$30,172, respectively.

On December 22, 2017, a Laureate subsidiary in Peru entered into an agreement to borrow PEN 247,500 (approximately \$76,000 at the agreement date). The loan bears interest at a fixed rate of 6.62% per annum and matures in December 2022. Quarterly payments in the amount of PEN 9,281 (\$2,801 at December 31, 2019) were due from March 2018 through December 2019. The quarterly payments increase to PEN 14,438 (\$4,357 at December 31, 2019) in March 2020 through the loan's maturity in December 2022. As of December 31, 2019 and 2018, this loan had a balance of \$52,278 and \$62,761, respectively.

Laureate had outstanding notes payable at a real estate subsidiary in Chile. As of December 31, 2018, the outstanding balance on the loans was \$51,700. The interest rates on these loans ranged from 3.97% to 6.20% per annum as of December 31, 2018. These notes were repayable in installments with the final installment due in August 2028. In February 2019, the Company elected to repay approximately \$35,000 of the outstanding principal balance of these notes, and the remaining balance was repaid during the fourth quarter of 2019.

On December 20, 2013, Laureate acquired THINK and financed a portion of the purchase price by borrowing AUD 45,000 (\$31,176 at December 31, 2019) under a syndicated facility agreement in the form of two term loans of AUD 22,500 each. The syndicated facility agreement also provided for additional borrowings of up to AUD 20,000 (\$13,856 at December 31, 2019) under a capital expenditure facility and a working capital facility. The first term loan (Facility A) had a term of five years and principal was payable in quarterly installments of AUD 1,125 (\$779 at December 31, 2019) beginning on March 31, 2014. The second term loan (Facility B) had a term of five years and the total principal balance of AUD 22,500 was payable at its maturity date of December 20, 2018. In June 2016, these loan facilities were amended and restated. As a result of this amendment and a repayment of AUD 11,000 (approximately \$8,100 at the date of payment), Facility A was amended to be a term loan of AUD 10,000 (\$6,928 at December 31, 2019), and principal was repayable in quarterly installments of AUD 833 (\$577 at December 31, 2019) beginning on September 30, 2016, with the final balance payable at its maturity date of December 20, 2018. Facility B was amended to be a revolving facility of up to AUD 15,000 (\$10,392 at December 31, 2019) and any balance outstanding was repayable at its maturity date of December 20, 2018. The capital expenditure facility and working capital facility provided for total additional borrowings of up to AUD 15,000 (\$10,392 at December 31, 2019). In October 2017, these loan facilities were further amended to provide the lender a security interest in all of the assets of Laureate's Australian operations. In addition, Facility A was converted from a term loan to a loan with a balloon payment due at maturity. In December 2018, these loan facilities were again amended to extend the maturity date from December 20, 2018 to June 30, 2020. Facility A bears interest at a variable rate plus a margin of 2.25% and Facility B bears interest at a variable rate plus a margin of 2.50%. Prior to this amendment, Facilities A and B bore interest at variable rates plus margins of 2.50% and 2.75%, respectively. The capital expenditure facility and working capital facility now provide for total additional borrowings of up to AUD 22,000 (\$15,242 as of December 31, 2019). As of December 31, 2019, the interest rates on Facility A and Facility B were 3.23% and 3.48%, respectively, and as of December 31, 2018, the interest rates on Facility A and Facility B were 4.31% and 4.56%, respectively. As of December 31, 2019 and 2018, \$14,433 and \$14,673, respectively, was outstanding under these loan facilities.

Laureate acquired Faculdades Metropolitanas Unidas Educacionais Ltda. (FMU) on September 12, 2014 and financed a portion of the purchase price by borrowing amounts under two loans that totaled BRL 259,139 (approximately \$110,310 at the borrowing date). The loans require semi-annual principal payments that began at BRL 6,478 (\$1,588 at December 31, 2019) in October 2014 and increased to a maximum of BRL 22,027 (\$5,400 at December 31, 2019) beginning in October 2017 and continuing through their maturity dates in April 2021. As of December 31, 2019 and 2018, the outstanding balance of these loans was \$16,199 and \$28,356, respectively. Both loans mature on April 15, 2021 and bear interest at an annual variable rate of CDI plus 3.70% (approximately 8.10% and 10.10% at December 31, 2019 and 2018, respectively).

On December 20, 2017, a Laureate subsidiary in Brazil entered into an agreement to borrow BRL 360,000 (approximately \$110,000 at the time of the loan). The loan is collateralized by real estate and certain trade receivables in Brazil. The loan bears interest at an annual variable rate of CDI plus 2.55% per annum (6.95% and 8.95% at December 31, 2019 and 2018, respectively) and matures on December 25, 2022. Quarterly payments in the amount of BRL 13,500 (\$3,309 at December 31, 2019) are due from March 2019 through December 2019, at which point the quarterly payments increase to BRL 22,500 (\$5,516 at December 31, 2019) from March 2020 through December 2020, then to BRL 27,000 (\$6,619 at December 31, 2019) from March 2021 through maturity in December 2022. As of December 31, 2019 and 2018, this loan had a balance of \$75,013 and \$92,690, respectively.

In addition to this loan, the same Laureate subsidiary in Brazil entered into two additional loans during the year ended December 31, 2019 totaling BRL 190,000 (approximately \$47,495 at the time of loan). These loans have maturity dates of May 2021 and December 2021 and as of December 31, 2019 have an outstanding balance of \$46,577.

## Note 11. Leases

Laureate conducts a significant portion of its operations at leased facilities. These facilities include our corporate headquarters, other office locations, and many of Laureate's higher education facilities. Laureate analyzes each lease agreement to determine whether it should be classified as a finance lease or an operating lease. As a result of adopting ASC Topic 842 on January 1, 2019, we recorded on our balance sheet significant asset and liability balances associated with the operating leases, as described further below.

### *Finance Leases*

Our finance lease agreements are for property and equipment. The lease assets are included within buildings as well as furniture, equipment and software and the related lease liability is included within debt and finance leases on the consolidated balance sheet.

### *Operating Leases*

Our operating lease agreements are primarily for real estate space and are included within operating lease ROU assets and operating lease liabilities on the 2019 consolidated balance sheet. The terms of our operating leases vary and generally contain renewal options. Certain of these operating leases provide for increasing rent over the term of the lease. Laureate also leases certain equipment under noncancellable operating leases, which are typically for terms of 60 months or less.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. As discussed in Note 2, Significant Accounting Policies, ROU assets and lease liabilities are recognized at the commencement date of the lease based on the estimated present value of lease payments over the lease term. Our variable lease payments consist of non-lease services related to the lease. Variable lease payments are excluded from the ROU assets and lease liabilities and are recognized in the period in which the obligation for those payments is incurred. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. Many of our lessee agreements include options to extend the lease, which we do not include in our minimum lease terms unless they are reasonably certain to be exercised. On occasion, Laureate has entered into sublease agreements for certain leased office space; however, the sublease income from these agreements is immaterial.

Supplemental balance sheet information related to leases was as follows:

<b>Leases</b>	<b>Classification</b>	<b>December 31, 2019</b>
<b>Assets:</b>		
Operating	Operating lease right-of-use assets, net	\$ 861,878
Finance	Buildings, Furniture, equipment and software, net	54,084
Total leased assets		\$ 915,962
<b>Liabilities:</b>		
Current		
Operating	Current portion of operating leases	91,558
Finance	Current portion of long-term debt and finance leases	4,940
Non-current		
Operating	Long-term operating leases, less current portion	792,358
Finance	Long-term debt and finance leases, less current portion	53,313
Total lease liabilities		\$ 942,169
<b>Lease Term and Discount Rate</b>		
<b>December 31, 2019</b>		
Weighted average remaining lease terms		
Operating leases		9.3 years
Finance leases		11.6 years
Weighted average discount rate		
Operating leases		9.50%
Finance leases		8.40%

The components of lease cost were as follows:

<b>Lease Cost</b>	<b>Classification</b>	<b>For the year ended December 31, 2019</b>
Operating lease cost	Direct costs	\$ 172,752
Finance lease cost		
Amortization of leased assets	Direct costs	6,277
Interest on leased assets	Interest expense	3,971
Short-term lease costs	Direct costs	5,247
Variable lease costs	Direct costs	14,983
Sublease income	Revenues	(4,777)
Total lease cost		\$ 198,453

As of December 31, 2019, maturities of lease liabilities were as follows:

<b>Maturity of Lease Liability</b>	<b>Operating Leases</b>	<b>Finance Leases</b>
Year 1	\$ 169,592	\$ 9,664
Year 2	159,404	9,628
Year 3	151,025	9,234
Year 4	140,569	8,183
Year 5	146,332	6,355
Thereafter	543,266	49,840
Total lease payments	\$ 1,310,188	\$ 92,904
Less: interest and inflation	(426,272)	(34,651)
Present value of lease liabilities	\$ 883,916	\$ 58,253

Supplemental cash flow information related to leases was as follows for the year ended December 31, 2019:

#### **Other Information**

Cash paid for amounts included in the measurement of lease liabilities

Operating cash flows from operating leases	\$	182,838
Operating cash flows from finance leases	\$	3,971
Financing cash flows from finance leases	\$	4,506
Leased assets obtained for new finance lease liabilities	\$	39,052
Leased assets obtained for new operating lease liabilities	\$	16,684

As previously disclosed in our 2018 Form 10-K, prior to the adoption of ASC Topic 842, rent expense, net of sublease income, for all cancellable and noncancelable leases was \$169,172 and \$170,099 for the years ended December 31, 2018 and 2017, respectively. Future minimum lease payments at December 31, 2018, by year and in aggregate, under all noncancelable operating leases were as follows:

	<b>Lease Payments</b>
2019	\$ 151,795
2020	142,995
2021	135,426
2022	128,441
2023	119,955
Thereafter	482,220
Total	\$ 1,160,832

#### **Note 12. Commitments and Contingencies**

##### **Noncontrolling Interest Holder Put Arrangements**

The following section provides a summary table and description of the various noncontrolling interest holder put arrangements, which relate to Discontinued Operations, that Laureate had outstanding as of December 31, 2019. Laureate has elected to accrete changes in the arrangements' redemption values over the period from the date of issuance to the earliest redemption date. The redeemable noncontrolling interests are recorded at the greater of the accreted redemption value or the traditional noncontrolling interest. Until the first exercise date, the put instruments' reported values may be lower than the final amounts that will be required to settle the minority put arrangements.

If the minority put arrangements were all exercised at December 31, 2019, Laureate would be obligated to pay the noncontrolling interest holders an estimated amount of \$10,581, as summarized in the following table:

	Nominal Currency	First Exercisable Date	Estimated Value as of December 31, 2019 redeemable within 12-months:		Reported Value
<b>Noncontrolling interest holder put arrangements</b>					
INTI Education Holdings Sdn Bhd (Inti Holdings) - 10.10%	MYR	Current	\$	10,581	\$ 10,581
Total noncontrolling interest holder put arrangements				10,581	10,581
<b>Puttable common stock - not currently redeemable</b>	USD	*	—	—	1,714
Total redeemable noncontrolling interests and equity			\$	10,581	\$ 12,295

\* Contingently redeemable

MYR: Malaysian Ringgit

Laureate's noncontrolling interest put arrangements are specified in agreements with each noncontrolling interest holder. The terms of these agreements determine the measurement of the redemption value of the put options based on a non-GAAP measure

of earnings before interest, taxes, depreciation and amortization (EBITDA, or recurring EBITDA), the definition of which varies for each particular contract.

Commitments and contingencies are generally denominated in foreign currencies.

#### *Inti Holdings*

As part of the acquisition of INTI, formerly known as Future Perspective, Sdn Bhd, a higher education institution with five campuses in Malaysia, the noncontrolling interest holders of INTI had put options denominated in MYR to require the Company to purchase the remaining noncontrolling interest. As of December 31, 2019, there is one put option remaining for the holder of the 10.10% minority interest. The put option for the 10.10% noncontrolling interest holder is exercisable for the 30-day period commencing after issuance of the audited financial statements for each of the years ending December 31, 2012 through December 31, 2025. The holder may exercise his option to sell all of his equity interest to the Company for a purchase price that is equal to defined multiples of recurring EBITDA. Purchase price multiples have been defined as eight times up to the first MYR 40,000 (approximately \$9,670 at December 31, 2019) of EBITDA plus six times EBITDA above this amount. This put option expires after the 30-day period related to delivery of the 2025 audited financial statements. As of December 31, 2019, the Company recorded \$10,581 for this arrangement in Redeemable noncontrolling interests and equity on its Consolidated Balance Sheet.

#### *Puttable Common Stock - Director Stockholder Put (Not Currently Redeemable)*

Each of the individual director stockholders of Laureate has entered into a stockholder's agreement with Laureate and Wengen. The director stockholder's agreement makes all shares of common stock subject to a stockholder put option at the fair market value of the stock. The stockholder put option is only exercisable upon the loss of capacity to serve as a director due to death or disability (as defined in the stockholder's agreement). The director stockholder put option expires only upon a change in control of Laureate.

Since the put option can only be exercised upon death or disability, we account for the common stock as contingently redeemable equity instruments that are not currently redeemable and for which redemption is not probable. Accordingly, the redeemable equity instruments are presented in temporary equity based on their initial measurement amount, as required by ASC 480-10-S99, "Distinguishing Liabilities from Equity - SEC Materials." No subsequent adjustment of the initial measurement amounts for these contingently redeemable securities is necessary unless the redemption of these securities becomes probable. Accordingly, the amount presented as temporary equity for the contingently redeemable common stock outstanding is its issuance-date fair value.

As of December 31, 2019 and 2018, \$1,714 and \$1,713, respectively, of contingently redeemable common stock attributable to director stockholder puts was included in Redeemable noncontrolling interests and equity on the Consolidated Balance Sheets.

#### **Loss Contingencies**

Laureate is subject to legal actions arising in the ordinary course of its business. In management's opinion, we have adequate legal defenses, insurance coverage and/or accrued liabilities with respect to the eventuality of such actions. We do not believe that any settlement would have a material impact on our Consolidated Financial Statements.

#### *Contingent Liabilities for Taxes, Indemnification Assets and Other*

As of December 31, 2019 and 2018, Laureate has recorded cumulative liabilities totaling \$44,595 and \$52,880, respectively, for taxes other-than-income tax, principally payroll-tax-related uncertainties recorded at the time of an acquisition. Included in these amounts, as of December 31, 2019 and 2018, \$2,893 and \$4,999, respectively, were classified as held for sale. The changes in this recorded liability are related to acquisitions, interest and penalty accruals, changes in tax laws, expirations of statutes of limitations, settlements and changes in foreign currency exchange rates. The terms of the statutes of limitations on these contingencies vary but can be up to 10 years. These liabilities were included in current and long-term liabilities on the Consolidated Balance Sheets. Changes in the recorded values of non-income tax contingencies impact operating income and interest expense, while changes in the related indemnification assets impact only operating income. The total (decreases)/increases to operating income for adjustments to non-income tax contingencies and indemnification assets were \$(9,393), \$(6,884), and \$2,586 for the years ended December 31, 2019, 2018 and 2017, respectively.

In addition, as of December 31, 2019 and 2018, Laureate has recorded cumulative liabilities for income tax contingencies of \$51,442 and \$64,157, respectively, of which \$6,996 and \$14,582, respectively, were classified as held for sale. Income tax contingencies are disclosed further in Note 16, Income Taxes. As of December 31, 2019 and 2018, indemnification assets primarily related to acquisition contingencies were \$69,040 and \$82,061, respectively, of which \$0 and \$476, respectively, were classified

as held for sale. These indemnification assets primarily cover contingencies for income taxes and taxes other-than-income taxes. We have also recorded a receivable of approximately \$19,000 as of December 31, 2019 and 2018 from the former owner of one of our Brazil institutions which is guaranteed by future rental payments to the former owner.

We have identified certain contingencies, primarily tax-related, that we have assessed as being reasonably possible of loss, but not probable of loss, and could have an adverse effect on the Company's results of operations if the outcomes are unfavorable. In most cases, Laureate has received indemnifications from the former owners and/or noncontrolling interest holders of the acquired businesses for contingencies, and therefore, we do not believe we will sustain an economic loss even if we are required to pay these additional amounts. In cases where we are not indemnified, the unrecorded contingencies are not individually material and are primarily in Brazil. In the aggregate, we estimate that the reasonably possible loss for these unrecorded contingencies in Brazil could be up to approximately \$49,000 if the outcomes were unfavorable in all cases.

#### *Other Loss Contingencies*

Laureate has accrued liabilities for certain civil actions against our institutions, a portion of which existed prior to our acquisition of these entities. Laureate intends to vigorously defend against these matters. As of December 31, 2019 and 2018, approximately \$31,400 and \$29,000, respectively, of loss contingencies were included in Other long-term liabilities and Other current liabilities on the Consolidated Balance Sheets. In addition, as of December 31, 2019 and 2018, approximately \$1,000 and \$18,000, respectively, of loss contingencies were classified as liabilities held for sale. The decrease is primarily related to the reversal of loss contingencies recorded in 2018 in connection with the sale of LEILY in China, as discussed in Note 6, Dispositions and Asset Sales. During the first quarter of 2019, loss contingencies were reversed following the settlement of a legal matter related to LEILY with no cost to the Company, resulting in additional gain on sale.

#### **Material Guarantees – Student Financing**

The accredited Chilean institutions in the Laureate network participate in a government-sponsored student financing program known as Crédito con Aval del Estado (the CAE Program). The CAE Program was formally implemented by the Chilean government in 2006 to promote higher education in Chile for lower socio-economic level students in good academic standing. The CAE Program involves tuition financing and guarantees that are provided by our institutions and the government. As part of the CAE Program, these institutions provide guarantees which result in contingent liabilities to third-party financing institutions, beginning at 90% of the tuition loans made directly to qualified students enrolled through the CAE Program and declining to 60% over time. The guarantees by these institutions are in effect during the period in which the student is enrolled, and the guarantees are assumed entirely by the government upon the student's graduation. When a student leaves one of Laureate's institutions and enrolls in another CAE-qualified institution, the Laureate institution will remain guarantor of the tuition loans that have been granted up to the date of transfer, and until the student's graduation from a CAE-qualified institution. The maximum potential amount of payments our institutions could be required to make under the CAE Program was approximately \$474,000 and \$499,000 at December 31, 2019 and 2018, respectively. This maximum potential amount assumes that all students in the CAE Program do not graduate, so that our guarantee would not be assigned to the government, and that all students default on the full amount of the CAE-qualified loan balances. As of December 31, 2019 and 2018, we recorded \$30,887 and \$28,254, respectively, as estimated long-term guarantee liabilities for these obligations.

#### **Material Guarantees – Other**

In conjunction with the purchase of Universidade Potiguar (UNP) in Brazil, Laureate pledged all of the acquired shares as a guarantee of our payments of rents as they become due. In the event that we default on any payment, the pledge agreement provides for a forfeiture of the relevant pledged shares. In the event of forfeiture, Laureate may be required to transfer the books and management of UNP to the former owners.

Laureate acquired the remaining 49% ownership interest in UAM Brazil in April 2013. As part of the agreement to purchase the 49% ownership interest, Laureate pledged 49% of its total shares in UAM Brazil as a guarantee of our payment obligations under the purchase agreement. In the event that we default on any payment, the agreement provides for a forfeiture of the pledged shares.

In connection with the purchase of FMU on September 12, 2014, Laureate pledged its acquired shares to third-party lenders as a guarantee of our payment obligations under the loans that financed a portion of the purchase price. The shares are pledged until full payment of the loans, which mature in April 2021.

In connection with a loan agreement entered into by a Laureate subsidiary in Peru, all of the shares of UPN Peru, one of our universities, were pledged to the third-party lender as a guarantee of the payment obligations under the loan.

#### **Standby Letters of Credit, Surety Bonds and Other Commitments**

As of December 31, 2019 and 2018, Laureate's outstanding letters of credit (LOCs) and surety bonds primarily consisted of the items discussed below.

As of December 31, 2019 and 2018, we had approximately \$127,300 and \$139,000, respectively, posted as LOCs in favor of the DOE. As of December 31, 2019, the amount required by the DOE to be posted was approximately \$125,800. These LOCs were required to allow Walden and NewSchool, and, in 2018, St. Augustine to participate in the DOE Title IV program. These LOCs are recorded on Walden and a corporate entity and are fully collateralized with cash equivalents and certificates of deposit, which are classified as Restricted cash on our December 31, 2019 and 2018 Consolidated Balance Sheets.

As of December 31, 2019 and 2018, we had EUR 5,036 (approximately \$5,600 at December 31, 2019) posted as cash collateral for LOCs related to the Spain Tax Audits, which was recorded in Continuing Operations and classified as Restricted cash on our Consolidated Balance Sheets. The cash collateral is related to the final assessment issued by the Spanish Taxing Authority (STA) in October 2018 for the 2011 to 2013 tax audit period.

As part of our normal operations, our insurers issue surety bonds on our behalf, as required by various state education authorities in the United States. We are obligated to reimburse our insurers for any payments made by the insurers under the surety bonds. As of December 31, 2019 and 2018, the total face amount of these surety bonds was \$25,582 and \$ 22,204, respectively. These bonds are fully collateralized with cash, which is classified as Restricted cash on our December 31, 2019 and 2018 Consolidated Balance Sheets.

In November 2016, in order to continue participating in Prouni, a federal program that offers tax benefits designed to increase higher education participation rates in Brazil, UAM Brazil posted a guarantee in the amount of \$15,300. In connection with the issuance of the guarantee, UAM Brazil obtained a non-collateralized surety bond from a third party in order to secure the guarantee. The cost of the surety bond was \$1,400, of which half was reimbursed by the former owner of UAM Brazil, and is being amortized over the five-year term. The Company believes that this matter will not have a material impact on our Consolidated Financial Statements.

#### **Note 13. Financing Receivables**

Laureate's financing receivables consist primarily of trade receivables related to student tuition financing programs with an initial term in excess of one year. We have offered long-term financing through the execution of note receivable agreements with students at some of our institutions. Our disclosures include financing receivables that are classified in our Consolidated Balance Sheets as both current and long-term, reported in accordance with ASC 310, "Receivables."

Laureate's financing receivables balances were as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Financing receivables	\$ 28,856	\$ 16,531
Allowance for doubtful accounts	(5,909)	(6,395)
<b>Financing receivables, net of allowances</b>	<b>\$ 22,947</b>	<b>\$ 10,136</b>

We do not purchase financing receivables in the ordinary course of our business. We may sell certain receivables that are significantly past due. No material amounts of financing receivables were sold during the periods reported herein.

Delinquency is the primary indicator of credit quality for our financing receivables. Receivable balances are considered delinquent when contractual payments on the loan become past due. Delinquent financing receivables are placed on non-accrual status for interest income. The accrual of interest is resumed when the financing receivable becomes contractually current and when collection of all remaining amounts due is reasonably assured. We record an Allowance for doubtful accounts to reduce our financing receivables to their net realizable value. The Allowance for doubtful accounts is based on the age of the receivables, the status of past-due amounts, historical collection trends, current economic conditions, and student enrollment status. Each of our institutions evaluates its balances for potential impairment. We consider impaired loans to be those that are past due one year or greater, and those that are modified as a troubled debt restructuring (TDR). The aging of financing receivables grouped by country portfolio was as follows:

	Chile	Other	Total
<b>As of December 31, 2019</b>			
Amounts past due less than one year	\$ 10,687	\$ 1,556	\$ 12,243
Amounts past due one year or greater	3,295	62	3,357
Total past due (on non-accrual status)	13,982	1,618	15,600
Not past due	12,556	700	13,256
<b>Total financing receivables</b>	<b>\$ 26,538</b>	<b>\$ 2,318</b>	<b>\$ 28,856</b>
<b>As of December 31, 2018</b>			
Amounts past due less than one year	\$ 7,618	\$ 644	\$ 8,262
Amounts past due one year or greater	2,879	192	3,071
Total past due (on non-accrual status)	10,497	836	11,333
Not past due	4,980	218	5,198
<b>Total financing receivables</b>	<b>\$ 15,477</b>	<b>\$ 1,054</b>	<b>\$ 16,531</b>

The following is a rollforward of the Allowance for doubtful accounts related to financing receivables for the years ended December 31, 2019, 2018, and 2017, grouped by country portfolio:

	Chile	Other	Total
<b>Balance at December 31, 2016</b>			
Charge-offs	\$ (6,209)	\$ (877)	\$ (7,086)
Recoveries	1,910	328	2,238
Provision	(24)	—	(24)
Currency adjustments	(1,309)	221	(1,088)
<b>Balance at December 31, 2017</b>	<b>\$ (6,107)</b>	<b>\$ (365)</b>	<b>\$ (6,472)</b>
Charge-offs	1,428	54	1,482
Recoveries	(675)	—	(675)
Provision	(1,424)	17	(1,407)
Currency adjustments	670	7	677
<b>Balance at December 31, 2018</b>	<b>\$ (6,108)</b>	<b>\$ (287)</b>	<b>\$ (6,395)</b>
Charge-offs	1,453	499	1,952
Recoveries	—	—	—
Provision	(1,479)	(463)	(1,942)
Currency adjustments	480	(4)	476
<b>Balance at December 31, 2019</b>	<b>\$ (5,654)</b>	<b>\$ (255)</b>	<b>\$ (5,909)</b>

#### Restructured Receivables

A TDR is a financing receivable in which the borrower is experiencing financial difficulty and Laureate has granted an economic concession to the student debtor that we would not otherwise consider. When we modify financing receivables in a TDR, Laureate typically offers the student debtor an extension of the loan maturity and/or a reduction in the accrued interest balance. In certain

situations, we may offer to restructure a financing receivable in a manner that ultimately results in the forgiveness of contractually specified principal balances. Our only TDRs are in Chile.

The number of financing receivable accounts and the pre- and post-modification account balances modified under the terms of a TDR during the years ended December 31, 2019, 2018 and 2017 were as follows:

	<b>Number of Financing Receivable Accounts</b>	<b>Pre-Modification Balance Outstanding</b>	<b>Post-Modification Balance Outstanding</b>
2019	386	\$ 1,537	\$ 1,152
2018	469	\$ 1,405	\$ 1,308
2017	446	\$ 2,319	\$ 2,109

The preceding table represents accounts modified under the terms of a TDR during the year ended December 31, 2019, whereas the following table represents accounts modified as a TDR between January 1, 2018 and December 31, 2019 that defaulted during the year ended December 31, 2019:

	<b>Number of Financing Receivable Accounts</b>	<b>Balance at Default</b>
Total	217	\$ 519

The following table represents accounts modified as a TDR between January 1, 2017 and December 31, 2018 that defaulted during the year ended December 31, 2018:

	<b>Number of Financing Receivable Accounts</b>	<b>Balance at Default</b>
Total	143	\$ 487

The following table represents accounts modified as a TDR between January 1, 2016 and December 31, 2017 that defaulted during the year ended December 31, 2017:

	<b>Number of Financing Receivable Accounts</b>	<b>Balance at Default</b>
Total	200	\$ 890

#### **Note 14. Share-based Compensation and Equity**

Share-based compensation expense was as follows:

<b>For the years ended December 31,</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<i>Continuing operations</i>			
Stock options, net of estimated forfeitures	\$ 3,702	\$ (3,026)	\$ 48,601
Restricted stock awards	8,959	12,764	13,243
Total continuing operations	\$ 12,661	\$ 9,738	\$ 61,844
<i>Discontinued operations</i>			
Share-based compensation expense for discontinued operations	333	1,053	2,944
Total continuing and discontinued operations	\$ 12,994	\$ 10,791	\$ 64,788

The negative stock options expense in 2018 relates to the reversal of expense for a change in estimate related to certain performance-based stock option awards where the performance target became improbable of achievement, as well as the correction of an immaterial error.

#### **2007 Stock Incentive Plan**

In August 2007, Laureate's Board of Directors (the Board) approved the Laureate Education, Inc. 2007 Stock Incentive Plan (2007 Plan). The total shares authorized under the 2007 Plan were 9,232. Shares that were forfeited, terminated, canceled, allowed to

expire unexercised, withheld to satisfy tax withholding, or repurchased were available for re-issuance. Any awards that were not vested upon termination of employment for any reason were forfeited. Upon voluntary or involuntary termination without cause (including death or disability), the grantee (or the estate) has a specified period of time after termination to exercise options vested on or prior to termination. The 2007 Plan's restricted stock awards have a claw-back feature whereby all vested shares, or the gross proceeds from the sale of those shares, must be returned to Laureate for no consideration if the employee does not abide by the agreed-upon restrictive covenants such as covenants not to compete and covenants not to solicit. As of December 31, 2019 and 2018, all outstanding awards that were granted under the 2007 Plan are fully vested.

#### *Stock Options Under 2007 Plan*

Stock option awards under the 2007 Plan have a contractual life of 10 years and were granted with an exercise price equal to the fair market value of Laureate's stock at the date of grant. Our option agreements generally divided each option grant equally into options that were subject to time-based vesting (Time Options) and options that were eligible for vesting based on achieving pre-determined performance targets (Performance Options). The Time Options generally vested ratably on the first through fifth grant date anniversary. The Performance Options were divided into tranches and were eligible to vest annually upon the Board's determination that Laureate had attained the performance targets.

Compensation expense was recognized over the period during which the employee was required to provide service in exchange for the award, which was usually the vesting period. For Time Options, expense was recognized ratably over the five-year vesting period. For Performance Options, expense was recognized under a graded expense attribution method, to the extent that it was probable that the stated annual performance target would be achieved and options would vest for any year.

#### **2013 Long-Term Incentive Plan**

On June 13, 2013, the Board approved the Laureate Education, Inc. 2013 Long-Term Incentive Plan (2013 Plan), as a successor plan to Laureate's 2007 Plan. The 2013 Plan became effective in June 2013, following approval by the stockholders of Laureate. No awards have been made under the 2007 Plan since the 2013 Plan has been effective. Under the 2013 Plan, the Company may grant stock options, stock appreciation rights, unrestricted common stock or restricted stock (collectively, "stock awards"), unrestricted stock units or restricted stock units, and other stock-based awards, to eligible individuals on the terms and subject to the conditions set forth in the 2013 Plan. As of the effective date, the total number of shares of common stock issuable under the 2013 Plan were 7,521, which is equal to the sum of (i) 7,074 shares plus (ii) 447 shares of common stock that were still available for issuance under Laureate's 2007 Plan. In September 2015, the Board and Shareholders approved an amendment to increase the total number of shares of common stock issuable under the 2013 Plan by 1,219, and in December 2016, the Board and Shareholders approved an amendment to increase the total number of shares of common stock issuable under the 2013 Plan by 3,884. Shares that are forfeited, terminated, canceled, allowed to expire unexercised, withheld to satisfy tax withholding, or repurchased are available for re-issuance. Any awards that have not vested upon termination of employment for any reason are forfeited. Holders of restricted stock shall have all of the rights of a stockholder of common stock including, without limitation, the right to vote and the right to receive dividends. However, dividends declared payable on performance-based restricted stock shall be subjected to forfeiture at least until achievement of the applicable performance target related to such shares of restricted stock. Any accrued but unpaid dividends on unvested restricted stock shall be forfeited upon termination of employment. Holders of stock units do not have any rights of a stockholder of common stock and are not entitled to receive dividends. All awards outstanding under the 2013 Plan terminate upon the liquidation, dissolution or winding up of Laureate.

Stock options, stock appreciation rights and restricted stock units granted under the 2013 Plan have provisions for accelerated vesting if there is a change in control of Laureate. As defined in the 2013 Plan, a change in control means the first of the following to occur: (i) a change in ownership of Laureate or Wengen or (ii) a change in the ownership of assets of Laureate. A change in ownership of Laureate or Wengen shall occur on the date that more than 50% of the total voting power of the capital stock of Laureate is sold or more than 50% of the partnership interests of Wengen is sold in a single or a series of related transactions. A change in the ownership of assets of Laureate would occur if 80% or more of the total gross fair market value of all of the assets of Laureate are sold during a 12-month period. The gross fair market value of Laureate is determined without regard to any liabilities associated with such assets. Upon consummation of the change in control and an employee's "qualifying termination" (as defined in the employee's award agreement): (a) those time-based stock options and stock appreciation rights that would have vested and become exercisable on or prior to the third anniversary of the effective time of change in control would become fully vested and immediately exercisable; (b) those performance-based stock options and stock appreciation rights that would have vested and become exercisable had Laureate achieved the performance targets in the three fiscal years ending coincident with or immediately subsequent to the effective time of such change in control, excluding the portion of awards that would have vested only pursuant to any catch-up provisions, would become fully vested and immediately exercisable; (c) those time-based restricted stock awards that would have become vested and free of forfeiture risk and lapse restriction on or prior to the third anniversary

of the effective time of such change in control would become fully vested and immediately exercisable; (d) those performance-based restricted stock awards that would have vested and become free of forfeiture risk and lapse restrictions had Laureate achieved the target performance in the three fiscal years ending coincident with or immediately subsequent to the effective time of such change in control would become fully vested and immediately exercisable; (e) those time-based restricted stock units that would have become vested or earned on or prior to the third anniversary of the effective time of such change in control would become vested and earned and be settled in cash or shares of common stock as promptly as practicable; and (f) those performance-based restricted stock units, performance shares and performance units that would have become vested or earned had Laureate achieved the target performance in the three fiscal years ending coincident with or immediately subsequent to the effective time of such change in control would become vested and earned and be settled in cash or shares of common stock as promptly as practicable. After giving effect to the foregoing change in control acceleration, any remaining unvested time-based and performance-based stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares and performance share units shall be forfeited for no consideration.

As discussed in Note 1, Description of Business, on January 27, 2020, the Company announced that it would explore strategic alternatives for each of its businesses to unlock shareholder value. Also on January 27, 2020, in connection with such announcement, the Company's Board of Directors determined that any outstanding awards under the 2007 Plan and the 2013 Plan that are held by a participant at the time that such participant is terminated without cause as of and following January 27, 2020 and before a divestiture, sale, spin-off, or any other similar corporate transaction involving the participant's employing entity will receive the same treatment that such awards would have received upon a qualifying termination on or following a change in control (*i.e.*, accelerated vesting of unvested equity awards in accordance with the terms of such awards).

#### *Stock Options Under 2013 Plan*

Stock option awards under the 2013 Plan generally have a contractual term of 10 years and are granted with an exercise price equal to or greater than the fair market value of Laureate's stock at the date of grant. These options typically vest over a period of five or three years. Of the options granted in 2019, 2018 and 2017, 698, 690 and 4,038, respectively, are Time Options and the remainder are Performance Options. The Performance Options granted under the 2013 Plan are eligible for vesting based on achieving annual pre-determined Equity Value performance targets or Adjusted EBITDA targets, as defined in the plan, and the continued service of the employee. Some of the performance-based awards include a catch-up provision, allowing the grantee to vest in any year in which a target is missed if a following year's target is achieved as long as the following year is within eight years from the grant date.

Compensation expense is recognized over the period during which an employee is required to provide service in exchange for the award, which is usually the vesting period. For Time Options, expense is recognized ratably over the five-year or three-year vesting period. For Performance Options, expense is recognized under a graded expense attribution method, to the extent that it is probable that the stated annual earnings target will be achieved and options will vest for any year. We assess the probability of each option tranche vesting throughout the life of each grant.

#### **Executive Profits Interests - Stock Option Grant**

On January 31, 2017, in connection with the Executive Profits Interests (EPI) agreement, we granted our then-CEO options (the EPI Options) to purchase 2,773 shares of our Class B common stock. The EPI Options vested upon consummation of the IPO on February 6, 2017. The exercise price of the EPI Options was equal to (i) \$17.00 with respect to 50% of the shares of Class B common stock subject to the EPI Option and (ii) \$21.32 with respect to 50% of the shares of Class B common stock subject to the EPI Option. The Company recorded approximately \$14,600 of share-based compensation expense for the EPI Options in the first quarter of 2017. The EPI Options were exercisable until December 31, 2019. Prior to their expiration, the EPI options with the exercise price of \$17.00 were exercised. The remaining EPI options expired unexercised.

#### **Amendment to 2013 Long-Term Incentive Plan**

On June 19, 2017, the Board approved, subject to stockholder approval, an amendment and restatement of the 2013 Plan. Among other things, the amendment (i) increases the number of shares of Class A common stock that may be issued pursuant to awards under the 2013 Plan to 14,714; (ii) adds performance metrics, the ability to grant cash awards, and annual limits on grants, intended to qualify awards as performance-based awards that are not subject to certain limits on tax deductibility of compensation payable to certain executives; and (iii) extends the term of the 2013 Plan to June 18, 2027, the day before the 10th anniversary of the date of adoption of the amendment. On June 19, 2017, the holder of the majority of the voting power of the Company's outstanding stock (the Majority Holder) approved by written consent the amended and restated 2013 Plan and it became effective.

## **Equity Award Modifications**

### *Stock Option Repricings*

On June 19, 2017, the Board and the Majority Holder approved a stock option repricing (the Option Repricing). Pursuant to the Option Repricing, the exercise price of each Relevant Option (as defined below) was amended to reduce such exercise price to the average closing price of a share of the Company's Class A common stock as reported on the Nasdaq Global Select Market over the 20 calendar-day period following the mailing of the Notice and Information Statement to our stockholders. The average closing price of the Company's Class A common stock over such 20-day period was \$17.44; accordingly, the exercise price of the Relevant Options was adjusted to \$17.44.

Relevant Options were all outstanding stock options as of June 19, 2017 (vested or unvested) to acquire shares of Class B common stock granted under the 2013 Plan during calendar years 2013 through 2016, and totaled approximately 5,300 options. Since the modification of the terms of the awards occurred on June 19, 2017, the Company recorded incremental stock compensation expense during the second quarter of 2017 of approximately \$5,100 for options that were vested at the modification date. Additionally, approximately \$2,500 of incremental stock compensation expense related to options that were not yet vested at the modification date was recognized over the remaining vesting period.

### *Stock Option Modifications*

During the third and fourth quarters of 2017, we extended the post-employment exercise periods of vested stock options for several executives in connection with their separation from the Company. We accounted for the extension as a modification of an equity award under ASC 718. Accordingly, we recognized incremental stock compensation expense of approximately \$15,000 in 2017.

## **Stock Option Activity for 2007 and 2013 Plans**

The following tables summarize the stock option activity and the assumptions used to record the related share-based compensation expense for the years ended December 31, 2019, 2018 and 2017:

	2019			2018			2017		
	Options	Weighted Average Exercise Price	Aggregate Intrinsic Value	Options	Weighted Average Exercise Price	Aggregate Intrinsic Value	Options	Weighted Average Exercise Price	Aggregate Intrinsic Value
		Options	Price		Options	Intrinsic Value		Options	
Outstanding at January 1	9,020	\$ 18.79	\$ 744	9,903	\$ 19.30	\$ —	10,928	\$ 21.81	\$ 4,350
Granted	698	14.99		717	14.27		4,283	19.01	
Exercised	(1,569)	16.95	794	—	—	—	—	—	—
Forfeited or expired	(2,761)	20.06		(1,600)	19.92		(5,308)	18.34	
Outstanding at December 31	5,388	18.18	3,396	9,020	18.79	744	9,903	19.30	—
Exercisable at December 31	4,846	18.50	2,136	7,878	19.11	265	8,606	19.38	—
Vested and expected to vest	5,274	18.20	3,344	8,990	18.80	722	9,847	19.31	—

Exercise Prices	Options Outstanding		Options Exercisable		Assumption Range*		
	Number of Shares	Weighted Average Remaining Contractual Terms (Years)	Number of Shares	Weighted Average Remaining Contractual Terms (Years)	Risk-Free Interest Rate	Expected Terms in Years	Expected Volatility
<b>Year Ended December 31, 2019</b>							
\$13.97 - \$15.55	944	7.89	524	7.06	1.81% - 3.05%	3.25 - 5.91	38.29% - 64.18%
\$17.00 - \$19.56	3,597	3.12	3,475	2.95	1.38% - 2.94%	2.60 - 10.00	35.20% - 58.84%
\$21.00 - \$21.52	330	1.09	330	1.09	0.68% - 2.61%	3.79 - 6.55	38.16% - 57.79%
\$22.32 - \$31.92	517	1.44	517	1.44	0.60% - 3.03%	3.18 - 6.52	36.93% - 53.80%
<b>Year Ended December 31, 2018</b>							
\$13.97 - \$15.55	674	8.31	250	7.98	1.81% - 3.05%	3.25 - 5.91	49.98% - 64.18%
\$17.00 - \$19.56	5,730	3.69	5,013	3.50	0.49% - 2.94%	2.60 - 10.00	36.04% - 69.74%
\$21.00 - \$21.52	1,917	1.39	1,916	1.39	0.68% - 2.60%	2.92 - 6.52	38.16% - 69.74%
\$22.32 - \$31.92	699	2.53	699	2.53	0.60% - 2.93%	4.00 - 6.52	36.93% - 53.80%
<b>Year Ended December 31, 2017</b>							
\$14.58 - \$19.56	6,500	4.58	5,549	4.22	0.33% - 3.31%	2.03 - 10.00	32.18% - 69.74%
\$21.00 - \$21.28	693	2.18	347	0.66	0.43% - 3.60%	2.11 - 6.67	33.24% - 57.79%
\$21.32 - \$21.52	1,776	2.14	1,776	2.14	0.68% - 2.61%	3.38 - 6.55	38.16% - 69.74%
\$21.68 - \$22.32	221	1.94	221	1.94	0.57% - 3.03%	2.18 - 6.52	36.78% - 52.47%
\$22.88 - \$31.92	713	3.76	713	3.76	0.73% - 2.86%	4.00 - 6.52	39.03% - 53.80%

\* The expected dividend yield is zero for all options in all years.

The weighted-average estimated fair value of stock options granted was \$6.05, \$7.67 and \$7.84 per share for the years ended December 31, 2019, 2018 and 2017, respectively.

As of December 31, 2019, Laureate had \$2,891 of unrecognized share-based compensation costs related to stock options outstanding. Of the total unrecognized cost, \$2,890 relates to Time Options and \$1 relates to Performance Options. The unrecognized Time Options expense is expected to be recognized over a weighted-average expense period of 1.8 years.

#### *Non-Vested Restricted Stock and Restricted Stock Units*

The following table summarizes the non-vested restricted stock and restricted stock units activity for the years ended December 31, 2019, 2018 and 2017:

	2019		2018		2017	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Non-vested at January 1	1,895	\$ 15.31	1,650	\$ 19.74	1,038	\$ 25.97
Granted	1,003	15.10	1,306	14.11	1,337	16.65
Vested	(765)	16.18	(853)	21.66	(328)	22.35
Forfeited	(882)	15.20	(208)	17.41	(397)	23.33
Non-vested at December 31	1,251	14.69	1,895	15.31	1,650	19.74

Restricted stock units granted under the 2013 Plan consist of time-based restricted stock units (RSU), performance-based restricted stock units (PSU) and market condition-based restricted stock units with various vesting periods over the next three to five years. PSUs are eligible to vest annually upon the Board's determination that the annual performance targets are met. The performance

targets are the same as for Performance Options, as defined in the 2013 Plan, except for targets set for certain PSUs granted in 2016. The vesting percentage for those PSUs is based on LEI's attainment of a performance level: threshold, target, maximum or a percentage between the "Threshold" and "Target; Maximum" which is determined by linear interpolation, provided that continued employment is required through the date the attainment of target is approved by the Compensation Committee. The PSUs granted from 2013 to February 2016 include a catch-up provision, allowing the grantee to vest in any year in which a target is missed if a following year's target is obtained as long as the following year is within eight years from the grant date. During the fourth quarter of 2017, Laureate granted a small number of restricted stock units where vesting is based on the fulfillment of both a service condition and the achievement of a Laureate stock price hurdle during the performance period, which is considered to be a market condition.

The fair value of the non-vested restricted stock awards in the table above is measured using the fair value of Laureate's common stock on the date of grant or the most recent modification date, whichever is later.

As of December 31, 2019, unrecognized share-based compensation expense related to non-vested restricted stock and restricted stock unit awards was \$7,619. Of the total unrecognized cost, \$4,272 relates to time-based RSUs, \$3,289 relates to PSUs and \$58 related to market-condition-based restricted stock units. This unrecognized expense for time-based restricted stock and restricted stock units will be recognized over a weighted-average expense period of 1.7 years.

## **Other Stockholders' Equity Transactions**

### *Series A Convertible Redeemable Preferred Stock*

In December 2016 and January 2017, the Company issued an aggregate of 400 shares of convertible redeemable preferred stock (the Series A Preferred Stock) for total gross proceeds of \$400,000. The Series A Preferred Stock included a Beneficial Conversion Feature (BCF) that was contingent on a qualified IPO (as defined in the Certificate of Designations governing the terms of the Series A Preferred Stock), which was consummated on February 6, 2017. Accordingly, during the first quarter of 2017, the Company recorded the BCF at its estimated fair value as a reduction of the carrying value of the Series A Preferred Stock and an increase to Additional paid-in capital. The accretion of this BCF and dividends on the Series A Preferred Stock reduced net income available to common stockholders in the calculation of earnings per share, as shown in Note 17, Earnings (Loss) Per Share. The total BCF of \$265,368 was accreted using a constant yield approach over a one-year period. For the years ended December 31, 2018 and 2017, we recorded total accretion of the BCF and dividends of \$61,974 and \$292,450, respectively.

On April 23, 2018, all of the issued and outstanding shares of the Series A Preferred Stock were converted into 36,143 shares of the Company's Class A common stock, par value \$0.004 per share. This conversion was treated as a redemption for accounting purposes and resulted in an increase in Additional paid-in capital upon reclassification of the carrying value of the Series A Preferred Stock. A portion of the fair value of the shares of Class A common stock issued to redeem the Series A Preferred Stock was allocated to the BCF contained in the Series A Preferred Stock. The difference between the remaining fair value of the shares of Class A common stock issued, the carrying value of the Series A Preferred Stock and fair value of the embedded derivatives resulted in a gain of \$74,110, which was recorded as Additional paid-in capital but included in income available to common stockholders in the calculation of earnings per share.

### *Secondary Offerings*

In November 2018, Wengen, our controlling stockholder, converted 14,088 owned shares of the Company's Class B common stock into an equal number of shares of the Company's Class A common stock and sold the 14,088 shares of Class A common stock to the public at a price of \$14.00 per share, prior to underwriting discounts and commissions. Wengen received all of the net proceeds from this offering and no shares of Class A common stock were sold by the Company. In the secondary offering, KKR Capital Markets, an affiliate of KKR who in turn is an affiliate of Wengen, bought approximately 757 shares of Class A common stock.

In June 2019, Wengen converted owned shares of the Company's Class B common stock into an equal number of shares of the Company's Class A common stock and sold a total of 10,955 shares of Class A common stock in a secondary offering at a price of \$15.3032 per share. Wengen received all of the net proceeds from this offering and no shares of Class A common stock were sold by the Company.

In September 2019, Wengen converted owned shares of the Company's Class B common stock into an equal number of shares of the Company's Class A common stock and sold a total of 15,000 shares of Class A common stock in a secondary offering at a price

of \$16.85 per share, prior to underwriting discounts and commissions. Wengen received all of the net proceeds from this offering and no shares of Class A common stock were sold by the Company.

#### **Stock Repurchase Program**

As previously disclosed, on August 8, 2019, the Company announced that its board of directors had authorized a stock repurchase program to acquire up to \$150,000 of the Company's Class A common stock. In early October 2019, the Company's stock repurchases reached the authorized limit of \$150,000. On October 14, 2019, the Company's board of directors approved the increase of its existing authorization to repurchase shares of the Company's Class A common stock by \$150,000 for a total authorization (including the previously authorized repurchases) of up to \$300,000 of the Company's Class A common stock. The Company's repurchases were made in a block trade, as well as on the open market at prevailing market prices and pursuant to a Rule 10b5-1 stock repurchase plan, in accordance with applicable rules and regulations promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act). In January 2020, the Company's stock repurchases reached the total authorized limit of \$300,000.

#### **Note 15. Derivative Instruments**

In the normal course of business, our operations are exposed to fluctuations in foreign currency values and interest rate changes. We may seek to control a portion of these risks through a risk management program that includes the use of derivative instruments.

The interest and principal payments for Laureate's senior long-term debt arrangements are to be paid primarily in USD. Our ability to make debt payments is subject to fluctuations in the value of the USD against foreign currencies, since a majority of our operating cash used to make these payments is generated by subsidiaries with functional currencies other than USD. As part of our overall risk management policies, Laureate has at times entered into foreign currency swap contracts and floating-to-fixed interest rate swap contracts. In addition, we occasionally enter into foreign exchange forward contracts to reduce the impact of other non-functional currency-denominated receivables and payables. We do not enter into speculative or leveraged transactions, nor do we hold or issue derivatives for trading purposes. We generally intend to hold our derivatives until maturity.

Laureate reports all derivatives at fair value. These contracts are recognized as either assets or liabilities, depending upon the derivative's fair value. Gains or losses associated with the change in the fair value of these swaps are recognized in our Consolidated Statements of Operations on a current basis over the term of the contracts, unless designated and effective as a hedge. For swaps that are designated and effective as cash flow hedges, gains or losses associated with the change in fair value of the swaps are recognized in our Consolidated Balance Sheets as a component of Accumulated Other Comprehensive Income (AOCI) and amortized into earnings as a component of Interest expense over the term of the related hedged items. Upon early termination of an effective interest rate swap designated as a cash flow hedge, unrealized gains or losses are deferred in our Consolidated Balance Sheets as a component of AOCI and are amortized as an adjustment to Interest expense over the period during which the hedged forecasted transaction affects earnings. For derivatives that are both designated and effective as net investment hedges, gains or losses associated with the change in fair value of the derivatives are recognized on our Consolidated Balance Sheets as a component of AOCI.

As of December 31, 2019, we held no derivatives. The reported fair values of our derivatives, which are classified in Derivative instruments on our Consolidated Balance Sheets, were as follows:

	December 31, 2019	December 31, 2018
<b>Derivatives designated as hedging instruments:</b>		
Long-term assets:		
Net investment cross currency swaps	\$ —	\$ 3,259
<b>Derivatives not designated as hedging instruments:</b>		
Current liabilities:		
Cross currency swaps	—	4,021
Long-term liabilities:		
Cross currency and interest rate swaps	—	6,656
Total derivative instrument assets	\$ —	\$ 3,259
Total derivative instrument liabilities	\$ —	\$ 10,677

### Derivatives Designated as Hedging Instruments

#### *Net Investment Hedge - Cross Currency Swaps*

In December 2017, Laureate entered into two EUR-USD cross currency swaps (net investment hedges) to hedge the foreign currency exchange volatility on operations of our Euro functional currency subsidiaries and better match our cash flows with the currencies in which our debt obligations are denominated. Both swaps had an effective date of December 22, 2017 and a maturity date of November 2, 2020, and were designated at inception as effective net investment hedges. In April 2019, the Company terminated both EUR-USD cross currency swaps for a net settlement received of \$7,679, which is included in Settlement of derivatives related to sale of discontinued operations and net investment hedge on our consolidated statement of cash flows. The terms of the swaps specified that at maturity on the first swap, Laureate would deliver the notional amount of EUR 50,000 and receive USD \$59,210 at an implied exchange rate of 1.1842 and at maturity on the second swap, Laureate would deliver the notional amount of EUR 50,000 and receive USD \$59,360 at an implied exchange rate of 1.1872. Semiannually until maturity, Laureate was obligated to pay 5.63% and receive 8.25% on EUR 50,000 and USD \$59,210, respectively, on the first swap and pay 5.6675% and receive 8.25% on EUR 50,000 and USD \$59,360, respectively, on the second swap. The swaps were determined to be 100% effective; therefore, the amount of gain or loss recognized in income on the ineffective portion of derivative instruments designated as hedging instruments was \$0. The accumulated gain recognized in AOCI will be deferred from earnings until the sale or liquidation of the hedged investee. As of December 31, 2018, these swaps had an estimated fair value of \$3,259, which was recorded in Derivative Instruments as a long-term asset.

#### *Cash Flow Hedge - 2024 Term Loan Interest Rate Swaps*

In May 2017, Laureate entered into, and designated as cash flow hedges, four pay-fixed, receive-floating amortizing interest rate swaps with notional amounts of \$100,000, \$100,000, \$200,000 and \$300,000, respectively. These notional amounts matched the corresponding principal of the 2024 Term Loan borrowings of which these swaps were effectively hedging the interest payments. As such, the notional values amortized annually based on the terms of the agreements to match the principal borrowings as they were repaid. These swaps effectively fixed the floating interest rate on the term loan to reduce exposure to variability in cash flows attributable to changes in the USD-LIBOR-BBA swap rate. All four swaps were fully settled on August 21, 2018, prior to their May 31, 2022 maturity date, with the remaining AOCI to be ratably reclassified into income through Interest expense over the remaining maturity period of the 2024 Term Loans. The cash received at settlement from the swap counterparties was \$14,117, which is included in (Payments for) proceeds from settlement of derivative contracts on the consolidated statement of cash flows. During the second quarter of 2019, the Company accelerated the reclassification of amounts in AOCI to earnings as a result of the hedged forecasted transactions becoming probable not to occur, due to the full repayment of the 2024 Term Loan in June 2019 using proceeds from the sale of our institutions in Portugal and Spain. The accelerated amounts were a gain of approximately \$9,800 and were recorded as a decrease to Interest expense. Prior to settlement of the swaps, they were determined to be 100% effective; therefore, the amount of gain or loss recognized in income on the ineffective portion was \$0.

The table below shows the total recorded unrealized (loss) gain in Comprehensive income for the derivatives designated as hedging instruments. The impact of these derivative instruments on Comprehensive income, Interest expense and AOCI for the years ended December 31, 2019, 2018 and 2017 were as follows:

(Loss) Gain Recognized in Comprehensive Income (Effective Portion)			Income Statement Location	Gain (Loss) Reclassified from AOCI to Income (Effective Portion)			Total Consolidated Interest Expense		
2019	2018	2017		2019	2018	2017	2019	2018	2017
<i>Cash flow hedge</i>									
Interest rate swaps	\$ (11,818)	\$ 5,772	\$ 11,264	Interest expense	\$ 11,818	\$ 2,446	\$ (7,584)		
<i>Net investment hedge</i>									
Cross currency swaps	3,868	7,937	(1,389)	N/A	—	—	—		
Total	\$ (7,950)	\$ 13,709	\$ 9,875		\$ 11,818	\$ 2,446	\$ (7,584)	\$ (167,331)	\$ (235,214)
									\$ (334,900)

#### Derivatives Not Designated as Hedging Instruments

##### EUR to USD Foreign Currency Swaps - Spain and Portugal

In December 2018, Laureate entered into two EUR to USD swap agreements in connection with the signing of the sale agreement for the subsidiaries in Spain and Portugal. The purpose of the swaps was to mitigate the risk of foreign currency exposure on the sale proceeds. The first swap was deal contingent, with the settlement date occurring on the second business day following the completion of the sale. On the settlement date, Laureate delivered the notional amount of EUR 275,000 and received USD \$314,573 at a rate of exchange of 1.1439, which resulted in a realized gain of \$5,088. The second swap was a put/call option with a maturity date of April 8, 2019, where Laureate could put the notional amount of EUR 275,000 and call the USD amount of \$310,750 at an exchange rate of 1.13. Based on expected timing of the sale transaction, the swap was terminated on April 2, 2019, resulting in a payment to the counterparty of \$980 that included a deferred premium payment net of proceeds received. The realized gain of \$5,088 and the payment of \$980 are included in Settlement of derivatives related to sale of discontinued operations and net investment hedge in the consolidated statement of cash flows. As of December 31, 2018, these swaps had an aggregate estimated fair value of \$4,021, which was recorded in Derivative instruments as a current liability through a charge to unrealized loss on derivatives. These swaps were not designated as hedges for accounting purposes.

In addition to the swaps above, in order to continue to mitigate the risk of foreign currency exposure on the expected sale proceeds for Spain and Portugal in advance of the May 31, 2019 sale closing date, in April 2019, Laureate also entered into seven EUR to USD swap agreements with a combined notional amount of EUR 375,000. On the maturity date of May 15, 2019, Laureate paid the EUR notional amount and received a combined total of USD \$423,003 at a rate of exchange of 1.128007, resulting in a gain of \$1,644. In May 2019, Laureate entered into nine EUR to USD swap agreements with a combined notional amount of EUR 532,000. On the maturity date of June 4, 2019, Laureate paid the EUR notional amount and received a combined total of USD \$597,149 at a rate of exchange of 1.122461, resulting in a realized loss of approximately \$565. The realized gain of \$1,644 and the realized loss of \$565 are included in Settlement of derivatives related to sale of discontinued operations and net investment hedge on the consolidated statement of cash flows. These swaps were not designated as hedges for accounting purposes.

##### CLP to Unidad de Fomento (UF) Cross Currency and Interest Rate Swaps

The cross currency and interest rate swap agreements are intended to provide a better correlation between our debt obligations and operating currencies. In 2010, one of our subsidiaries in Chile entered into four cross currency and interest rate swap agreements with an aggregate notional amount of approximately \$31,000, and converted CLP-denominated, floating-rate debt to fixed-rate UF-denominated debt. The UF is a Chilean inflation-adjusted unit of account. One of the swaps was scheduled to mature on December 1, 2024, and the remaining three were scheduled to mature on July 1, 2025 (the CLP to UF cross currency and interest rate swaps); however, during the first quarter 2019, the Company elected to settle all four swaps for a net cash payment of approximately USD \$8,200. In addition, Chile also elected to repay a portion of the principal balance outstanding for certain notes payable, as discussed in Note 10, Debt. This payment is included in (Payments for) proceeds from settlement of derivative contracts on the consolidated statement of cash flows. The CLP to UF cross currency and interest rate swaps were not designated as hedges for accounting purposes. As of December 31, 2018, these swaps had an estimated fair value of \$6,656, which was recorded in Derivative instruments as a long-term liability.

#### *MXN to USD Foreign Currency Swaps*

In September 2019, Laureate entered into three MXN to USD swap agreements with a combined notional amount of MXN 453,146. During the fourth quarter of 2019, Laureate delivered the notional amount and received USD \$23,000 at a rate of exchange of 0.0508, resulting in a realized loss of \$583. The realized loss is included in (Payments for) proceeds from settlement of derivative contracts on the consolidated statement of cash flows. These swaps were not designated as hedges for accounting purposes.

#### *AUD to USD Foreign Currency Swaps*

In September 2019, Laureate entered into two AUD to USD swap agreements with a combined notional amount of AUD 11,000. During the fourth quarter ended 2019, Laureate received the notional amount and delivered USD \$7,443 at a rate of exchange of 0.6766 USD per 1 AUD, resulting in a realized gain of \$45. The realized gain is included in (Payments for) proceeds from settlement of derivative contracts on the consolidated statement of cash flows. These swaps were not designated as hedges for accounting purposes.

#### *EUR to USD Foreign Currency Swaps - Cyprus and Italy*

In December 2017, the Company entered into a total of six EUR to USD forward exchange swap agreements in connection with the sale of its institutions in Cyprus and Italy. The purpose of the swaps was to mitigate the risk of foreign currency exposure on the sale proceeds. The swaps had an aggregate notional amount of EUR 200,000 and matured on January 16, 2018, resulting in a total realized loss on derivatives of \$9,960, which was included in Settlement of derivatives related to sale of discontinued operations and net investment hedge on the consolidated statement of cash flows for the year ended December 31, 2018. The swaps were not designated as hedges for accounting purposes.

#### *Derivatives related to Series A Preferred Stock Offering*

In December 2016 and January 2017, the Company issued shares of convertible redeemable preferred stock (the Series A Preferred Stock) and identified several embedded derivatives related to certain contingent redemption features of the Series A Preferred Stock. These derivatives were not designated as hedges for accounting purposes and therefore the changes in estimated fair value were recognized as a component of earnings. The Series A Preferred Stock was converted into Class A common stock on April 23, 2018. The estimated fair value of these derivatives at the conversion date was approximately \$140,300; accordingly, the derivative assets were recorded at their estimated fair values through a corresponding gain on derivatives, a component of non-operating income. The increase in fair value of the derivatives can be attributed to the use of the Monte Carlo Simulation Method to value the derivatives prior to the April 23, 2018 conversion date, when the probability of conversion increased to 100% and the valuation inputs became definitive. In connection with the conversion of the Series A Preferred Stock into Class A common stock, the carrying value of the derivative assets was reclassified into equity in April 2018.

Components of the reported Gain (loss) on derivatives not designated as hedging instruments in the Consolidated Statements of Operations were as follows:

<b>For the years ended December 31,</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<i>Unrealized Gain (Loss)</i>			
Contingent redemption features - Series A Preferred	\$ —	\$ (42,140)	\$ 33,294
Cross currency and interest rate swaps	4,021	750	(4,191)
Interest rate swaps	—	173	175
	4,021	(41,217)	29,278
<i>Realized Gain (Loss)</i>			
Contingent redemption features - Series A Preferred	—	140,320	—
Cross currency and interest rate swaps	3,256	(10,811)	(622)
	3,256	129,509	(622)
<i>Total Gain (Loss)</i>			
Contingent redemption features - Series A Preferred	—	98,180	33,294
Cross currency and interest rate swaps	7,277	(10,061)	(4,813)
Interest rate swaps	—	173	175
Gain on derivatives, net	\$ 7,277	\$ 88,292	\$ 28,656

#### **Credit Risk and Credit-Risk-Related Contingent Features**

Laureate's derivatives expose us to credit risk to the extent that the counterparty may possibly fail to perform its contractual obligation. The amount of our credit risk exposure is equal to the fair value of the derivative when any of the derivatives are in a net gain position. As of December 31, 2018, the estimated fair value of derivatives in a gain position was \$3,259.

Laureate has limited its credit risk by only entering into derivative transactions with highly rated major financial institutions. We have not entered into collateral agreements with our derivatives' counterparties. At December 31, 2019, we held no derivatives and thus had no credit risk.

Laureate's agreements with its derivative counterparties contain a provision under which we could be declared in default on our derivative obligations if repayment of the underlying indebtedness is accelerated by the lender due to a default on the indebtedness. As of December 31, 2018, we had not breached any default provisions and had not posted any collateral related to these agreements. If we had breached any of these provisions, we could have been required to settle the obligations under the derivative agreements for an amount that, at a maximum, we believe would approximate their estimated fair value of \$10,677 as of December 31, 2018.

#### **Note 16. Income Taxes**

Significant components of the Income tax (expense) benefit on earnings from continuing operations were as follows:

<b>For the years ended December 31,</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Current:			
United States	\$ 17,822	\$ (32,861)	\$ 28,091
Foreign	(97,722)	(90,887)	(97,446)
State	(329)	(262)	(400)
Total current	(80,229)	(124,010)	(69,755)
Deferred:			
United States	(6,465)	10,537	124,043
Foreign	5,753	(18,137)	27,216
State	285	(161)	11,485
Total deferred	(427)	(7,761)	162,744
Total income tax (expense) benefit	\$ (80,656)	\$ (131,771)	\$ 92,989

For the years ended December 31, 2019, 2018 and 2017, foreign income from continuing operations before income taxes was \$242,017, \$664,298, and \$246,303, respectively. For the years ended December 31, 2019, 2018 and 2017, domestic loss from continuing operations before income taxes was \$147,619, \$543,059, and \$323,070, respectively.

Significant components of deferred tax assets and liabilities arising from continuing operations were as follows:

December 31,	2019	2018
Deferred tax assets:		
Net operating loss and tax credits carryforwards	\$ 530,647	\$ 727,213
Depreciation	57,752	81,194
Deferred revenue	17,544	56,004
Allowance for doubtful accounts	23,515	21,069
Deferred compensation	24,645	30,677
Unrealized loss	75,324	74,982
Nondeductible reserves	42,275	40,584
Interest	16,741	17,652
Operating lease asset	236,084	—
Total deferred tax assets	1,024,527	1,049,375
Deferred tax liabilities:		
Investment in subsidiaries	84,880	97,208
Amortization of intangible assets	258,852	253,147
Operating lease liability	230,855	—
Other	1,260	1,829
Total deferred tax liabilities	575,847	352,184
Net deferred tax assets	448,680	697,191
Valuation allowance for net deferred tax assets	(541,641)	(778,262)
Net deferred tax liabilities	\$ (92,961)	\$ (81,071)

In the table above, we have updated the prior year balances of the net operating loss and tax credits carryforwards and the valuation allowance for net deferred tax assets, to include certain foreign withholding tax credits that have a full valuation allowance. The valuation allowance rollforward and the rate reconciliation schedule that follow have also been updated to reflect this item.

**GILTI:** Laureate considered the potential impacts of the GILTI provision within the Tax Cuts & Jobs Act (TCJA) on deferred tax assets/liabilities. Laureate elected to account for GILTI as period costs if and when incurred. For the years ended December 31, 2019 and 2018, Laureate included in its taxable income GILTI of \$182,000 and \$165,000, respectively, for continued operations. Additionally, because there is no incremental cash tax impact of the GILTI inclusion, Laureate is electing to use the incremental cash tax savings approach when determining whether a valuation allowance needs to be recorded against the U.S. NOL due to the GILTI inclusions. Accordingly, the Company has maintained a full valuation allowance on its pre-2017 U.S. NOL.

**Permanent Reinvestment:** Laureate also considered other impacts of the 2017 enactment of the TCJA including, but not limited to, effects on the Company's indefinite-reinvestment assertion. Laureate previously has not provided deferred taxes on unremitting earnings attributable to international companies that have been considered to be reinvested indefinitely. Laureate analyzed the full effects of the TCJA, and maintained its indefinite-reinvestment assertions for the year ending December 31, 2017. As of December 31, 2019, undistributed earnings from foreign subsidiaries totaled \$2,014,730.

Except as discussed below regarding Peru, all historical earnings are permanently reinvested. A portion of the historical earnings of Peru are no longer needed to be retained in that market. The Company has recorded a deferred tax liability of \$2,500 on \$50,000 USD of earnings to account for the withholding taxes on this eventual distribution. If the Company were to remove its assertion and distribute the remaining unremitting earnings, we would record approximately \$15,900 in additional deferred tax liabilities. The amount of additional deferred tax liabilities recognized could increase if our expectations change based on future developments, including as a result of the announcement on January 27, 2020 to explore strategic alternatives, such that some or all of the undistributed earnings of our foreign subsidiaries are remitted to the United States in the foreseeable future.

During 2018, certain entities and jurisdictions were designated as discontinued operations or held for sale. These entities can no longer assert permanent reinvestment. Thus, an analysis was performed to calculate any deferred taxes required to be recorded on the outside basis which will be recovered upon the sales of these entities. In the third quarter of 2018, we estimated global deferred tax liabilities of \$3,200. The majority of the basis differences can be recovered tax free due to our efficient investment structure, treaty benefits or tax exempt transactions. In the fourth quarter of 2018, we refined this global estimate to \$4,800. During 2019, this deferred tax liability was paid as a result of the sale of India group, for which this liability was previously recorded. As of December 31, 2019, we estimated \$0 deferred tax liabilities on the outside basis for remaining entities designated as discontinued operations or held for sale.

Approximately 73.97% of our worldwide NOLs and tax credits carryforwards as of December 31, 2019 originated in foreign jurisdictions. It includes withholding tax credits that the Company elected to carryforward in the Netherlands. These credits can be carried forward indefinitely, but due to income available to utilize these credits, they are recorded net of a full valuation allowance.

The valuation allowance relates to the uncertainty surrounding the realization of tax benefits primarily attributable to NOLs of the parent company and of certain foreign subsidiaries, and future deductible temporary differences that are available only to offset future taxable income of subsidiaries in certain jurisdictions.

The Company assesses the realizability of deferred tax assets by examining all available evidence, both positive and negative. A valuation allowance is recorded if negative evidence outweighs positive evidence. A company's three-year cumulative loss position is significant negative evidence in considering whether deferred tax assets are realizable. Accounting guidance restricts the amount of reliance the Company can place on projected taxable income to support the recovery of the deferred tax assets.

The reconciliations of the beginning and ending balances of the valuation allowance on deferred tax assets were as follows:

<b>For the years ended December 31,</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Balance at beginning of period	\$ 778,262	\$ 815,689	\$ 1,167,927
(Deductions) additions to costs and expenses <sup>(a)</sup>	11,611	335	7,175
Charges to other accounts			
Additions	—	—	—
Deductions <sup>(b)</sup>	(248,232)	(37,762)	(359,413)
Balance at end of period	\$ 541,641	\$ 778,262	\$ 815,689

<sup>(a)</sup> (Deductions) additions to costs and expenses include amounts related to withholding tax credits recorded for the Netherlands.

<sup>(b)</sup> Deductions include reclassifications and foreign currency translation, and TCJA-related adjustments described in the section below.

The reconciliations of the reported Income tax (expense) benefit to the amount that would result by applying the United States federal statutory tax rate of 21% to income from continuing operations before income taxes were as follows:

<b>For the years ended December 31,</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Tax (expense) benefit at the United States statutory rate	\$ (19,824)	\$ (25,460)	\$ 16,121
Permanent differences	(20,543)	20,686	(13,216)
State income tax benefit, net of federal tax effect	4,005	(335)	(1,154)
Tax effect of foreign income taxed at lower rate	(23,895)	16,683	34,711
Change in valuation allowance	(35,500)	(98,414)	(139,375)
Effect of tax contingencies	12,966	5,203	11,198
Tax credits	36,981	37,769	47,348
Withholding taxes	(6,815)	(57,190)	4,678
U.S. tax on repatriated earnings	—	—	(875)
Impairments	—	(649)	—
Impact of Tax Cuts and Jobs Act:			
Transition tax on unremitted earnings	—	—	(160,567)
Tax effect of rate changes	—	—	82,392
Change in valuation allowance	14,969	9,354	202,758
State income tax benefit, net of federal tax effect	(4,104)	(5,350)	8,360
GILTI	(38,305)	(34,650)	—
Other	(591)	582	610
Total income tax (expense) benefit	\$ (80,656)	\$ (131,771)	\$ 92,989

We have made certain adjustments to the 2017 rate reconciliation above in connection with the allocation of the effects of the TCJA to entities in discontinued operations.

The withholding tax amounts shown in the table above include a benefit for 2017 of approximately \$30,000 and expense for 2018 of approximately (\$27,000) related to the redesignation of certain intercompany loans to reflect the impact in changes in the Company's business, including divestitures and financing.

The tax credits amounts shown in the table above include withholding tax credits that the Company recorded in the Netherlands. They are recorded net of a full valuation allowance.

The reconciliations of the beginning and ending amount of unrecognized tax benefits were as follows:

<b>For the years ended December 31,</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Beginning of the period	\$ 60,780	\$ 81,073	\$ 81,325
Additions for tax positions related to prior years	321	4,379	5,691
Decreases for tax positions related to prior years	(2,349)	(1,541)	(10,095)
Additions for tax positions related to current year	9,940	9,725	11,551
Decreases for unrecognized tax benefits as a result of a lapse in the statute of limitations	(3,150)	(5,282)	(7,355)
Settlements for tax positions related to prior years	—	(27,574)	(44)
End of the period	\$ 65,542	\$ 60,780	\$ 81,073

In addition to the amounts shown in the table above, approximately \$3,300 of principal was released during 2019 as a result of the sale of India, which was classified as a discontinued operation prior to the sale.

Laureate records interest and penalties related to uncertain tax positions as a component of Income tax expense. During the years ended December 31, 2019, 2018 and 2017, Laureate recognized interest and penalties related to income taxes of \$3,428, \$4,840, and \$5,762, respectively. Laureate had \$24,510 and \$26,643 of accrued interest and penalties at December 31, 2019 and 2018, respectively. During the years ended December 31, 2019, 2018 and 2017, Laureate derecognized \$5,852, \$15,563, and \$8,584, respectively, of previously accrued interest and penalties. Approximately \$19,917 of unrecognized tax benefits, if recognized, will

affect the effective income tax rate. It is reasonably possible that Laureate's unrecognized tax benefits may decrease within the next 12 months by up to approximately \$10,569 as a result of the lapse of statutes of limitations and as a result of the final settlement and resolution of outstanding tax matters in various jurisdictions.

Laureate and various subsidiaries file income tax returns in the United States federal jurisdiction, and in various states and foreign jurisdictions. With few exceptions, Laureate is no longer subject to United States federal, state and local, or foreign income tax examinations by tax authorities for years before 2009. United States federal and state statutes are generally open back to 2016; however, the Internal Revenue Service (the IRS) has the ability to challenge 2005 through 2015 net operating loss carryforwards. Except as discussed below, statutes of other major jurisdictions are open back to 2016 for Brazil, 2013 for Chile and Spain, and 2009 for Mexico.

#### **ICE Audit**

During 2010 and 2013, Laureate was notified by the Spain Tax Authorities (STA) that two tax audits of our Spanish subsidiaries were being initiated for 2006 through 2007, and for 2008 through 2010, respectively. On June 29, 2012, the STA issued a final assessment to ICE, our Spanish holding company, for EUR 11,051 (\$12,256 at December 31, 2019), including interest, for the 2006 through 2007 period. Laureate appealed this final assessment related to the 2006 through 2007 period and issued a cash-collateralized letter of credit in July 2012, in order to continue the appeal process. In October 2015, the STA issued a final assessment to ICE for the 2008 through 2010 period for approximately EUR 17,187 (\$19,060 at December 31, 2019), including interest, for those three years. In order to continue the appeals process, we issued cash-collateralized letters of credit for the 2008 to 2010 period assessment amount, plus interest and surcharges.

During the second quarter of 2015, the Company reassessed its position regarding the ICE tax audit matters as a result of recent adverse decisions from the Spanish Supreme Court and the Spanish National Court on cases for taxpayers with similar facts and determined that it could no longer support a more-likely-than-not position. As a result, during 2015, the Company recorded a provision totaling EUR 37,610 (approximately \$42,100 at that date). The Company plans to continue the appeals process for the periods already audited and assessed. During the second quarter of 2016, we were notified by the STA that tax audits of the Spanish subsidiaries were also being initiated for 2011 and 2012, and in July 2017 the tax audit was extended to include 2013. Also, during the second quarter of 2016, the Regional Administrative Court issued a decision against the Company on its appeal. The Company has further appealed at the Highest Administrative Court level, which appeal was rejected. The Company has appealed both decisions to the National Court. In the first quarter of 2018, the Company made payments to the Spanish Tax Authorities (STA) totaling approximately EUR 29,600 (approximately \$36,800 at the time of payment) in order to reduce the amount of future interest that could be incurred as the appeals process continues. The payments were made using the restricted cash that collateralized the letters of credit and reduced the liability that had been recorded for this income tax contingency.

In October of 2018, the STA issued a final assessment to ICE for the 2011 through 2013 period totaling approximately EUR 4,100 (approximately \$4,500 at December 31, 2019), including interest. In February 2019, the Company appealed this assessment to the Highest Administrative Court. As of December 31, 2019, the Company has posted a cash-collateralized letter of credit of approximately \$5,600 for the assessment, plus a surcharge. In May 2019, the Company was notified by the STA that a new tax audit of fiscal years 2014 and 2015 was being initiated. In January 2020, ICE received a final assessment from the STA for the 2014 to 2015 period totaling approximately EUR 4,300 (approximately \$4,800 at December 31, 2019). ICE plans to appeal this assessment and, in order to appeal, ICE will be required to issue a guarantee to cover the assessment amount.

#### **TCJA**

The TCJA was enacted in December 2017. Among other provisions, the TCJA reduced the U.S. federal corporate tax rate from 35% to 21% beginning in 2018, required companies to pay a one-time transition tax on previously unremitted earnings of non-U.S. subsidiaries that were previously tax deferred and creates new taxes on certain foreign-sourced earnings.

In connection with Laureate's initial analysis of the impact of the enactment of the TCJA, the Company recorded a net tax benefit of \$135,700 in the fourth quarter of 2017. Of this amount, \$82,392 related to the rate change and \$53,300 related to the valuation allowance release, net of rate adjustment, on the deferred tax assets other than net operating loss carryforwards (NOLs) that, when realized, may become indefinite-lived NOLs. In 2018, we made adjustments to line items within the 2017 rate reconciliation of approximately \$3,600 in connection with the allocation of the effects of the TCJA to entities in discontinued operations. Laureate has completed its accounting for the income tax effects of the TCJA, several of which are detailed immediately below.

Transition tax: The transition tax is a tax on previously untaxed accumulated and current earnings and profits (E&P) at December 31, 2017 of certain of the Company's non-U.S. subsidiaries. To determine the amount of the transition tax, Laureate determined,

in addition to other factors, the amount of post-1986 E&P of the relevant subsidiaries, as well as the amount of non-U.S. income taxes paid on such earnings. Further, the transition tax is based in part on the amount of those earnings held in cash and other specified assets. Laureate was able to make a reasonable estimate of the transition tax and recorded a provisional obligation resulting in additional tax expense of \$149,800 in the fourth quarter of 2017. However, Laureate was able to offset this liability with current year losses and, under alternative minimum tax, up to 90% of the remaining liability, with pre-2017 net operating losses, resulting in a net liability of \$3,200. Additionally, the TCJA repeals the corporate alternative minimum tax prospectively. Thus, Laureate recorded a deferred tax asset for an amount equal to the payable under the alternative minimum tax, resulting in no net income tax expense related to the transition tax. During the fourth quarter of 2018, Laureate updated the calculation of the transition tax for the income tax return filing and made adjustments to the 2017 amounts in connection with the allocation of the effects of the TCJA to entities in discontinued operations.

**Remeasurement of deferred tax assets/liabilities:** Laureate remeasured certain deferred tax assets and liabilities in the fourth quarter of 2017 based on the rates at which they are expected to reverse in the future, which is generally 21% under the TCJA, and recorded a tax benefit in the amount of \$82,392. Additionally, Laureate recorded a tax benefit in the fourth quarter of 2017 related to the valuation allowance release, net of rate adjustment, on the deferred tax assets other than NOLs that, when realized, will become indefinite-lived NOLs in the amount of \$53,300. Laureate has analyzed certain aspects of the TCJA, including state conformity, considering additional technical guidance, and refining its calculations, which affected the measurement of these balances or gave rise to new deferred tax amounts. The 2018 blended state tax rates for the U.S., 6.63% (current) and 6.61% (deferred), were calculated using the apportionment percentages from our most recently filed tax returns at that time (2017) and the highest applicable state tax rate. This rate was applied to all items, except that the NOL utilization related to Global Intangibles Low-Taxed Income (GILTI) was 4.11% (deferred) and was applied using the blended rate of only those states that conform to federal GILTI provisions.

**Valuation Allowance:** In 2017, the Company's valuation allowance was changed due to the impact of the TCJA. The major drivers of the change in balance were: impact of the US rate change in the amount of \$215,600, utilization of the prior year NOLs against continued and discontinued operations in the amount of \$53,600 and valuation allowance release, net of rate adjustment, on the deferred tax assets other than NOLs that when realized will become indefinite-lived NOLs in the amount of \$53,300. In 2018, we made adjustments to line items within the 2017 rate reconciliation in connection with the allocation of the effects of the TCJA to entities in discontinued operations.

## **Note 17. Earnings (Loss) Per Share**

On January 31, 2017, our common stock was reclassified into shares of Class B common stock and, on February 6, 2017, we completed our IPO of Class A common stock. Other than voting rights, the Class B common stock has the same rights as the Class A common stock and therefore both are treated as the same class of stock for purposes of the earnings per share calculation. Laureate computes basic earnings per share (EPS) by dividing income available to common shareholders by the weighted average number of common shares outstanding for the reporting period. Diluted EPS reflects the potential dilution that would occur if share-based compensation awards, contingently issuable shares, and convertible securities were exercised or converted into common stock. To calculate the diluted EPS, the basic weighted average number of shares is increased by the dilutive effect of stock options, restricted stock, restricted stock units, and other share-based compensation arrangements determined using the treasury stock method, and convertible securities using the if-converted method.

The following tables summarize the computations of basic and diluted earnings per share:

<b>For the years ended December 31,</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Numerator used in basic and diluted earnings (loss) per common share for continuing operations:</b>			
Income (loss) from continuing operations			
	\$ 13,961	\$ (10,534)	\$ 16,374
Net income attributable to noncontrolling interests	(99)	(141)	(79)
Income (loss) from continuing operations attributable to Laureate Education, Inc.	13,862	(10,675)	16,295
Accretion of redemption value of redeemable noncontrolling interests and equity	(208)	(292)	317
Adjusted for: accretion related to noncontrolling interests and equity redeemable at fair value	—	(559)	(6,358)
Accretion of Series A Preferred Stock	—	(61,974)	(292,450)
Gain upon conversion of Series A Preferred Stock	—	74,110	—
Distributed and undistributed earnings to participating securities	—	—	(1)
Subtotal: accretion of Series A Preferred Stock, net, and other redeemable noncontrolling interests and equity	(208)	11,285	(298,492)
Net income (loss) from continuing operations available to common stockholders for basic earnings per share	13,654	610	(282,197)
Adjusted for: accretion of Series A Preferred Stock	—	61,974	—
Adjusted for: gain upon conversion of Series A Preferred Stock	—	(74,110)	—
Net income (loss) from continuing operations available to common stockholders for diluted earnings per share	\$ 13,654	\$ (11,526)	\$ (282,197)
<b>Numerator used in basic and diluted earnings (loss) per common share for discontinued operations:</b>			
Income from discontinued operations, net of tax	\$ 53,941	\$ 84,884	\$ 77,390
Gain on sale of discontinued operations, net of tax	869,762	296,580	—
Loss (income) attributable to noncontrolling interests	919	(722)	(2,220)
Allocation of earnings from discontinued operations to participating securities	—	—	(5)
Net income from discontinued operations for basic and diluted earnings per share	\$ 924,622	\$ 380,742	\$ 75,165
<b>Denominator used in basic and diluted earnings (loss) per common share:</b>			
Basic weighted average shares outstanding	221,928	212,769	172,409
Effect of dilutive stock options	27	—	—
Effect of dilutive restricted stock units	516	—	—
Dilutive weighted average shares outstanding	222,471	212,769	172,409
<b>Basic earnings (loss) per share:</b>			
Income (loss) from continuing operations	\$ 0.06	\$ —	\$ (1.64)
Income from discontinued operations	4.17	1.79	0.44
Basic earnings (loss) per share	\$ 4.23	\$ 1.79	\$ (1.20)
<b>Diluted earnings (loss) per share:</b>			
Income (loss) from continuing operations	\$ 0.06	\$ (0.06)	\$ (1.64)
Income from discontinued operations	4.16	1.79	0.44
Diluted earnings (loss) per share	\$ 4.22	\$ 1.73	\$ (1.20)

In the calculation of diluted EPS for 2018, the conversion of the Series A Preferred Stock, which occurred on April 23, 2018, was assumed to have occurred as of the beginning of the period; accordingly, the effects of the accretion and the gain upon conversion of the Series A Preferred Stock were removed from net income available to common stockholders for diluted earnings per share. The following table summarizes the number of stock options, shares of restricted stock and restricted stock units (RSUs) that were excluded from the diluted EPS calculations because the effect would have been antidilutive:

<b>For the years ended December 31,</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Stock options	8,512	9,387	12,497
Restricted stock and RSUs	6	1,300	986

## Note 18. Related Party Transactions

Santa Fe University of Arts and Design (SFUAD) is owned by Wengen, our controlling stockholder. Laureate is affiliated with SFUAD, but does not own or control it and, accordingly, SFUAD is not included in the financial results of Laureate. On April 12, 2017, SFUAD announced that it planned to close after the end of the 2017-2018 academic year; its teach-out plan was subsequently approved by the Higher Learning Commission (HLC) and completed in 2018. As of December 31, 2017, Laureate had a payable to SFUAD of approximately \$1,250 related to a surety bond issued to the New Mexico Higher Education Department that Laureate was maintaining on SFUAD's behalf. The cash collateral for the bond, which was recorded in Restricted cash on our December 31, 2017 Consolidated Balance Sheet, was funded by SFUAD and therefore was recorded as a payable to SFUAD. During the fourth quarter of 2018, this bond was released and SFUAD was fully repaid.

During the first quarter of 2017, Laureate made a charitable contribution of \$2,000 to the Sylvan Laureate Foundation, a non-profit foundation that supports programs designed to promote education and best practices and principles in teaching. The payment was accrued in prior periods.

An affiliate of one of the Wengen investors acted as a financial adviser in connection with our IPO and our 2017 debt refinancing and we paid this affiliate \$2,768 during the year ended December 31, 2017.

We have agreements in place with I/O Data Centers, LLC and affiliates (I/O) pursuant to which I/O provides modular data center solutions to the Company. One of our directors was also a director of the parent of I/O. Additionally, this director, along with our former CEO, and Sterling Partners (a private equity firm co-founded by the director, our former CEO, and others) maintained an ownership interest in I/O through 2017. During the year ended December 31, 2017 we incurred costs for these agreements of approximately \$500.

As part of our initial public offering in February 2017, an affiliate of one of the Wengen investors purchased from the underwriters 3,571 shares of Class A common stock at the initial public offering price.

As part of the issuance and sale of shares of the Company's Series A Preferred Stock in December 2016, KKR and Snow Phipps, affiliates of Wengen, purchased from the Company 60 and 15 shares of Series A Preferred Stock, respectively. During the years ended December 31, 2018 and 2017, the Company paid cash dividends on the Series A Preferred Stock totaling \$11,103 and \$18,052, respectively, of which \$1,822 and \$3,644, respectively, was paid to KKR and Snow Phipps. As discussed in Note 14, Share-based Compensation and Equity, on April 23, 2018, all of the issued and outstanding shares of the Series A Preferred Stock were converted into Class A common stock.

As further discussed in Note 25, Subsequent Events, the buyer of our Costa Rica operations is controlled by certain affiliates of Sterling Capital Partners II, L.P., an entity that has the right to designate a director to the Laureate Board of Directors pursuant to a securityholders agreement.

## Note 19. Benefit Plans

### Domestic Defined Contribution Retirement Plan

Laureate sponsors a defined contribution retirement plan in the United States under section 401(k) of the Internal Revenue Code. The plan offers employees a traditional “pre-tax” 401(k) option and an “after-tax” Roth 401(k) option, providing the employees with choices and flexibility for their retirement savings. All employees are eligible to participate in the plan after meeting certain service requirements. Participants may contribute up to a maximum of 80% of their annual compensation and 100% of their annual cash bonus, as defined and subject to certain annual limitations. Laureate may, at its discretion, make matching contributions that are allocated to eligible participants. The matching on the “after-tax” Roth contributions is the same as the matching on the traditional “pre-tax” contributions. Laureate made discretionary contributions in cash to this plan of \$5,431, \$5,345, and \$5,638 for the years ended December 31, 2019, 2018 and 2017, respectively.

### Non-United States Pension Benefit Plans

Laureate has a defined benefit (pension) plan at a non-United States institution. The projected benefit obligation (PBO) is determined as the actuarial present value as of the measurement date of all benefits calculated by the pension benefit formula for employee service rendered. The amount of benefits to be paid depends on a number of future events incorporated into the pension benefit formula, including estimates of the average life expectancy of employees/survivors and average years of service rendered. The PBO is measured based on assumptions concerning future interest rates and future employee compensation levels. The expected net periodic benefit cost in each year can vary from the subsequent year's actual net periodic benefit cost due to plan amendments and the impacts of foreign currency translation. The unfunded status of this plan is reported as a component of Other current liabilities and Other long-term liabilities.

The net periodic benefit cost was as follows:

For the years ended December 31,	2019	2018	2017
Service cost	\$ 63	\$ 77	\$ 75
Interest	119	118	126
Expected return on assets	—	—	—
Amortization of prior service costs	(57)	(32)	22
Recognition of actuarial items	—	—	(15)
Curtailment gain	(200)	(47)	(153)
Net periodic benefit cost	\$ (75)	\$ 116	\$ 55

As discussed in Note 2, Significant Accounting Policies, on January 1, 2018 Laureate adopted ASU 2017-07. Under the amendments in this ASU, the service cost component of net periodic benefit cost is disaggregated and reported in the same line item(s) as other compensation costs arising from services rendered during the period, and the remaining components are presented on the income statement separately from the service cost component and outside a subtotal of income from operations, if presented. Because the effect of ASU 2017-07 on prior periods presented was insignificant, we did not revise prior periods. Accordingly, for the years ended December 31, 2019 and 2018, the service cost component of net periodic benefit cost is included in Direct costs on the Consolidated Statement of Operations and all other components of net periodic benefit cost are included in Other income (expense), net on the Consolidated Statement of Operations. For the year ended December 31, 2017, all components of net periodic benefit cost are included in Direct costs on the Consolidated Statements of Operations.

The estimated net periodic benefit cost for the year ending December 31, 2020 is approximately \$242.

The weighted average assumptions were as follows:

For the years ended December 31,	2019	2018	2017
Discount rate for obligations	8.75%	10.50%	9.25%
Discount rate for net periodic benefit costs	10.50%	9.25%	8.50%
Rate of compensation increases	4.50%	4.50%	4.50%
Expected return in plan assets	N/A	N/A	N/A

The change in PBO, change in plan assets and funded (unfunded) status for those entities with pension plans were as follows:

<b>For the years ended December 31,</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Change in PBO:</b>			
PBO at beginning of year	\$ 1,173	\$ 1,336	\$ 1,423
Service cost	63	77	75
Interest	119	118	126
Actuarial loss (gain)	408	(214)	(171)
Benefits paid by plan	(79)	(90)	(33)
Curtailment gain	(200)	(47)	(153)
Foreign exchange	66	(7)	69
PBO at end of year	\$ 1,550	\$ 1,173	\$ 1,336
Fair value of assets at end of year	—	—	—
<b>Unfunded status</b>	<b>\$ 1,550</b>	<b>\$ 1,173</b>	<b>\$ 1,336</b>
Amount recognized in AOCI, pre-tax	\$ (170)	\$ (610)	\$ (439)
Accumulated benefit obligation	\$ 1,550	\$ 1,173	\$ 1,336

The estimated future benefit payments for the next 10 fiscal years are as follows:

<b>For the year ending December 31,</b>	
2020	\$ 163
2021	173
2022	151
2023	147
2024	136
2025 through 2029	1,178

#### **Laureate Education, Inc. Deferred Compensation Plan**

Laureate maintains a deferred compensation plan to provide certain executive employees and members of our Board of Directors with the opportunity to defer their salaries, bonuses, and Board of Directors retainers and fees in order to accumulate funds for retirement on a pre-tax basis. Participants are 100% vested in their respective deferrals and the earnings thereon. Laureate does not make contributions to the plan or guarantee returns on the investments. Although plan investments and participant deferrals are kept in a separate trust account, the assets remain Laureate's property and are subject to claims of general creditors.

The plan assets are recorded at fair value with the earnings (losses) on those assets recorded in Other income (expense). The plan liabilities are recorded at the contractual value, with the changes in value recorded in operating expenses. As of December 31, 2019 and 2018, plan assets included in Other assets in our Consolidated Balance Sheets were \$4,505 and \$4,868, respectively, and the total plan liabilities reported in our Consolidated Balance Sheets were \$6,835 and \$7,047, respectively.

#### **Supplemental Employment Retention Agreement (SERA)**

In November 2007, Laureate established a SERA for one of its then-executive officers. Because Laureate achieved certain Pro-rata EBITDA targets, as defined in the SERA, from 2007 to 2011 and this officer remained employed through December 31, 2012, this individual received an annual SERA payment of \$1,500. The SERA provided annuity payments to the former executive over the course of his lifetime, and, following the former executive's death in 2018, an annual payment of \$1,500 will be made to his spouse for the remainder of her life. The SERA is administered through a Rabbi Trust, and its assets are subject to the claims of creditors. At the inception of the plan, Laureate purchased annuities which provided funds for the SERA obligations until the former executive's death, at which point proceeds from corporate-owned life insurance policies were received and will be used to fund the future SERA obligations.

As of December 31, 2019 and 2018, the total SERA assets were \$12,494 and \$13,721, respectively, which were recorded on our Consolidated Balance Sheets in Restricted cash at December 31, 2019 and 2018. As of December 31, 2019 and 2018, the total

SERA liabilities recorded in our Consolidated Balance Sheets were \$14,244 and \$14,278, respectively, of which \$1,500 each year was recorded in Accrued compensation and benefits, and \$12,744 and \$12,778, respectively, was recorded in Deferred compensation.

#### **Mexico Profit-Sharing**

The Fiscal Reform that was enacted in Mexico in December 2013 subjects Laureate's Mexico entities to corporate income tax and also requires them to comply with profit-sharing legislation, whereby 10% of the taxable income of Laureate's Mexican entities will be set aside as employee compensation.

#### **Note 20. Legal and Regulatory Matters**

Laureate is subject to legal proceedings arising in the ordinary course of business. In management's opinion, we have adequate legal defenses, insurance coverage, and/or accrued liabilities with respect to the eventuality of these actions. Management believes that any settlement would not have a material impact on Laureate's financial position, results of operations, or cash flows.

#### **United States Postsecondary Education Regulation**

Through our Online & Partnerships and Central America & U.S. Campuses segments, as of December 31, 2019, we operate postsecondary educational institutions in the United States (U.S. Institutions). The U.S. Institutions are subject to extensive regulation by federal and state governmental entities as well as accrediting bodies. The U.S. Higher Education Act (HEA), and the regulations promulgated thereunder by the DOE, subject the U.S. Institutions to ongoing regulatory review and scrutiny. The U.S. Institutions must also comply with a myriad of requirements in order to participate in Title IV federal financial aid programs under the HEA (Title IV programs).

In particular, to participate in the Title IV programs under currently effective DOE regulations, an institution must be authorized to offer its educational programs by the relevant state agencies in the states in which it is located, accredited by an accrediting agency that is recognized by the DOE, and also certified by the DOE. In determining whether to certify an institution, the DOE closely examines an institution's administrative and financial capability to administer Title IV program funds. Based on Laureate's consolidated audited financial statements for its fiscal year ended December 31, 2018, the DOE required us to post a letter of credit of approximately \$125,800 (an amount equal to 15% of the Title IV program funds received by Laureate in the fiscal year ended December 31, 2018) and remain subject to Heightened Cash Monitoring 1. The DOE also required us to comply with additional notification and reporting requirements. We have provided the DOE with a letter of credit in the amount required, and we are complying with the additional requirements. See Note 12, Commitments and Contingencies, for further description of the outstanding DOE letters of credit as of December 31, 2019 and 2018.

In recent years, the DOE has proposed or promulgated a substantial number of new regulations that impact our U.S. Institutions, including, but not limited to, borrower defense to repayment, state authorization and financial responsibility. Changes in or new interpretations of applicable laws, DOE rules, or regulations could have a material adverse effect on the U.S. Institutions' eligibility to participate in the Title IV programs.

#### *State Higher Education Agency Program Review for Walden University*

On September 8, 2016, the Minnesota Office of Higher Education (MOHE) sent to Walden University an information request regarding its doctoral programs and complaints filed by doctoral students as part of a program review that MOHE was conducting. On October 23, 2019, MOHE completed its program review and issued a final report that indicated no findings of noncompliance. As part of its report, MOHE made recommendations for Walden University to develop certain goals and benchmarks with respect to its doctoral programs.

#### **Brazilian Regulation**

We operate 12 post-secondary education institutions in Brazil. The responsibility of the federal government in regulating, monitoring and evaluating higher education institutions and undergraduate programs is exercised by the Brazilian Ministry of Education (the MEC), along with a number of related federal agencies and related offices. The MEC is the highest authority of the higher education system in Brazil and has the power to issue implementing rules, (regulations, notices, and technical advisories governing the conduct of higher education), as well as to regulate and monitor the higher education segment, including aspects like adherence by higher education institutions (HEIs) to the rules for federal education programs like Prouni and the Fundo de Financiamento Estudantil (the FIES program, or FIES), through one or more of which all of our institutions enroll students.

Additionally, Brazilian law requires that almost all change-of-control transactions by Laureate receive the prior approval of the Brazilian antitrust authority, the Conselho Administrativo de Defesa Econômico (CADE).

As noted, Laureate's institutions in Brazil participate in the FIES program, which is a federal program established to provide financing to students enrolled in courses in private institutions of higher education that have achieved a minimum satisfactory evaluation according to the National Higher Education Evaluation System (SINAES) and receive a grade of 3 or higher out of 5 on the National Examination of Student Performance (ENADE). Under this basic structure, FIES targets both of the government's education policy goals: increased access and improved academic quality outcomes. As of December 31, 2019, approximately 7% of our total students in Brazil participated in FIES, representing approximately 13% of our 2019 Brazil net revenue. As of December 31, 2018, approximately 11% of our total students in Brazil participated in FIES, representing approximately 20% of our 2018 Brazil net revenue.

All of our Brazil HEIs adhere to Prouni, a federal program of tax benefits designed to increase higher education participation rates by making college more affordable. Prouni provides private HEIs with an exemption from certain federal taxes in exchange for granting partial and full scholarships to low-income students enrolled in traditional and technology undergraduate programs. HEIs may join Prouni by signing a term of membership valid for ten years and renewable for the same period. This term of membership shall include the number of scholarships to be offered in each program, unit and class, and a percentage of scholarships for degree programs to be given to indigenous and Afro-Brazilians. To join Prouni, an educational institution must maintain a certain relationship between the number of scholarships granted and the number of regular paying students. The relationship between the number of scholarships and regular paying students is tested annually. If this relationship is not observed during a given academic year due to the departure of students, the institution must adjust the number of scholarships in a proportional manner the following academic year. For the years ended December 31, 2019, 2018 and 2017, our HEIs granted Prouni scholarships of approximately \$100,600, \$112,500, and \$115,200, respectively, that resulted in tax credits.

#### **Chilean Regulation - Higher Education Bill**

As discussed in Note 2, Significant Accounting Policies, on January 24, 2018, the Chilean Congress passed the New Law, which was enacted in May 2018. See Note 2, Significant Accounting Policies, for further discussion about the New Law and its impact to Laureate.

#### **Note 21. Fair Value Measurement**

Fair value is defined as the price that would be received to sell an asset or paid to settle a liability in an orderly transaction between market participants at the measurement date. Accounting standards utilize a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels, which are described below:

- Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets
- Level 2 – Observable inputs other than quoted prices that are either directly or indirectly observable for the asset or liability
- Level 3 – Unobservable inputs that are supported by little or no market activity

These levels are not necessarily an indication of the risk of liquidity associated with the financial assets or liabilities disclosed. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement, as required under ASC 820-10, "Fair Value Measurement."

#### **Derivative Instruments**

Laureate uses derivative instruments as economic hedges for bank debt, foreign exchange fluctuations and interest rate risk. Their values are derived using valuation models commonly used for derivatives. These valuation models require a variety of inputs, including contractual terms, market prices, forward-price yield curves, notional quantities, measures of volatility and correlations of such inputs. Our valuation models also reflect measurements for credit risk. Laureate concluded that the fair values of our derivatives are based on unobservable inputs, or Level 3 assumptions. The significant unobservable input used in the fair value measurement of the Company's derivative instruments is our own credit risk. Holding other inputs constant, a significant increase (decrease) in our own credit risk would result in a significantly lower (higher) fair value measurement for the Company's derivative instruments.

### **Equity securities - preferred stock investment**

In 2013, Laureate purchased approximately 1,020 shares (the Shares) of preferred stock of a private education company for \$5,000. This equity security did not have a readily determinable fair value. In June 2019, based on interest expressed by an investor to purchase the Shares, Laureate recorded this investment at its estimated fair value and recorded a non-operating gain of approximately \$6,100. In September 2019, Laureate sold the Shares and received cash proceeds of \$11,473, resulting in a total non-operating gain of \$6,473 for the year ended December 31, 2019. The proceeds are included in Proceeds from sale of investment in the consolidated statement of cash flows.

As of December 31, 2019, Laureate did not hold any financial assets or liabilities that are measured at fair value on a recurring basis.

Laureate's financial assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2018 were as follows:

	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Assets</b>				
Derivative instruments	\$ 3,259	\$ —	\$ —	\$ 3,259
<b>Liabilities</b>				
Derivative instruments	\$ 10,677	\$ —	\$ —	\$ 10,677

The changes in our Level 3 Derivative instruments measured at fair value on a recurring basis for the year ended December 31, 2019 were as follows:

Balance December 31, 2018	\$ (7,418)
Gain included in earnings:	
Unrealized gains, net	4,021
Realized gains, net	3,256
Loss included in other comprehensive income	(7,950)
Settlements	(4,096)
Reclassification upon conversion of Series A Preferred Stock	—
Reclassification, currency translation adjustment and other	12,187
Balance December 31, 2019	\$ —

Laureate had no fair value measurements classified as Level 3 as of December 31, 2019.

The changes in our Level 3 Derivative instruments measured at fair value on a recurring basis for the year ended December 31, 2018 were as follows:

Balance December 31, 2017	\$ 34,338
(Loss) gain included in earnings:	
Unrealized losses, net	(41,217)
Realized gains, net	129,509
Gain included in other comprehensive income	
Settlements	(3,306)
Reclassification upon conversion of Series A Preferred Stock	(140,320)
Currency translation adjustment and other	(131)
Balance December 31, 2018	\$ (7,418)

## Note 22. Quarterly Financial Data (Unaudited)

The following quarterly financial information reflects all normal recurring adjustments that are, in the opinion of management, necessary for a fair statement of the results of the interim periods. Earnings per share are computed independently for each of the quarters presented. Per share amounts may not sum due to rounding. Summarized quarterly operating data were as follows:

Per share amounts in whole dollars	2019 Quarters Ended			
	December 31	September 30	June 30	March 31
Revenues	\$ 883,152	\$ 773,699	\$ 992,403	\$ 601,072
Operating costs and expenses	727,898	727,969	775,240	693,099
Operating income (loss)	\$ 155,254	\$ 45,730	\$ 217,163	\$ (92,027)
Income (loss) from continuing operations	\$ 51,736	\$ (28,526)	\$ 107,820	\$ (117,069)
(Loss) income from discontinued operations, net of tax	(12,531)	(27,137)	30,280	63,329
Gain (loss) on sales of discontinued operations, net of tax	21,372	(41,131)	641,516	248,005
Net loss (income) attributable to noncontrolling interests	298	1,568	1,976	(3,022)
Net income (loss) attributable to Laureate Education, Inc.	60,875	(95,226)	781,592	191,243
Accretion of Series A Preferred Stock and other redeemable noncontrolling interests and equity	(472)	(193)	194	263
Net income (loss) available to common stockholders	\$ 60,403	\$ (95,419)	\$ 781,786	\$ 191,506
<b>Basic earnings (loss) per share:</b>				
Income (loss) from continuing operations	\$ 0.24	\$ (0.13)	\$ 0.48	\$ (0.52)
Income (loss) from discontinued operations	0.04	(0.30)	3.00	1.37
Basic earnings (loss) per share	\$ 0.28	\$ (0.43)	\$ 3.48	\$ 0.85
<b>Diluted earnings (loss) per share:</b>				
Income (loss) from continuing operations	\$ 0.24	\$ (0.13)	\$ 0.48	\$ (0.52)
Income (loss) from discontinued operations	0.04	(0.30)	3.00	1.37
Diluted earnings (loss) per share	\$ 0.28	\$ (0.43)	\$ 3.48	\$ 0.85

Per share amounts in whole dollars	2018 Quarters Ended			
	December 31	September 30	June 30	March 31
Revenues	\$ 892,451	\$ 778,255	\$ 1,005,229	\$ 614,278
Operating costs and expenses	757,970	749,259	786,235	712,879
Operating income (loss)	\$ 134,481	\$ 28,996	\$ 218,994	\$ (98,601)
Income (loss) from continuing operations	\$ 26,107	\$ (40,353)	\$ 174,410	\$ (170,698)
Income (loss) from discontinued operations, net of tax	61,333	(37,905)	37,542	23,914
(Loss) gain on sales of discontinued operations, net of tax	(15,324)	(18,426)	12,003	318,327
Net income (loss) attributable to noncontrolling interests	(548)	1,895	456	(2,666)
Net income (loss) attributable to Laureate Education, Inc.	71,568	(94,789)	224,411	168,877
Accretion of Series A Preferred Stock and other redeemable noncontrolling interests and equity	(1,422)	324	(4,324)	(57,403)
Gain upon conversion of Series A convertible redeemable preferred stock	—	—	74,110	—
Net income (loss) available to common stockholders	\$ 70,146	\$ (94,465)	\$ 294,197	\$ 111,474
<b>Basic earnings (loss) per share:</b>				
Income (loss) from continuing operations	\$ 0.11	\$ (0.18)	\$ 1.14	\$ (1.22)
Income (loss) from discontinued operations	0.20	(0.24)	0.23	1.81
Basic earnings (loss) per share	\$ 0.31	\$ (0.42)	\$ 1.37	\$ 0.59
<b>Diluted earnings (loss) per share:</b>				
Income (loss) from continuing operations	\$ 0.11	\$ (0.18)	\$ 0.78	\$ (1.22)
Income (loss) from discontinued operations	0.20	(0.24)	0.22	1.81
Diluted earnings (loss) per share	\$ 0.31	\$ (0.42)	\$ 1.00	\$ 0.59

## Note 23. Other Financial Information

### Accumulated Other Comprehensive Income

AOCI in our Consolidated Balance Sheets includes the accumulated translation adjustments arising from translation of foreign subsidiaries' financial statements, the unrealized gains or losses on derivatives designated as effective hedges, and the accumulated net gains or losses that are not recognized as components of net periodic benefit cost for our minimum pension liability. The components of these balances were as follows:

	2019			2018		
	Laureate Education, Inc.	Noncontrolling Interests	Total	Laureate Education, Inc.	Noncontrolling Interests	Total
Foreign currency translation loss	\$ (1,084,651)	\$ 326	\$ (1,084,325)	\$ (1,127,719)	\$ 459	\$ (1,127,260)
Unrealized gains on derivatives	10,416	—	10,416	18,366	—	18,366
Minimum pension liability adjustment	254	—	254	(3,342)	—	(3,342)
Accumulated other comprehensive loss	\$ (1,073,981)	\$ 326	\$ (1,073,655)	\$ (1,112,695)	\$ 459	\$ (1,112,236)

Laureate reports changes in AOCI in our Consolidated Statements of Stockholders' Equity. See also Note 15, Derivative Instruments, and Note 19, Benefit Plans, for the effects of reclassifications out of AOCI into net income.

## **Foreign Currency Exchange of Certain Intercompany Loans**

Laureate periodically reviews its investment and cash repatriation strategies in order to meet our liquidity requirements in the United States. Laureate recognized currency exchange adjustments attributable to intercompany loans that are not designated as indefinitely invested as Foreign currency exchange (loss) gain, net, of \$(32,433), \$(30,272) and \$289 in the Consolidated Statements of Operations for the years ended December 31, 2019, 2018 and 2017, respectively.

## **Supplemental Schedule for Transactions with Noncontrolling Interest Holders**

Transactions with noncontrolling interest holders had the following effects on the equity attributable to Laureate:

<b>For the years ended December 31,</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Net income attributable to Laureate Education, Inc.	\$ 938,484	\$ 370,067	\$ 91,465
Decrease in equity for changes in noncontrolling interests	(3,700)	(471)	(11,569)
Change from net income attributable to Laureate Education, Inc. and net transfers to the noncontrolling interests	\$ 934,784	\$ 369,596	\$ 79,896

## **Write Off of Accounts and Notes Receivable**

During the years ended December 31, 2019, 2018 and 2017, Laureate wrote off approximately \$67,000, \$93,000 and \$92,000, respectively, of fully reserved accounts and notes receivable that were deemed uncollectible.

## **Note 24. Supplemental Cash Flow Information**

Cash interest payments, prior to interest income, for Continuing Operations and Discontinued Operations were \$188,682, \$234,102 and \$384,157 for the years ended December 31, 2019, 2018 and 2017, respectively. Net income tax cash payments for Continuing Operations and Discontinued Operations were \$119,682, \$143,000 and \$130,469 for the years ended December 31, 2019, 2018 and 2017, respectively.

During the years ended December 31, 2018 and 2017, the Company paid cash dividends on the Series A Preferred Stock in the amount of \$11,103 and \$18,052, respectively. As discussed in Note 14, Share-based Compensation and Equity, on April 23, 2018, all of the issued and outstanding shares of the Series A Preferred Stock were converted into shares of the Company's Class A common stock. Accordingly, the Company did not pay any cash dividends during the year ended December 31, 2019.

## **Reconciliation of Cash and cash equivalents and Restricted cash**

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the Consolidated Balance Sheets, as well as the December 31, 2017 balance. The December 31, 2019 and December 31, 2018 balances sum to the amounts shown in the Consolidated Statements of Cash Flows for the years ended December 31, 2019 and 2018:

<b>For the year ended December 31,</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Cash and cash equivalents	\$ 339,629	\$ 387,780	\$ 319,040
Restricted cash	186,921	195,792	206,705
Total Cash and cash equivalents and Restricted cash shown in the Consolidated Statements of Cash Flows	\$ 526,550	\$ 583,572	\$ 525,745

## **Note 25. Subsequent Events**

### **Sale of Costa Rica Operations**

On January 10, 2020, Laureate International B.V., a Netherlands private limited liability company (Laureate International), an indirect, wholly owned subsidiary of the Company, entered into, and consummated the transactions contemplated by, an Equity Purchase Agreement (the Costa Rica Agreement) with SP Costa Rica Holdings, LLC, a Delaware limited liability company (the Costa Rica Buyer).

Pursuant to the Agreement, the Costa Rica Buyer purchased from Laureate International (i) all of the equity units of Education Holding Costa Rica, S.R.L., which owns, directly or indirectly, all of the equity units of Lusitania S.R.L., Universidad U Latina,

S.R.L. (ULatina) and Universidad Americana UAM, S.R.L. (collectively, Laureate Costa Rica) and (ii) a note due from ULatina to Laureate International. Consideration for the transaction consisted of \$15,000 paid at closing and up to \$7,000 to be paid within the next two years if Laureate Costa Rica meets certain performance metrics. Additionally, Laureate Costa Rica retained obligations to pay approximately \$30,000 in finance lease indebtedness for which the Costa Rica Buyer has no recourse to Laureate International.

The Costa Rica Buyer is controlled by certain affiliates of Sterling Capital Partners II, L.P. (Sterling II). Sterling II has the right to designate a director to the Laureate Board of Directors pursuant to a securityholders agreement, and Steven Taslitz currently serves as the Sterling-designated director. Mr. Taslitz did not participate in the Laureate Board of Directors' consideration of the transaction, which was approved by Laureate's Audit Committee as a related party transaction.

#### **Exploration of Strategic Alternatives**

On January 27, 2020, Laureate announced that its Board of Directors had authorized the Company to explore strategic alternatives for each of its businesses to unlock shareholder value. As part of this process, the Company will evaluate all potential options for its remaining businesses, including sales, spin-offs or business combinations. There can be no assurance as to the outcome of this process, including whether it will result in the completion of any transaction, as to the values that may be realized from any potential transaction or as to how long the review process will take.

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

None.

**Item 9A. Controls and Procedures****Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”)), as of the end of the period covered by this report.

Based on that evaluation, our CEO and CFO have concluded that, as of December 31, 2019, our disclosure controls and procedures are effective. The Company’s disclosure controls and procedures are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to management, including our CEO and CFO, to allow timely decisions regarding required disclosures.

**Changes in Internal Control Over Financial Reporting**

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2019 that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. Other Information**

None.

### Part III

#### Item 10. Directors, Executive Officers and Corporate Governance

Certain of this information will be contained in our definitive proxy statement for the 2020 Annual Meeting of Stockholders, to be filed within 120 days following the end of our fiscal year, and is incorporated herein by reference.

#### Information about our Executive Officers

The following table sets forth information regarding our current executive officers, including their ages. Executive officers serve at the request of the board of directors. There are no family relationships among any of our executive officers.

Name	Age	Position
Eilif Serck-Hanssen	54	Director, President and Chief Executive Officer
Marcelo Barbalho Cardoso	48	Chief Executive Officer, Brazil
Jean-Jacques Charhon	54	Executive Vice President and Chief Financial Officer
Timothy P. Grace	56	Chief Human Resources Officer
Juan José Hurtado	55	President and Chief Executive Officer, Laureate Mexico & Central America, and Senior Vice President, Global Operations & Learning and Innovation
Victoria E. Silbey	56	Senior Vice President, Secretary, Chief Legal Officer and Chief Ethics & Compliance Officer
Paula Singer	65	Chief Executive Officer, Walden and Laureate Online Partners

*Eilif Serck-Hanssen* has served as our Chief Executive Officer since January 2018 and became our President in July 2019. From March 2017 to December 2017, Mr. Serck-Hanssen served as our President and Chief Administrative Officer as well as our Chief Financial Officer. From July 2008 through March 2017, Mr. Serck-Hanssen served as our Executive Vice President and Chief Financial Officer. From February 2008 until July 2008, Mr. Serck-Hanssen served as chief financial officer and president of international operations at Xojet, Inc. In January 2005, Mr. Serck-Hanssen was part of the team that founded Eos Airlines, Inc., a premium airline, and until February 2008, Mr. Serck-Hanssen served as its executive vice president and chief financial officer. Prior to starting Eos Airlines, Mr. Serck-Hanssen served in several financial executive positions at US Airways, Inc. (now American Airlines, Inc.) and Northwest Airlines, Inc. (now Delta Airlines, Inc.), including serving as a senior vice president and Treasurer of US Airways, Inc. Prior to joining the airline industry, Mr. Serck-Hanssen spent over five years with PepsiCo, Inc., in various international locations and three years with PricewaterhouseCoopers LLP (formerly Coopers & Lybrand Deloitte) in London. He is an Associate Chartered Accountant (ACA) and a member of the Institute of Chartered Accountants in England and Wales. Mr. Serck-Hanssen earned a B.A. from the University of Kent at Canterbury (United Kingdom), a B.S. from the Bergen University College (Norway) and an M.B.A. from the University of Chicago Booth School of Business.

*Marcelo Barbalho Cardoso* serves as our Chief Executive Officer (CEO) of Laureate Brazil. As CEO, Mr. Cardoso manages strategy and operations in Brazil and works with the executive team to carry out long-term projects and goals. Mr. Cardoso has been with Laureate since 2011, holding several leadership positions across our Brazil operations, starting as VP, Business Development and M&A, to his most recent role as Chief Transformation Officer. Previous to Laureate, Mr. Cardoso served as Latin America Vice President, Business Ops & CFO for Dell EMC Computer Systems and held senior leadership positions at Johnson Controls. Mr. Cardoso earned an undergraduate degree in chemical engineering from Universidade Estadual de Campinas (Brazil) and an MBA in management from the University of Michigan.

*Jean-Jacques Charhon* was appointed Executive Vice President and Chief Financial Officer effective January 1, 2018. Prior to joining the Company, Mr. Charhon served as a special advisor to the board of directors of Purdue Pharma. Mr. Charhon served as Chief Financial Officer of Purdue Pharma from June 2015 until August 2017. From July 2014 until December 2014, Mr. Charhon served as Chief Financial Officer of Cnova, and thereafter served as counsel to the chairman of the board of directors from January 2015 to June 2015. Prior to joining Cnova, Mr. Charhon worked for four years at Hewlett Packard, where he joined as Chief Financial Officer of the PC division before becoming Chief Operating Officer of Enterprise Services. This role followed eight years at General Electric, where he most recently served as Chief Financial Officer of GE Healthcare for the Americas, and four years at Novartis, where he held various global financial leadership roles of increasing responsibility. Mr. Charhon earned a Baccalaureate in Math, Physics & Chemistry from the French Lycée of Brussels and a Commercial Engineer degree from the Université Libre de Bruxelles-Solvay School of Management.

*Timothy P. Grace* has served as our Chief Human Resources Officer since May 2018. Prior to joining the Company, Mr. Grace served as the Chief Human Resources Officer for Toys"R"Us, Inc. from September 2015 to May 2018. From March 2014 to September 2015, he served as Group Vice President of Human Resources at L'Oréal Group, and from 2002 to March 2014, he served as Senior Vice President of Human Resources for the Americas at Schindler Elevator Corporation. Mr. Grace earned a B.A. from the State University of New York at Fredonia and an M.S. from West Virginia University.

*Juan José Hurtado* has served as our Senior Vice President with responsibility for Global Operations and Learning and Innovation since February 2018 and became our President and Chief Executive Officer of Laureate Mexico & Central America in January 2020. Mr. Hurtado was Laureate's CEO for Central America from 2014 to 2017 and served as Vice President for Human Resources for the Latin America Region from 2012 to 2014. He was Vice President for Human Resources and Corporate Affairs at Unilever in Mexico, the Caribbean, and Central America from 2003 to 2012. Mr. Hurtado earned a bachelor's degree in industrial engineering from Lima University (Peru) and an M.B.A. from IESE (University of Navarra) in Barcelona, Spain.

*Victoria E. Silbey* has served as our Senior Vice President, Secretary and Chief Legal Officer since September 2017 and became our Chief Ethics & Compliance Officer in November 2019. Prior to joining the Company, Ms. Silbey spent nearly 20 years at SunGard Data Systems Inc., a global software and services company, where she was the Chief Legal Officer and Senior Vice President. Previously, she was an attorney with Morgan, Lewis & Bockius LLP. Ms. Silbey earned a B.A. and a J.D. from Cornell University and a Master of Philosophy degree from Oxford University.

*Paula Singer* joined Laureate in 1993. Ms. Singer has served as CEO of Walden and Laureate Online Partners since January 2018. She served as Chief of Learning and Innovation from July 2017 to January 2018 and served as Chief Network Officer from January 2015 until July 2017. From 2011 to December 2015, she served as Chief Executive Officer of Global Products and Services. From July 2001 to January 2011, Ms. Singer served as President of the Laureate Higher Education Group. Ms. Singer earned a B.S. in education from the University of Connecticut.

During the past ten years, none of Laureate or its executive officers has (i) been convicted in a criminal proceeding (excluding traffic violations and similar misdemeanors) or (ii) been a party to any judicial or administrative proceeding (except for matters that were dismissed without sanction or settlement) that resulted in a judgment, decree or final order enjoining such person from future violations of, or prohibiting activities subject to, federal or state securities laws, or a finding of any violation of federal or state securities laws.

Except as described below, during the past ten years (i) no petition has been filed under federal bankruptcy laws or any state insolvency laws by or against any of our executive officers, (ii) no receiver, fiscal agent or similar officer was appointed by a court for the business or property of any of our executive officers and (iii) none of our executive officers was an executive officer of any business entity or a general partner of any partnership at or within two years before the filing of a petition under the federal bankruptcy laws or any state insolvency laws by or against such entity. In September 2017, during the time that Mr. Grace was an executive officer at Toys"R"Us, Inc., that company filed for protection under Chapter 11 of the U.S. Bankruptcy Code.

With the exception of Mr. Cardoso, who holds Brazilian citizenship, Mr. Charhon, who holds French citizenship and is a permanent resident of the United States, and Mr. Hurtado, who holds Mexican citizenship, all of the executive officers listed above are U.S. citizens.

**Item 11. Executive Compensation**

This information will be contained in our definitive proxy statement for the 2020 Annual Meeting of Stockholders, to be filed within 120 days following the end of our fiscal year, and is incorporated herein by reference.

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

This information will be contained in our definitive proxy statement for the 2020 Annual Meeting of Stockholders, to be filed within 120 days following the end of our fiscal year, and is incorporated herein by reference.

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

This information will be contained in our definitive proxy statement for the 2020 Annual Meeting of Stockholders, to be filed within 120 days following the end of our fiscal year, and is incorporated herein by reference.

**Item 14. Principal Accountant Fees and Services**

This information will be contained in our definitive proxy statement for the 2020 Annual Meeting of Stockholders, to be filed within 120 days following the end of our fiscal year, and is incorporated herein by reference.

## Part IV

### Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this report:

(1) Financial Statements (certain schedules are omitted because they are not applicable or not required, or because the required information is included in the consolidated financial statements or notes thereto).

(2) Those exhibits required by Item 601 of Regulation S-K and by paragraph (b) below.

(b) The following exhibits are filed as part of this Annual Report or, where indicated, were filed and are incorporated by reference:

<b>Exhibit</b>	<b>Exhibit</b>				
<b>No.</b>	<b>Exhibit Description</b>	<b>Form</b>	<b>File Number</b>	<b>Number</b>	<b>Filing Date</b>
2.1#	<a href="#">Amended and Restated Sale and Purchase Agreement, dated as of November 22, 2017 and amended and restated on January 11, 2018, by and among LEI European Investments B.V., Laureate International B.V. and Galileo Global Education Luxco S.À R.L.</a>	10-K	001-38002	2.7	03/20/2018
2.2#	<a href="#">Sale and Purchase Agreement, dated April 12, 2018, among LEI European Investments B.V., Laureate International B.V. and Global University Systems Germany B.V.</a>	8-K	001-38002	2.1	04/18/2018
2.3#	<a href="#">Asset Purchase Agreement, dated January 15, 2018, among Kendall College, LLC, The Dining Room at Kendall NFP, National Louis University and Laureate Education, Inc.</a>	8-K	001-38002	2.1	08/07/2018
2.4#	<a href="#">Membership Interest Purchase Agreement, dated April 24, 2018, by and among Laureate Education, Inc., Exeter Street Holdings, LLC, University of St. Augustine for Health Sciences, LLC and University of St. Augustine Acquisition Corp.</a>	10-Q	001-38002	2.4	08/09/2018
2.5#	<a href="#">Sale and Purchase Agreement, dated December 12, 2018, by and among Iniciativas Culturales de España S.L., Laureate I.B.V. and Samarinda Investments, S.L.</a>	10-K	001-38002	2.5	02/28/2019
2.6#	<a href="#">Share Purchase Agreement relating to the sale and purchase of equity shares of Pearl Retail Solutions Private Limited, M-Power Energy India Private Limited and Data Ram Sons Private Limited</a>	8-K	001-38002	2.1	05/13/2019
2.7#	<a href="#">Share Purchase Agreement relating to all the shares in the capital of Education Turkey B.V.</a>	8-K	001-38002	2.1	08/29/2019
2.8*#	<a href="#">Equity Purchase Agreement, dated January 10, 2020, by and among SP Costa Rica Holdings, LLC, Laureate International B.V. and Laureate Education, Inc.</a>				
3.1	<a href="#">Amended and Restated Certificate of Incorporation</a>	S-1/A	333-207243	3.1	01/31/2017
3.2	<a href="#">Amended and Restated Bylaws</a>	S-1/A	333-207243	3.2	01/31/2017
3.3	<a href="#">Certificate of Retirement of Convertible Redeemable Preferred Stock, Series A</a>	8-K	001-38002	3.1	07/20/2018
4.1*	<a href="#">Description of Capital Stock of Laureate Education, Inc.</a>				
4.2	<a href="#">Indenture, dated as of April 26, 2017, by and among the Company, the guarantors named therein and Wells Fargo Bank, National Association, as trustee, governing the 8.250% Senior Notes due 2025</a>	8-K	001-38002	4.3	04/27/2017
4.3	<a href="#">Form of 8.250% Senior Note due 2025 (included as Exhibit A to Exhibit 4.3)</a>	8-K	001-38002	4.3	04/27/2017
10.1†	<a href="#">2007 Stock Incentive Plan for Key Employees of Laureate Education, Inc. and its Subsidiaries</a>	S-1/A	333-207243	10.31	11/20/2015
10.2†	<a href="#">2007 Stock Incentive Plan Form of Stock Option Agreement, as amended on August 31, 2010</a>	S-1/A	333-207243	10.32	11/20/2015
10.3†	<a href="#">2013 Long-Term Incentive Plan Form of Stock Option Agreement effective as of September 11, 2013</a>	S-1/A	333-207243	10.34	11/20/2015
10.4†	<a href="#">Laureate Education, Inc. Deferred Compensation Plan, as amended and restated effective January 1, 2009</a>	S-1/A	333-207243	10.35	11/20/2015

<b>Exhibit</b>				<b>Exhibit</b>	
<b>No.</b>	<b>Exhibit Description</b>	<b>Form</b>	<b>File Number</b>	<b>Number</b>	<b>Filing Date</b>
10.5†	<a href="#">Form of Management Stockholder's Agreement for equityholders</a>	S-1/A	333-207243	10.36	11/20/2015
10.6†	<a href="#">Employment Offer Letter, dated July 21, 2008, between Laureate Education, Inc. and Eilif Serck-Hanssen</a>	S-1/A	333-207243	10.40	11/20/2015
10.7†	<a href="#">Amendment to Employment Offer Letter, dated December 9, 2010, between Laureate Education, Inc. and Eilif Serck-Hanssen</a>	S-1/A	333-207243	10.41	11/20/2015
10.8†	<a href="#">Form of Time-Based Restricted Stock Units Agreement, for grants from and after September 11, 2013</a>	S-1/A	333-207243	10.43	11/20/2015
10.9	<a href="#">Master Service and Confidentiality Agreement, dated April 28, 2014, by and between Laureate Education, Inc. and Accenture LLP</a>	S-1/A	333-207243	10.45	11/20/2015
10.10‡	<a href="#">System Wide Master Agreement, dated April 10, 2015, between Blackboard Inc. and Laureate Education, Inc.</a>	S-1/A	333-207243	10.46	11/20/2015
10.11†	<a href="#">Form of Stockholders' Agreement for Entity-Appointed Directors</a>	S-1/A	333-207243	10.47	11/20/2015
10.12†	<a href="#">Form of Stockholders' Agreement for Individual Directors</a>	S-1/A	333-207243	10.48	11/20/2015
10.13†	<a href="#">Executive Retention Agreement, dated February 25, 2016, by and between Ricardo Berckemeyer and Laureate Education, Inc., effective as of September 1, 2015</a>	S-1/A	333-207243	10.54	05/20/2016
10.14†	<a href="#">2013 Long-Term Incentive Plan Form of Stock Option Agreement for 2016 for Named Executive Officers</a>	S-1/A	333-207243	10.57	05/20/2016
10.15†	<a href="#">2013 Long-Term Incentive Plan Form of Stock Option Agreement for 2016</a>	S-1/A	333-207243	10.58	05/20/2016
10.16†	<a href="#">2013 Long-Term Incentive Plan Form of Restricted Stock Units Agreement for 2016 for Named Executive Officers</a>	S-1/A	333-207243	10.59	05/20/2016
10.17†	<a href="#">2013 Long-Term Incentive Plan Form of Restricted Stock Units Agreement for 2016</a>	S-1/A	333-207243	10.60	05/20/2016
10.18	<a href="#">Subscription Agreement, dated as of December 4, 2016, by and among Laureate Education, Inc., Macquarie Sierra Investment Holdings Inc., and each of the other Persons listed on Schedule A and Schedule B thereto.</a>	S-1/A	333-207243	10.63	12/15/2016
10.19	<a href="#">Registration Rights Agreement by and among Laureate Education, Inc., each of the Investors set forth on Schedule A thereto, Douglas L. Becker and Wengen Alberta, Limited Partnership</a>	10-K	001-38002	10.29	03/20/2018
10.20	<a href="#">Investors' Stockholders Agreement by and among Laureate Education, Inc., Wengen Alberta, Limited Partnership and the Investors set forth on Schedule A thereto</a>	10-K	001-38002	10.30	03/20/2018
10.21†	<a href="#">Form of Cash Long-Term Incentive Plan Agreement</a>	S-1/A	333-207243	10.73	01/10/2017
10.22	<a href="#">Amended and Restated Securityholders Agreement by and among Wengen Alberta, Limited Partnership, Laureate Education, Inc. and the other parties thereto</a>	8-K	001-38002	10.1	02/06/2017
10.23	<a href="#">Amended and Restated Registration Rights Agreement by and among Wengen Alberta, Limited Partnership, Wengen Investments Limited, Laureate Education, Inc. and the other parties thereto</a>	8-K	001-38002	10.2	02/06/2017
10.24†	<a href="#">Amendment to the 2007 Stock Incentive Plan for Key Employees of Laureate Education, Inc. and its Subsidiaries</a>	10-K	001-38002	10.76	03/29/2017
10.25	<a href="#">Amended and Restated Guarantee, dated as of April 26, 2017, by Laureate Education, Inc. and certain domestic subsidiaries of Laureate Education, Inc. party thereto from time to time, as guarantors, in favor of Citibank, N.A., as collateral agent</a>	10-Q	001-38002	10.83	05/11/2017
10.26	<a href="#">Amended and Restated Pledge Agreement, dated as of April 26, 2017, among Laureate Education, Inc. and certain domestic subsidiaries of Laureate Education, Inc. party thereto from time to time, as pledgors, and Citibank, N.A., as collateral agent</a>	10-Q	001-38002	10.84	05/11/2017

Exhibit				Exhibit		
<u>No.</u>	<u>Exhibit Description</u>	<u>Form</u>	<u>File Number</u>	<u>Number</u>	<u>Filing Date</u>	
10.27	<a href="#"><u>Amended and Restated Security Agreement, dated as of April 26, 2017, among Laureate Education, Inc. and certain domestic subsidiaries of Laureate Education, Inc., party thereto from time to time, as grantors, and Citibank, N.A., as collateral agent</u></a>	10-Q	001-38002	10.85	05/11/2017	
10.28	<a href="#"><u>Second Amended and Restated Collateral Agreement, dated as of April 26, 2017, between Walden University, LLC, certain other domestic subsidiaries of Laureate Education, Inc. from time to time, and Citibank, N.A., as collateral agent</u></a>	10-Q	001-38002	10.86	05/11/2017	
10.29†	<a href="#"><u>Laureate Education, Inc. Amended and Restated 2013 Long-Term Incentive Plan</u></a>	8-K	001-38002	10.1	06/20/2017	
10.30†	<a href="#"><u>Amended and Restated 2013 Long-Term Incentive Plan Form of Annual Performance Share Units Notice and Agreement for 2017</u></a>	10-Q	001-38002	10.51	08/08/2017	
10.31†	<a href="#"><u>Amended and Restated 2013 Long-Term Incentive Plan Form of Performance-based Stock Option Agreement for 2017</u></a>	10-Q	001-38002	10.52	08/08/2017	
10.32†	<a href="#"><u>Amended and Restated 2013 Long-Term Incentive Plan Form of Time-based Stock Option Agreement for 2017</u></a>	10-Q	001-38002	10.53	08/08/2017	
10.33†	<a href="#"><u>Amended and Restated 2013 Long-Term Incentive Plan Form of Restricted Stock Units Notice and Agreement for 2017</u></a>	10-Q	001-38002	10.54	08/08/2017	
10.34†	<a href="#"><u>Amended and Restated 2013 Long-Term Incentive Plan Form of Performance Share Units Notice and Agreement for 2017</u></a>	10-Q	001-38002	10.55	08/08/2017	
10.35†	<a href="#"><u>Amended and Restated 2013 Long-Term Incentive Plan Form of Performance-based Stock Option Agreement for 2017 for Certain Executives</u></a>	10-Q	001-38002	10.56	08/08/2017	
10.36†	<a href="#"><u>Amended and Restated 2013 Long-Term Incentive Plan Form of Time-based Stock Option Agreement for 2017 for Certain Executives</u></a>	10-Q	001-38002	10.57	08/08/2017	
10.37†	<a href="#"><u>Amended and Restated 2013 Long-Term Incentive Plan Form of Restricted Stock Units Notice and Agreement for 2017 for Certain Executives</u></a>	10-Q	001-38002	10.58	08/08/2017	
10.38†	<a href="#"><u>Form of 2017-2018 Laureate Executive Cash Long-Term Bonus Plan for Certain Executives</u></a>	10-Q	001-38002	10.59	08/08/2017	
10.39†	<a href="#"><u>Employment Offer Letter, dated August 15, 2017, between Laureate Education, Inc. and Victoria Silbey</u></a>	10-Q	001-38002	10.61	11/08/2017	
10.40†	<a href="#"><u>Form of Stock Option Agreement with exercise price of \$18.36 for certain executives</u></a>	10-Q	001-38002	10.64	11/08/2017	
10.41†	<a href="#"><u>Form of Stock Option Agreement with exercise price of \$21.00 for certain executives</u></a>	10-Q	001-38002	10.65	11/08/2017	
10.42†	<a href="#"><u>Employment Offer Letter, dated November 6, 2017, between Laureate Education, Inc. and Jean-Jacques Charhon</u></a>	10-K	001-38002	10.67	03/20/2018	
10.43†	<a href="#"><u>Transitional Employment Agreement, effective as of November 9, 2017, between Paula Singer and Laureate Education, Inc.</u></a>	10-K	001-38002	10.68	03/20/2018	
10.44†	<a href="#"><u>Stock Option Agreement, dated as of January 2, 2018, between Jean-Jacques Charhon and Laureate Education, Inc.</u></a>	10-Q	001-38002	10.71	05/09/2018	
10.45†	<a href="#"><u>Employment Offer Letter, dated May 3, 2018, between Timothy Grace and Laureate Education, Inc.</u></a>	10-Q	001-38002	10.72	08/09/2018	
10.46†	<a href="#"><u>Amended and Restated International Letter of Assignment, dated July 12, 2017, between Neel Broker and Laureate Education, Inc.</u></a>	10-K	001-38002	10.73	02/28/2019	
10.47†	<a href="#"><u>Addendum, dated December 18, 2018, to the Amended and Restated International Letter of Assignment between Neel Broker and Laureate Education, Inc.</u></a>	10-K	001-38002	10.74	02/28/2019	
10.48†	<a href="#"><u>Form of 2019 Annual Incentive Plan</u></a>	10-Q	001-38002	10.62	08/08/2019	

**Exhibit****Exhibit**

<u>No.</u>	<u>Exhibit Description</u>	<u>Form</u>	<u>File Number</u>	<u>Number</u>	<u>Filing Date</u>
10.49†	<a href="#">Form of Director Indemnity Agreement</a>	10-Q	001-38002	10.64	08/08/2019
10.50†	<a href="#">Separation Agreement, dated July 14, 2019, between Ricardo Berckemeyer and Laureate Education, Inc., effective as of July 15, 2019</a>	10-Q	001-38002	10.65	08/08/2019
10.51†	<a href="#">Separation Agreement and General Release, dated July 25, 2019, between Jose Roberto Loureiro and Laureate Education, Inc., effective as of July 29, 2019</a>	10-Q	001-38002	10.66	08/08/2019
10.52#	<a href="#">Third Amended and Restated Credit Agreement, dated as of October 7, 2019, among Laureate Education, Inc., the lending institutions from time to time parties thereto, and Citibank, N.A., as administrative agent and collateral agent</a>	8-K	001-38002	10.1	10/11/2019
21.1*	<a href="#">List of Subsidiaries of the Registrant</a>				
23.1*	<a href="#">Consent of PricewaterhouseCoopers LLP</a>				
31.1*	<a href="#">Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>				
31.2*	<a href="#">Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>				
32*	<a href="#">Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>				
Ex. 101.INS*	XBRL Instance Document - - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the inline XBRL document				
Ex. 101.SCH*	Inline XBRL Taxonomy Extension Schema Document				
Ex. 101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document				
Ex. 101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document				
Ex. 101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document				
Ex. 101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document				
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)				

\* Filed herewith.

# Laureate Education, Inc. hereby undertakes to furnish supplementally a copy of any omitted schedule or exhibit to such agreement to the U.S. Securities and Exchange Commission upon request.

† Indicates a management contract or compensatory plan or arrangement.

‡ Confidential treatment has been granted with respect to certain portions of this exhibit. Omitted portions have been filed separately with the U.S. Securities and Exchange Commission.

**Item 16. Form 10-K Summary**

None.

### **Signatures**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 27, 2020.

#### **Laureate Education, Inc.**

By: /s/ JEAN-JACQUES CHARHON  
Jean-Jacques Charhon  
*Executive Vice President and Chief Financial Officer*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<b>Name</b>	<b>Title</b>	<b>Date</b>
/s/ EILIF SERCK-HANSSEN Eilif Serck-Hanssen	President, Chief Executive Officer and Director (Principal Executive Officer)	February 27, 2020
/s/ JEAN-JACQUES CHARHON Jean-Jacques Charhon	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 27, 2020
/s/ TAL DARMON Tal Darmon	Chief Accounting Officer, Senior Vice President and Global Corporate Controller (Principal Accounting Officer)	February 27, 2020
/s/ KENNETH W. FREEMAN Kenneth W. Freeman	Chairman of the Board	February 27, 2020
/s/ BRIAN F. CARROLL Brian F. Carroll	Director	February 27, 2020
/s/ ANDREW B. COHEN Andrew B. Cohen	Director	February 27, 2020
/s/ WILLIAM L. CORNOG William L. Cornog	Director	February 27, 2020
/s/ PEDRO DEL CORRO Pedro del Corro	Director	February 27, 2020
/s/ MICHAEL J. DURHAM Michael J. Durham	Director	February 27, 2020
/s/ GEORGE MUÑOZ George Muñoz	Director	February 27, 2020
/s/ DR. JUDITH RODIN Dr. Judith Rodin	Director	February 27, 2020
/s/ IAN K. SNOW Ian K. Snow	Director	February 27, 2020
/s/ STEVEN M. TASLITZ Steven M. Taslitz	Director	February 27, 2020

**EQUITY PURCHASE AGREEMENT**

**BY AND AMONG**

**SP COSTA RICA HOLDINGS, LLC,**

**LAUREATE INTERNATIONAL B.V.**

**AND**

**LAUREATE EDUCATION, INC.**

**Dated as of January 10, 2020**

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## EXHIBITS AND SCHEDULES

### EXHIBITS

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## **EQUITY PURCHASE AGREEMENT**

**THIS EQUITY PURCHASE AGREEMENT** (this “Agreement”), dated as of January 10, 2020, by and among SP Costa Rica Holdings, LLC, a Delaware limited liability company (the “Buyer”), Laureate International B.V., a private limited liability company incorporated under the laws of the Netherlands (the “Seller”), and, solely for purposes of Section 7.5, Laureate Education, Inc., a Delaware public benefit corporation (“LEI”), recites and provides as follows:

### **RECITALS**

**WHEREAS**, LEI, directly or indirectly, owns all of the issued and outstanding equity interests in the Seller;

**WHEREAS**, the Seller (i) owns all of the issued and outstanding units (the “Company Units”) of Education Holding Costa Rica ECHR, S.R.L., formerly known as Laureate Holding Costa Rica, S.R.L. (the “Target Company”), which, in turn, owns, directly or indirectly, all of the issued and outstanding units of the Acquired Subsidiaries and (ii) is the owner and holder of the right to repayment of the Purchased Loan;

**WHEREAS**, the Buyer desires to purchase from the Seller, and the Seller desires to sell to the Buyer at Closing, the Purchased Loan and the Company Units, in accordance with the terms and subject to the conditions set forth in this Agreement;

**WHEREAS**, in connection with the Transactions contemplated by this Agreement, the parties wish to enter into, at the Closing, a transition services agreement in the form attached hereto as Exhibit A (the “Transition Services Agreement”); and

**WHEREAS**, the Seller and the Buyer desire to make certain representations, warranties, covenants and agreements in connection with the Transactions as set forth herein.

**NOW, THEREFORE**, in consideration of the premises, which are incorporated into and made part of this Agreement, and of the representations, warranties, covenants and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

### **Article I** **DEFINITIONS AND RULES OF CONSTRUCTION**

Section 1.1 Definitions and Defined Terms. Unless the context otherwise requires or as otherwise defined herein, capitalized terms used in this Agreement shall have the respective meanings set forth in Exhibit B.

Section 1.2 Rules of Construction. The word “party” will refer to Buyer or Seller and the word “parties” will refer to the Buyer and the Seller collectively. All article, section, schedule and exhibit references in this Agreement are to the articles, sections, schedules and exhibits to this Agreement unless otherwise specified. The schedules attached to this Agreement constitute a part of this Agreement and are incorporated herein for all purposes.

If a term is defined as one part of speech (such as a noun), it shall have a corresponding meaning when used as another part of speech (such as a verb). Terms defined in the singular have the corresponding meanings in the plural, and vice versa. The word “or” shall not be exclusive. Unless the context of this

Agreement clearly requires otherwise, words importing the masculine gender shall include the feminine and neutral genders and vice versa. The terms “includes” and “including” shall mean “including without limitation.” The words “hereof” “hereto” “hereby” “herein” “hereunder” and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular section or article in which such words appear. The phrases “the date of this Agreement,” “date hereof” and terms of similar import, unless the context otherwise requires, shall be deemed to refer to the date set forth in the preamble of this Agreement.

References to a particular statute or regulation include all rules and regulations thereunder and any successor statute, rule or regulation, in each case, as amended or otherwise modified from time to time.

Whenever this Agreement refers to a number of days, such number shall refer to calendar days unless Business Days are specified. Whenever any action must be taken hereunder on or by a day that is not a Business Day, then such action may be validly taken on or by the next day that is a Business Day.

The parties hereto acknowledge that each party hereto and its attorneys have reviewed this Agreement and that any rule of construction to the effect that any ambiguities are to be resolved against the drafting party, or any similar rule operating against the drafter of an agreement, shall not be applicable to the construction or interpretation of this Agreement. Any controversy over construction of this Agreement shall be decided without regard to events of authorship or negotiation.

Titles and headings to sections herein are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

All references to currency herein shall be to, and all payments required hereunder shall be paid in, Dollars.

Unless otherwise stated, accounting terms used and not expressly defined herein shall have the meanings given to them under GAAP.

## **ARTICLE II** **CLOSING TRANSACTIONS; PURCHASE PRICE; CLOSING**

Section 2.1 Sale and Purchase of the Company Units and Purchased Loan. Pursuant to the terms of this Agreement, at Closing, Buyer is purchasing, acquiring and accepting from the Seller and the Seller is selling, assigning, transferring and conveying to the Buyer all right, title and interest in and to the Company Units and the Purchased Loan, free and clear of all Liens, and the Buyer is paying and delivering the Estimated Purchase Price in accordance with the terms of this Agreement.

Section 2.2 Purchase Price. Upon the terms and subject to the conditions set forth in this Agreement, the Seller shall have the right to receive from Buyer an aggregate cash purchase price equal to the Estimated Purchase Price (to be paid by Buyer at the Closing in accordance with Section 2.4), subject to adjustment as set forth in this Section 2.2 and the Earn-out Payments, if any, calculated pursuant to Section 2.6 (the Estimated Purchase Price, as it may be adjusted pursuant to Section 2.5, plus the Earn-Out Payments, the “Purchase Price”). “Estimated Purchase Price” means an amount equal to the following:

- (a) an amount equal to \$15,000,000 in cash consideration for the Purchased Loan (the “Loan Price”); *plus*

- (b) an amount equal to \$1 in cash consideration for the Company Units (the “Units Price”) *plus*
- (c) any Estimated Relevant Working Capital Surplus, if any; *minus*
- (d) any Estimated Relevant Working Capital Deficit, if any; *minus*
- (e) the Estimated Relevant Debt; *minus*
- (f) the Estimated Transaction Expenses; *plus*
- (g) the Estimated Cash Equivalents; *minus*
- (h) the Estimated CAPEX Deficit, if any.

Section 2.3 Payment of Purchase Price. At Closing, Buyer shall pay the Estimated Purchase Price by wire transfer of immediately available funds to the bank account specified on Exhibit C.

Section 2.4 Time and Place of Closing.

(a) The closing of the Transactions (the “Closing”) shall take place electronically by delivery of the documents to be delivered at the Closing by facsimile or other electronic transmission, except for certain documents to be delivered in person at the Closing. The Closing shall be effective as of 12:01 A.M. on the Closing Date. All document deliveries and payments by one party to another party at Closing shall be deemed to have occurred simultaneously and none shall be effective until and unless all have occurred.

- (b) At the Closing, the Seller is delivering or causing to be delivered to Buyer:

(i) an Assignment Agreement, in the form attached hereto as Exhibit D, together with any other documents that are necessary to transfer to the Buyer good and valid title to all Company Units, duly executed and delivered by the Seller;

(ii) an Assignment Agreement, in the form attached hereto as Exhibit E, together with any other documents that are necessary to transfer to the Buyer all title, rights and interest held by Seller under the Purchased Loan, duly executed and delivered by the Seller;

(iii) written evidence reasonably satisfactory to the Purchaser of the assignment by Education Trademark, B.V. to Seller of the Purchased Loan in the amount of \$15,000,000;

(iv) the minute books, stock ledgers and similar corporate records of the Acquired Companies;

(v) resignation letters, in the agreed form and effective at Closing, for each resigning director, manager, officer, administrator and attorney-in-fact of the Acquired Companies;

(vi) the original or certified copies of the minutes of the meeting (or a written resolution) of the board of directors and shareholders/managers and partners of the Seller and the Target Company, in agreed form, at which it has been resolved to approve the Transaction Agreements and the Transactions contemplated thereunder; and

(vii) the Transition Services Agreement, in the form attached hereto as Exhibit A, duly executed and delivered by the Seller and ULatina.

(c) At Closing, the Buyer is delivering or causing to be delivered to the Seller:

(i) an Assignment Agreement, in the form attached hereto as Exhibit D, together with any other documents that are necessary to transfer to the Buyer good and valid title to all Company Units, duly executed and delivered by the Buyer, and

(ii) an Assignment Agreement, in the form attached hereto as Exhibit E, together with any other documents that are necessary to transfer to the Buyer all title, rights and interest held by Seller under the Purchased Loan, duly executed and delivered by the Buyer.

(d) At the Closing, the Buyer is paying or causing to be paid:

(i) the Estimated Purchase Price to Seller pursuant to Section 2.3;

(ii) the Relevant Debt to the Persons entitled thereto pursuant to the Payoff Letters (copies of which shall have been provided to Buyer at least three Business Days prior to the Closing Date); and

(iii) the Transaction Expenses by wire transfer of immediately available funds to the bank accounts designated prior to the Closing by the Persons to whom such expenses are payable.

## Section 2.5 Adjustment to Purchase Price.

(a) The purpose of the post-Closing purchase price adjustment set forth in this Section 2.5 is solely to measure any changes in Relevant Working Capital, Relevant Debt, Cash Equivalents, Transaction Expenses and Actual CAPEX Deficit, if any, from the target or estimated amounts (as applicable) to the final amounts in accordance with the terms herein.

(b) Delivery of Estimated Closing Statement. At least three Business Days prior to the Closing Date, the Seller, in good faith and in accordance with the terms of this Section 2.5, prepared and delivered, or caused to be prepared and delivered, to Buyer (i) a written statement setting forth in reasonable detail its good faith calculation (the “Estimated Closing Statement”) of the (A) Estimated Purchase Price, (B) Relevant Debt (“Estimated Relevant Debt”), (C) Relevant Working Capital (“Estimated Relevant Working Capital”), (C) Estimated Relevant Working Capital Surplus, if any; (D) Estimated Relevant Working Capital Deficit, if any, (E) Cash Equivalents (“Estimated Cash Equivalents”), (F) Transaction Expenses (“Estimated Transaction Expenses”) and (G) Estimated CAPEX Deficit, if any, and (ii) a good faith estimated consolidated balance sheet of the Acquired Companies as of the Closing Date (the “Estimated Closing Balance Sheet”), a copy of which is attached in Schedule 2.5(d). The Estimated Relevant Debt, the Estimated Relevant Working Capital, Estimated Relevant Working Capital Surplus (if any), Estimated Relevant Working Capital Deficit (if any), the Estimated Cash Equivalents, the Estimated Transaction Expenses and the Estimated CAPEX Deficit, if any, reflected in the Estimated Closing Statement shall be used to determine the Estimated Purchase Price, for purposes of Section 2.2.

(c) Delivery of Final Closing Statement. Within 90 days following the Closing Date, Buyer will, in good faith and in accordance with the terms of Section 2.5(d), prepare and deliver, or cause

to be prepared and delivered, to the Seller (i) a written statement setting forth its good faith calculation of the (A) Relevant Debt, (B) Relevant Working Capital, (C) Actual Relevant Working Capital Surplus, if any; (D) Actual Relevant Working Capital Deficit, if any, (E) Cash Equivalents, (F) Transaction Expenses, (G) Actual CAPEX Deficit, if any, and (H) a calculation of the Closing Purchase Price (the “Final Closing Statement”), and (ii) a consolidated balance sheet of the Acquired Companies as of the Closing (the “Final Closing Balance Sheet”).

(d) Preparation of Closing Statements. The calculation of each item reflected in the Estimated Closing Statement and Estimated Closing Balance Sheet was, and the calculation of each item reflected in the Final Closing Statement and Final Closing Balance Sheet shall be, in a manner consistent with the Accounting Methods set forth on Schedule 2.5(d) (the “Closing Statement Policies”). For the avoidance of doubt, certain of the Accounting Methods which have been employed in preparation of the Target Relevant Working Capital, are set forth on Schedule 2.5(d). The calculation of the Final Purchase Price as set forth in this Section 2.5 does not permit (i) the introduction of different Accounting Methods or (ii) the introduction of new, or removal of existing, balance sheet accounts or line items, in each case of (i) and (ii), from those set forth in the Closing Statement Policies or used in determining the amount of the Estimated Relevant Working Capital and Target Relevant Working Capital, it being the agreement of the parties hereto that the Final Relevant Working Capital be calculated consistently with the Estimated Relevant Working Capital and Target Relevant Working Capital in order to allow a meaningful comparison of the Final Relevant Working Capital to the Estimated Relevant Working Capital and Target Relevant Working Capital. The Final Relevant Working Capital shall be determined in accordance with (A) the Closing Statement Policies, (B) the Accounting Methods that are consistent with the calculation of the Estimated Relevant Working Capital and Target Relevant Working Capital, (C) to the extent not inconsistent with the foregoing clauses (A) or (B), Accounting Methods adopted in connection with the Balance Sheet, and (D) to the extent not inconsistent with the foregoing clauses (A), (B), or (C), GAAP. For the avoidance of doubt, clause (A) above shall take precedence over clauses (B), (C) and (D) above, clause (B) shall take precedence over clauses (C) and (D) and clause (C) shall take precedence over clause (D). The calculation of the Final Purchase Price shall (1) exclude the impact of actions taken or omitted by Buyer or the Acquired Companies following the Closing, (2) not reflect changes in assets or liabilities as a result of purchase accounting adjustments and (3) ignore events taking place as a result of or after the Closing. If any amount denominated in any currency is subject to conversion for the determining the Estimated Purchase Price and any adjustments thereof pursuant to this Section 2.5, any amounts denominated in Colones shall be converted into Dollars at the prevailing exchange rate applicable to that amount by reference to the exchange rates published on bloomberg.com at close of business on January 9, 2020 (the “Exchange Rate”); notwithstanding the foregoing, for determining the Estimated CAPEX Deficit, the Actual CAPEX Deficit and the Final CAPEX Deficit any amounts denominated in Colones shall be converted into Dollars at the CAPEX Exchange Rate.

(e) Provision of Information. In connection with Seller’s review of the Final Closing Statement and Final Closing Balance Sheet, Buyer will (i) make available to the Seller and its Representatives reasonable access to all records and work papers relating to Buyer’s calculation of the items reflected in the Final Closing Statement that the Seller and its auditors (if any) reasonably request in reviewing the Final Closing Statement and Final Closing Balance Sheet, and (ii) Buyer will reasonably cooperate with and assist and, if applicable, shall cause the Acquired Companies and their senior personnel to reasonably cooperate with and assist, Seller, including, upon prior written notice, making reasonably available its senior personnel responsible for the preparation of the Final Closing Statement and Final Closing Balance Sheet, in connection with Seller’s review of the Final Closing Statement and Final Closing Balance Sheet; provided, however, that any such access or cooperation shall not unreasonably disrupt or interfere with the business operations of the Buyer or the Acquired Companies.

(f) Review of Final Closing Statement. The Seller shall have 60 days from the date of receipt of the Final Closing Statement to review (i) the computations of Relevant Working Capital, Relevant Debt, Actual Relevant Working Capital Surplus, if any, Actual Relevant Working Capital Deficit, if any, Cash Equivalents, Transaction Expenses and Actual CAPEX Deficit, if any, reflected on the Final Closing Statement and (ii) the calculation of the Closing Purchase Price.

(g) Objection. If the Seller disagrees with Buyer's (i) calculation of (A) Relevant Working Capital, (B) Relevant Debt, (C) Actual Relevant Working Capital Surplus, if any, (D) Actual Relevant Working Capital Deficit, if any, (E) Cash Equivalents, (F) Transaction Expenses or (G) Actual CAPEX Deficit or (ii) calculation of the Closing Purchase Price determined using the foregoing calculations, the Seller shall deliver written notice (an "Objection Notice") of such disagreement, specifying in reasonable detail the nature and extent of such disagreement, and the Seller's proposed resolution to any such disagreement to Buyer on or before the 60th day following its receipt of the Final Closing Statement and Final Closing Balance Sheet (the "Adjustment Objection Period"). For the avoidance of doubt, (x) the Seller may not amend, supplement or modify the Objection Notice after the end of the Adjustment Objection Period, and (y) to the extent (1) any disagreement by the Seller is not described in the Objection Notice received by Buyer, (2) no Objection Notice is timely delivered by the Seller to Buyer or (3) the Seller provides written notice to Buyer at any time during the Adjustment Objection Period that it agrees with the calculations in the Final Closing Statement, then all matters described in the Final Closing Statement that are not objected to by the Seller in the Objection Notice will be final, conclusive and binding on the parties and not subject to appeal. If the Seller timely delivers an Objection Notice to Buyer delivered in accordance with the notice provisions set forth in Section 9.2, Buyer and the Seller will endeavor to resolve any disagreements noted in the Objection Notice in good faith during the 20 Business Days after the receipt by Buyer of such Objection Notice, or such longer period as the Buyer and Seller may mutually agree (the "Adjustment Resolution Period"). Any such disagreements that are resolved by the Buyer and Seller during the Adjustment Resolution Period shall be final, conclusive and binding on the parties and not subject to appeal. If the Buyer and Seller do not resolve all such disagreements by the end of the Adjustment Resolution Period, then they shall, within five days thereafter, commence the process to retain the Firm (or if the Firm is unable to serve as the Firm for any reason whatsoever, including for reasons of conflict of interest), the parties shall, within five days thereafter, retain the Second Firm, in which case the Second Firm shall be deemed to be the Firm for purposes of this Agreement. In connection with engaging the Firm, each party agrees, if requested by the Firm, to work with the Firm to negotiate and execute an engagement letter on terms reasonably satisfactory to the Seller and the Buyer, in accordance with the guidelines and procedures set forth on Exhibit F. The Buyer, the Seller and their respective Representatives will cooperate with the Firm during its resolution of any disagreements included in the Objection Notice and not otherwise resolved during the Adjustment Resolution Period. Unless otherwise agreed by the parties in writing, the Firm shall make its determination in accordance with the guidelines and procedures set forth in this Agreement and on Exhibit F; provided that any delay in delivering such determination shall not invalidate the award or otherwise deprive the Firm of jurisdiction.

(h) Final and Binding Determination.

(i) The Relevant Working Capital, Actual Relevant Working Capital Surplus (if any), Actual Relevant Working Capital Deficit (if any), Relevant Debt, Cash Equivalents, Transaction Expenses and Actual CAPEX Deficit (if any) (A) as reflected in the Final Closing Statement (to the extent not objected to by the Seller in the Objection Notice during the Adjustment Objection Period), (B) as agreed to by Buyer and the Seller during the Adjustment Resolution Period or (C) as determined by the Firm, as applicable, shall be conclusive and binding on the parties hereto and shall be deemed the "Final Relevant Working Capital", "Final Relevant Debt," "Final Relevant Working Capital Surplus" (if any), "Final Relevant Working Capital Deficit" (if any), "Final Cash

Equivalents,” “Final Transaction Expenses,” and “Final CAPEX Deficit” (if any) for all purposes herein.

(ii) Upon completion of the calculation of the Final Relevant Working Capital, Final Relevant Debt, Final Relevant Working Capital Surplus (if any), Final Relevant Working Capital Deficit (if any), Final Cash Equivalents, Final Transaction Expenses and Final CAPEX Deficit (if any), in accordance with this Section 2.5, the Closing Purchase Price shall be calculated using the Final Relevant Working Capital Surplus (rather than the Estimated Relevant Working Capital Surplus), Final Relevant Working Capital Deficit (rather than the Estimated Relevant Working Capital Deficit), Final Relevant Debt (rather than the Estimated Relevant Debt), Final Cash Equivalents (rather than the Estimated Cash Equivalents), the Final Transaction Expenses (rather than the Estimated Transaction Expenses) and the Final CAPEX Deficit (rather than the Estimated CAPEX Deficit) (the “Final Purchase Price”), and the following payments shall be made:

(A) If the Final Purchase Price is greater than the Estimated Purchase Price, Buyer shall pay such difference to the Seller on or before the 5th Business Day following the determination of the Final Purchase Price as set forth in this Section 2.5(h)(ii), by wire transfer in immediately available funds to an account designated by the Seller in writing.

(B) If the Final Purchase Price is less than the Estimated Purchase Price, the Seller shall pay such difference to Buyer on or before the 5th Business Day following the determination of the Final Purchase Price as set forth in this Section 2.5(h)(ii), by wire transfer in immediately available funds to an account designated by Buyer in writing.

Any payments made pursuant to this Section 2.5 shall constitute an adjustment of the Purchase Price for Tax purposes and shall be treated as such by the parties on their Tax Returns

## Section 2.6 Earn-Out.

(a) Earn-Out Targets. In addition to the Estimated Purchase Price, the Seller shall be entitled to earn up to two additional payments, if any, as follows:

(i) A payment of \$2,000,000 (the “Enrollment Earn-Out Payment”) to be paid on or before April 10, 2020, if, and only if, as of March 31, 2020, the combined 2020 cycle one student enrollment intake (the “Cycle One Enrollment”) for ULatina and UAM together is at least equal to 7,309 students, of which at least 5,386 are either undergraduate or graduate degree seeking students (collectively, the “Cycle One Enrollment Target”). The Cycle One Enrollment, including the number of students and the number of degree seeking students enrolled as of March 31, 2020, shall be calculated in a manner consistent with the methodology used by the Seller in its historical calculation of the cycle one enrollment for ULatina and UAM prior to Closing, as set forth on Schedule 2.6(a) (i).

(ii) A payment of \$5,000,000 (the “Revenue Earn-Out Payment” and, together with the Enrollment Earn-Out Payment, the “Earn-Out Payments” and each an “Earn-Out Payment”) to be paid on or before March 31, 2021, if, and only if, the 2020 Consolidated Revenue (measured in Colones), is at least equal to 105% of the 2019 Consolidated Revenue (measured in Colones) (the “Revenue Growth Rate Target” and, together with the Cycle One Enrollment Target, the “Earn-Out Targets” and each an “Earn-Out Target”).

(iii) For the avoidance of doubt, (A) in the event that one of the Earn-Out Payments is not earned by the Seller pursuant to this Section 2.6, the failure to earn such Earn-Out Payment shall not prevent the Seller from being entitled to earn the other Earn-Out Payment provided the other applicable Earn-Out Target is met, and (B) in no event shall the Earn-Out Payments hereunder exceed, in the aggregate, \$7,000,000.

(b) Earn-Out Statements. In connection therewith, (i) solely with respect to the Enrollment Earn-Out Payment, as promptly as practicable following March 31, 2020, but in no event later than April 15, 2020, Buyer will prepare a statement (the “Enrollment Earn-Out Statement”) setting forth its good faith calculation of the Cycle One Enrollment, including the number of students and the number of degree students enrolled as of March 31, 2020 and (ii) solely with respect to the Revenue Earn-Out Payment, Buyer shall (A) use commercially reasonable efforts to receive the audited financial statements of the Acquired Companies for the 12-month period ended December 31, 2020 (the “2020 Financial Statements”) as promptly as possible after December 31, 2020 and (B) as promptly as practicable following receipt by Buyer of the 2020 Financial Statements, but in no event later than 30 days following Buyer’s receipt thereof, Buyer will prepare a statement (the “Revenue Earn-Out Statement”, together with the Enrollment Earn-Out Statement, the “Earn-Out Statements” and each an “Earn-Out Statement”) setting forth its good faith calculation of the 2020 Consolidated Revenue (as measured in Colones), and deliver the applicable Earn-Out Statement to Seller (along with reasonable documentation, including work papers, schedules, financial statements, memoranda, etc.) supporting the calculations contained therein. To facilitate the Seller’s review of each Earn-Out Statement, upon receipt of the applicable Earn-Out Statement the Seller shall have reasonable access to (A) the relevant books and records of Buyer to the extent that they relate to the applicable Earn-Out Statement and are necessary to verify Buyer’s calculations contained therein, (B) the senior personnel of the Acquired Companies responsible for the preparation of the applicable Earn-Out Statement and (C) to such historical financial information (to the extent in Buyer’s possession) relating to the applicable Earn-Out Statement and Buyer’s calculations contained therein, as the Seller may reasonably request for the purpose of reviewing the applicable Earn-Out Statement and to prepare an Earn-Out Objection Notice; provided, that such access shall be made on reasonable advance notice and in a manner that does not unreasonably disrupt or interfere with the normal business operations of the Buyer or the Acquired Companies. If the Seller disagrees with any calculation contained in an Earn-Out Statement, the Seller shall communicate any disputes to Buyer in writing, specifying in reasonable detail the nature and extent of such dispute, and the Seller’s proposed resolution to any such dispute (an “Earn-Out Objection Notice”), on or before the 20th Business Day following its receipt of the applicable Earn-Out Statement (the “Earn-Out Objection Period”). If no Earn-Out Objection Notice is delivered by the Seller to Buyer within the Earn-Out Objection Period or if the Seller provides written notice to Buyer at any time during the Earn-Out Objection Period that it agrees with the calculation of the applicable Earn-Out Payment and the components thereof, then such calculations shall become final, conclusive and binding upon the parties hereto and not subject to appeal upon such expiration of the Earn-Out Objection Period or upon delivery of such notice, as applicable. In the event of a dispute, the parties will cooperate in good faith to reach an agreement on the appropriate calculations in the applicable Earn-Out Statement as promptly as practicable. If the Seller delivered an Earn-Out Objection Notice to the Buyer, Buyer and the Seller will endeavor to resolve any disagreements set forth in the applicable Earn-Out Objection Notice in good faith during the 20 Business Days after the receipt by Buyer of the Earn-Out Objection Notice, or such longer period as the Buyer and Seller may mutually agree in writing (the “Earn-Out Resolution Period”). Any such disagreements that are resolved by the Buyer and Seller during the Earn-Out Resolution Period shall be agreed to via a formal writing between the parties and thereby be final, conclusive and binding on the parties and not subject to appeal. If the Buyer and Seller do not resolve all such disagreements by the end of the Earn-Out Resolution Period, then the dispute procedures set forth in Section 2.5(g) shall apply *mutatis mutandis*. The calculation of the applicable Earn-Out Payment and the components thereof (A) as reflected in the Earn-Out Statement

(to the extent not objected to by the Seller in the Earn-Out Objection Notice), (B) as agreed to by Buyer and the Seller during the Earn-Out Resolution Period or (C) as determined by the Firm, as applicable, shall be final, conclusive and binding on all of the parties hereto and not subject to appeal.

(c) Payment of the Earn-Out Payments. Upon determination that the Seller is entitled to the payment of an Earn-Out Payment in accordance with this Section 2.6, Buyer shall pay such amount to the Seller within five Business Days following such determination by wire transfer of immediately available funds to an account designated by the Seller.

(d) Acceleration of the Earn-Out Payments. If an Acceleration Event occurs on or prior to the resolution of Buyer's contingent payment obligations under this Section 2.6, the Buyer shall pay to the Seller the Earn-Out Payments within 10 Business Days after the occurrence of such Acceleration Event by wire transfer of immediately available funds to an account designated by the Seller in writing, except to the extent any such consideration has then already been paid in accordance with this Section 2.6. After satisfaction of its obligations under this Section 2.6(d), Buyer shall have no further obligations under this Section 2.6.

(e) Earn-Out Period Reporting. After the Closing and through and until the Seller has been paid the Earn-Out Payments in accordance with Section 2.6, Buyer will deliver to the Seller the following:

(i) As soon as available after the end of each fiscal quarter of the Acquired Companies, a balance sheet of the Acquired Companies as at the end of such period and the related statements of operations and cash flows for such period and for the portion of the Acquired Companies' fiscal year ended on the last day of such quarter, all in reasonable detail and prepared in accordance with GAAP, except for the omission of footnotes and subject to normal year-end and audit adjustments.

(ii) As soon as available after the end of each fiscal year of the Acquired Companies, a balance sheet of the Acquired Companies as at the end of such year and the related statements of operations and cash flows for such year, all in reasonable detail and accompanied by the report on such financial statements of an independent certified public accountant selected by the Buyer.

(f) Conduct of the Business of Buyer and the Acquired Companies after the Closing.

(i) After the Closing and through and until the earlier of March 31, 2021 and the date upon which an Acceleration Event occurs, the Buyer shall (A) maintain each of the Acquired Companies as a separate direct or indirect Subsidiary of the Buyer and (B) not take any action or series of related actions the intent of which is to deprive the Seller of any Earn-Out Payment.

(ii) Subject to Section 2.6(f)(i), the Seller acknowledges and agrees that from and after the Closing (A) Buyer and its Affiliates shall have the right to operate the Acquired Companies in any way that they deem appropriate in their sole discretion, (B) nothing in this Section 2.6 (except as expressly provided to the contrary in Section 2.6(f)(i)), shall interfere with or impair the good faith business judgment of management of the Acquired Companies and (C) Buyer and its Affiliates shall have no obligation to operate the Acquired Companies (or any component of their businesses) in a manner consistent with the manner in which the Acquired Companies were operated by the Seller prior to the Closing Date.

(iii) The Parties acknowledge and agree that, from and after the Closing, except as provided in the Transition Services Agreement, (A) no Acquired Company will have access to or be sublicensed or otherwise made available any software, products or services contracted by or licensed to LEI or its Affiliates (including Seller) pursuant to any contract or arrangement between any Acquired Company, on the one hand, and LEI or any of its Affiliates (including Seller), on the other hand, and (B) no Acquired Company will be liable to LEI or any of its Affiliates (including Seller) for any royalty or network service fees related to any such software, products or services or any other costs, fees or expenses under any management fee agreement or similar arrangement with LEI or any of its Affiliates (including Seller).

Section 2.7 Withholding. The Buyer and its Affiliates shall be entitled to deduct and withhold from the consideration otherwise payable to or for the benefit of the Seller or any other Person pursuant to this Agreement such amounts as it is required to deduct and withhold with respect to the making of such payment under any provision of any federal, state, local or foreign Tax Law. Any amounts withheld in accordance with this Section 2.7 shall be treated for all purposes of this Agreement as having been paid to the Person in respect of which such deduction and withholding was made.

### **ARTICLE III** **REPRESENTATIONS AND WARRANTIES** **REGARDING THE ACQUIRED COMPANIES**

Except as otherwise set forth in the Disclosure Schedules provided herewith in accordance with Section 9.9, the Seller represents and warrants to Buyer as follows:

Section 3.1 Organization; Good Standing; Authorization; and Enforceability. Each Acquired Company is duly organized, validly existing and in good standing (or active status, as applicable) under the Laws of its jurisdiction of organization and has all requisite power and authority to own, lease and operate its properties and to carry on its business as conducted prior to and as of the Closing. Each Acquired Company has all requisite power and authority to execute and deliver the Seller Documents to which it is a party and to consummate the Transactions. The execution and delivery of the Seller Documents to which each Acquired Company is a party and the consummation of the Transactions has been duly authorized by all requisite action on the part of each Acquired Company. Each Seller Document to which each Acquired Company is a party is duly and validly executed and delivered by each Acquired Company and (assuming the due authorization, execution and delivery by the other parties hereto and thereto) each Seller Document to which each Acquired Company is a party constitutes the legal, valid and binding obligation of each Acquired Company, enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other Laws affecting creditors' rights and remedies generally, and subject, as to enforceability, to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity).

#### Section 3.2 Conflicts; Consents of Third Parties.

(a) Except as set forth on Section 3.2(a) of the Disclosure Schedules, and provided that the notifications and approvals set forth in Section 3.2(b) of the Disclosure Schedules are made or obtained, none of the execution and delivery by any Acquired Company of this Agreement or the Seller Documents, the consummation of the Transactions, or compliance by the Acquired Company with any of the provisions hereof or thereof will conflict with, or result in any violation of, breach of or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation, acceleration, modification or loss of any material benefit under, any provision of (i) the Organizational Documents of any

Acquired Company; (ii) any Material Contract or Permit to which any Acquired Company is a party or by which any of the properties or assets of any Acquired Company are bound or affected or cause the creation of any Lien, other than Permitted Exceptions, upon any of the assets of any Acquired Company; (iii) any Order or Permit applicable to any Acquired Company or by which any of the properties or assets of any Acquired Company are bound; or (iv) any Law applicable to the Acquired Companies, other than, in the case of clauses (ii), (iii) and (iv), such conflicts, violations, breaches, defaults, terminations, cancellations, accelerations, modifications or losses that would not, individually or in the aggregate, be material to the Acquired Companies, taken as a whole.

(b) Except as set forth on Section 3.2(b) of the Disclosure Schedules, no consent, waiver, approval, Order, Permit or authorization of, or declaration, registration or filing with, or notification to, any Person or Governmental Authority is required on the part of any Acquired Company in connection with the Acquired Companies' execution and delivery of this Agreement or the Seller Documents or the compliance by the Acquired Companies with any of the provisions hereof or thereof, or the consummation of the Transactions, except (i) for any applicable filings under state securities or takeover laws, (ii) as required under or pursuant to the applicable requirements of Antitrust Laws or other competition Laws of other jurisdictions or (iii) such consents, waivers, approvals, Orders, Permits or authorizations the failure of which to obtain would not, individually or in the aggregate, be material to the Acquired Companies, taken as a whole.

### Section 3.3 Capitalization.

(a) The Company Units constitute all of the issued and outstanding units of the Target Company. All of the Company Units were duly authorized for issuance, are validly issued, fully paid and non-assessable, were not issued in violation of any preemptive or similar rights, and were offered, issued, sold and delivered in compliance with applicable national, federal and state securities Laws (or pursuant to exemptions from such Laws).

(b) Except as set forth on Section 3.3(b) of the Disclosure Schedules, as of the date hereof (i) there is no existing option, warrant, call, right or other security, equity-based award exercisable or exchangeable for or convertible into Company Units or any other equity securities of the Target Company, Equity Equivalents or Contracts of any character to which the Target Company is a party, requiring, and there are no securities of the Target Company outstanding which upon conversion or exchange would require, the issuance of any securities convertible into, exchangeable for or evidencing the right to subscribe for or purchase the Company Units or any other equity securities of the Target Company, (ii) there are no outstanding equity appreciation rights, phantom stock units, performance units, profit participation or similar equity based-rights with respect to the Target Company, (iii) there are no written agreements to which the Target Company is a party with respect to the voting, ownership or transfer of the Company Units or any other equity securities of the Target Company, (iv) there are no bonds, indentures, notes or other Indebtedness, in each case issued by the Target Company, providing for the right to vote (or convertible into securities that have the right to vote) on any matters on which holders of the Company Units may vote and (v) the Target Company has no obligation to purchase, redeem or otherwise acquire any of its equity interests or any interests therein.

(c) The Target Company has not granted any rights to have its equity interests registered for sale to the public pursuant to the Laws of any jurisdiction.

#### Section 3.4 Subsidiaries.

(a) Section 3.4(a) of the Disclosure Schedules, sets forth the name of each Acquired Subsidiary, and, with respect to each Acquired Subsidiary, the number of its authorized equity interests, the number and class of equity interests duly issued and outstanding, the names of all equity owners and the amount of equity owned by each equity owner.

(b) The Acquired Subsidiaries named in Section 3.4(a) of the Disclosure Schedules constitute all of the Subsidiaries of the Target Company and the Target Company has not agreed to acquire any equity security of any other Person. Except as set forth on Section 3.4(a) of the Disclosure Schedules, the Target Company does not own or hold of record or beneficially any equity or ownership interest in any other Person.

(c) All of the outstanding equity interests of each Acquired Subsidiary were duly authorized for issuance, are validly issued, fully paid and non-assessable, were not issued in violation of any preemptive or similar rights, and were offered, issued, sold and delivered in compliance with applicable securities Laws (or pursuant to exemptions from such Laws).

(d) Lusitania, S.R.L. neither owns or leases any material assets nor has any material liabilities (whether asserted or unasserted, absolute or contingent, liquidated or unliquidated, due or to become due), except those which are adequately reflected or reserved against in the Balance Sheet as of the Balance Sheet Date.

(e) Except as set forth on Section 3.4(e) of the Disclosure Schedules, (i) there is no existing option, warrant, call, right or other security, equity-based award exercisable or exchangeable for or convertible into any equity securities of any Acquired Subsidiary, Equity Equivalents or Contracts of any character to which any Acquired Subsidiary is a party, requiring, and there are no securities of any Acquired Subsidiary outstanding which upon conversion or exchange would require, the issuance of any securities convertible into, exchangeable for or evidencing the right to subscribe for or purchase the equity securities of any such Acquired Subsidiary, (ii) there are no outstanding equity appreciation rights, phantom stock units, performance units, profit participation or similar equity based-rights with respect to any Acquired Subsidiary, (iii) there are no written agreements to which any Acquired Subsidiary is a party with respect to the voting, ownership or transfer of any equity securities of any such Acquired Subsidiary, (iv) there are no bonds, indentures, notes or other Indebtedness, in each case issued by any Acquired Subsidiary, providing for the right to vote (or convertible into securities that have the right to vote) on any matters on which holders of the equity securities may vote and (v) no Acquired Subsidiary has an obligation to purchase, redeem or otherwise acquire any of its equity interests or any interests therein.

#### Section 3.5 Financial Statements.

(a) Section 3.5 of the Disclosure Schedules attaches true and correct copies of (i) the audited consolidated balance sheets of the Acquired Companies and related consolidated statements of operations and income and cash flows of the Acquired Companies as of and for the fiscal years ended December 31, 2018 and December 31, 2017 (the “Audited Financial Statements”), and (ii) the unaudited consolidated balance sheet and related consolidated statements of operations and income and cash flows of the Acquired Companies as of and for the nine-month period ended on September 30, 2019, including in each case, any notes thereto (the “Most Recent Financial Statements”) (collectively, the Audited Financial Statements and the Most Recent Financial Statements, the “Financial Statements”).

(b) The Financial Statements are correct and complete and consistent with the books and records of the Acquired Companies (which in turn are correct and complete). The Audited Financial Statements have been prepared in accordance with IFRS and the Most Recent Financial Statements have been prepared in accordance with GAAP, subject, in the case of the Most Recent Financial Statements, to normal year-end adjustments and the absence of notes (none of which, individually or in the aggregate, would be material). The Financial Statements present fairly in all material respects the consolidated financial position, results of operations and cash flows of the Acquired Companies for the periods indicated therein. For the purposes hereof, the unaudited consolidated balance sheet of the Acquired Companies as of September 30, 2019, is referred to as the “Balance Sheet” and September 30, 2019 is referred to as the “Balance Sheet Date.”

Section 3.6 Absence of Certain Developments. Since the Balance Sheet Date, there has not occurred a Material Adverse Effect. Except as set forth on Section 3.6 of the Disclosure Schedules, no Acquired Company has:

- (a) declared, set aside or made any dividend or distribution in respect of, or redemption of, any equity interest, or issued, sold or otherwise disposed of any of its stock or equity interests, or granted any options, warrants or other rights to acquire (including upon conversion, exchange or exercise) any of its stock or equity interests, or amended or made any change to any of its Organizational Documents or made any other payment to its equityholder (or any Affiliates of such equityholders);
- (b) cancelled or waived any claims with a potential value in excess of \$100,000;
- (c) acquired (by merger, consolidation or acquisition of stock or assets) any corporation, partnership or other business organization or division thereof or collection of assets constituting all or substantially all of a business or business unit;
- (d) sold, leased, transferred, assigned, or otherwise disposed of a material amount of its properties or assets (tangible or intangible), other than in the Ordinary Course of Business;
- (e) except as required by IFRS or GAAP, as applicable, and reflected in the Financial Statements, materially changed its accounting methods, cash management practices or methods of purchase, sale, lease, management, marketing, operation or principles theretofore adopted;
- (f) except as required by applicable Law, made any change in the amount of compensation or benefits paid or payable to any director, manager, officer or Company Employee, other than any change in the Ordinary Course of Business, or entered into, amended, established, granted, increased, modified or terminated any Employee Benefit Plan (or any such agreement, arrangement or plan that would be an Employee Benefit Plan but for such action);
- (g) accelerated the payment, vesting or funding, or promised to accelerate the payment, vesting or funding, of any compensation or benefit that is or would become payable to any current or former Company Employee;
- (h) sold, transferred, assigned, licensed, or abandoned any material Company Intellectual Property;
- (i) made or changed any Tax election, adopted or changed any material Tax accounting method, waived any statute of limitation in respect of Taxes, or agreed to any extension of time with respect

to a Tax assessment or deficiency, in each case, outside the ordinary course of business consistent with past practice, or filed any amended Tax Return or settled any material Tax Proceeding;

(j) terminated or canceled or waived any material right under any Material Contract, other than in the Ordinary Course of Business, or received notice from any Person regarding the acceleration, termination, modification or cancelation of a Contract, which, if in existence on the date hereof, would be required to be listed on Section 3.10 of the Disclosure Schedules;

(k) received any written notice that it is in default under any Material Contract;

(l) received written notice (i) to repay any borrowing or Indebtedness under any agreement relating to any borrowing (or Indebtedness in the nature of borrowing) which are repayable on demand; or (ii) that an event of default has occurred and is outstanding under any agreement relating to any borrowing (or Indebtedness in the nature of borrowing) or other credit facility of any Acquired Company;

(m) received written notice from any Governmental Authority that it is in material violation of any applicable Laws;

(n) made any loans, advances or capital contributions to or investments in any Person (except in the Ordinary Course of Business), or entered into any agreements, arrangements or commitments with respect to any of the foregoing (except in the Ordinary Course of Business);

(o) done or omitted to do anything, the doing or omission of which amounts to contravention of any applicable Laws giving rise to any material fine, penalty or other liability or sanction on the part of any Acquired Company; or

(p) agreed to or authorized any Person to take any of the foregoing actions.

### Section 3.7 Taxes.

(a) Except as set forth in Section 3.7(a) of the Disclosure Schedules, all income, franchise and other material Tax Returns required to be filed by or with respect to any Acquired Company have been duly and timely filed (subject to applicable extensions) with the appropriate Governmental Authority, and all such Tax Returns are true, correct and complete in all material respects.

(b) All Taxes due and owing by any Acquired Company have been timely paid in full, whether or not shown on any Tax Return.

(c) Except as set forth in Section 3.7(c) of the Disclosure Schedules, all Taxes that any Acquired Company has been required to deduct or withhold in connection with amounts paid or owing to any employee, director, independent contractor, creditor, member or stockholder have been timely deducted or withheld and paid to the appropriate Governmental Authority.

(d) There are no Liens for Taxes (other than Liens for Taxes that are not yet due and payable) on any of the assets of any Acquired Company.

(e) Except as set forth in Section 3.7(e) of the Disclosure Schedules, there is no claim pending or threatened in writing by any Governmental Authority with respect to any Taxes due from any

Acquired Company, and no assessment, deficiency or adjustment has been asserted, proposed, or threatened in writing with respect to any Taxes due from or Tax Returns of any Acquired Company.

(f) There are no agreements, waivers or other written arrangements providing for an extension of time with respect to the assessment or collection of, or statute of limitations with respect to, any Taxes of any Acquired Company, and no Acquired Company is currently the beneficiary of any extension of time within which to file any Tax Return (other than one time extensions requested or obtained in the ordinary course of business).

(g) During the past two years no written claim has been made by a Governmental Authority in a jurisdiction in which any Acquired Company does not file Tax Returns that any Acquired Company is or may be required to file a Tax Return in that jurisdiction.

(h) No Acquired Company (i) has during the past two years been a member of any affiliated group as defined in Section 1504 of the Code that has filed a consolidated return for U.S. federal income tax purposes (or any consolidated, combined or unitary group under U.S. or Costa Rican state or local Law), (ii) has any liability for the Taxes of any Person other than itself under Section 1.1502-6 of the Treasury Regulations (or any similar provision of U.S. or Costa Rican state or local Law), as a transferee or successor, by Contract or otherwise, or (iii) is party to or bound by or has any obligations under any Contract concerning Tax allocation, Tax sharing, or Tax indemnification.

(i) No Acquired Company is or has been during the past two years a resident for Tax purposes in any jurisdiction other than the jurisdiction of its formation, or has had any branch, agency, permanent establishment or other taxable presence in any such jurisdiction.

(j) Each Acquired Company is, and has been since (i) July 1, 2008 in the case of the Target Company, and (ii) January 1, 2013 in the case of each other Acquired Company, disregarded as an entity separate from its owner for United States (and applicable United States state and local) federal income tax purposes. Section 3.7(j) of the Disclosure Schedules sets forth all elections made with respect to the Tax classification of each Acquired Company under U.S. or other applicable Tax Law.

### Section 3.8 Real Property

(a) Section 3.8(a) of the Disclosure Schedules sets forth a complete list of all real property owned by any Acquired Company (the “Owned Real Property”) and identifies the location, address and record owner thereof. An Acquired Company is the legal and beneficial owner in possession of the Owned Real Property, is in exclusive occupation of it and has indefeasible good and valid fee title to it, free and clear of all Liens (other than Permitted Exceptions). Except as set forth in Section 3.8(a) of the Disclosure Schedules, there are no outstanding options or rights of first refusal to purchase such Company Owned Real Property or any portion thereof or interest therein (other than under applicable Law). The consummation of the Transactions will not create any Lien (other than Permitted Encumbrances) on any Company Owned Real Property. All Permitted Exceptions affecting any parcel of Owned Real Property are set forth on Section 3.8(a) of the Disclosure Schedules.

(b) Section 3.8(b) of the Disclosure Schedules sets forth an accurate and complete list of the real property that is leased, subleased, licensed, sub-licensed, or otherwise occupied or used by any of the Acquired Companies (the “Leased Real Property” and together with the Owned Real Property, the “Company Real Property”), in each case identifying the (i) street address, (ii) date of each lease, sublease or similar contract with any person under which the Acquired Companies occupy and/or use any real property

(collectively, together with any amendments, modifications, supplements, assignments, consents, waivers, side letter, estoppel certificates, guarantees or subordination agreements related thereto, individually, a “Real Property Lease” and collectively, the “Real Property Leases”), and (iii) name of the lessor, licensor, sub-licensor or sublessor. Except for the Real Property Leases, there are no other leases affecting real property occupied or otherwise used by any of the Acquired Companies or their respective Affiliates. Except as set forth on Section 3.8(b) of the Disclosure Schedules, no Acquired Company has subleased, sub-licensed or granted any other right to the use or occupy any real property that is the subject of any Real Property Lease. The consummation of the Transactions will not affect the enforceability against any party to any Real Property Lease, or any rights of the Acquired Companies under any Real Property Lease, including, the right to the continued use and possession of the Leased Real Property for the conduct of business as conducted in accordance with past practice.

(c) With respect to the Owned Real Property, (i) neither Seller nor any Acquired Company has transferred, assigned or otherwise disposed of any Owned Real Property or its rights to occupy or use any Owned Real Property; (ii) except for vendors that provide services to the Acquired Companies and the students in the Ordinary Course of Business, no third party has any rights to occupy or use any portion of the Owned Real Property, neither Seller nor any Acquired Company is subject to any contractual requirement to sell, purchase, lease or acquire any Owned Real Property, and no provision or any note, bond, mortgage, indenture, deed of trust or other contract affecting any Owned Real Property requires the consent or approval of any person or entity for the transactions contemplated hereby; (iii) all of the Owned Real Property is free from any use or occupancy restrictions that are not (A) set forth on Section 3.8(b) of the Disclosure Schedules or (B) imposed by applicable Law; (iv) the present use of all Owned Real Property conforms in all material respects with all Laws, including all applicable zoning laws, ordinances and regulations and deed restrictions, and, to the Knowledge of the Seller Party has Knowledge of any proposed change to any Law that could materially and adversely affect any of the Company Owned Real Property or the use thereof; (v) to the Knowledge of the Seller, there exists no conflict or dispute with respect to any Owned Real Property or the present use thereof; and (vi) no condemnation proceeding is pending or, to the Knowledge of the Seller, is threatened in connection with any Owned Real Property.

(d) With respect to the Leased Real Property, (i) there are no pending or, to the Knowledge of the Seller, threatened Legal Proceedings affecting the Leased Real Property or in which the Acquired Companies are or will be a party by reason of the Acquired Companies’ leasing of the Leased Real Property; (ii) there are no outstanding options or rights of first refusal to purchase or lease any Leased Real Property, or any portion thereof or interest therein, nor are there any agreements or other restrictions of any nature whatsoever (recorded or unrecorded) preventing or limiting any Acquired Companies’ rights or ability to use the Leased Real Property or any portion thereof for the conduct of the business; (iii) except for vendors that provide services to the Acquired Companies and the students in the Ordinary Course of Business, no Acquired Company has transferred or assigned any interest in any Leased Real Property or any Real Property Lease, nor has any Acquired Company leased, subleased or otherwise granted rights to use or occupancy of any of the Lease Real Property to any Person; and (iv) no Acquired Company is under any contractual requirement to purchase or acquire any real property, including the Leased Real Property, and no provision of any Real Property Lease, or any bond, mortgage, indenture, deed of trust or other Contract affecting any Lease Real Property requires the consent or approval of any person or entity for the transactions contemplated hereby.

### Section 3.9 Intellectual Property.

(a) Section 3.9 of the Disclosure Schedules sets forth the complete list of (i) all Registered Intellectual Property owned by the Acquired Companies and (ii) any license pursuant to which

Intellectual Property is licensed to an Acquired Company by another Person (excluding license agreements pertaining to commercial off-the-shelf computer software products with an annual or aggregate value of less than \$10,000) or licensed to another Person by an Acquired Company. All such registrations for the Registered Intellectual Property are in full force and effect and have not expired or been abandoned. Except as set forth on Section 3.9 of the Disclosure Schedules, the Company Intellectual Property includes all Intellectual Property used or held for use by the Acquired Companies in the conduct of their business as currently conducted. Each Acquired Company either owns or has valid licenses to use all of the Company Intellectual Property. The Company Intellectual Property is valid, subsisting and enforceable and, to the extent owned by any Acquired Company, is owned by the respective Acquired Company free and clear of any Lien (other than Permitted Exception).

(b) As of the date hereof, the Acquired Companies own or have a valid right to use all material Intellectual Property currently used by them in the conduct of their business as currently conducted. No Acquired Company has granted to any Person exclusive rights to any of the Company Intellectual Property.

(c) Except as set forth in Section 3.9(c) of the Disclosure Schedules, the conduct by the Acquired Companies of their business as currently conducted does not Infringe, and during the past two years has not Infringed, the rights with respect to Intellectual Property owned by any other Person. The Acquired Companies have no pending or, to the Knowledge of the Seller, threatened claims against third parties alleging Infringement of the Intellectual Property owned or used by any of them in the conduct of their business as currently conducted. To the Knowledge of the Seller, none of the Acquired Companies' rights in any Intellectual Property owned or used by the Acquired Companies are being Infringed. No Acquired Company has pending or, to the Knowledge of the Seller, threatened claims against them alleging Infringement of the Intellectual Property owned or used by another Person.

(d) The Acquired Companies own all right, title or interest in and to any material Company Intellectual Property created by any current or former Employee or Independent Contractor of the Acquired Companies in the course of his, her or its employment or other engagement with the Acquired Companies. The Acquired Companies have taken all necessary precautions consistent with industry standards to protect the secrecy of their trade secrets.

### Section 3.10 Material Contracts.

(a) Section 3.10 of the Disclosure Schedules sets forth a complete list of the following executory Contracts to which any of the Acquired Companies are a party or by which any of the properties or assets of an Acquired Company are bound or affected (all of such Contracts required to be so disclosed and collectively with the Real Property Leases, the "Material Contracts"):

- (i) joint venture agreements, partnership agreements and any Contracts involving a sharing of profits, losses, costs or liabilities with any other Person;
- (ii) Contracts related to an acquisition or divestiture of any corporation, partnership or other business organization or division thereof or collection of assets constituting all or substantially all of a business or business unit by any Acquired Company;
- (iii) Contracts for the lease of equipment or real property involving payments in excess of \$50,000 per year;

(iv) Contracts containing a covenant not to compete binding on any of the Acquired Companies or any covenant that purports to restrict the business activity of any Acquired Company or limit the freedom of any Acquired Company to engage in any line of business;

(v) confidentiality or non-disclosure agreements still in effect that impose obligations on any Acquired Company;

(vi) Contracts providing for the payment of any cash or other compensation or benefits upon the consummation of the Transactions;

(vii) Contracts evidencing Indebtedness of an Acquired Company or under which such Acquired Company has issued any note, bond, indenture, mortgage, security interest or other evidence of Indebtedness or advance;

(viii) licenses pursuant to which Intellectual Property is licensed to an Acquired Company by another Person (excluding license agreements pertaining to commercial off-the-shelf computer software products with an annual or aggregate value of less than \$10,000) or licensed to another Person by an Acquired Company;

(ix) employment, severance, retention, deferred compensation or consulting Contracts with any current Company Employee or Independent Contractor requiring payments in excess of \$50,000;

(x) Contracts with any equityholder, partner, member, officer, manager or director of the Acquired Companies (or any Affiliate of any of the foregoing);

(xi) Contracts providing for the guaranty by any Acquired Company of any obligation for borrowed money of a third Person that is not an Acquired Company; and

(xii) Contracts the performance of which requires payments to or by any Acquired Company within one calendar year in excess of \$250,000.

(b) Each Material Contract is in full force and effect. All Material Contracts are legal, valid, binding and enforceable obligations of the applicable Acquired Company, and, to the Knowledge of the Seller, each other Person party thereto, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other Laws affecting creditors' rights and remedies generally, and subject, as to enforceability, to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity). No Acquired Company is in material breach of or default under any Material Contract to which it is a party and, to the Knowledge of the Seller, no counterparty is in breach of or default under any Material Contract in any material respect. No Acquired Company has received any written notice of any material default or event that with notice or lapse of time, or both, would constitute such a material default by any of the Acquired Companies.

(c) The Seller has made available in the Data Room, or otherwise delivered to Buyer, a copy of each written Material Contract, together with all material amendments, exhibits, schedules or attachments. There are no oral Material Contracts.

Section 3.11 Employee Benefit Plans.

(a) Section 3.11(a) of the Disclosure Schedules sets forth a correct and complete list of each Employee Benefit Plan. With respect to each Employee Benefit Plan, the Seller made available in the Data Room a copy of each material document constituting a part of such Employee Benefit Plan, including all current plan documents and trust agreements, and all amendments thereto.

(b) Except as set forth in Section 3.11(b) of the Disclosure Schedules, there are no collective benefit plans or arrangements, including employee housing at any Acquired Company's facilities, pensions, stock options, stock purchase or appreciation rights, split salary, profit-sharing schemes, deferred compensation plans or arrangements, or any collateral benefit plan or provision maintained, contributed to or required to be maintained or contributed to by any Acquired Company for the benefit of current or former directors, officers, managers, Employees or Independent Contractors of the Acquired Companies.

(c) Except as set forth in Section 3.11(c) of the Disclosure Schedules, (i) the grant of supplementary benefits for Employees has been used as a basis for the purposes of filing reports and payment of statutory social security payments, (ii) no such payment has been made in material violation of applicable Labor, Tax and Social Security Laws, and (iii) the information that is in possession of the Employees in relation to the payment of these benefits is materially consistent with the records of the Acquired Subsidiaries. The Seller made available in the Data Room a copy of each policy on tuition discounts for Employees and other Persons.

(d) Each Employee Benefit Plan has been administered in all material respects in compliance with its terms and with all applicable Laws.

(e) Except for social security and professional risk coverage as required under applicable Law, no Acquired Company is under any obligation to provide medical or death benefits with respect to any current or former Employee of any Acquired Company after termination of employment.

### Section 3.12 Labor.

(a) Section 3.12(a) of the Disclosure Schedules sets forth a correct and complete list of all Employees of the Acquired Companies, including, for each such Employee (i) their position, (ii) their current salary, (iii) their hiring date, and (iv) any bonuses. All Contracts with Employees are those set out by Law as mandatory and minimum (the “Minimum Mandatory Employment Terms”). Section 3.12(a) of the Disclosure Schedules sets forth any and all rights that exceed the Minimum Mandatory Employment Terms applicable to each Employee of the Acquired Companies.

(b) Except as set forth in Section 3.12(b) of the Disclosure Schedules, no Employee of the Acquired Companies is or in the past two years has been represented by a labor union, labor organization or works council (or representatives thereof) (each, a “Labor Organization”), no Labor Organization is or has been certified or recognized as a representative of any Employee, and no Acquired Company is or in the past two years has been a party to or has any obligation under any labor agreement, collective bargaining agreement or any other labor-related agreements or arrangements with any Labor Organization.

(c) Section 3.12(c) of the Disclosure Schedules sets forth a correct and complete list of all independent contractor, professional services, consultancy or other Contract with each Independent Contractor of the Acquired Companies. Except as set forth in Section 3.12(c) of the Disclosure Schedules, (i) no past or present payment has been made to Independent Contractors in material breach of, or omitting withholdings or payment of statutory social security contributions required by, any applicable Labor, Tax and Social Security Laws; and (ii) the contractual relationships with Independent Contractors are not subject

to labor or social security obligations, and their terms are such that no Independent Contractor may claim rights under Labor, Tax and Social Security Laws that Employees are entitled to.

(d) There are no, and during the past two years there have not been any, (i) strikes, lockouts, work stoppages or slowdowns, (ii) claims for unfair labor practices or (iii) activities or procedures of any Labor Organization or their representatives to organize any Employees of the Acquired Companies, in each case, pending or, to the Knowledge of the Seller, threatened against the Acquired Companies.

(e) Except as set forth in Section 3.12(e) of the Disclosure Schedules, there is no pending, and no Acquired Company has received written notice of the commencement of any, Legal Proceeding asserting that any Acquired Company has engaged in any unfair labor practice nor, to the Knowledge of the Seller, has any such Legal Proceeding been threatened by or on behalf of any Employee or group of Employees of any Acquired Company.

(f) Except as set forth in Section 3.12(f) of the Disclosure Schedules, the Acquired Companies are in compliance and have complied with all applicable Laws related to mandatory employee benefit plans and employment of labor, including Laws related to wages, maximum shift hours, correct overtime payment, payment of monthly social security contributions by both the Acquired Subsidiaries as employers (26.33%) and employees (10.34%), payment of salary tax by employees, and payment of annual vacation time and Christmas bonuses. There are no administrative or judicial claims currently filed or, to the Knowledge of the Seller, threatened to be filed by the Costa Rican Social Security Fund (*Caja Costarricense del Seguro Social*) or other Governmental Authority against the Acquired Companies. The Acquired Companies are up to date with all payments corresponding to the Costa Rican Social Security Fund, Social Development and Family Allowances (*Fondo de Desarrollo y Asignaciones Familiares*), Joint Institute of Social Assistance (*Instituto Mixto de Ayuda Social*), National Institute of Apprenticeship (*Instituto Nacional de Aprendizaje*) and the Community Development Bank (*Banco Popular y de Desarrollo Comunal*) under the Laws of Costa Rica.

(g) All Employees of the Acquired Companies are, and during the past two years have been, legally authorized to work in Costa Rica in accordance with the current immigration Laws. The Acquired Companies comply with, and for the past two years have complied with, all the applicable Laws regarding documentation and maintenance of status records of work permit of their Employees.

(h) No Acquired Company has extended or maintained a loan, arranged for the granting of credit or renewed an extension of credit, in the form of a personal loan for any of its Employees, Independent Contractors, directors, officers or managers.

Section 3.13 Litigation. Except as set forth on Section 3.13 of the Disclosure Schedules, (a) there are no Legal Proceedings or Orders pending or outstanding, or, to the Knowledge of the Seller, threatened against any Acquired Company, and (b) there are no Legal Proceedings or Orders pending or outstanding, or, to the Knowledge of the Seller, threatened in which any Acquired Company is the plaintiff or claimant. Each Acquired Company is fully insured with respect to each of the matters set forth on Section 3.13 of the Disclosure Schedules.

#### Section 3.14 Compliance with Laws; Permits.

(a) Except as set forth on Section 3.14(a) of the Disclosure Schedules, (i) each of the Acquired Companies complies, and for the past two years has complied, in all material respects with all Laws and Orders applicable to it, its properties or to the operation of its business and (ii) no Legal Proceeding

has been filed, alleged or threatened by any Person alleging liability under, or noncompliance with, any such Law or Order.

(b) Except as set forth on Section 3.14(b) of the Disclosure Schedules, the Acquired Companies hold all material Permits required for the operation of their respective businesses as presently conducted and all such Permits are in full force and effect. No Legal Proceeding has been filed, alleged or threatened by any Person alleging liability under, or noncompliance with, any such Permit. No Acquired Company is in material default or violation of any term, condition or provision of any such Permit applicable to it.

(c) Except as set forth on Section 3.14(c) of the Disclosure Schedules, (i) each Acquired Company and each of their respective Representatives has at all times been in compliance with all legal requirements under (A) the United States Foreign Corrupt Practices Act of 1977, as amended, and any rules or regulations promulgated thereunder, and (B) all other applicable local anticorruption and bribery Laws of jurisdictions in which the Acquired Companies are operating (collectively, “Anti-Corruption Laws”), and (ii) no Acquired Company nor any of their respective Representatives has given, offered, promised or authorized any payment or provision of money or anything of value (including any loan, reward, advantage, or benefit of any kind), either directly or indirectly, to any foreign official or an officer or employee of any Governmental Authority (including any business or entity owned or managed by a Governmental Authority, such as a national oil or utility company), or any Person acting in an official capacity or performing public duties or functions as or on behalf of any such Governmental Authority, any political party or official thereof, any candidate for public office, or any officer, employee, or agent of a public international organization or Affiliate of any such government official, to influence any act, decision or omission of any such government official, to obtain or retain business, to direct business to any Acquired Company, or to gain any advantage or benefit for any Acquired Company.

(d) Any claim for breach of representation or warranty with respect to (i) real property matters, including the Company Real Property, (ii) Tax matters, including Tax Returns and withholding, (iii) labor matters, including social security contributions, and (iv) environmental matters, including the Environmental Permits, shall not be based on the representations and warranties set forth in this Section 3.14.

### Section 3.15 Educational Matters.

(a) Except as set forth on Section 3.15(a) of the Disclosure Schedules, each Educational Approval held by each School is in full force and effect, and no Legal Proceeding to limit, suspend, revoke, terminate or cancel any Educational Approval is pending or, to the Knowledge of the Seller, threatened. Each School (i) is, and for the past two years has been, in material compliance with all applicable Educational Laws, (ii) has obtained and held all Educational Approvals necessary to conduct its operations as currently conducted, and (iii) is and, for the past two years has been, in compliance in all material respects with the terms and conditions of all such Educational Approvals.

(b) Except as set forth in Section 3.15(b) of the Disclosure Schedules, no School has, with respect to each Educational Approval held by such School, (i) had during the past two years any application made by such School to any Educational Agency denied or withdrawn; (ii) been subject to any adverse action by any Educational Agency to revoke, withdraw, deny, suspend, materially condition or materially limit an Educational Approval (including being placed on probation); (iii) received notice that any of the Educational Approvals will not be renewed; or (iv) received notice that such School is in violation in any material respect with the terms or conditions of any Educational Approval.. Except as set forth in

Section 3.15(b) of the Disclosure Schedules, no School is subject to any reporting or monitoring requirements by any Educational Agency, other than routine monitoring and reporting obligations in conjunction with the issuance or maintenance of any Educational Approval.

(c) Except as set forth in Section 3.15(c) of the Disclosure Schedules, (i) no School is providing any educational instruction or services on behalf of any other institution or organization of any sort (other than in the Ordinary Course of Business in compliance with applicable Law), and no other institution or organization of any sort is providing any educational instruction or services on behalf of any School (other than in the Ordinary Course of Business in compliance with applicable Law), and (ii) there are no Educational Consents that applicable Educational Laws or Educational Agencies would require the Seller, the Acquired Companies, Buyer or the Schools to effectuate or obtain prior to the Closing.

Section 3.16 Environmental Matters.

(a) Except as set forth Section 3.16 of the Disclosure Schedules, each Acquired Company (i) is, and for the past two years has been, in compliance in all material respects with all Environmental Laws applicable to its respective properties and operations, (ii) is and for the past two years has been in compliance in all material respects with all Environmental Permits required pursuant to Environmental Laws for the operation of its respective businesses, and (iii) has obtained all material Permits required under applicable Environmental Laws to construct and operate its business and the Facilities (“Environmental Permits”), and made all appropriate filings for issuance or renewal of such Environmental Permits. There are no Legal Proceedings pending or, to the Knowledge of the Seller, threatened that would jeopardize the validity of or result in any material modification of any of the Environmental Permits.

(b) To the Knowledge of the Seller, there have been no Releases of Hazardous Substances at the Facilities that (i) would require notification to any Governmental Authority, investigation or remediation pursuant to any Environmental Laws or (ii) would be reasonably be expected to give rise to liability to any of the Acquired Companies or with respect to any of the Facilities pursuant to any Environmental Laws. None of the Acquired Companies has, either expressly or by operation of law, assumed or undertaken any liability, including any obligation for corrective or remedial action, of any other Person relating to Environmental Laws.

(c) To the Knowledge of the Seller, (i) no Environmental Lien has attached to any of the Facilities or any other property now or formerly operated or used in connection with the business of and/or otherwise by any of the Acquired Companies; and (ii) none of the Acquired Companies or any of their respective predecessors, has treated, stored, disposed of, arranged for or permitted the disposal of, transported, handled or released any substance, including any Hazardous Substance in such manner as have given or would give rise to any liabilities (contingent or otherwise) or investigative, corrective or remedial obligations, pursuant to any applicable Environmental Laws.

Section 3.17 Fees and Expenses of Brokers and Others. No Acquired Company is committed for any liability for any investment banking fees, brokerage commissions, brokers’ or finders’ fees or any similar fees in connection with the Transactions, nor has it retained any broker, finder, financial advisor or other intermediary to act directly or indirectly on its behalf in connection with the Transactions.

Section 3.18 Insurance. As of the date of this Agreement, the Acquired Companies have the insurance policies set forth in Section 3.18(a) of the Disclosure Schedules. As of the date of this Agreement, (a) there is no material claim pending under any of the Acquired Companies’ insurance policies as to which coverage has been questioned, denied or disputed by the underwriters of such policies, and (b) the Acquired

Companies (i) are, and during the past three years have been, in compliance with all worker compensation insurance policies that are required by Law and (ii) have adequately reported all of their Employees for such purposes and according to their employment category to the National Insurance Institute. Except as disclosed in Section 3.18(b) of the Disclosure Schedules, the Acquired Companies is in compliance in all material respects with the terms of such policies.

Section 3.19 Personal Property. Except as set forth in Section 3.19 of the Disclosure Schedules, the Acquired Companies have good and valid title, free and clear of any Liens (except for Permitted Exceptions), to all the property and assets (tangible and intangible) used by them, located on their premises, reflected on the Balance Sheet, or acquired since the Balance Sheet Date, except for such tangible personal property as has been disposed of in the Ordinary Course of Business since the Balance Sheet Date. The property and assets (tangible and intangible) currently owned or leased by the Acquired Companies, together with all other rights, properties and assets of the Acquired Companies, are sufficient for the continued conduct of the Acquired Companies' business after the Closing in the same manner as conducted prior to the Closing. The buildings, machinery, equipment, and other tangible assets that the Acquired Companies own and lease are in good operating condition and repair (subject to normal wear and tear) and are suitable for the purposes for which they are presently used.

Section 3.20 Indebtedness; Transaction Expenses. Except as set forth in Section 3.20 of the Disclosure Schedules, (i) no Acquired Company has any Indebtedness or is liable for any Indebtedness of any other Person, and (ii) no Acquired Company has any liability for any Transaction Expenses.

Section 3.21 Related Party Transactions. Except as set forth in Section 3.21 of the Disclosure Schedules, (a) there are no material obligations of the Acquired Companies to officers, directors, managers, partners or equityholders of the Seller, any Acquired Company or their respective Affiliates other than (i) for payment of salaries and bonuses for services rendered as Employees or Independent Contractors, (ii) reimbursement of customary and reasonable expenses incurred on behalf of the Acquired Companies in the Ordinary Course of Business consistent with past practice and (iii) benefits due under Employee Benefit Plans and fringe benefits not required to be listed in Section 3.11(a) of the Disclosure Schedules; and (b) neither Seller nor any officer, director, manager, partner or equityholder of the Seller, any Acquired Company or their respective Affiliates (other than the Acquired Companies) (i) has any claim against or owes any amount to, or is owed any amount by, the Acquired Companies, (ii) has any interest in or owns any assets, properties or rights used in the conduct of the business of the Acquired Companies, or (iii) is a party to any Contract to which any Acquired Company is a party or which otherwise benefits the business of the Acquired Companies.

Section 3.22 No Undisclosed Liabilities. Except as set forth in Section 3.22 of the Disclosure Schedules, none of the Acquired Companies has any liabilities (whether asserted or unasserted, absolute or contingent, liquidated or unliquidated, due or to become due), except (a) those which are adequately reflected or reserved against in the Balance Sheet as of the Balance Sheet Date; (b) those which have been incurred in the Ordinary Course of Business since the Balance Sheet Date; and (c) those which would not, individually or in the aggregate, exceed \$200,000.

## **ARTICLE IV** **REPRESENTATIONS AND WARRANTIES BY SELLER**

Except as otherwise set forth in the Disclosure Schedules provided herewith in accordance with Section 9.9, the Seller represents and warrants to Buyer as follows:

**Section 4.1 Organization and Good Standing.** The Seller is duly organized, validly existing and in good standing (or active status, if applicable) under the Laws of its state of formation.

**Section 4.2 Authorization; Enforceability.** The Seller has all requisite power and authority to execute and deliver the Seller Documents to which it is a party and to consummate the Transactions. The execution and delivery of this Agreement and the Seller Documents to which the Seller is a party and the consummation of the Transactions have been duly authorized by all requisite action on the part of the Seller. This Agreement and each Seller Document to which the Seller is a party is duly and validly executed and delivered by the Seller and (assuming the due authorization, execution and delivery by the other parties hereto and thereto) this Agreement and each other Seller Document to which the Seller is a party constitutes the legal, valid and binding obligation of the Seller, enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other Laws affecting creditors' rights and remedies generally, and subject, as to enforceability, to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity).

**Section 4.3 Conflicts; Consents of Third Parties.**

(a) Except as set forth on Section 4.3(a) of the Disclosure Schedules, and provided that the notifications and approvals set forth on Section 4.3(b) of the Disclosure Schedules are made or obtained, none of the execution and delivery by the Seller of this Agreement or the Seller Documents to which the Seller is a party, the consummation of the Transactions or compliance by the Seller with any of the provisions hereof or thereof will conflict with, or result in any violation of, breach of or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation, acceleration, modification or loss of any material benefit under, any provision of (i) the Organizational Documents of the Seller; (ii) any Contract to which the Seller is a party or by which any of the properties or assets of the Seller are bound or affected or cause the creation of any Lien upon any of the assets of the Seller; (iii) any Order or Permit applicable to the Seller or by which any of the properties or assets of the Seller are bound; or (iv) any Law applicable to the Seller, except, in the case of clauses (ii), (iii) and (iv), for any such conflict, violation, breach, default, loss or right which would not reasonably be expected to have a material and adverse effect on the Seller's ability to consummate the transactions contemplated hereby and thereby or otherwise prevent or materially delay the consummation of the transactions contemplated hereby and thereby.

(b) Except as set forth on Section 4.3(b) of the Disclosure Schedules, no consent, waiver, approval, Order, Permit or authorization of, or declaration, registration or filing with, or notification to, any Person or Governmental Authority is required on the part of the Seller in connection with the Seller's execution and delivery of this Agreement or the Seller Documents to which the Seller is a party or the compliance by the Seller with any of the provisions hereof or thereof, or the consummation of the Transactions, except (i) for any applicable filings under state securities or takeover laws or (ii) as required under or pursuant to the applicable requirements of Antitrust Law or other competition Laws of other jurisdictions.

**Section 4.4 Capitalization; Ownership of Company Units; Purchased Loan.** The Seller owns all the Company Units (and no other equity or Equity Equivalents of the Target Company) and the Purchased Loan, in each case, free and clear of any Liens, other than (a) restrictions under the securities Laws of any state or other jurisdiction, or (b) Liens created pursuant to this Agreement or any other Transaction Document. The Company Units being sold by the Seller, when sold and delivered in accordance with the terms of this Agreement for the consideration expressed herein, will be free of Liens, other than (i) restrictions under the securities Laws of any state or other jurisdiction, (ii) Liens created pursuant to this Agreement or any other Transaction Document, or (iii) Liens created pursuant to any of the Buyer's financing arrangements.

Section 4.5 Fees and Expenses of Brokers and Others. Except as set forth on Section 4.5 of the Disclosure Schedules, the Seller does not directly or indirectly have any liability for any investment banking fees, brokerage commissions, brokers' or finders' fees or any similar fees in connection with the Transactions and have not retained any broker, finder, financial advisor or other intermediary to act directly or indirectly on its behalf in connection with the Transactions.

Section 4.6 Litigation. There is no Legal Proceeding in which the Seller has received service of process nor, to the Knowledge of the Seller, has any been threatened against the Seller that questions the validity of this Agreement or seeks to prohibit, enjoin or otherwise challenge the Transactions.

Section 4.7 No Other Representations or Warranties.

(a) EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES EXPRESSLY SET FORTH IN ARTICLE III AND THIS ARTICLE IV (AS QUALIFIED BY THE DISCLOSURE SCHEDULE) SELLER DISCLAIMS ALL LIABILITY AND RESPONSIBILITY FOR ANY REPRESENTATION, WARRANTY, STATEMENT MADE OR INFORMATION COMMUNICATED (WHETHER ORALLY OR IN WRITING) TO BUYER AND ITS AFFILIATES OR REPRESENTATIVES (INCLUDING ANY OPINION, INFORMATION OR ADVICE WHICH MAY HAVE BEEN PROVIDED TO BUYER AND ITS AFFILIATES OR REPRESENTATIVES BY THE BROKER, ANY DIRECTOR, OFFICER, EMPLOYEE, ACCOUNTING FIRM, LEGAL COUNSEL, OR OTHER AGENT, CONSULTANT, OR REPRESENTATIVE OF SELLER OR THE ACQUIRED COMPANIES).

(b) THE SELLER DOES NOT MAKE ANY REPRESENTATIONS OR WARRANTIES TO BUYER EXCEPT AS CONTAINED IN ARTICLE III AND THIS ARTICLE IV (AS QUALIFIED BY THE DISCLOSURE SCHEDULE) AND ANY AND ALL STATEMENTS MADE OR INFORMATION COMMUNICATED BY THE SELLER, THE ACQUIRED COMPANIES OR ANY OF THEIR REPRESENTATIVES OUTSIDE OF THIS AGREEMENT (INCLUDING IN THE DOCUMENTS PROVIDED IN RESPONSE TO BUYER'S WRITTEN DILIGENCE REQUESTS OR WITHIN ANY MANAGEMENT PRESENTATIONS PROVIDED), WHETHER VERBALLY OR IN WRITING, ARE DEEMED TO HAVE BEEN SUPERSEDED BY THE REPRESENTATIONS AND WARRANTIES IN THIS AGREEMENT, IT BEING AGREED THAT NO SUCH PRIOR OR CONTEMPORANEOUS STATEMENTS OR COMMUNICATIONS OUTSIDE OF THIS AGREEMENT SHALL SURVIVE THE EXECUTION AND DELIVERY OF THIS AGREEMENT.

(c) THE SELLER AGREES, HOWEVER, THAT NOTHING IN THIS SECTION 4.7 SHALL PROHIBIT A CLAIM BY BUYER THAT IS BASED ON FRAUD.

**ARTICLE V**  
**REPRESENTATIONS AND WARRANTIES OF BUYER**

The Buyer represents and warrants to the Seller that:

Section 5.1 Organization and Good Standing. The Buyer is duly organized, validly existing and in good standing (or active status, as applicable) under the Laws of its jurisdiction of organization and have requisite entity power and authority to own, lease and operate its properties and to carry on its business as now conducted.

Section 5.2 Authorization. The Buyer has all requisite power and authority to execute and deliver this Agreement and each other agreement, document, instrument or certificate contemplated by this

Agreement to be executed by it in connection with the consummation of the Transactions (the “Buyer Documents”), and to consummate the Transactions. The execution and delivery of this Agreement and the Buyer Documents and the consummation of the Transactions have been duly authorized by all requisite action on the part of the Buyer and no other action is necessary on the part of the Buyer to authorize this Agreement and the Buyer Documents or to consummate the Transactions. This Agreement and each of the Buyer Documents are duly and validly executed and delivered by the Buyer and (assuming the due authorization, execution and delivery by the other parties hereto and thereto) this Agreement and each of the Buyer Documents constitutes the legal, valid and binding obligation of the Buyer enforceable against the Buyer in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other Laws affecting creditors’ rights and remedies generally, and subject, as to enforceability, to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity).

Section 5.3 Consents and Approvals; No Violations.

(a) The execution and delivery by the Buyer of this Agreement and the Buyer Documents, the consummation of the Transactions, and compliance by the Buyer with the provisions hereof and thereof will not conflict with, or result in any violation of, breach of or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation, acceleration, modification or loss of any material benefit under, any provision of (i) the Organizational Documents of the Buyer; (ii) to the Knowledge of the Buyer, any Contract or Permit to which the Buyer is a party or by which any of its properties or assets are bound or affected or will cause the creation of any Lien upon any of the assets of Buyer; (iii) to the Knowledge of Buyer, any Order applicable to Buyer or by which any of its properties or assets are bound; or (iv) to the Knowledge of Buyer, any applicable Law.

(b) No consent, waiver, approval, order, Permit or authorization of, or declaration or filing with, or notification to, any Person or Governmental Authority is required on the part of the Buyer in connection with the execution and delivery of this Agreement or the Buyer Documents or the compliance by the Buyer with any of the provisions hereof or thereof, or the consummation of the Transactions, except (i) for any applicable filings under state securities or takeover laws or (ii) as required under or pursuant to the applicable requirements of Antitrust Laws or other competition Laws of other jurisdictions.

Section 5.4 Brokers. The Buyer does not directly or indirectly have any liability for any investment banking fees, brokerage commissions, brokers’ or finders’ fees or any similar fees in connection with the Transactions and has not retained any broker, finder, financial advisor or other intermediary to act directly or indirectly on its behalf in connection with the Transactions.

Section 5.5 Litigation. There is no Legal Proceeding in which the Buyer has received service of process nor, to the Knowledge of the Buyer, has any been threatened against the Buyer that questions the validity of this Agreement or seeks to prohibit, enjoin or otherwise challenge the Transactions.

Section 5.6 No Additional Representations. The Buyer acknowledges that none of the Seller, the Acquired Companies or any of their Affiliates and Representatives has made or shall be deemed to have made, and that the Buyer has not relied on, any representation or warranty, express or implied, other than the representations and warranties that are set forth in Article III and Article IV of this Agreement (as qualified by the Disclosure Schedule), with respect to (a) the Acquired Companies, the Acquired Companies’ business operation, the assets or operations of the Acquired Companies, the Seller, the Company Units or the Transactions, or (b) any other information or documents (financial or otherwise) made available to the Buyer or its counsel, accountants or advisors with respect to the Acquired Companies, the Seller, the Company

Units or the Transactions. Without limiting the generality of the foregoing, Buyer acknowledges and agrees that, except for the representations and warranties set forth in Article III and Article IV of this Agreement (as qualified by the Disclosure Schedule), no projections, forecasts, predictions, other estimates, data, financial information, documents, reports, statements (oral or written), summaries, abstracts, descriptions, presentations (including any management presentation or facility tour), memoranda, or offering material with respect to the Acquired Companies' business or the Company Units, is or shall be deemed to be a representation or warranty by the Seller to Buyer under this Agreement or otherwise, and that Buyer has not relied thereon in determining to execute this Agreement and proceed with the Transactions. Buyer further acknowledges and agrees that (i) there are uncertainties inherent in attempting to make such projections, forecasts and predictions; (ii) Buyer is familiar with such uncertainties and is taking full responsibility for making its own evaluation of the adequacy and accuracy of all such projections, forecasts and predictions so furnished; and (iii) except for the representations and warranties set forth in Article III and Article IV of this Agreement (as qualified by the Disclosure Schedule), Buyer has not relied thereon. Buyer acknowledges that, except for the representations and warranties set forth in Article III and Article IV of this Agreement (as qualified by the Disclosure Schedule), no Person has been authorized by the Seller to make any representation or warranty regarding the Seller, the Acquired Companies, the Acquired Companies' business, the assets or operations of the Acquired Companies, the Company Units or the Transactions and, if made, such representation or warranty may not be relied upon as having been authorized by the Seller or the Acquired Companies. Buyer acknowledges that the Purchase Price has been negotiated based upon Buyer's express agreement that Buyer will acquire the Acquired Companies and their businesses, properties, assets and liabilities without any representation or warranty of any kind, express or implied, except such representations and warranties set forth in Article III and Article IV of this Agreement (as qualified by the Disclosure Schedule). Nothing in this Section 5.6 shall prohibit a claim by Buyer that is based on Fraud.

**Section 5.7 Investment Intent.** The Company Units are being acquired by the Buyer for its own account and without a view to, or for sale in connection with, any distribution of the Company Units or any interest therein. The Buyer has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks of its investment in the Company Units and participation in the Transactions, and the Buyer is capable of bearing the economic risks of such investment, including a complete loss of its investment in the Company Units. The Buyer understands and agrees that the Buyer may not sell or dispose of any of the Company Units other than pursuant to a registered offering or in a transaction exempt from the registration requirements of applicable securities Laws. The Buyer acknowledges that the Company Units and the sale thereof have not been registered under the Laws of any jurisdiction. Without limiting or otherwise prejudicing the effect of the representations and warranties that are set forth in Article III and Article IV of this Agreement (as qualified by the Disclosure Schedule), the Buyer acknowledges and agrees that the Purchase Price is a value that has been agreed upon between the Buyer and the Seller for purposes of this Agreement and may not represent the fair market or intrinsic value of the Acquired Companies as determined by a third party.

**Section 5.8 Compliance with Laws.** To the Knowledge of the Buyer, the Buyer complies in all material respects with all applicable Laws.

**Section 5.9 No Buyer Operations or Presence in Costa Rica.** Except for any direct or indirect ownership in the Seller or any Affiliate of Seller, the Buyer does not conduct, directly nor indirectly through any of its Affiliates, any business activities, commercial activities, or any sort of trading activities in Costa Rica.

## **ARTICLE VI** **ADDITIONAL AGREEMENTS**

Section 6.1 **Fees and Expenses.** Except as otherwise set forth herein (including in Section 9.15), each of the parties hereto shall bear its own expenses in connection with the negotiation, documentation and execution of this Agreement and the consummation of the Transactions, including all fees and expenses of its Representatives.

Section 6.2 **Confidentiality.** The Seller shall (and shall cause its Affiliates and their respective Representatives to) and the Buyer shall (and shall cause its Affiliates (including, following the Closing, the Acquired Companies) and their respective Representatives to) keep confidential (a) the provisions and subject matter of, and the negotiations relating to, each Transaction Document and (b) all information provided to it or any of its Affiliates or Representatives in connection with this Agreement, the other Transaction Documents and the consummation of the transactions, including any information related to Seller or its Affiliates obtained by the Buyer as a result of or in connection with the Buyer's acquisition of the Acquired Companies. In addition, from and after the Closing Date, the Seller shall not (and shall cause its Affiliates and their respective Representatives not to) directly or indirectly, disclose or use any information concerning any Acquired Company or any School not already generally available to the public. If the Buyer or any of its Affiliates or their respective Representatives are compelled to disclose any such information by judicial or administrative process or by other requirements of Law, the Buyer shall promptly notify Seller in writing and shall disclose only that portion of such information which the Buyer is advised by their counsel in writing is legally required to be disclosed, provided that the Buyer shall use commercially reasonable efforts to cooperate with the Seller, at the Seller's sole expense, to obtain an appropriate protective order or other reasonable assurance that confidential treatment will be accorded such information. If the Seller or any of its Affiliates or their respective Representatives are compelled to disclose any such information by judicial or administrative process or by other requirements of Law, the Seller shall promptly notify the Buyer in writing and shall disclose only that portion of such information which the Seller is advised by their counsel in writing is legally required to be disclosed, provided that the Seller shall use commercially reasonable efforts to cooperate with the Buyer, at the Buyer's sole expense, to obtain an appropriate protective order or other reasonable assurance that confidential treatment will be accorded such information.

Section 6.3 **Public Announcements.** Except to the extent otherwise required by applicable Law or the rules of any stock exchange on which its common stock may be listed, none of Seller or Buyer or the Acquired Companies may (and each shall cause its Representatives and Affiliates not to) issue any press release or make any public statement concerning this Agreement or the Transactions without the approval of Buyer, in the case of any disclosure by the Seller, its Affiliates or their respective Representatives, or Seller in the case of a disclosure by Buyer or the Acquired Companies or their Affiliates or their respective Representatives. Notwithstanding the foregoing, Buyer and its Affiliates may disclose the terms of this Agreement or the Transactions to its and its Affiliates' investors, lenders and prospective investors or lenders, provided the recipient is informed of the confidential nature of such information and agrees to maintain such information in confidence.

### Section 6.4 **Further Assurances.**

(a) Subject to the terms and conditions of this Agreement, each party will use commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things reasonably necessary, proper or advisable to consummate and make effective the transactions contemplated by this Agreement.

(b) Subject to the terms and conditions of this Agreement, at any time and from time to time after the Closing, at a party's reasonable request and without further consideration, the other party shall (i) execute and deliver to such requesting party such other instruments of sale, transfer, conveyance, assignment and confirmation and provide such documents and information, as such party may reasonably request in order to consummate, effect and evidence the Transactions and (ii) deliver any reasonable written evidence of the cancellation by Seller, Education Trademark, B.V. and any other Affiliate of Seller of any amount owed by any Acquired Company to Seller, Education Trademark, B.V. and any other Affiliate of Seller.

#### Section 6.5 Tax Matters.

(a) Seller Returns. Prior to the Closing, the Seller shall prepare, or cause to be prepared, and timely file at the Seller's expense, all income Tax Returns (if any) that are required to be filed by, or with respect to, the Acquired Companies for Pre-Closing Tax Periods that are due before the Closing Date ("Seller Returns"). The Seller shall submit each such Seller Return to Buyer for its review no later than 30 days before the due date for such Seller Return and Seller shall reasonably consider any comments from Buyer. All Seller Returns shall be prepared, and all elections with respect to such Seller Reviewed Returns shall be made, in a manner consistent with the past practice of the Acquired Companies (to the extent consistent with applicable Law). Seller shall timely pay all Taxes that are shown as due with respect to any Seller Return. Any Tax deductions attributable to the Pre-Closing Tax Period or to the portion of the applicable Straddle Period ending on the Closing Date that are available under applicable Laws shall be for the benefit of the Seller and Buyer shall cooperate, to the extent consistent with applicable Law, with the Seller so that the Seller may claim any such Tax deductions in the Pre-Closing Tax Period or the portion of the applicable Straddle Period ending on the Closing Date, and will not take any position in any Tax Return or otherwise that is inconsistent with the deduction of such items by the Seller. Buyer agrees to cooperate with the Seller in the preparation of the Seller Returns as provided in Section 6.5(f).

(b) Buyer Returns. Buyer shall prepare and timely file, or cause to be prepared or timely filed, (and shall provide the Seller a true copy of each such return as filed and evidence of the timely filing thereof) all Tax Returns (other than the Seller Returns) that are required to be filed by the Acquired Companies with respect to any Pre-Closing Tax Period or Straddle Period that are not due before the Closing Date ("Buyer Returns"). Buyer shall submit each such Buyer Return (along with, in the case of any Buyer Return relating to a Straddle Period, a calculation of the portion of any Taxes shown as due on such Buyer Return attributable to the portion of such Straddle Period ending on the Closing Date (the "Straddle Period Allocation")) to the Seller for its review and comment no later than 30 days before the due date for such Buyer Return, and Buyer shall reasonably consider any comments from Seller. With respect to any taxable period or portion thereof ending on or before the Closing Date, all Buyer Returns shall be prepared, and all elections with respect to such Buyer Returns shall be made, in a manner consistent with the past practice of the Acquired Companies (to the extent consistent with applicable Law). Seller shall timely pay all Taxes that are shown as due on any Buyer Return with respect to any Pre-Closing Tax Period or the portion of any Straddle Period ending on the Closing Date as calculated on the Straddle Period Allocation.

(c) Post-Closing Actions. Except as otherwise required by applicable Law, none of Buyer, any Affiliate of Buyer, or the Acquired Companies shall (or shall cause or permit the Acquired Companies to), with respect to any Tax or Tax Returns of the Acquired Companies for the Pre-Closing Tax Period, amend, re-file or otherwise modify any such Tax Return relating in whole or in part to the Acquired Companies, make any voluntary disclosure to a Taxing Authority, enter into any closing agreement, file any private letter ruling, extend or waive the limitation period applicable to any Tax claim or assessment, surrender any right to claim a refund of Taxes, make, change or revoke any Tax election or take any other similar

action, or omit to take any action relating to the filing of any such Tax Return or the payment of any such Tax, without the prior written permission of the Seller, which permission the Seller may withhold in its sole discretion. Any action taken by Buyer on the Closing Date that is outside of the Ordinary Course of Business shall be allocated for purposes of this Agreement to a taxable period or portion thereof beginning after the Closing Date.

(d) Pre-Closing Taxes. In the case of any Straddle Period, the amount of any Taxes based on or measured by income or receipts of the Acquired Companies, or any other transaction-based Tax, for the portion of any Straddle Period ending on the Closing Date shall be determined based on an interim closing of the books as of the close of business on the Closing Date, and the amount of other Taxes of the Acquired Companies for a Straddle Period which relate to the Pre-Closing Tax Period shall be deemed to be the amount of such Tax for the entire taxable period multiplied by a fraction the numerator of which is the number of days in the taxable period ending on the Closing Date and the denominator of which is the number of days in the Straddle Period.

(e) Pre-Closing Tax Refunds. Any refunds of Taxes (including with respect to estimated Tax payments and including refunds in the form of a direct Tax credit against Taxes otherwise payable, but excluding any amounts included as an asset in the calculation of the Final Relevant Working Capital or otherwise taken into account in the determination of the Final Purchase Price) with respect to any Pre-Closing Tax Period, including those received by Buyer or the Acquired Companies after the Closing Date, including those refunds that are attributable to the sale of the Panama entity (any such refund, a “Pre-Closing Tax Refund”), shall be for the account of the Seller, and Buyer shall pay over or cause the Acquired Companies to pay over to the Seller any such Pre-Closing Tax Refund (including any interest received with respect to such refund, but net of any Taxes or reasonable third party expenses mutually agreed upon by the Parties incurred with respect to such Pre-Closing Tax Refund) within 15 days after receipt thereof, or if the refund is in the form of a direct credit against Taxes, within 10 days after such credit reduces the Taxes that would otherwise be paid in cash by the Buyer or the Acquired Companies after the Closing Date, determined on a with and without basis. Buyer shall reasonably cooperate with the Seller in obtaining such refunds, including through the filing of amended Tax Returns or refund claims, it being understood that (i) in the event that a Tax Return for a Pre-Closing Tax Period reflects a net operating loss or tax credit attributable to a taxable period ending on or before the Closing Date that can be carried back to another Pre-Closing Tax Period, Buyer or the Acquired Companies shall do so at the Seller’s reasonable direction and (ii) such refunds shall be claimed in cash rather than as a credit against future Tax liabilities to the extent permitted by applicable Law. In the event that any Pre-Closing Tax Refund paid to the Seller pursuant to this Section 6.5(e) is subsequently disallowed in whole or in part, the Seller shall promptly repay the disallowed amount, along with any interest or penalties imposed with respect thereto, to the Buyer or the Acquired Companies, as applicable.

(f) Cooperation and Records Retention. The Seller and Buyer shall (i) each provide the other, and Buyer shall cause the Acquired Companies to provide the Seller, with such assistance as may be reasonably requested by any of them in connection with the preparation of any Tax Return, audit, or other examination by any Taxing Authority or judicial or administrative proceedings relating to liability for Taxes, (ii) each retain and provide the other, and Buyer shall cause the Acquired Companies to retain and provide the Seller with, any records or other information that may be relevant to such Tax Return, audit or examination, proceeding, or determination, and (iii) each provide the other with any final determination of any such audit or examination, proceeding, or determination that affects any amount required to be shown on any Tax Return of the other or the Acquired Companies for any period. Without limiting the generality of the immediately preceding sentence, Buyer shall retain, and shall cause the Acquired Companies to retain, and the Seller shall retain, until the applicable statutes of limitations (including any extensions) have expired, copies of all Tax

Returns, supporting work schedules, and other records or information that may be relevant to such returns for all Pre-Closing Tax Periods and shall not destroy or otherwise dispose of any such records without first providing the other party with a reasonable opportunity to review and copy the same. Each party shall bear its own expenses in complying with the provisions of this Section 6.5(f).

(g) Tax Proceedings.

(i) Buyer shall provide the Seller with notice of any written inquiries, audits, examinations or proposed adjustments by any Taxing Authority with respect to any Taxes or Tax Returns of any Acquired Company (a “Tax Proceeding”), which relate to any Pre-Closing Tax Period within 10 days of the receipt of such notice. No failure or delay of the Buyer in the performance of the forgoing shall reduce or otherwise affect the obligations or liabilities of the Seller pursuant to this Agreement except to the extent the Seller is actually prejudiced thereby.

(ii) The Seller shall have the right to control any Tax Proceeding which relates to Taxes for any Pre-Closing Tax Period other than a Straddle Period (any such Tax Proceeding that the Seller elects to control, a “Seller Tax Proceeding”); provided, however, that (A) the Buyer shall have the right to participate in any such matter at its sole expense, (B) the Seller shall keep the Buyer reasonably informed of the status of such matter (including providing the Buyer with copies of all written correspondence regarding such matter), and (C) the Seller shall not compromise, settle or consent to any judgment with respect to any Seller Tax Proceedings without the prior written consent of the Buyer, not to be unreasonably withheld, conditioned or delayed; provided, however, that, in the event that the Seller settles any Seller Tax Proceeding without obtaining the Buyer’s prior written consent, and such prior written consent was not unreasonably withheld, conditioned or delayed by the Buyer, then the Seller shall indemnify, defend and hold harmless the Buyer against all Losses which any Buyer Indemnified Party may incur, sustain or suffer as a result of or arising from the Seller’s settlement of such Seller Tax Proceeding.

(iii) The Buyer shall have the right to control any Tax Proceeding other than a Seller Tax Proceeding (a “Buyer Tax Proceeding”); provided, however, that with respect to any Buyer Tax Proceeding that relates to any Pre-Closing Tax Period or the portion of any Straddle Period ending on the Closing Date, (A) the Seller shall have the right to participate in any such matter at its sole expense, (B) the Buyer shall keep the Seller reasonably informed of the status of such matter (including providing the Seller with copies of all written correspondence regarding such matter), and (C) the Buyer shall not compromise, settle or consent to any judgment with respect to any such Buyer Tax Proceedings without the prior written consent of the Seller, not to be unreasonably withheld, conditioned or delayed; provided, that, in the event that the Buyer settles any Buyer Tax Proceeding without obtaining the Seller’s prior written consent, and such prior written consent was not unreasonably withheld, conditioned or delayed by the Seller, then Buyer shall indemnify, defend and hold harmless the Seller against all Losses which any Seller Indemnified Party may incur, sustain or suffer as a result of or arising from Buyer’s settlement of such Buyer Tax Proceeding.

(iv) In the event an Acquired Company receives any tax infraction notice(s) in connection with any Tax Proceeding, and such infraction notice is upheld in whole or in part after all administrative appeals have been exhausted, such that the Tax Authorities has denied the reconsideration petition against such Acquired Company, and the Administrative Tax Tribunal has ruled unfavorably against such Acquired Company (the “Unfavorable Tax Decision”), and regardless of whether Seller elected to control any such Tax Proceeding, (A) the Buyer shall, upon Seller’s request and at Seller’s sole cost and expense, cause the Company to contest the Unfavorable Tax Decision (the “Final Tax Contest”) before the court in Costa Rica (the “Chamber”) and (B) the Seller shall have the right to control the Final Tax Contest;

provided, however, that the Seller must give sufficient notice to the Buyer to enable such Acquired Company to file a timely appeal before the Chamber.

(v) The provisions of this Section 6.5(g) shall govern all Tax Proceedings, notwithstanding anything to the contrary in Article VIII.

(h) UIP Tax Withholding Refund. At Seller's expense, Buyer shall cause the Target Company and ULatina to (i) petition the Directorate General of Income Tax of the Republic of Costa Rica to obtain a determination that the UIP Withholding Tax was not required to be withheld from the purchase price paid to the Target Company and ULatina pursuant to the UIP Purchase Agreement (the "UIP Favorable Withholding Determination") and (ii) file a refund claim for a refund of the UIP Withholding Tax (the "UIP Withholding Refund"), which shall be for the account of Seller and which shall be claimed in cash rather than as a credit against future Tax liabilities. Within three Business Days from receipt by the Target Company and ULatina of such UIP Favorable Withholding Determination and the UIP Withholding Refund, the Seller shall deliver the UIP Withholding Refund in cash to the Seller. In the event that Buyer has not fulfilled its obligation to pay the Seller the UIP Withholding Refund following receipt by the Target Company and ULatina of the UIP Favorable Withholding Determination and the UIP Withholding Refund, such unpaid UIP Withholding Refund may serve as the basis of a specific performance action against the Buyer to compel it to fulfill their payment obligations to Seller. For the avoidance of doubt, the payment of the UIP Withholding Refund shall not be (A) used to pay any part of the Purchase Price, (B) included in the calculation of the Final Purchase Price or (C) deducted from or set off against the Purchase Price in any way.

(i) Purchase Price Allocation. Not later than 60 days following the final resolution of the Final Purchase Price pursuant to Section 2.5, the Buyer shall prepare and deliver to the Seller for its approval, a statement which shall be mutually agreed upon and shall provide for the allocation of the Final Purchase Price, plus any other items constituting consideration for applicable income Tax purposes, among the assets of the Acquired Companies consistently with Schedule 6.5(i) (the "Purchase Price Allocation Statement"). No party shall take any position on any Tax Return or in the course of any Tax Proceeding inconsistent with the allocation provided in the Purchase Price Allocation Statement, unless otherwise required by applicable Law. In the event that any adjustment is required to be made to the Purchase Price Allocation Statement as a result of any adjustment to the Purchase Price pursuant to this Agreement (including any Earn-Out Payments), the Buyer shall prepare or cause to be prepared, and shall provide to the Seller for its approval, a revised Purchase Price Allocation Statement reflecting such adjustment. If the Seller disagrees with any items on the Purchase Price Allocation Statement or on any revisions thereto, the Seller shall deliver written notice of such disagreements to the Buyer, and the parties shall resolve such disagreement (or refer such disagreement to the Firm or the Second Firm, as applicable, for resolution) pursuant to the procedures set forth in Section 2.5(g); provided, that the Buyer and the Seller shall each pay 50% of the cost of retaining the Firm or the Second Firm to resolve any such disagreement.

## ARTICLE VII POST-CLOSING COVENANTS

### Section 7.1 Indemnification; Directors' and Officers' Insurance.

(a) From and after the Closing Date, Buyer shall cause the Acquired Companies (each, a "D&O Indemnifying Person") to indemnify, defend and hold harmless (and pay expenses in advance to) each Person who is now, or has been at any time prior to the Closing Date, an officer, director, employee or manager of any of the Acquired Companies (collectively, the "Company Indemnified Agents") against all losses, claims, damages, costs, expenses, liabilities or judgments or amounts that are paid in settlement of

or in connection with any Legal Proceeding, in each case with the approval of the D&O Indemnifying Person (which approval shall not be unreasonably delayed, conditioned, or withheld) in connection with any Legal Proceeding that is based in whole or in part on or arising in whole or in part out of the fact that such Person is or was a director, officer, employee or manager of any of the Acquired Companies and arising out of actions or omissions, occurring at or prior to the Closing Date and whether asserted or claimed prior to, or at or after, the Closing Date, but only to the extent the Acquired Companies would be required to do so as of the date of this Agreement; provided, that each D&O Indemnifying Person shall only be required to indemnify a Company Indemnified Agent pursuant to this Section 7.1 to the extent permitted under the Law of the state of its formation to indemnify directors, officers, managers and employees, as the case may be. In addition, the Organizational Documents of the Acquired Companies and its successors and assigns shall post-Closing contain provisions with respect to indemnification no less favorable to the former officers, directors, managers and employees than those in effect in the Organizational Documents of the Acquired Companies with respect to current officers, directors, managers and employees as in effect immediately prior to the Closing Date.

(b) The provisions of this Section 7.1 are intended to be for the benefit of, and shall be enforceable by, each Company Indemnified Agent, his or her heirs and his or her representatives.

## Section 7.2 Use of Business Names and Marks.

(a) No right to use the Excluded Names is being provided to Buyer or any of its Affiliates (including the Acquired Companies following the Closing) pursuant to this Agreement.

(b) As soon as reasonably practicable, and, in any event, within 75 days after Closing, the Buyer shall ensure that the Acquired Companies will not (i) use or display (including on or in its business stationary, documents, signs, promotional materials or website) any name, mark or logo which is the same as or similar to, or is likely to be confused or associated with, any name, mark or logo of the Seller or its Affiliates and (ii) represents that the Seller or its Affiliates retains any connection with the Acquired Companies.

## Section 7.1 Restrictive Covenants.

(a) For a period of three years commencing on the Closing Date (the “Restricted Period”), Seller shall not and shall cause its Affiliates not to, directly or indirectly, (i) engage in the Restricted Business or have an interest in any Person that engages directly or indirectly in the Restricted Business in any capacity, including as a partner, joint venture partner, lender, shareholder, member, employee, principal, agent, trustee or consultant; or (ii) interfere with the business relationships (whether formed prior to or after the Closing Date) between the Acquired Companies and customers or suppliers of the Acquired Companies to the extent related to the Restricted Business; provided, however, that the foregoing shall not prohibit the Seller or any of its Affiliates from (i) owning, directly or indirectly, solely as an investment, securities of any Person if the Seller or such Affiliate is not a controlling Person of, or a member of a group which controls, such Person and does not, directly or indirectly, own 5% or more of any class of securities of such Person or (ii) acquiring all or any portion of the equity interests, business or assets of any Person (by asset purchase, equity interest purchase, merger, consolidation or otherwise) engaged in a Restricted Business and engaging in such Restricted Business and/or having an interest in such Person after such acquisition, so long as (1) the Restricted Business does not account for more than 5% of the revenues of such Person (based on the four most recent complete fiscal quarters immediately prior to the time the Seller or any of its Affiliates enters into an acquisition agreement relating thereto) or (2) (A) the Restricted Business does not account for more than 15% of the revenues of such Person (based on the four most recent complete fiscal quarters

immediately prior to the time the Seller or any of its Affiliates enters into an acquisition agreement relating thereto), and (B) if such acquisition occurs during the Restricted Period, the Seller divests such the portion of such Person or business that engages in a Restricted Business to an unaffiliated third party, or causes its applicable Affiliate to so divest, as soon as reasonably practicable, and in any event not later than six months, following the acquisition of such ownership or interest.

(b)

(i) Seller hereby acknowledges and agrees that for the Restricted Period, it shall not, and shall cause each of its Affiliates not to, (A) solicit or attempt to solicit or (B) hire or attempt to hire any Buyer Key Employee for employment or in any other capacity (including as an independent contractor or consultant). Nothing in this Section 7.3(b)(i) shall prohibit Seller or any of its Affiliates from (1) publishing or posting open positions in the course of normal hiring practices which are not specifically sent to, or do not specifically target, any Buyer Key Employees and hiring any Buyer Key Employee as a result thereof, (2) soliciting for employment or hiring any Buyer Key Employee who has been terminated at least 30 days prior to such solicitation or hire; or (3) soliciting for employment or hiring any Buyer Key Employee who resigned voluntarily at least six months prior to and independent of any communication with or on behalf of Seller or any of its Affiliates regarding employment.

(ii) Buyer hereby acknowledges and agrees that for the Restricted Period, it shall not, and shall cause each of its controlled Affiliates not to, (A) solicit or attempt to solicit or (B) hire or attempt to hire any Seller Key Employee for employment or in any other capacity (including as an independent contractor or consultant). Nothing in this Section 7.3(b)(ii) shall prohibit Buyer or any of its controlled Affiliates from (1) publishing or posting open positions in the course of normal hiring practices which are not specifically sent to, or do not specifically target, any Seller Key Employees and hiring any Seller Key Employee as a result thereof, (2) soliciting for employment or hiring any Seller Key Employee who has been terminated at least 30 days prior to such solicitation or hire; or (3) soliciting for employment or hiring any Seller Key Employee who resigned voluntarily at least six months prior to and independent of any communication with or on behalf of Buyer or any of its controlled Affiliates regarding employment.

(c) If, in any judicial proceeding, a court shall refuse to enforce the covenants in this Section 7.3, then such unenforceable covenant shall be deemed limited to the extent necessary to permit such covenant to be enforceable , and to permit the remaining separate covenants to be enforced in such proceeding. If, in any judicial proceeding, a court shall refuse to enforce any of such covenants because the total time thereof is deemed to be excessive or unreasonable, then it is the intent of the parties that such covenant, which would otherwise be unenforceable due to such excessive or unreasonable period of time, be in force for such lesser period of time as shall be deemed reasonable and not excessive by such court, and such covenant shall be deemed amended and restated in all respects to be in force for such lesser period of time.

Section 7.2 Release. Seller, for itself, its Affiliates and its and their respective Representatives, successors and assigns (collectively, the “Releasors”), hereby forever fully and irrevocably waives, releases, remises and discharges the Acquired Companies and their respective Representatives, successors and assigns

(collectively, the “Released Parties”) from and against any and all rights, demands, claims (and any other Legal Proceedings), obligations or liabilities of any kind whatsoever and causes of action of every kind and nature (including claims for damages, costs, expenses, and attorneys’, brokers’ and accountants fees and expenses) arising out of or related to events, facts, conditions or circumstances existing or arising at or prior to the Closing with respect to the Acquired Companies, any of the businesses of the Acquired Companies or the consummation of the Transactions, which any Releasor has had, now has or may ever have against any of the Released Parties, whether known or unknown, suspected or unsuspected, unanticipated as well as anticipated, excluding only rights pursuant to this Agreement (including Section 7.1 of this Agreement) and the other Transaction Documents (collectively, the “Released Claims”), and hereby irrevocably agrees to refrain from directly or indirectly asserting or commencing any rights, demands, claims (or any other Legal Proceedings) of any kind in, by or before any Governmental Authority or arbitrator based upon any Released Claim.

**Section 7.3 Seller Post-Closing Obligations.** In the event, and only to the extent, that in the five years following the Closing (the “Post-Closing Period”) Seller fails to timely satisfy in full its indemnification obligations under the Transaction Documents, LEI agrees that it shall then be liable for any such unsatisfied obligations of Seller as if LEI were the primary obligor thereunder. LEI further agrees that in the event that prior to the expiry date of the Post-Closing Period, any Buyer Indemnified Party has submitted a written claim for indemnification in accordance with Section 8.2 to an Indemnifying Party and such claim remains unresolved as of the expiry date of the Post-Closing Period, then such unresolved claim shall not expire until the resolution of such claim. LEI represents and warrants to the Purchaser that (a) LEI has all requisite power and authority to execute and deliver this Agreement for purposes of this Section 7.5, and (b) this Agreement for purposes of this Section 7.5 is duly and validly executed and delivered by LEI and (assuming the due authorization, execution and delivery by the other parties hereto) this Agreement for purposes of this Section 7.5 constitutes the legal, valid and binding obligation of LEI, enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other Laws affecting creditors’ rights and remedies generally, and subject, as to enforceability, to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity).

**Section 7.4 Restricted Cash.** For a period of three years following the Closing Date (the “Restricted Cash Period”), Buyer shall cause the Acquired Companies to remit to the Seller any cash amounts reflected on those certain accounts as set forth in Schedule 7.6 (a) within two weeks from the earlier of date on which (i) such amounts are returned to the Acquired Companies or (ii) the usage of, or access to, any such amounts is no longer restricted by Law or Contract and (b) in such currency as currently reflected on those certain accounts as set forth in Schedule 7.6; provided, however, that, in no event shall the Acquired Companies have any obligation to remit to the Seller pursuant to this Section 7.6 any amount in excess of the sum of those certain accounts as set forth in Schedule 7.6. After the Closing and for the duration of the Restricted Cash Period, the Buyer shall provide or shall cause the Acquired Companies to provide the Seller (A) no later than 15 days after the end of each fiscal year of the Acquired Companies, an annual report and (B) any other updates as reasonably requested by Seller on the status of the Restricted Cash items and amounts reflected on those certain accounts as set forth in Schedule 7.6.

**Section 7.5 Retention and Access to Records.** For a period of seven years following the Closing Date, Buyer shall cause the Acquired Companies to maintain, consistent with historical document retention policies, all books and records of the Acquired Companies relating to periods ending on or prior to the Closing Date. The Seller shall have the right to have reasonable access to (a) copies of all books and records of the Acquired Companies relating to periods ending on or prior to the Closing Date and (b) any individuals responsible for maintenance of such books and record, at Seller’s cost, during regular business hours and

upon reasonable advance notice (which the parties agree will not be less than five Business Days), solely to the extent necessary for the purpose of obtaining information reasonably necessary for the preparation and filing of Tax Returns and other compliance obligations; provided, however, that (i) any such access shall not unreasonably interfere with the normal operations of the Acquired Companies or Buyer and (ii) the Seller and its Representatives may be required by Buyer to enter into reasonable and customary non-disclosure agreements with respect to any information so accessed.

Section 7.6 Regulatory Filings. As soon as reasonably practicable (and, in any event, within 15 Business Days) after Closing, the Buyer shall (a) cause the Acquired Companies to give any notice that may be necessary to the Ministry of Education and to the Costa Rican Central Bank (*Registro de Transparencia y Beneficiarios Finales*) in connection with the change in control of the Acquired Companies and as may be required in connection with the Transactions contemplated in this Agreement and the Transaction documents and otherwise in accordance with applicable Law and (b) provide Seller a copy of the affidavit evidencing who are the Buyer's Ultimate Beneficial Owners filed before the Costa Rican Central Bank to register the transfer of the Company Units to Buyer.

Section 7.7 UIP Obligations. Following the Closing Date, Buyer agrees, at Seller's sole cost and expense, to reasonably cooperate with Seller and to cause the Acquired Companies to execute such transfer documents and make such filings as may be necessary to complete the transfer of the Panama Agreement Rights in accordance with the Panama Assignment Agreements; provided, however, that any such cooperation shall not unreasonably interfere with the normal operations of the Acquired Companies or Buyer.

## ARTICLE VIII SURVIVAL; EXCLUSIVE REMEDY; INDEMNIFICATION

### Section 8.1 Indemnity by Seller; Indemnity by Buyer.

(a) Subject to the limitations in this Article VIII, from and after the Closing, the Seller shall indemnify, defend and hold harmless the Buyer and its Affiliates (including the Acquired Companies) and their respective Representatives and equityholders) (each, a "Buyer Indemnified Party") from and against any and all claims, demands, suits, Legal Proceedings, liabilities, losses, damages, payments, deficiencies, awards, settlements, assessments, judgments, costs and expenses (including the reasonable fees and disbursements of outside counsel, costs and expenses of investigation and other legal, expert or accountant expenses) and interest and penalties (collectively, the "Losses"), which any of such Buyer Indemnified Parties shall incur, sustain or suffer as a result of or arising from:

- (i) any breach by the Seller of any representation or warranty set forth in Article III or Article IV;
- (ii) any breach of or default in the performance by the Seller of any covenant, agreement or obligation to be performed by the Seller pursuant to this Agreement;
- (iii) any Indemnified Taxes;
- (iv) any Transaction Expenses or any Relevant Debt not taken into account in the calculation of the Purchase Price Adjustment or Purchase Price; or
- (v) any of the matters set forth on Schedule 8.1.

(b) Subject to the limitations in this Article VIII, from and after the Closing, Buyer and the Acquired Companies shall jointly and severally indemnify, defend and hold harmless the Seller and its Affiliates and their respective Representatives (each, a “Seller Indemnified Party” and, together with Buyer Indemnified Parties, the “Indemnified Parties”) from and against all Losses, which any of such Seller Indemnified Parties shall incur, sustain or suffer as a result of or arising from:

(i) any breach by Buyer of any representation or warranty set forth in Article V; or

(ii) any breach of or default in the performance by Buyer of any covenant, agreement or obligation to be performed by Buyer pursuant to this Agreement.

(c) No Buyer Indemnified Party shall make any Claim for or be entitled to indemnification arising from a matter taken into account in the calculation of the Final Purchase Price, including any matter taken into account in the calculation of Relevant Debt, Cash or Relevant Working Capital. For the avoidance of doubt, any liability for indemnification hereunder shall be determined without duplication of recovery (i) by reason of the same set of facts giving rise to such liability constituting a breach of more than one representation, warranty, covenant or agreement or (ii) for any amount taken into account in the calculation of the Purchase Price Adjustment or Purchase Price.

(d) For all purposes of this Agreement, “Losses” shall be net of (i) Tax Benefits actually realized by any party seeking indemnification hereunder arising from the deductibility of any such Losses, the amount and timing of any such net Tax Benefits to be determined at the reasonable discretion of the Indemnified Party in good faith, provided that if any payment is made by an Indemnifying Party in respect of such Losses and the Indemnified Party later actually realizes a Tax Benefit in respect of those Losses which has not been previously taken into account in computing that payment, then the Indemnified Party shall promptly pay over to the Seller the amount of such Tax Benefit at such time or times as, and to the extent that, such Tax Benefit is realized by the Indemnified Party, and (ii) any insurance or other third-party recovery (whether by payment, discount, credit, relief or otherwise) actually paid to the Indemnified Party from insurance policies or other third-party rights of recovery in connection with the facts giving rise to the right of indemnification, net of any costs, expenses or Taxes incurred in making any claim or collecting such amounts, including any deductible amounts, premium increases or other reasonable out-of-pocket costs. The Indemnified Party will use commercially reasonable efforts to collect any amounts available under such insurance coverage or other third-party rights of recovery; provided, however, that the Indemnified Party shall not be required to (i) commence or participate in any Legal Proceeding or offer or grant any accommodation (material or otherwise) to any third parties or (ii) take any action that would reasonably be expected to be detrimental to its reputation or its business. If an Indemnified Party receives an amount under insurance coverage or other third-party rights of recovery with respect to Losses at any time subsequent to any indemnification provided by an Indemnifying Party, then such Indemnified Party shall (i) promptly notify the Seller of the fact and provide such information as the Seller may reasonably require and (ii) promptly reimburse the Indemnifying Party for any amount for which the Indemnified Party had been previously compensated up to such amount received by the Indemnified Party.

(e) Notwithstanding anything to the contrary herein, no Indemnified Party shall be entitled to recover under this Article VIII with respect to, and the term “Losses” shall not include, (i) any measure of damages based on any multiple of earnings, profits, cash flow or EBITDA, (ii) any damages that are speculative in nature, including as such speculation consists of loss of good will or damage to business reputation, or (iii) except to the extent actually paid pursuant to a Third Party Claim, any kind of exemplary and/or punitive damages.

(f) Buyer shall use (and shall cause its Affiliates to use, which shall include the Acquired Companies following the Closing) commercially reasonable efforts to mitigate any Loss which it or any Buyer Indemnified Party may suffer in consequence of any fact, matter or circumstance giving rise to a Claim for indemnification under this Agreement or likely to give rise to a Claim for indemnification under this Agreement; provided, however, that all third-party costs and expenses actually incurred in connection with such efforts to mitigate shall constitute Losses subject to indemnification hereunder. No Buyer Indemnified Party shall be entitled to recover under this Agreement to the extent of any Loss that could have been mitigated but for the Buyer's failure to use commercially reasonable efforts to mitigate such Loss pursuant to this Section 8.1(f).

(g) For the purpose of determining the amount of Losses suffered or incurred under this Article VIII as a result of any breach of or inaccuracy in any representation or warranty that is qualified or limited in scope by words or phrases such as "materiality," "materially," "material respects," Material Adverse Effect or words of similar import, and for the purpose of determining whether any such breach or inaccuracy has occurred, such determination shall be made without regard to any materiality or Material Adverse Effect qualification or limitation contained in such representation or warranty.

(h) If any Claim is based upon a liability which is contingent only, the Seller shall not have any obligation to make a payment in respect thereof unless and until such liability ceases to be contingent and has matured into a final non-appealable judgement, order or settlement (but Buyer has the right under Section 8.2 to give notice of that Claim before such time).

(i) The Seller shall not be liable for any Claim to the extent that it would not have arisen but for, or has been increased, accelerated or not reduced as a result of, Buyer's breach of Section 6.5(c).

(j) The Seller shall not be liable for any Claim (i) pursuant to Section 8.1(a) if and to the extent it is attributable to, or the amount of such Claim is increased as a result of, any (A) legislation not in force at the date of this Agreement or (B) change in the rates of Taxation in force as of the date of this Agreement; and (ii) pursuant to Sections 8.1(a)(i) through (iv) if and to the extent it is attributable to, or the amount of such Claim is increased as a result of, any change of Law (or any change in interpretation on the basis of case law), regulation, directive, requirement or administrative practice from what is in force as of the date of this Agreement.

## Section 8.2 Claims.

(a) The Indemnified Parties shall promptly notify the Indemnifying Party of any action, suit, Legal Proceeding, demand or breach (subject to Section 6.5(g) in the case of any Tax Proceeding) (a "Claim"), or any matter or circumstance which, if true, may give rise to a Claim, with respect to which the Indemnified Parties claim indemnification hereunder pursuant to Section 8.1(a) or Section 8.1(b), as applicable. No Indemnifying Party shall be liable in respect of a Claim unless the Indemnified Party gives prompt written notice to the Indemnifying Party specifying the relevant facts (including, to the extent feasible, a good faith estimate, on a without prejudice basis, of the amount of Losses that have been or may be incurred or suffered in connection with such Claim) (a "Claim Notice") after the Indemnified Party becomes aware of the Claim or of any matter or circumstance which, if true, may give rise to such Claim; provided, however, that the failure by the Indemnified Party to promptly deliver a Claim Notice under this Section 8.2(a) will not adversely affect the applicable Indemnified Party's right to indemnification pursuant to this Article VIII or alter or relieve the Indemnifying Party of its obligation to indemnify the applicable Indemnified Party, except to the extent such Indemnifying Party is materially prejudiced thereby. For purposes of this Agreement,

the term “Indemnifying Party” shall mean, as applicable, either the Seller on the one hand or Buyer, on the other hand, that is an indemnifying party pursuant to, and in accordance with, the provisions of this Article VIII.

(b) If any Claim relates to any Legal Proceeding or demand instituted against the Indemnified Party by a third party (a “Third Party Claim”), then the Indemnifying Party, shall be entitled to be involved and participate in the defense of the Third Party Claim, at the Indemnifying Party’s sole cost and expense, and may, by giving written notice to the Indemnified Party within 30 days from its receipt of the Claim Notice, elect to assume the defense or appeal of such Third Party Claim and of any incidental negotiations with counsel reasonably satisfactory to the Indemnified Party (Holland & Knight shall in all cases be satisfactory to all Buyer Indemnified Parties); provided, however, that the Indemnifying Party shall have the right to assume the defense of such Third Party Claim only so long as (i) the Third Party Claim involves only claims for monetary damages and does not seek an injunction or other equitable relief against the Indemnified Party, (ii) the Indemnified Party has not been advised by counsel that a conflict exists between the Indemnified Party and the Indemnifying Party in connection with the Third Party Claim, (iii) the Third Party Claim does not relate to or otherwise arise in connection with any criminal or regulatory enforcement action, (iv) settlement of, an adverse judgment with respect to, or the Indemnifying Party’s conduct of the defense of the Third Party Claim is not, in the good faith judgment of the Indemnified Party, likely to be adverse to the Indemnified Party’s reputation or continuing business interests, and (v) the Indemnifying Party conducts the defense of the Third Party Claim actively and diligently. Notwithstanding the right of the Indemnified Party to retain its own counsel as described below, if the Indemnifying Party assumes the defense of any Third Party Claim, (A) the Indemnifying Party shall diligently defend and protect the interests of the Indemnified Party with respect to such Third Party Claim and (B) the Indemnifying Party shall not have the right to settle or resolve any such Third Party Claim without the Indemnified Party’s written consent; provided, however, the Indemnified Party shall agree to any settlement, compromise or discharge of such Third Party Claim that the Indemnifying Party may recommend and that by its terms obligates the Indemnifying Party to pay the full amount of the liability in connection with such Third Party Claim, including any and all Losses of the Indemnified Party, and which releases the Indemnified Party completely in connection with such Third Party Claim, provided that such settlement, compromise or discharge does not impose any equitable or other non-monetary remedies or obligations on the Indemnified Party but involves only the payment of money damages for which the Indemnified Party will be indemnified hereunder.

(c) The Indemnified Party shall retain the right to employ its own counsel and to participate in the defense of any Third Party Claim, the defense of which has been assumed by the Indemnifying Party pursuant hereto, but in such case the Indemnified Party shall bear and shall be solely responsible for its own costs and expenses in connection with such participation. The Parties will act in good faith in responding to, defending against, settling or otherwise dealing with Third Party Claims. The Indemnified Party shall reasonably cooperate in connection with the defense, compromise or settlement of any Third Party Claim, the defense of which has been assumed by the Indemnifying Party pursuant hereto, and will use commercially reasonable efforts to furnish to the Indemnifying Party such records, information and testimony and attend (including making employees available for) such conferences, discovery, hearings, trials and appeals as may be reasonably requested by the Indemnifying Party. The Indemnified Party shall take such administrative action (and shall procure that the Acquired Companies take such action) to contest, dispute, defend, appeal or compromise the Third Party Claim as the Indemnifying Party may reasonably request. In no event will the Indemnified Party consent to the entry of any judgment or enter into any settlement with respect to any Third Party Claim for which it seeks indemnification hereunder without the prior written consent of the Seller, on the one hand, or Buyer, on the other hand, which consent shall not be unreasonably withheld, conditioned or delayed. If the Indemnifying Party has assumed the defense of such Third Party Claim, the Indemnifying Party shall keep the Indemnified Party informed of the progress of the Third Party

Claim and provide the Indemnified Party with copies of all relevant documents and such other information in its possession as may be reasonably requested by the Indemnified Party. If the Indemnifying Party is not actively and diligently contesting such Third Party Claim in good faith, then the Indemnified Party may conduct and control, through counsel of its own choosing and at the expense of the Indemnifying Party, the settlement or defense thereof, and the Indemnifying Party shall cooperate with it in connection therewith; provided that the Indemnified Party may not, without the prior written consent of the Indemnifying Party (which consent shall not be unreasonably withheld, conditioned or delayed) settle or compromise any action, consent to the entry of any judgment or forego any appeal with respect thereto. With respect to all Third Party Claims which are not defended by the Indemnifying Party, the Indemnifying Party shall have the right, at its own cost and expense, to employ its own counsel and to consult with counsel to the Indemnified Person and to be reasonably involved and participate reasonably in the defense of the Third Party Claim (including the right to make recommendations which shall be considered in good faith by the Indemnified Party).

**Section 8.3 Method and Manner of Paying Claims.** In the event any Claim Notice is delivered under this Article VIII, (a) the Indemnifying Party may acknowledge and agree by notice to the Indemnified Party in writing to satisfy such Claim within 30 days of receipt of the Claim Notice from the Indemnified Party or (b) if the Indemnifying Party disputes such Claim, the Indemnifying Party shall provide written notice of such dispute to the Indemnified Party within such 30-day period, setting forth in reasonable detail the basis of such dispute. Upon receipt of notice of any such dispute, the Indemnified Party and the Indemnifying Party shall use commercially reasonable efforts to resolve such dispute within 30 days of the date such notice of dispute is received. After (i) the Indemnifying Party has acknowledged and agreed to pay any Claim pursuant to this Section 8.3, (ii) any dispute under this Section 8.3 has been resolved in favor of indemnification by written agreement between the parties, or (c) any dispute under this Section 8.3 has been finally resolved in favor of indemnification by a final judgment or decree of any court of competent jurisdiction, then the Indemnifying Party shall pay the amount of such Claim to the Indemnified Party within five Business Days after the date of acknowledgement by the Indemnifying Party or final resolution in favor of indemnification, as the case may be, by wire transfer in immediately available funds, to such account as is designated in writing by the Indemnified Party. With respect to Claims under Section 8.1(a), such Claims will be subject to the limitations and exceptions set forth in this Article VIII.

**Section 8.4 Limitations on Indemnification.**

(a) Except for Claims based on Fraud or Claims with respect to any breach of or inaccuracy in any of the Fundamental Representations, the Buyer Indemnified Parties shall not be entitled to any indemnification in respect of Losses incurred by any Buyer Indemnified Party pursuant to Section 8.1(a)(i) and Section 8.1(a)(ii): (i) for any individual item or Claim where the Loss related thereto is less than \$50,000 (any individual item or Claim in excess of such amount, a “Qualifying Claim”), it being understood that any related claims for Loss arising out of a similar set of facts or circumstances shall be considered as an individual item or Claim for purposes of determining whether a Qualifying Claim has occurred, and (ii) unless and until the aggregate amount of such Losses in respect of all Qualifying Claims exceeds \$400,000 (the “Threshold Amount”), in which event if the aggregate amount of Losses exceeds the Threshold Amount the Buyer Indemnified Parties may recover only with respect to the amount of such Losses in excess of the Threshold Amount.

(b) Except for Claims based on Fraud or Claims with respect to any breach of or inaccuracy in any of the Fundamental Representations, the maximum aggregate liability of the Seller in respect of Losses incurred by the Buyer Indemnified Parties pursuant to Section 8.1(a)(i) shall not exceed, in the aggregate, an amount equal to 25% of the Purchase Price.

(c) The maximum aggregate liability of (i) the Seller in respect of Losses incurred by the Buyer Indemnified Parties due to any Claims based on (A) any breach of or inaccuracy in any of the Fundamental Representations, (B) Fraud or (C) pursuant to Sections 8.1(a)(ii) through (iv) shall not exceed, in the aggregate, an amount equal to the Purchase Price, and (ii) Buyer, in respect of Losses incurred by the Seller Indemnified Parties due to any Claims based on Fraud or pursuant to Section 8.1(b) shall not exceed, in the aggregate, an amount equal to the Purchase Price.

(d) The aggregate amount of all Losses for which the Seller shall be liable pursuant to this Article VIII shall not exceed, in the aggregate, an amount equal to the Purchase Price actually received by the Seller.

(e) No Indemnifying Party shall be liable for any Losses unless a written claim for indemnification in accordance with Section 8.2 is given by the Indemnified Party to the Indemnifying Party within the applicable survival period specified in Section 8.4(f) (it being understood that the survival period associated with any claim that is timely given shall not expire until the resolution of such claim).

(f) The representations and warranties contained in Article III and Article IV (other than the Fundamental Representations and the representations and warranties set forth in Section 3.11 and Section 3.12) shall survive the Closing until 18 months following the Closing Date. The Fundamental Representations, the representations and warranties set forth in Section 3.11 and Section 3.12, and the right to indemnification of the Buyer Indemnified Parties pursuant to Section 8.1(a)(iii) and Section 8.1(a)(iv) shall survive the Closing until the fifth anniversary of the Closing Date. The right to indemnification of the Buyer Indemnified Parties pursuant to Section 8.1(a)(v) shall survive the Closing until the eighth anniversary of the Closing Date. The representations and warranties contained in Article V (other than the Fundamental Representations) shall survive the Closing until 18 months following the Closing Date. The covenants and agreements of the parties shall survive the Closing until performed, or, if earlier, for the term set forth in this Agreement.

(g) Notwithstanding any other provision herein to the contrary, the Indemnifying Party shall not be required to indemnify, defend or hold harmless any Indemnified Party against or reimburse any Indemnified Party for any item of Loss to the extent any Indemnified Party has been indemnified or reimbursed for such amount under any other provision of this Agreement or any other agreement with the Indemnifying Party in respect of the same item of Loss.

(h) The Seller shall cease to have liability in respect of any Claim arising out of a matter or circumstance affecting one or more of the Acquired Companies if the notice given in the terms described in this Agreement in relation to the relevant matter or circumstance is given at a time when the applicable Acquired Company has ceased to be a Subsidiary of the Buyer, but only, however, for any Claims with respect to any breach of or inaccuracy in any of the representations and warranties contained in Article III and Article IV that are not Fundamental Representations.

**Section 8.5 Exclusive Remedy.** Except for claims under Section 2.5 and Section 2.6, claims for injunctive relief under Section 9.8 and claims based on Fraud (but subject to the limitation on liability set forth in Section 8.4(c)), (a) the indemnities provided for in this Article VIII are the sole and exclusive remedies of the Indemnified Parties for any breach of this Agreement, including those caused by any breach of or inaccuracy in any representation or warranty or breach, nonfulfillment or default in the performance of any of the covenants or agreements contained in this Agreement and (b) the parties shall not be entitled to a rescission of this Agreement, or to any further indemnification rights or other claims of any nature.

whatsoever in respect thereof (whether by contract, common law, statute, law, regulation or otherwise), all of which the parties hereby waive.

## **ARTICLE IX** **MISCELLANEOUS**

Section 9.1 Entire Agreement; Assignment. This Agreement (including the exhibits and schedules hereto) and the other Transaction Documents (a) constitute the entire agreement between the parties with respect to the subject matter hereof and thereof and supersede all prior agreements and understandings, both written and oral, between the parties or any of them with respect to the subject matter hereof and thereof, and (b) shall not be assigned by operation of Law or otherwise; provided, however, that (i) the Seller may, without the Buyer's consent, assign any or all of its right and interests in this Agreement to any Affiliate of the Seller, provided the Seller nonetheless shall remain responsible for the performance of all of its obligations hereunder, and (ii) Buyer may, without the Seller's consent, (A) assign any or all of its right and interests in this Agreement to any Affiliate of the Buyer, (B) assign its rights under this Agreement for collateral security purposes to any lenders providing financing to Buyer, the Acquired Companies or any of their respective Affiliates, or (C) assign its right under this Agreement to any Person that acquires Buyer and/or any of the Acquired Companies or substantially all of their assets, in each case, provided that Buyer nonetheless shall remain responsible for the performance of all of its obligations hereunder.

Section 9.2 Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given (a) if delivered personally or actually received, as of the date received, (b) if delivered by certified mail, return receipt requested, five Business Days after being mailed, (c) if delivered by a nationally recognized overnight delivery service, one Business Day after being deposited with such delivery service for next Business Day delivery, or (d) if sent via facsimile, electronic mail or similar electronic transmission, as of the date received to such party at its address set forth below:

if to the Seller, to:

650 S. Exeter Street  
Baltimore, Maryland 21202  
Attention: Victoria E. Silbey, SVP, Chief Legal Officer and Corporate Secretary  
Telephone: (443) 627-7530  
Telecopy: (410) 843-8891

with a copy (which shall not constitute notice) to:

Holland & Knight LLP  
701 Brickell Avenue, Suite 3300  
Miami, Florida 33131  
Attention: George Mencio, Jr.  
Telephone: (305) 789-7720  
Telecopy: (305) 789-7799  
Email: George.Mencio@hklaw.com

if to Buyer or the Acquired Companies, to:

SP Costa Rica Holdings, LLC  
c/o Sterling Partners  
401 N. Michigan Ave.  
Suite 3300  
Chicago, IL 60611  
Attention: General Counsel  
with a copy (which shall not constitute notice) to:

McDermott Will & Emery LLP  
444 West Lake, Suite 4000  
Chicago, Illinois 60606  
Attention: Gregory Metz and Diego Gómez-Cornejo  
Telephone: (312) 984-2166 and (214) 295-8070  
Email: gmetz@mwe.com and dgomezcornejo@mwe.com

or to such other address as the Person to whom notice is given may have previously furnished to the others in writing in the manner set forth above.

### Section 9.3 Governing Law; Arbitration

(a) The interpretation and construction of this Agreement or any other Transaction Document, and all matters relating hereto and thereto (including the validity or enforcement of this Agreement, except as otherwise expressly set forth in such Transaction Document), shall be governed by the laws of the State of Delaware (without giving effect to any conflicts of laws principles).

(b) All differences, disputes, controversies and claims arising out of or related to this Agreement or any other Transaction Document will, if not resolved by negotiations between the parties and their designated representatives within 30 days after such difference, dispute, controversy or claim first arises, be finally settled by arbitration as provided in this Section 9.3. The arbitration will be commenced pursuant to the delivery of a written demand to arbitrate a dispute (the “Arbitration Demand”) delivered in accordance with the notice provisions set forth in Section 9.2. Notwithstanding the foregoing, nothing will prevent the parties from entering into an amicable written settlement of the dispute at any time prior to transmittal by the ICC of the Final Award pursuant to the arbitration initiated under this Section 9.3. The parties hereto irrevocably agree that all differences, disputes, controversies and claims arising out of or related to this Agreement or any other Transaction Document or its interpretation or meaning will be finally and exclusively settled by arbitration in Miami, Florida under the Rules of Arbitration (the “ICC Rules”) of the International Chamber of Commerce (“ICC”), supplemented by the International Bar Association (“IBA”) Rules on the Taking of Evidence in International Commercial Arbitration (“IBA Rules of Evidence”), in each case as in effect as of the date of this Agreement. To the extent there is any conflict between the provisions of this Agreement and the ICC Rules, this Agreement will prevail over the ICC Rules. To the extent there is any conflict between the provisions of the ICC Rules and the IBA Rules of Evidence, the IBA Rules of Evidence will prevail over the ICC Rules. There will be three arbitrators that will be attorneys at law duly licensed to practice in the United States. Seller, on the one hand, and Buyer, on the other hand, will choose one arbitrator within 30 days after the Arbitration Demand. The two arbitrators so appointed by the parties will, within 15 days after their appointment, appoint the third arbitrator who will be the chair of the arbitration tribunal (the “Arbitration Chair”). In the event that the two party-nominated arbitrators fail to nominate a third arbitrator within 15 days after the second arbitrator is nominated, the ICC will select the

third arbitrator. The parties agree and consent that the arbitrators can be of any nationality, including the nationality of the Parties to the arbitration. The parties agree that no arbitrator will be: (i) an employee, officer, director, equity holder, beneficial equity owner, partner or independent contractor of a party or an Affiliate of a party; or (ii) related by blood, affinity, civil law or marriage to any officer, director, equity holder, beneficial equity owner or partner of a party or an Affiliate of a party; provided, however, that an arbitrator may be an equity holder or beneficial equity owner, or related by blood, affinity, civil law or marriage to any equity holder or beneficial equity owner, of publicly traded securities of any corporation so long as such arbitrator or its relative, as the case may be, does not own, directly or indirectly, more than 1% of the securities of such corporation. The parties further agree that (A) each arbitrator (1) will be fully neutral, (2) will be licensed and in good standing with the Delaware Bar, (3) may be from the United States notwithstanding the nationality requirements under the ICC Rules, and (4) have significant professional experience that includes international arbitrations, and (B) that the Arbitration Chair will be the fully bilingual in Spanish and English,. Neither an arbitrator nor the law firm where he or she practices or formerly practiced may have rendered any services to a party or an Affiliate of a party in the last five years, nor may any of them be promised or solicited in any respect whatsoever for future engagement by a party or an Affiliate of a party. The arbitrators will have the right to jointly consult independent, qualified and neutral counsel. Unless the parties to the arbitration otherwise agree, all submissions and awards in relation to arbitration under this Agreement will be made in English and all arbitration proceedings and all pleadings will be in English. The ICC Rules, supplemented by the IBA Rules of Evidence, will govern all arbitrations hereunder; provided that (x) each party will be entitled to present the oral testimony of witnesses as to fact and expert witnesses; (y) each party will be entitled to question directly any witnesses who present testimony to the arbitral panel; and (z) at the request of any party, a written transcript will be made of each hearing before the arbitral panel at which testimony is presented and will be furnished to the parties. After conclusion of the last arbitration hearing (the “Final Hearing”), the arbitrators will issue the final arbitration award (the “Final Award”), which will establish the correct interpretation to be accorded to all provisions of the Transaction Documents under dispute, the obligations to be complied with, any sums to be paid, and the corresponding interest on each sum awarded, including the rate and the date from which such interest is to accrue and whether interest is to be compounded and, if so, in what manner. In addition, the arbitrators will identify those instances in which a party’s position was not substantially supported by the evidence and arguments presented during the Arbitration proceeding (the “Non-Prevailing Party”), it being understood that it is possible that no party will be a Non-Prevailing Party on a 100% basis. The Final Award will be in the form of a written opinion, explaining the basis of the Final Award, in English, duly signed by the arbitrators at the time of its issuance. The Final Award will explicitly decide each issue submitted to the arbitrators for decision and will indicate the Arbitrators’ reasoning with regard to each such issue. The Final Award will be rendered as soon as possible and any award will be made in U.S. Dollars. Any decision or award of the arbitrators on the dispute, including the Final Award, is final, binding and conclusive upon the parties. Until a Final Award is issued (1) each party is responsible for its own attorneys’ fees and costs incurred in connection with the arbitration, and (2) the parties will share the fees and cost of the Arbitrators and the ICC on a 50:50 basis. If one party fails to pay its share of the fees, the other may elect to pay on behalf of the non-paying party to complete the arbitration, in which event the payment so made will be awarded to the paying party as a monetary sum as part of or credit against the Final Award, together with interest at the rate that prejudgment interest on contract claims is awarded under Delaware law, which interest will accrue from the date of such payment. Upon issuance of the Final Award, the party whose interpretation of the provisions of the Transaction Agreements, the interrelation between the Transaction Documents, the facts or the law or other related matter under dispute is not substantially supported by the Final Award and which has been determined by the Arbitrators to be the Non-Prevailing Party, will reimburse the other Party (the “Prevailing Party”) all the fees and costs incurred in connection with the arbitration, including the arbitrators’, ICC’s and the reasonable attorney’s fees and cost (the “Arbitration Fees and Costs”). Nothing in this Section 9.3 will prevent any party from seeking to compel the other parties to arbitration or obtaining relief in the form of

interim measures (including preliminary injunctions and specific performance) to prevent breaches hereof in a court of competent jurisdiction; provided, however, that no party will undertake any proceeding designed to divest the arbitrators of their jurisdiction. In addition, the arbitral panel may, at the request of a party, order interim measures (including preliminary injunctions to prevent breaches hereof) and the parties will be able to enforce the terms and provisions of such orders in any court having jurisdiction. For purposes of this Section 9.3, each party may elect and each party hereby irrevocably submits to the non-exclusive jurisdiction of the state and federal courts located in the State of Delaware for the purpose of any such suit, action or proceeding, and each party hereby irrevocably waives any objections which it may now or hereafter have to the laying of venue of any such suit, action or proceeding (and only such suit, action or proceeding) in any such court, and hereby further irrevocably waives any claim that any such suit, action or proceeding (and only such suit, action or proceeding) brought in any such court has been brought in an inconvenient forum. It is acknowledged and agreed by the parties that they do not intend to forego any rights or remedies provided for under the ICC Rules concerning interim measures. The existence and content of the arbitration proceedings and any rulings or award shall be kept confidential except (aa) to the extent that disclosure may be required of a party to fulfill a legal duty, protect or pursue a legal right, or enforce or challenge an award in bona fide legal proceedings before a state court or other judicial authority, or (bb) with the written consent of all parties.

(c) EACH PARTY HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ALL RIGHTS TO TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM (WHETHER BASED UPON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE OTHER DOCUMENTS EXECUTED AND DELIVERED IN CONNECTION HEREWITH OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

Section 9.4 Parties in Interest. This Agreement shall be binding upon and inure solely to the benefit of each party, and, except as set forth in Section 7.1 and Section 9.10, nothing in this Agreement, express or implied, is intended to or shall confer upon any other Person any rights, benefits or remedies of any nature whatsoever under or by reason of this Agreement.

Section 9.5 Execution of this Agreement. This Agreement may be executed in original, facsimile, .pdf or other electronic counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same agreement. The exchange of copies of this Agreement and of signature pages by facsimile or email transmission shall constitute effective execution and delivery of this Agreement as to the parties and may be used in lieu of the original Agreement for all purposes. Signatures of the parties transmitted by facsimile or email shall be deemed to be their original signatures for all purposes.

Section 9.6 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of Law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the term or provision shall be interpreted to be only as broad as is enforceable.

Section 9.7 Non-Recourse. Notwithstanding any provision of this Agreement or otherwise, the parties to this Agreement agree on their own behalf and on behalf of their respective Subsidiaries and Affiliates that no Non-Recourse Party of a party to this Agreement shall have any liability pursuant to or as a result of this Agreement or any of the Transactions except to the extent agreed to in writing by such Non-Recourse Party; provided that, the parties further agree that the foregoing limitation shall not apply in the case of any claim based on Fraud made against any Non-Recourse Party that is not a natural person.

**Section 9.8 Specific Performance.** The parties agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with its specific terms or is otherwise breached, and that money damages or other legal remedies would not be an adequate remedy for any such damages. Accordingly, the parties acknowledge and hereby agree that in the event of any breach or threatened breach by the Seller, on the one hand, or Buyer, on the other hand, of any of their respective covenants or obligations set forth in this Agreement, the Seller, on the one hand, and Buyer, on the other hand, shall be entitled to seek an injunction or injunctions to prevent or restrain breaches or threatened breaches of this Agreement by the other (as applicable), and to specifically enforce the terms and provisions of this Agreement to prevent breaches or threatened breaches of, or to enforce compliance with, the covenants and obligations of the other under this Agreement. Buyer and Seller hereby agree not to raise any objections to the availability of the equitable remedy of specific performance to prevent or restrain breaches or threatened breaches of this Agreement by Buyer or Seller, and to specifically enforce the terms and provisions of this Agreement to prevent breaches or threatened breaches of, or to enforce compliance with, the covenants and obligations of Buyer or Seller under this Agreement. The Parties further agree that (x) by seeking the remedies provided for in this Section 9.8, a party shall not in any respect waive its right to seek any other form of relief that may be available under this Agreement (including monetary damages) if the remedies provided for in this Section 9.8 are not available or otherwise are not granted.

**Section 9.9 Disclosure Generally.** All schedules attached hereto (including the Disclosure Schedules) are incorporated herein and expressly made a part of this Agreement as though completely set forth herein. All references to this Agreement herein or in any of the schedules shall be deemed to refer to this entire Agreement, including all schedules. Notwithstanding anything to the contrary contained in the Disclosure Schedules or in this Agreement, the information and disclosures contained in any Section of the Disclosure Schedules shall be deemed to qualify the numerically corresponding Section of Article III or Article IV, as applicable, and also shall be deemed disclosed and incorporated by reference in such other Section(s) of the Disclosure Schedules that are referenced herein to which such information or disclosure is applicable so long as the applicability of such information and disclosure to such other referenced Section(s) is reasonably apparent from reading such disclosure notwithstanding the absence of a cross reference contained therein. For the avoidance of doubt, any of the representations and warranties contained in any Section of Article III or Article IV, as applicable, that are made without a reference to a numerically corresponding Section of the Disclosure Schedules shall not be subject to any of the deemed cross-referencing referred to in the prior sentence; provided, however, that, notwithstanding the foregoing, the information and disclosures contained in Section 9.9 of the Disclosure Schedules shall be deemed to qualify each of the representations and warranties contained in any Section of Article III or Article IV, as applicable, including any Section not containing a reference to a numerically corresponding Section of the Disclosure Schedules, to which such information or disclosure is applicable so long as the applicability of such information and disclosure to such Section(s) is reasonably apparent from reading such disclosure; provided, further, that the preceding proviso shall not apply in respect of the representations and warranties contained in the first sentence of Section 3.6 (which representations and warranties are made without any qualification or other exception). The information set forth in the Disclosure Schedules is disclosed solely for the purposes of this Agreement, and no information set forth therein shall be deemed to be an admission by any party hereto to any third party of any matter whatsoever, including of any violation of Law or breach of any agreement. The specification of any dollar amount or the inclusion of any item in the representations and warranties contained in this Agreement, the Disclosure Schedules or exhibits is not intended to imply that the amounts, or higher or lower amounts, or the items so included, or other items, are or are not required to be disclosed (including whether such amounts or items are required to be disclosed as material or threatened) or are within or outside of the Ordinary Course of Business, and no party shall use the fact of the setting of the amounts or the fact of the inclusion of any item in this Agreement, the Disclosure Schedules, or exhibits in any dispute or controversy between the parties hereto as to whether any obligation, item or matter not set forth or included

in this Agreement, the Disclosure Schedules, or exhibits is or is not required to be disclosed (including whether the amount or items are required to be disclosed as material or threatened) or is within or outside of the Ordinary Course of Business for purposes of this Agreement. In addition, matters reflected in the Disclosure Schedules are not necessarily limited to matters required by this Agreement to be reflected in the Disclosure Schedules. Such additional matters are set forth for informational purposes only and do not necessarily include other matters of a similar nature. Nothing in the Disclosure Schedules is intended to broaden the scope of any representation or warranty contained in this Agreement or create any covenant. Such information and the dollar thresholds set forth herein shall not be used as a basis for interpreting the terms “material” or “Material Adverse Effect” or other similar terms in this Agreement. Nothing in this Agreement, including this Section 9.9, shall be interpreted or construed to imply that Seller is making any representation or warranty as of any date other than as otherwise set forth herein.

**Section 9.10 Legal Representation.** In any Legal Proceeding between Buyer or any Acquired Company, on the one hand, and the Seller, on the other hand, wherein Buyer asserts or prosecutes any claim under, or otherwise seeks to enforce, this Agreement, Buyer agrees in connection with such Legal Proceeding to consent to the representation of the Seller and its Affiliates by Holland & Knight, notwithstanding that Holland & Knight may have represented the Seller or any of its Affiliates (including the Acquired Companies) as counsel in connection with the negotiation and documentation of this Agreement and the consummation of the Transactions. This consent extends to Holland & Knight representing the Seller against Buyer or the Acquired Companies in litigation, arbitration or mediation in connection with this Agreement or the Transactions. In addition, all attorney-client privileged communications occurring prior to the Closing between the Seller, the Acquired Companies and their Subsidiaries, on the one hand, and Holland & Knight, on the other hand, directly related to the negotiation and documentation of this Agreement or the consummation of the Transactions shall be deemed to be attorney-client confidences that belong solely to the Seller (and not the Acquired Companies) for purposes of any Legal Proceeding between Buyer or any Acquired Company, on the one hand, and the Seller, on the other hand (the “Seller Pre-Closing Communications”). Accordingly, neither the Acquired Companies nor Buyer shall have access to any such Seller Pre-Closing Communications or to the files of Holland & Knight directly relating thereto from and after the Closing. Without limiting the generality of the foregoing, from and after the Closing, (i) the Seller and its Affiliates (and not the Acquired Companies) shall be the sole holders of the attorney-client privilege with respect to the Seller Pre-Closing Communications, and the Acquired Companies shall not be a holder thereof, (ii) to the extent that files of Holland & Knight in respect of such Seller Pre-Closing Communications constitute property of the client, only the Seller and its respective Affiliates (and not the Acquired Companies) shall hold such property rights and (iii) Holland & Knight shall have no duty whatsoever to reveal or disclose any such Seller Pre-Closing Communications to the Acquired Companies by reason of any attorney-client relationship between Holland & Knight and the Acquired Companies or otherwise. As to Seller Pre-Closing Communications, the Buyer and the Seller agree that no Person may use or rely on any of the Seller Pre-Closing Communications in any action or claim against or involving any of the parties hereto or any of their respective Non-Recourse Parties after the Closing. Each of the Buyer and the Seller further agrees that, on its own behalf and on behalf of its Subsidiaries (including, with respect to the Buyer, the Acquired Companies), Holland & Knight’s retention by the Acquired Companies shall be deemed completed and terminated, and the Acquired Companies shall cease to have any attorney-client relationship with Holland & Knight, without any further action by any Person effective as of the Closing; provided, however, the cessation of the attorney-client relationship shall not be construed or interpreted as a waiver of any attorney-client privilege by any Acquired Company. Notwithstanding anything to the contrary contained herein, if a dispute arises between Buyer or any Acquired Company, on the one hand, and a third party (other than the Seller) after the Closing, any Acquired Company may assert the attorney-client privilege to prevent disclosure of attorney-client communications by Holland & Knight to such third party; provided, however, that no Acquired Company may waive such privilege without the prior written consent of the Seller. Notwithstanding the foregoing, (x)

any communications or advice of Holland & Knight that was made prior to the Closing with or to any Acquired Company regarding legal matters involving the business of the Acquired Companies and that were not made or given for the purpose of the negotiation and documentation of this Agreement and the consummation of the Transactions shall be the property of the Acquired Companies from and after the Closing and (y) Seller may not waive any legal privilege covering any Seller Pre-Closing Communications vis-à-vis a third party without the prior written consent of Buyer and the Company. The Buyer hereby acknowledges and confirms that they have had the opportunity to review and obtain adequate information regarding the significance and risks of the terms and conditions of this Section 9.10, including the opportunity to discuss with counsel such matters and reasonable alternatives to such terms. This Section 9.10 is for the benefit of the Seller and Holland & Knight, and Holland & Knight is an intended third party beneficiary of this Section 9.10. This Section 9.10 shall be irrevocable, and no term of this Section 9.10 may be amended, waived or modified, without the prior written consent of the Seller and Holland & Knight. The covenants and obligations set forth in this Section 9.10 shall survive for 10 years following the Closing Date.

Section 9.11 Deliveries to Buyer. Buyer agrees and acknowledges that all documents or other items delivered to Buyer or its Representatives in connection with the Transactions or uploaded and made available in the Data Room shall be deemed to have been delivered, provided or made available to Buyer or its Representatives for all purposes hereunder. The phrase “made available” in the Data Room means posted to the Data Room and thereafter accessible for viewing by Buyer and its Representatives from and after 5:00 P.M. Eastern Time on the second Business Day immediately prior to the Closing Date. The parties hereto agree and acknowledge that to the extent any documents or other items delivered to Buyer or its Representatives in connection with the Transactions or uploaded and made available in the Data Room have been provided in both English and Spanish, (i) the English version has been translated from Spanish for Buyer’s benefit and (ii) if there is any inconsistency or conflict between the English and Spanish version, the Spanish version shall prevail.

Section 9.12 Waiver and Amendment. This Agreement may be amended, modified, supplemented or the performance hereof waived only by a written mutual agreement executed and delivered by Buyer and the Seller. No waiver or failure to insist upon strict compliance with any obligation, covenant, agreement or condition shall operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

Section 9.13 Conflict between Transaction Documents. The parties hereto agree and acknowledge that to the extent any terms and provisions of this Agreement are in any way inconsistent with or in conflict with any term, condition or provision of any other agreement, document or instrument contemplated hereby, this Agreement shall govern and control.

Section 9.14 Relationship of the Parties. Nothing in this Agreement shall be deemed to constitute the parties hereto as joint venturers, alter egos, partners or participants in an unincorporated business or other separate entity, nor create any principal agent, fiduciary or other special relationship between the parties hereto. No party shall have any duties (including fiduciary duties) towards any other party hereto except as specifically set forth herein.

Section 9.15 Language. The language of this Agreement and the Transactions is English and all notices, demands, requests, statements, certificates or other documents or communications must be in English unless otherwise agreed. However, where a term in Spanish is given in italics or in italics and in brackets after an English term and there is any inconsistency the meaning in Spanish shall prevail.

Section 9.16 Transfer Taxes; Stamp Tax (*Timbre Fiscal*). All transfer, documentary, sales, use, stamp, retailer occupation, real estate transfer, registration and other such Taxes and fees (including any

penalties and interest), and all conveyance fees, recording charges and other such charges, including the stamp tax (*timbre fiscal*) and real estate transfer tax (*impuesto de traspaso de bienes inmuebles*) (collectively, “Transfer Taxes”), in each case incurred in connection with this Agreement shall be paid by the Buyer and the Seller equally on a 50:50 basis when due; provided, however, that the full amount of the Transfer Taxes shall be paid by Buyer to the applicable Governmental Authorities and Seller shall reimburse Buyer for Seller’s 50% portion of the Transfer Taxes within 30 days from Seller’s receipt from the Buyer of reasonably acceptable proof of payment of the Transfer Taxes. The Buyer shall, at its own expense, file all necessary Tax Returns and other documentation with respect to all such transfer, documentary, sales, use, stamp, registration and other Taxes and fees, and, if required by applicable Law, Buyer shall cause each Acquired Company and all other Affiliates of Buyer to join in the execution of any such Tax Returns and other documentation.

**[SIGNATURE PAGE FOLLOWS]**

**IN WITNESS WHEREOF**, each party has executed or has caused this Stock Purchase Agreement to be duly executed on its behalf by its officers thereunto duly authorized, all as of the day and year first above written.

**BUYER:**

**SP COSTA RICA HOLDINGS, LLC**

By: /s/ M. Avi Epstein  
Name: M. Avi Epstein  
Title: Secretary

**SELLER:**

**LAUREATE INTERNATIONAL B.V.**

By: /s/ Aldert Jan de Bruin  
Name: Aldert Jan de Bruin  
Title: Director A

**LEI (solely for purposes of Section 7.5):**

**LAUREATE EDUCATION, INC.**

By: /s/ Victoria E. Silbey  
Name: Victoria E. Silbey  
Title: SVP, Chief Legal Officer and Corporate Secretary

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[SIGNATURE PAGE TO EQUITY PURCHASE AGREEMENT]

## **EXHIBIT B**

### **DEFINITIONS AND DEFINED TERMS**

“2019 CAPEX Target” means \$5,400,000.

“2019 Consolidated Revenue” means 38,685,000,000 Colones.

“2020 Consolidated Revenue” means, as expressed in Colones, the actual consolidated revenue of the Acquired Companies (net of scholarships and discounts and excluding intercompany revenues) for the period from January 1, 2020 to December 31, 2020. The 2020 Consolidated Revenue shall be calculated in a manner consistent with the methodology set forth on Schedule 2.6(a)(ii).

“2020 Financial Statements” has the meaning set forth in Section 2.6(b).

“Acceleration Event” means the occurrence of any of the following events:

- (a) the direct or indirect acquisition, in a single transaction or series of related transactions, of more than 50% of the voting stock or economic interests of any of the Acquired Companies or Buyer by an entity that is not an Affiliate of Buyer;
- (b) the acquisition of all or substantially all of the assets of any of the Acquired Companies or Buyer by an entity that is not an Affiliate of Buyer;
- (c) the merger or consolidation of any of the Acquired Companies or Buyer but only if Buyer or an Affiliate of Buyer fails to own, directly or indirectly, at least 50% of the voting stock of the surviving company;
- (d) any bankruptcy, reorganization, or other proceeding under any insolvency or bankruptcy law, or any dissolution or liquidation proceeding, is instituted by or against the Buyer or any of the Acquired Companies, and if instituted is not dismissed within 30 days; or
- (e) any of the Acquired Companies or Buyer entering into an agreement or commitment, whether oral or written, to do any of the foregoing.

“Accounting Methods” means accounting methods, policies, practices, procedures, conventions, classifications, definitions, principles, judgments, assumptions, techniques and estimation methodologies, including with respect to the nature of accounts, level of reserves and level of accruals.

“Accounts Payable CIP” means the accounts payable CIP in the registered accounting balances 200002 as set forth in Schedule 2.5(d).

“Acquired Companies” means the Target Company and the Acquired Subsidiaries.

“Acquired Subsidiaries” means Lusitania, S.R.L., ULatina and UAM.

“Actual CAPEX Deficit” means and shall be equal to the amount, if any, by which (a) the amount equal to (i) the Capital Expenditures; *plus* (ii) the Closing balance of Accounts Payable CIP; *minus* (iii) the Closing balance of Supplier Advances (items (i)-(iii), the “CAPEX Deficit Components”), is less than (b) the 2019 CAPEX Target. For the purposes of determining the Actual CAPEX Deficit, if an amount is included

in any one of the CAPEX Deficit Components, such amount shall not be included in any of the other CAPEX Deficit Components.

“Actual Relevant Working Capital Deficit” means and shall be equal to the amount, if any, by which (a) Relevant Working Capital is less than (b) Target Relevant Working Capital.

“Actual Relevant Working Capital Surplus” means and shall be equal to the amount, if any, by which (a) Relevant Working Capital is more than (b) Target Relevant Working Capital.

“Adjustment Objection Period” has the meaning set forth in Section 2.5(g).

“Adjustment Resolution Period” has the meaning set forth in Section 2.5(g).

“Affiliate” means with respect to any Person, any other Person that, directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such Person, and the term “control” (including the terms “controlled by” and “under common control with”) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through ownership of voting securities, by contract or otherwise.

“Affiliated Group” means any affiliated group as defined in Section 1504 of the Code, or any affiliated, consolidated, combined or unitary group under U.S. state or local or non-U.S. Law.

“Agreement” has the meaning set forth in the preamble to this Agreement.

“Anti-Corruption Laws” has the meaning set forth in Section 3.14(c).

“Antitrust Laws” means all Laws of any jurisdiction that are designed or intended to prohibit, restrict, or regulate actions having the purpose or effect of monopolization or restraint of trade or significant impediments or lessening of competition or the creation or strengthening of a dominant position through merger or acquisition, in any case that are applicable to the transactions contemplated by this Agreement.

“Arbitration Chair” has the meaning set forth in Section 9.3(b).

“Arbitration Demand” has the meaning set forth in Section 9.3(b).

“Arbitration Fees and Costs” has the meaning set forth in Section 9.3(b).

“Audited Financial Statement” has the meaning set forth in Section 3.5(a).

“Balance Sheet” has the meaning set forth in Section 3.5.

“Balance Sheet Date” has the meaning set forth in Section 3.5.

“Business Day” means a day other than a Saturday, Sunday or other day on which commercial banks in New York, NY or Costa Rica are authorized or required by Law to close.

“Buyer” has the meaning set forth in the preamble to this Agreement.

“Buyer Documents” has the meaning set forth in Section 5.2.

“Buyer Indemnified Party” has the meaning set forth in Section 8.1(a).

“Buyer Key Employee” means any director, officer or senior executive of, or any employee with annual base salary equal to or greater than \$75,000 as of the Closing Date of, the Buyer or any of the Acquired Companies as of the Closing Date.

“Buyer Returns” has the meaning set forth in Section 6.5(b).

“CAPEX Deficit Components” has the meaning set forth in the definition of “Actual CAPEX Deficit.”

“CAPEX Exchange Rate” means ₡606 Colones = \$1 Dollars.

“Capital Expenditures” means an amount equal to the capital expenditures made by the Acquired Companies for the 2019 fiscal year as set forth in Schedule B-1. For the avoidance of doubt, such amount excludes the capital expenditures made by the Acquired Companies for the 2019 fiscal year set forth on Schedule B-2. Any Capital Expenditures denominated in Colones shall be converted into Dollars at the CAPEX Exchange Rate.

“Cash Equivalents” means, as of 12:01 A.M. on the Closing Date, (a) the amount of all cash and cash equivalents on hand at the Acquired Companies and in their respective bank, lock box and other accounts (including cash resulting from the clearance of checks deposited, wire transfers remitted and ACH payments made into such accounts on or prior to 12:01 A.M. on the Closing Date, whether or not such clearance occurs before, on or after the Closing Date), *plus* (b) the amount of all marketable securities and short term investments owned by the Acquired Companies, *minus* (c) Restricted Cash.

“Claim” has the meaning set forth in Section 8.2(a).

“Claim Notice” has the meaning set forth in Section 8.2(a).

“Closing” has the meaning set forth in Section 2.4(a).

“Closing Date” means the date on which the Closing occurs.

“Closing Purchase Price” means an amount equal to the following:

- (a) the Loan Price; *plus*
- (b) the Units Price; *plus*
- (c) any Actual Relevant Working Capital Surplus, if any; *minus*
- (d) any Actual Relevant Working Capital Deficit, if any; *minus*
- (e) the Relevant Debt; *minus*
- (f) the Transaction Expenses; *plus*
- (g) the Cash Equivalents; *minus*
- (h) the Actual CAPEX Deficit, if any.

“Closing Statement Policies” has the meaning set forth in Section 2.5(d).

“Colones” and “₡” means Costa Rican colones.

“Company Employee” means any current or former employee, director or independent contractor of the Acquired Companies.

“Company Indemnified Agents” has the meaning set forth in Section 7.1(a).

“Company Intellectual Property” means all Intellectual property owned or controlled by, or licensed to, any Acquired Company.

“Company Real Property” has the meaning set forth in Section 3.8(b).

“Company Units” has the meaning set forth in the recitals to this Agreement.

“Contracts” means all legally binding contracts, agreements, leases, licenses, notes, instruments and commitments (other than an Employee Benefit Plan).

“Cycle One Enrollment” has the meaning set forth in Section 2.6(a)(i).

“Cycle One Enrollment Target” has the meaning set forth in Section 2.6(a)(i).

“Data Room” means the electronic data room hosted by Merrill DatasiteOne relating to the Acquired Companies.

“Disclosure Schedules” means the disclosure schedules provided herewith by the Seller with respect to its representations and warranties in Article III and Article IV.

“Dollars” and “\$” means United States of America dollars.

“D&O Indemnifying Person” has the meaning set forth in Section 7.1(a).

“Earn-Out Objection Notice” has the meaning set forth in Section 2.6(b).

“Earn-Out Objection Period” has the meaning set forth in Section 2.6(b).

“Earn-Out Payments” has the meaning set forth in Section 2.6(a)(ii).

“Earn-Out Resolution Period” has the meaning set forth in Section 2.6(b).

“Earn-Out Statements” has the meaning set forth in Section 2.6(b).

“Earn-Out Targets” has the meaning set forth in Section 2.6(a)(ii).

“Educational Agency” means any entity or organization, whether governmental, government chartered, tribal, private or quasi-private, whether U.S. or foreign, that engages in granting or withholding Educational Approvals, or administers financial assistance programs, in accordance with standards relating to the performance, operation, financial condition, or academic standards of such schools and programs, including the Costa Rican Ministry of Public Education (*Ministerio de Educación Pública*), the National

Council of Private Higher Education (*Consejo Nacional de Enseñanza Superior Universitaria Privada*) and any Accrediting Body.

“Educational Approval” means any license, permit, authorization, certification, accreditation or similar approval issued or required to be issued by an Educational Agency including any such approval for (a) the Schools to operate and offer educational programs in all jurisdictions in which they physically operate or are required to be authorized or (b) the Schools to participate in any program of Student Financial Assistance.

“Educational Consents” means any approval, authorization or consent by any Educational Agency, or any notification to be made by the parties to any Educational Agency, with respect to the Transactions, that is required under applicable Educational Law in order to maintain or continue any Educational Approval presently held by the Schools.

“Educational Law” means any Law of any Educational Agency, or any Accrediting Body standard applicable to the Schools.

“Enrollment Earn-Out Payment” has the meaning set forth in Section 2.6(a)(i).

“Enrollment Earn-Out Statement” has the meaning set forth in Section 2.6(b).

“Environmental Laws” means any Law enacted and in effect on or prior to the Closing and governing any matter arising out of, relating to, or resulting from pollution, contamination, protection of the environment, natural resources, and any matters relating to emissions, discharges, disseminations, releases or threatened releases, of Hazardous Substances into the air (indoor and outdoor), surface water, groundwater, soil, land surface or subsurface, buildings, facilities, real or personal property or fixtures or otherwise arising out of, relating to, or resulting from the manufacture, processing, distribution, use, treatment, storage, disposal, transport, handling, release or threatened release of or exposure to Hazardous Substances.

“Environmental Lien” means any Lien in favor of any Governmental Authority in connection with any liability under any Environmental Laws, or damage arising from, or costs incurred by, such Governmental Authority in response to a Release or threatened Release.

“Environmental Permits” has the meaning set forth in Section 3.16(a).

“Employee” means any individual who is hired for a wage, salary, fee, payment, valuable compensation or consideration to perform work or services, for any other Person or Persons, pursuant to a labor relationship under the Costa Rican Labor Code (*Código de Trabajo*), Law number 2 of 27 August 1943.

“Employee Benefit Plan” means every material plan, program and arrangement (whether written or not), that is currently maintained or contributed to by the Acquired Companies for the benefit of present or former employees of the Acquired Companies, including those intended to provide: (a) medical, surgical, health care, hospitalization, dental, vision, retiree, health care reimbursement, life insurance, death, disability, short term disability, long term disability, severance, sickness or accident benefits, legal services, dependent care, dependent care reimbursement, on-site day care facilities, sick child care, cafeteria or flexible benefit plans, flexible spending account, adoption assistance, tuition assistance, or a transportation plan, (b) pension, profit sharing, retirement, supplemental retirement or deferred compensation benefits, (c) bonus, incentive, or compensation or (d) salary continuation, termination pay, or retention pay benefits; provided, however, that such term shall not include (i) routine employment policies and procedures developed and applied in

the Ordinary Course of Business, including wage, vacation, holiday, and sick or other leave policies, (ii) workers compensation insurance and (iii) directors, officers and employees liability insurance.

“Equity Equivalents” means “phantom stock” or other rights to participate in the revenues, profits, assets or equity (or the value thereof) of any of the Acquired Companies.

“Estimated CAPEX Deficit” means \$600,000.

“Estimated Cash Equivalents” has the meaning set forth in Section 2.5(b).

“Estimated Closing Balance Sheet” has the meaning set forth in Section 2.5(b).

“Estimated Closing Statement” has the meaning set forth in Section 2.5(b).

“Estimated Purchase Price” has the meaning set forth in Section 2.2.

“Estimated Relevant Debt” has the meaning set forth in Section 2.5(b).

“Estimated Relevant Working Capital” has the meaning set forth in Section 2.5(b).

“Estimated Relevant Working Capital Deficit” means and shall be equal to the amount, if any, by which (a) Estimated Relevant Working Capital is less than (b) Target Relevant Working Capital.

“Estimated Relevant Working Capital Surplus” means and shall be equal to the amount, if any, by which (a) Estimated Relevant Working Capital is more than (b) Target Relevant Working Capital.

“Estimated Transaction Expenses” has the meaning set forth in Section 2.5(b).

“Excluded Names” means, in any jurisdiction worldwide, any trademark, service mark, brand name, certification mark, trade name, corporate name, domain name, acronym, tag-line, slogan, logo or other indication of source or origin containing the terms “Laureate” or any variations or derivations thereof.

“Facilities” means all Company Real Property and any buildings, facilities and structures located thereon.

“Final Award” has the meaning set forth in Section 9.3(b).

“Final CAPEX Deficit” has the meaning set forth in Section 2.5(h)(i).

“Final Cash Equivalents” has the meaning set forth in Section 2.5(h)(i).

“Final Closing Balance Sheet” has the meaning set forth in Section 2.5(c).

“Final Closing Statement” has the meaning set forth in Section 2.5(c).

“Final Hearing” has the meaning set forth in Section 9.3(b).

“Final Purchase Price” has the meaning set forth in Section 2.5(h)(ii).

“Final Relevant Debt” has the meaning set forth in Section 2.5(h)(i).

“Final Relevant Working Capital” has the meaning set forth in Section 2.5(h)(i).

“Final Relevant Working Capital Deficit” has the meaning set forth in Section 2.5(h)(i).

“Final Relevant Working Capital Surplus” has the meaning set forth in Section 2.5(h)(i).

“Final Transaction Expenses” has the meaning set forth in Section 2.5(h)(i).

“Financial Lease Obligations” means capital lease obligations and any type of financing or payment obligation (including accrued interest) associated with any Company Real Property capitalized pursuant to GAAP by the Acquired Companies under a rental, lease, or other type of agreement.

“Financial Statements” has the meaning set forth in Section 3.4(a).

“Firm” means RSM US LLP.

“Fraud” means intentional common law fraud by a Person with respect to the making of any representation and warranties set forth in Article III, Article IV and Article V, as interpreted by Delaware courts applying Delaware law. For the avoidance of doubt, “Fraud” does not include constructive fraud or any torts based on negligence or recklessness.

“Fundamental Representations” means the representations and warranties set forth in Section 3.1, Section 3.3, Section 3.4, Section 3.7, Section 4.1, Section 4.2, Section 4.4, Section 5.1, Section 5.2 and Section 5.3

“GAAP” means United States generally accepted accounting principles, consistently applied.

“Governmental Authority” means any federal, national, state, municipal or other governmental or regulatory department, commission, board, bureau, agency, court, tribunal, arbitral body or any similar legislative or administrative body or any instrumentality thereof.

“Hazardous Substances” means any waste, chemical, material or other substance that is listed, defined, designated or classified as hazardous, radioactive or toxic or a pollutant or a contaminant (or words of similar import) for which liability may be imposed pursuant to any applicable Environmental Law.

“Holland & Knight” means Holland & Knight LLP.

“IBA” has the meaning set forth in Section 9.3(b).

“IBA Rules of Evidence” has the meaning set forth in Section 9.3(b).

“ICC” has the meaning set forth in Section 9.3(b).

“ICC Rules” has the meaning set forth in Section 9.3(b).

“IFRS” means the International Financial Reporting Standards published by the International Accounting Standards Board, consistently applied.

“Indebtedness” means with respect to any Person, and without duplication, all outstanding obligations of such Person (a) in respect of indebtedness for borrowed money or indebtedness issued or incurred in substitution or exchange for such obligations for borrowed money, whether short-term or long-

term; (b) secured by any mortgage, pledge, security interest, lien, charge or other encumbrance existing on property owned or acquired and subject thereto; (c) payable under interest rate protection agreements and swaps, hedges or similar instruments (as if the agreement, arrangement or instrument relating thereto were finally settled immediately prior to the Closing); (d) in respect of the deferred portion or installments of purchase price of property with respect to which such Person is liable, contingently or otherwise, as obligor or otherwise (including, for the avoidance of doubt, any and all seller notes and so called “earn-out,” “deferred consideration” or similar post-closing payment obligations); (e) owed under any credit facility or evidenced by bonds, debentures, notes or similar instruments; (f) in respect of letters of credit, contingent obligations with respect to letters of credit, performance bonds, surety bonds or similar instruments, (h) in respect of off-balance sheet financing, including synthetic leases and project financing, (i) in respect of all deferred compensation for which the appropriate provision has not been made in the Financial Statements; (j) in respect of all outstanding severance obligations; (k) in respect of the Financial Lease Obligations and (l) in respect of guarantees (or any arrangement having the economic effect of a guarantee) in connection with the foregoing, in each case, including all principal, interest, premiums, penalties and breakage fees); provided, however, that “Indebtedness” shall not include (i) any item that would constitute Indebtedness solely between or among one Acquired Company and one or more other Acquired Company, (ii) operating leases on the Estimated Closing Balance Sheet pursuant to GAAP or (iii) accounts payable, accrued expenses, accrued income Taxes or deferred income Tax liability.

“Indemnified Party” has the meaning set forth in Section 8.1(b).

“Indemnifying Party” has the meaning set forth in Section 8.2.

“Indemnified Taxes” means (a) any Taxes imposed on or incurred by any Acquired Company with respect to any Pre-Closing Tax Period or the portion of any Straddle Period ending on the Closing Date, (b) Taxes imposed on the Seller to the extent not paid by the Seller, (c) Taxes of any Person (other than the Company) payable by any Acquired Company as a transferee or successor, by Contract or pursuant to any Law or Order, that relate to an event or transaction occurring before the Closing Date, (d) Taxes of any member of an Affiliated Group of which any Acquired Company is or was a member on or before the Closing Date, including pursuant to any applicable Law comparable to Treasury Regulation Section 1.1502-6, (e) any Taxes attributable to an adjustment under applicable Tax Law by reason of a change in method of accounting made prior to Closing by the Seller with respect to any Pre-Closing Tax Period or the portion of any Straddle Period ending on the Closing Date and (f) Seller’s 50% portion of the Transfer Taxes. Notwithstanding the foregoing, the Seller shall not be liable for any Taxes (and related costs and expenses) to the extent such Taxes were included in Relevant Debt or as a current liability in Relevant Working Capital, as finally determined, and subtracted from the Final Purchase Price.

“Independent Contractor” means any Person who, directly or indirectly, is hired for a payment, valuable compensation or consideration in exchange for performance and delivery of work or services for any other Person or Persons, pursuant to a Contract that does not qualify as a labor relationship under the Costa Rican Labor Code (*Código de Trabajo*), Law number 2 of 27 August 1943, as amended, and all rules and regulations promulgated thereunder.

“Infringe” means infringe, misappropriate or otherwise violate.

“Intellectual Property” means, collectively, all intellectual property, including all (a) patents and patent applications, together with all reissues, continuations, extensions, and reexaminations in connection therewith (collectively, “Patents”), (b) registered and unregistered trademarks, trademark registrations and applications therefor, trade dress, trade names, service marks, service mark registrations and applications

therefor, Internet domain names, slogans, designs, pictures, logos and any other symbols used to identify any good and/or service (together with the goodwill associated with any of the foregoing) (collectively, “Marks”), (c) registered and unregistered copyrights, copyrightable works and other works of authorship, mask works, database rights, copyright registrations and applications therefor (collectively, “Copyrights”), (d) proprietary inventions, know-how, trade secrets, and proprietary confidential business information, (e) moral rights and any other intellectual property rights recognized under any Laws or international conventions, and in any country or jurisdiction in the world, (f) all applications, disclosures, renewals, extensions, continuations or reissues thereof, and all rights arising thereunder and (g) copies and tangible embodiments or descriptions of any of the foregoing (in whatever form or medium).

“Knowledge” means (a) with respect to the Seller, the actual knowledge after reasonable inquiry of Rick H. Sinkfield, Juan J. Hurtado Marimon, Lucia Mortola and Rosa Monge Monge and (b) with respect to Buyer, actual knowledge without investigation of the senior officers of the Buyer.

“Labor Organization” has the meaning set forth in Section 3.12.

“Law” means any federal, national, state, municipal or local law, statute, code, judgement, decree or ordinance of any Governmental Authority, and the rules and regulations promulgated thereunder.

“Leased Real Property” has the meaning set forth in Section 3.8(a).

“Legal Proceeding” means any action, audit, suit, claim, complaint, litigation, investigation, arbitration or similar proceeding, whether civil, criminal or administrative, at law or in equity, by or before a Governmental Authority or arbitrator.

“LEI” has the meaning set forth in the preamble to this Agreement.

“Lien” means any mortgages, liens, pledges, charges, security interests, leases, licenses, conditional sale agreements or other title retention agreements, options, rights of way, easements or encumbrances of any kind.

“Loan Price” has the meaning set forth in Section 2.2(a).

“Losses” has the meaning set forth in Section 8.1(a).

“Material Adverse Effect” means any change, development, event, effect or occurrence or series of any of the foregoing that, individually or in the aggregate, (x) is, or would reasonably be expected to be, material and adverse to the assets, liabilities, business, condition (financial or otherwise), operations or results of operations of the Acquired Companies, taken as a whole, or (y) prevents or materially delays a party’s ability to perform their obligations hereunder; provided, however, that none of the following shall be a “Material Adverse Effect,” nor shall any of the following be taken into account in determining whether a “Material Adverse Effect” has occurred:

(a) changes resulting from general economic conditions in the United States, Costa Rica or any other country or region in the world, or changes resulting from conditions in the global economy generally;

(b) changes resulting from conditions generally affecting the financial markets, credit markets or capital markets in the United States, Costa Rica or any other country or region in the world, including changes in interest rates in, and changes in exchange rates for the currencies of, the United States, Costa Rica or any other country;

- (c) changes resulting from conditions generally affecting the industries in which the Acquired Companies conduct business;
- (d) changes resulting from political conditions generally affecting the United States, Costa Rica or any other country or region in the world;
- (e) acts of war, sabotage or terrorism (including any escalation or general worsening of any such acts of war, sabotage or terrorism) in the United States, Costa Rica or any other country or region in the world;
- (f) earthquakes, hurricanes, tsunamis, tornadoes, floods, mudslides, wild fires or other natural disasters in the United States, Costa Rica or any other country or region in the world;
- (g) changes in GAAP; or
- (h) any failure by the Acquired Companies to meet any internal projections or forecasts or estimates of revenues or earnings for any period (it being understood and agreed that the facts and circumstances giving rise to such failure that are not otherwise excluded from the definition of a Material Adverse Effect may be considered, or taken into account in determining whether there has been, a Material Adverse Effect);

provided, further, that the matters in clauses (a) through (d) shall be taken into account in determining whether a “Material Adverse Effect” has occurred to the extent such matters adversely affect the Acquired Companies in a disproportionately adverse manner relative to other participants in the industries in which the Acquired Companies conduct their business generally.

“Material Contract” has the meaning set forth in Section 3.10(a).

“Minimum Mandatory Employment Terms” has the meaning set forth in Section 3.12(a).

“Most Recent Financial Statements” has the meaning set forth in Section 3.5(a).

“Non-Recourse Party” means, with respect to a party, any of such party’s past, present or future Representatives, equity holders, controlling Persons, Affiliates, members, managers, general or limited partners, or assignees (or any past, present or future Representative, equity holder, controlling Person, member, manager, general or limited partner, or assignee of any of the foregoing).

“Non-Prevailing Party” has the meaning set forth in Section 9.3(b).

“Objection Notice” has the meaning set forth in Section 2.5(g).

“Order” means any order, injunction, judgment, decree or ruling of a Governmental Authority or arbitrator.

“Ordinary Course of Business” means the ordinary and usual course of business of the Acquired Companies consistent with past practice.

“Organizational Documents” means, with respect to any Person (other than an individual), (a) the certificate or articles of incorporation, formation, organization or trust, and other similar documents entered into or adopted at any time or filed in connection with the creation, formation or organization of such Person

and (b) all by-laws, limited liability company agreements and similar documents, instruments or agreements relating to the organization or governance of such Person, in each case, as amended or supplemented.

“Owned Real Property” has the meaning set forth in Section 3.8(a).

“Panama Agreements” means, collectively, (a) that certain Promise to Purchase Agreement by and among Universal Knowledge Systems Inc., Global Education Services Inc, ULatina, the Target Company and Excelencia Y Superación S.A., dated July 9, 2019 and (b) the Panama Escrow Agreement.

“Panama Agreement Rights” means the Acquired Companies’ rights and obligations under the Panama Agreements.

“Panama Assignment Agreements” means, collectively, (a) the First Amendment to Promise to Purchase Agreement by and among Universal Knowledge Systems Inc., Global Education Services Inc., ULatina, the Target Company, Excelencia y Superación S.A. and Seller, substantially the form shared with Buyer on January 3, 2020 and (b) the agreement offered or promulgated by the escrow agent under the Panama Escrow Agreement to convey to Seller (i) the Panama Escrow Agreement and (ii) the Acquired Companies’ rights and obligations under the Panama Escrow Agreement.

“Panama Escrow Agreement” means that certain Acuerdo de Depósito en Plica, dated September 30, 2019.

“Payoff Letters” means the letters provided by the lenders or other holders of certain Indebtedness in connection with the repayment in full of the Relevant Debt due thereunder as contemplated by this Agreement.

“Permits” means all permits, licenses, variances, exemptions, orders, registrations, franchises, consents, waivers, notifications, certificates, qualifications and approvals and governmental authorizations of all Governmental Authorities.

“Permitted Exceptions” means (a) minor non-monetary imperfections in title, restrictions, easements of record and rights of way on any Company Real Property disclosed in policies of title insurance or title reports made available to Buyer so long as none of the foregoing, individually or in the aggregate, are material in amount or do or would be reasonably likely to materially detract from the value of or impair the continued occupancy, use or operation of the property affected by such encumbrances or imperfections; (b) statutory liens for current Taxes, assessments or other governmental charges (i) not yet due or payable or the amount or validity of which is being contested in good faith by appropriate proceedings and (ii) for which adequate reserves have been made with respect thereto in accordance with GAAP; (c) mechanics’, carriers’, workers’, warehousemen’s, repairers’ and similar Liens arising or incurred in the Ordinary Course of Business, in each case, (i) that are not yet due or payable or the amount or validity of which is being contested in good faith by appropriate proceedings and (ii) for which adequate reserves have been made with respect thereto in accordance with GAAP; (e) purchase money Liens and Liens securing rental payments under a capital or operating lease entered into in the Ordinary Course of Business (i) that have been made available to Buyer and (ii) under which no Acquired Company is in default; (f) pledges or deposits arising in the Ordinary Course of Business under worker’s compensation, unemployment insurance, social security, retirement and similar legislation, in each case, that are not yet due or payable; (g) Liens arising under a conditional sales contract or equipment lease with a third party entered into in the Ordinary Course of Business (i) that have been made available to Buyer and (ii) under which no Acquired Company is in default; and (h) zoning, building code, planning entitlement and other applicable land use and environmental restrictions imposed by Governmental Authorities having jurisdiction over real property so long as none of the foregoing,

individually or in the aggregate, do or would be reasonably likely to materially detract from the value of or interfere with or adversely affect the continued occupancy, use or operation of the Company Real Property to which they relate in the conduct of the business currently conducted thereon

**“Person”** means any individual, corporation, partnership, limited liability company, association, trust, unincorporated entity or other legal entity.

**“Post-Closing Period”** has the meaning set forth in Section 7.5.

**“Pre-Closing Tax Period”** means any taxable period ending on or before the Closing Date and the portion through the end of the Closing Date for any Straddle Period.

**“Pre-Closing Tax Refund”** has the meaning set forth in Section 6.5(d).

**“Prevailing Party”** has the meaning set forth in Section 9.3(b).

**“Purchase Price”** has the meaning set forth in Section 2.2.

**“Purchase Price Adjustment”** has the meaning set forth in Section 2.5(h)(ii).

**“Purchase Price Allocation Statement”** has the meaning set forth in Section 6.5(i).

**“Purchased Loan”** means that certain Loan Agreement No. NL041XB dated 1 April 2018, by and between Education Trademark, B.V. and ULatina, as assigned by Education Trademark, B.V. to Seller, pursuant to that certain Assignment of Loan Assets, in the amount of €8,602,825,058.65 as of the date hereof.

**“Qualifying Claim”** has the meaning set forth in Section 8.4(a).

**“Real Property Lease”** has the meaning set forth in Section 3.8(a).

**“Registered Intellectual Property”** means all (a) Patents, (b) registered Marks, and (c) registered Copyright.

**“Release”** means any release, threatened release, spill, emission, leaking, pumping, pouring, emitting, emptying, escape, injection, deposit, disposal, discharge, dispersal, dumping, leaching or migration in the indoor or outdoor environment, including movement through or in the air, soil, surface water, ground water or property.

**“Released Claims”** has the meaning set forth in Section 7.4.

**“Released Parties”** has the meaning set forth in Section 7.4.

**“Releasors”** has the meaning set forth in Section 7.4.

**“Relevant Debt”** means, in respect of the Acquired Companies, as of the Closing, those items required to be included in (or excluded from, as the case may be) the Relevant Debt in accordance with Schedule 2.5(d), observing the breakdown of each entry of the chart of accounts pursuant to Schedule 2.5(d), excluding:

(a) the Purchased Loan

(b) any and all Financial Lease Obligations;

(c) any and all obligations under any operating leases;

(d) any item or amount to the extent that it is taken into account in calculating the Estimated CAPEX Deficit, Actual CAPEX Deficit or Final CAPEX Deficit; and

(e) any item or amount to the extent that it is taken into account in calculating Relevant Working Capital.

“Relevant Working Capital” means, in respect of the Acquired Companies, as of 12:01 A.M. on the Closing Date, the calculation below, observing the breakdown of each entry of the chart of accounts pursuant to Schedule 2.5(d). The Parties agree that Schedule 2.5(d) must prevail in case of discrepancies and that the accounting reclassification should be treated consistently with the accounting records of December 31, 2018 hereof:

(a) the Acquired Companies’ current assets; less

(b) the Acquired Companies’ current liabilities;

and including (or excluding, as the case may be) those items required to be included in (or excluded from, as the case may be) the Relevant Working Capital in accordance with Schedule 2.5(d) and excluding (i) any item or amount to the extent that it is taken into account in the calculating the Estimated CAPEX Deficit, Actual CAPEX Deficit or Final CAPEX Deficit and (ii) any item or amount to the extent that it is taken into account in calculating Relevant Debt. This amount can be a positive or negative number.

“Representatives” means the agents, officers, directors, managers, employees, accountants, counsel, financial advisors, investment advisors and other representatives of a Person.

“Restricted Business” means the operation or management of (a) campus-based higher education universities in Costa Rica and/or (b) bespoke educational offerings (including online and distance learning courses or hybrid courses) specifically targeted at or specifically marketed at Persons residing in Costa Rica.

“Restricted Cash” means, with respect to the Acquired Companies, without duplication, the aggregate amount of all restricted balances and restricted funds, amounts held in escrow or as a security or other deposit, held for or on behalf of a customer, or if usage of, or access to, cash is restricted by Law or Contract.

“Restricted Cash Period” has the meaning set forth in Section 7.5.

“Restricted Period” has the meaning set forth in Section 7.3(a).

“Revenue Earn-Out Payment” has the meaning set forth in Section 2.6(a)(i).

“Revenue Earn-Out Statement” has the meaning set forth in Section 2.6(c).

“Revenue Growth Rate Target” has the meaning set forth in Section 2.6(a)(ii).

“Schools” means the institutions of higher education owned and operated by the Acquired Companies, including the main campus and any other campus, branch, satellite location or other facility owned or leased by the Acquired Companies at which they offer 50% or more of an educational program, and any education programs offered via online delivery.

**“Second Firm”** means the mutually agreeable, nationally recognized, independent accounting firm jointly retained by the parties in place of the Firm in connection with this Agreement.

**“Seller”** has the meaning set forth in the preamble to this Agreement.

**“Seller Documents”** means this Agreement and each other agreement, document, instrument or certificate contemplated by this Agreement to be executed or delivered by Seller in connection with the consummation of the Transactions.

**“Seller Indemnified Party”** has the meaning set forth in Section 8.1(b).

**“Seller Key Employee”** means any individual listed on Schedule 7.3.

**“Seller Pre-Closing Communications”** has the meaning set forth in Section 9.10.

**“Seller Returns”** has the meaning set forth in Section 6.5(a).

**“Seller Tax Proceeding”** has the meaning set forth in Section 6.5(g)(ii).

**“Straddle Period”** means any taxable period that includes (but does not end on) the Closing Date.

**“Straddle Period Allocation”** has the meaning set forth in Section 6.5(b).

**“Subsidiary”** means each Person with respect to which a specified Person owns 50% or more of the economic interests or has the right to vote (directly or indirectly through one or more other Persons or otherwise) securities or other ownership interests representing 50% or more of the votes eligible to be cast in the election of directors of such Person.

**“Substantial Stake”** means a stake equivalent to 15% of a company.

**“Supplier Advances”** means the supplier advances in the registered accounting balances 111630 as set forth in Schedule 2.5(d).

**“Target Company”** has the meaning set forth in the recitals to this Agreement.

**“Target Relevant Working Capital”** means (-₡2,300,000,000).

**“Tax”** means any federal, national, state, local, municipal or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental, customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, occupancy, personal property, sales, use, transfer, financial transaction, registration, value added, alternative or add on minimum, escheat or abandoned property, estimated or other tax of any kind whatsoever due to a Taxing Authority, (including Costa Rican income tax under the Costa Rican Income Tax Law (*Ley del Impuesto sobre la Renta, número 7092*), as amended, the Costa Rican Value-Added Tax Law (*Ley de Impuesto al Valor Agregado, número 6826*), as amended, the Costa Rican Law to Reinforce Public Finances (*Ley de Fortalecimiento de las Finanzas Públicas, número 9635*), the Costa Rican Tax and Procedures Code (*Código de Normas y Procedimientos Tributarios, número 4755*), as amended, the Costa Rican Fiscal Code (*Código Fiscal, número 8*), as amended, the Law on Taxes on Conveyances for Real Estate (*Ley de Impuesto sobre Traspasos de Bienes Inmuebles, número 6999*), as amended, the Law on Taxes over Real Estate (*Ley del Impuesto sobre Bienes Inmuebles, número 7509*), as amended, the Law for Fiscal

Adjustment and Resolution of the Central American Importation Duty and Customs Council (*Ley de Reajuste Fiscal, número 7088 y Resolución 18 del Consejo Arancelario y Aduanero Centroamericano*), as amended, the Tax on Corporate Entities (*Ley de Impuesto a las Personas Jurídicas, número 9428*), as amended), including any interest, penalty or addition thereto, whether disputed or not. “Taxes” means any or all of the foregoing collectively.

“Tax Benefit” means the actual net cumulative reduction in Taxes paid in cash by an Indemnified Party attributable to the deductibility of a Loss in the Tax year when the Loss was incurred, or in the three succeeding Tax years, reduced in each case by any reasonably anticipated increase in the amount of Taxes required to be paid by such Indemnified Party or any of its Affiliates in any future taxable period attributable to such Loss.

“Tax Proceeding” has the meaning set forth in Section 6.5(g)(i).

“Tax Return” means any return, declaration, report, claim for refund or information return or statement relating to any Tax, including any schedule or attachment thereto and including any amendment thereof.

“Taxing Authority” means any competent Governmental Authority responsible for the imposition, administration or collection of any Tax.

“Third Party Claim” has the meaning set forth in Section 8.2(a).

“Threshold Amount” has the meaning set forth in Section 8.4(a).

“Transaction Document” means any Seller Document or Buyer Document.

“Transaction Expenses” means the aggregate amount of (a) all of the fee and expenses incurred by the Acquired Companies in connection with or as a result of (i) the negotiation, documentation or execution of this Agreement and the Transaction Documents, (ii) the completion of the Transactions or (iii) the Acquired Company’s sale process; (b) all bonuses, benefits, severance or similar amounts that become payable or due or are otherwise required to be made in connection with or as a result of the consummation of the Transactions, or as a result of any change of control or other similar provisions; (c) the employer’s share of all payroll, employment or other Taxes, if any, required to be paid by Buyer (on behalf of any Acquired Company) or any Acquired Company with respect to the amounts payable pursuant to this Agreement, the amounts described in clauses (a) and (b) above or the forgiveness of any loans or other obligations owed by the Seller or employees in connection with the Transactions; (d) all of the fees and expenses incurred by the Acquired Companies under any management fee agreement or similar arrangement with the Seller or any of its Affiliates, including any fees and expenses incurred by any Acquired Company in connection with the termination of any such agreement or arrangement; and (e) all accrued interest and fees, expenses, premiums, penalties, prepayment fees, termination fees, breakage costs, indemnities or similar payments related to any of the obligations of the type referred to in clauses (a) through (d) above (calculated, in each case, assuming the Closing has occurred on the Closing Date and, in each case, to the extent (x) unpaid as of immediately prior to the Closing and (y) not already reflected in the calculation of Relevant Debt).

“Transactions” means the transactions contemplated by this Agreement and the Transaction Documents.

“Transfer Taxes” has the meaning set forth in Section 9.16.

“Transition Services Agreement” has the meaning set forth in the recitals to this Agreement.

“UAM” means UAM S.R.L.

“UIP Favorable Withholding Determination” has the meaning set forth in Section 6.5(h).

“UIP Purchase Agreement” means that certain Promise to Purchase Agreement, dated as of July 9, 2019, by and among Universal Knowledge Systems Inc. and Global Education Services Inc., ULatina, the Target Company, and solely for the limited purpose of Section 8.6, Excelencia y Superación S.A.

“UIP Withholding Refund” has the meaning set forth in Section 6.5(h).

“UIP Withholding Tax” mean the 5% of the purchase price paid to the Target Company and ULatina pursuant to the UIP Purchase Agreement, which was withheld pursuant to Section 2.3 of the UIP Purchase Agreement as the Target Company’s and ULatina’s capital gain tax as set forth in Article 701(e) of the Fiscal Code of the Republic of Costa Rica.

“Ultimate Beneficial Owners” means the natural person or legal entity that controls a company either by: (i) holding a Substantial Stake of the company; (ii) exercising direct or indirect control over the company; (iii) has the ability to cease or designate most of the administrative bodies of the company; and/or, (iv) that according to the controlled company’s bylaws, has the authority to act without limitation on behalf of the company.

“ULatina” means Universidad U Latina, S.R.L.

“United States” means the United States of America.

“Units Price” has the meaning set forth in Section 2.2(a).

## **DESCRIPTION OF CAPITAL STOCK OF LAUREATE EDUCATION, INC.**

As of the date of the Annual Report on Form 10-K of which this exhibit is a part, the registrant has one class of securities registered under Section 12 of the Exchange Act of 1934, as amended: Class A common stock, par value \$0.004 per share.

The following discussion is a summary of the terms of our capital stock, our amended and restated certificate of incorporation, our amended and restated bylaws and certain applicable provisions of Delaware law, as currently in effect. This summary does not purport to be complete and is qualified in its entirety by reference to the actual terms and provisions of our amended and restated certificate of incorporation and amended and restated bylaws, copies of which have been filed previously with the Securities and Exchange Commission.

Our amended and restated certificate of incorporation provides for three classes of common stock: Class A common stock, Class B common stock and common stock. No shares of our common stock will be issued or outstanding until the date on which the number of outstanding shares of our Class B common stock represents less than 15% of the aggregate number of shares of our then outstanding Class A common stock and Class B common stock, at which time all outstanding shares of our Class A common stock and Class B common stock will automatically convert into shares of our common stock.

Our authorized capital stock consists of 1,625,000,000 shares, of which 700,000,000 shares are designated as Class A common stock, 175,000,000 shares are designated as Class B common stock, 700,000,000 shares are undesignated common stock, all with a par value of \$0.004 per share, and 50,000,000 shares are designated as preferred stock, with a par value of \$0.001 per share.

### ***Class A and Class B Common Stock***

#### *Voting Rights*

Holders of shares of our Class A and Class B common stock have identical rights, except that holders of shares of our Class A common stock are entitled to one vote per share and holders of shares of our Class B common stock are entitled to ten votes per share. Holders of shares of our Class A common stock and Class B common stock will vote together as a single class on all matters (including the election of directors) submitted to a vote of stockholders, except that there will be separate votes of holders of shares of our Class A common stock and Class B common stock in the following circumstances:

- if we propose to amend our amended and restated certificate of incorporation to alter or change the powers, preferences or special rights of the shares of our Class A or Class B common stock so as to affect them adversely or to increase or decrease the par value of the shares of a class of our stock;
- if we propose to treat the shares of our Class A or Class B common stock differently with respect to any dividend or distribution of cash, property or shares of our stock paid or distributed by us;
- if we propose to treat the shares of our Class A or Class B common stock differently with respect to any subdivision or combination of the shares of our Class A or Class B common stock; or
- if we propose to treat the shares of our Class A or Class B common stock differently in connection with a change in control, liquidation, dissolution, distribution of assets or winding down of the Company with respect to any consideration into which the shares are converted or any consideration paid or otherwise distributed to our stockholders.

Under our amended and restated certificate of incorporation, we may not increase or decrease the authorized number of shares of our Class A common stock or Class B common stock without the affirmative vote of the holders of a majority of the outstanding shares of our Class A common stock and Class B common stock, each voting separately as a class. In addition, under our amended and restated certificate of incorporation, we may not issue any shares of our Class B common stock, other than (i) upon exercise of options, warrants, or similar rights to acquire common

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stock outstanding, (ii) in connection with deferred compensation and executive profit interest arrangements in existence immediately prior to the completion of this offering and (iii) in connection with stock dividends, stock splits and similar transactions.

We have not provided for cumulative voting for the election of directors in our amended and restated certificate of incorporation.

#### *Economic Rights*

Except as otherwise expressly provided in our amended and restated certificate of incorporation or as required by applicable provisions of Delaware law, shares of our Class A common stock and Class B common stock will have the same rights and privileges and rank equally, share ratably and be identical in all respects as to all matters, including, without limitation, those described below.

*Dividends.* Subject to preferences that may apply to any shares of preferred stock outstanding at the time, the holders of shares of our Class A common stock and Class B common stock will be entitled to share equally, identically and ratably, on a per share basis, with respect to any dividends that our board of directors may determine to issue from time to time, unless different treatment of the shares of such class is approved by the affirmative vote of the holders of the majority of the outstanding shares of our Class A common stock and Class B common stock, each voting separately as a class. In the event that a dividend is paid in the form of shares of our common stock or rights to acquire shares of our common stock, the holders of shares of our Class A common stock shall receive shares of our Class A common stock, or rights to acquire shares of our Class A common stock, as the case may be, and the holders of shares of our Class B common stock shall receive shares of our Class B common stock, or rights to acquire shares of our Class B common stock, as the case may be.

*Liquidation Rights.* Upon our liquidation, dissolution or winding-up, the holders of shares of our Class A common stock and Class B common stock will be entitled to share equally, identically and ratably in all assets remaining after the payment of any liabilities and the liquidation preferences on any outstanding preferred stock, unless different treatment of the shares of such class is approved by the affirmative vote of the holders of the majority of the outstanding shares of our Class A common stock and Class B common stock, each voting separately as a class.

*Change of Control Transactions.* Upon (i) the closing of the sale, exchange, transfer or other disposition of all or substantially all of our assets, (ii) the consummation of a merger, consolidation, business combination or other similar transaction which results in our voting securities outstanding immediately prior to the transaction (or the voting securities issued with respect to our voting securities outstanding immediately prior to the transaction) representing less than a majority of the combined voting power and outstanding capital stock of the voting securities of the Company or the surviving or acquiring entity, or (iii) the recapitalization, liquidation, dissolution or other similar transaction which results in the voting securities outstanding immediately prior to the transaction representing less than a majority of the combined voting power and outstanding capital stock of the Company or the surviving entity or parent entity, the holders of shares of our Class A common stock and Class B common stock will be treated equally and identically with respect to shares of our Class A common stock or Class B common stock owned by them, unless different treatment of the shares of each class is approved by the affirmative vote of the holders of a majority of the outstanding shares of our Class A common stock and Class B common stock, each voting separately as a class.

*Subdivisions and Combinations.* If we subdivide or combine in any manner outstanding shares of our Class A common stock or Class B common stock, the outstanding shares of the other class will be subdivided or combined in the same proportion and manner, unless different treatment of the shares of each class is approved by the affirmative vote of the holders of a majority of the outstanding shares of our Class A common stock and Class B common stock, each voting separately as a class.

#### *Conversion*

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Each share of our Class B common stock is convertible at any time at the option of the holder into one share of our Class A common stock. In addition, each share of our Class B common stock will convert automatically into one

share of our Class A common stock upon any transfer, whether or not for value, except for certain transfers described in our amended and restated certificate of incorporation, including transfers for tax and estate planning purposes, including to trusts, corporations and partnerships controlled by a holder of shares of our Class B common stock.

Upon the death or permanent incapacity of a holder of shares of our Class B common stock who is a natural person, the shares of our Class B common stock held by that person or his or her permitted estate planning entities will convert automatically into shares of our Class A common stock.

Once converted into shares of our Class A common stock, the shares of our Class B common stock will not be reissued.

Shares of our Class A common stock and Class B common stock will each convert automatically into a single class of our common stock on the date on which the number of outstanding shares of our Class B common stock represents less than 15% of the aggregate combined number of outstanding shares of our Class A common stock and Class B common stock. Following the conversion, no additional shares of our Class A common stock or Class B common stock will be issued, and each share of our common stock will have one vote per share and the rights of the holders of all outstanding common stock will be identical. This provision of our amended and restated certificate of incorporation may be amended only by the affirmative vote of the holders of a majority of the outstanding shares of our Class A common stock and Class B common stock, each voting separately as a class.

#### ***Preferred Stock***

Our board of directors is authorized, without further stockholder action, to classify or reclassify any unissued portion of our authorized shares of our common stock to provide for the issuance of shares of other classes or series, including preferred stock in one or more series. We may issue shares of our preferred stock from time to time in one or more classes or series, with the exact terms of each class or series established by our board of directors. The powers and relative, participating, optional and other special rights, if any, and any qualifications, limitations or restrictions of the shares of such series will be fixed by the certificate of designations relating to each series. Certificates of designations relating to each series will specify the terms of the preferred stock, including, but not limited to:

- the distinctive designation and the maximum number of shares in the series;
- the terms on which dividends, if any, will be paid;
- the voting rights, if any, on the shares of the series;
- the terms and conditions, if any, on which the shares of the series shall be convertible into, or exchangeable for, shares of any other class or classes of capital stock;
- the terms on which the shares may be redeemed, if at all;
- the liquidation preference, if any; and
- any or all other preferences, rights, restrictions, including restrictions on transferability, and qualifications of shares of the series.

The issuance of preferred stock may delay, deter or prevent a change in control.

#### ***Public Benefit Corporation Status***

In October 2015, we redomiciled in Delaware as a public benefit corporation as a demonstration of our long-term commitment to our mission to benefit our students and society. Public benefit corporations are a relatively new class of corporations that are intended to produce a public benefit and to operate in a responsible and sustainable manner. Under Delaware law, public benefit corporations are required to identify in their certificate of incorporation the

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public benefit or benefits they will promote and their directors have a duty to manage the affairs of the corporation in a manner that balances the pecuniary interests of the stockholders, the best interests of those materially affected by the corporation's conduct, and the specific public benefit or public benefits identified in the public benefit corporation's certificate of incorporation. Public benefit corporations organized in Delaware are also required to publicly disclose at least biennially a report that assesses their benefit performance. In connection with this report, our board of directors is required to set objectives and standards to assess our benefit performance and to assess our performance based on those standards. While a Delaware public benefit corporation may provide in its certificate of incorporation that it will measure the corporation's benefit performance against an objective third-party standard, our amended and restated certificate of incorporation does not contain that requirement and we expect that our board of directors will measure our benefit performance against the objectives and standards it sets.

We do not believe that an investment in the stock of a public benefit corporation differs materially from an investment in a corporation that is not designated as a public benefit corporation. We believe that our ongoing efforts to achieve our public benefit goals will not materially affect the financial interests of our stockholders. Holders of shares of our Class A common stock will have voting, dividend and other economic rights that are the same as the rights of stockholders of a corporation that is not designated as a public benefit corporation.

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

#### ***Exclusive Venue***

Our amended and restated certificate of incorporation requires, to the fullest extent permitted by law, that (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (iii) any action asserting a claim against us arising pursuant to any provision of the Delaware General Corporation Law (the "DGCL") or our amended and restated certificate of incorporation or our amended and restated bylaws or (iv) any action asserting a claim against us governed by the internal affairs doctrine will have to be brought only in the Court of Chancery in the State of Delaware unless we otherwise consent in writing to an alternative form. Although we believe that this provision benefits us by providing increased consistency in the application of Delaware law in the types of lawsuits to which it applies, the provision may have the effect of discouraging lawsuits against our directors and officers.

#### ***Anti-takeover Effects of Provisions of our Amended and Restated Certificate of Incorporation, our Amended and Restated Bylaws and Delaware Law***

Our amended and restated certificate of incorporation and amended and restated bylaws also contain provisions that may delay, defer or discourage another party from acquiring control of us. We expect that these provisions, which are summarized below, will discourage coercive takeover practices or inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with our board of directors, which we believe may result in an improvement of the terms of any such acquisition in favor of our stockholders. However, they also give our board of directors the power to discourage acquisitions that some stockholders may favor.

*Authorized but Unissued Shares.* The authorized but unissued shares of our common stock and preferred stock are available for future issuance without stockholder approval, subject to any limitations imposed by Nasdaq listing standards. These additional shares may be used for a variety of corporate finance transactions, acquisitions and employee benefit plans. The existence of authorized but unissued and unreserved shares of our common stock and

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preferred stock could make more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise.

**Requirements for Advance Notification of Stockholder Meetings, Nominations and Proposals.** Except as provided in that certain Amended and Restated Securityholders Agreement, dated as of February 6, 2017, by and among the Company, Wengen Alberta, Limited Partnership (“Wengen”), Wengen Investments Limited, the general partner of Wengen, and the other parties thereto (the “Wengen Securityholders Agreement”), our amended and restated certificate of incorporation and amended and restated bylaws provide that stockholders at an annual meeting may only consider proposals or nominations specified in the notice of meeting or brought before the meeting by or at the direction of our board of directors or by a qualified stockholder of record on the record date for the meeting and who has delivered timely written notice in proper form to our secretary of the stockholder’s intention to bring such business before the meeting. Our amended and restated certificate of incorporation provides that, subject to applicable provisions of Delaware law, special meetings of the stockholders may be called only by a resolution adopted by the affirmative vote of the majority of the directors then in office; *provided, however,* that at any time Wengen or any of the parties (other than employees of the Company) to the Wengen Securityholders Agreement, or each of their respective affiliates, beneficially owns, in the aggregate, at least 40% of the total number of outstanding shares of our Class A common stock and Class B common stock, special meetings of our stockholders shall also be called at the request of such entity pursuant to a resolution adopted by a majority of our board of directors or by the chairman of our board of directors. Our amended and restated bylaws prohibit the conduct of any business at a special meeting other than as specified in the notice for such meeting. In addition, any stockholder who wishes to bring business before an annual meeting or nominate directors must comply with the advance notice and duration of ownership requirements set forth in our amended and restated bylaws and provide to us certain information. These provisions may have the effect of deferring, delaying or discouraging hostile takeovers or changes in control of us or our management.

**Business Combinations.** We have opted out of Section 203 of the DGCL; however, our amended and restated certificate of incorporation contains similar provisions providing that we may not engage in certain “business combinations” with any “interested stockholder” for a three-year period following the time that the stockholder became an interested stockholder, unless:

- prior to such time, our board of directors approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of our voting stock outstanding at the time the transaction commenced, excluding certain shares; or
- at or subsequent to that time, the business combination is approved by our board of directors and by the affirmative vote of holders of at least 66<sup>2</sup>/3% of the outstanding voting stock that is not owned by the interested stockholder.

Generally, a “business combination” includes a merger, asset or stock sale or other transaction resulting in a financial benefit to the interested stockholder. Subject to certain exceptions, an “interested stockholder” is a person who, together with that person’s affiliates and associates, owns, or within the previous three years owned, 15% or more of our voting stock. For purposes of this section only, “voting stock” has the meaning given to it in Section 203 of the DGCL.

Under certain circumstances, this provision will make it more difficult for a person who would be an “interested stockholder” to effect various business combinations with a corporation for a three-year period. This provision may encourage companies interested in acquiring our Company to negotiate in advance with our board of directors because the stockholder approval requirement would be avoided if our board of directors approves either the business combination or the transaction which results in the stockholder becoming an interested stockholder. These provisions also may have the effect of preventing changes in our board of directors and may make it more difficult to accomplish transactions which stockholders may otherwise deem to be in their best interests.

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Our amended and restated certificate of incorporation provides that none of Wengen or the parties to the Wengen Securityholders Agreement or their affiliates or any of their respective direct or indirect transferees and any group as to which such persons are a party constitute “interested stockholders” for purposes of this provision.

*No Cumulative Voting.* The DGCL provides that stockholders are not entitled to the right to cumulate votes in the election of directors unless our amended and restated certificate of incorporation provides otherwise. Our amended and restated certificate of incorporation does not expressly provide for cumulative voting.

*Stockholder Action by Written Consent.* Pursuant to Section 228 of the DGCL, any action required to be taken at any annual or special meeting of the stockholders may be taken without a meeting, without prior notice and without a vote if a consent or consents in writing, setting forth the action so taken, is signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares of our stock entitled to vote thereon were present and voted, unless our amended and restated certificate of incorporation provides otherwise. Our amended and restated certificate of incorporation provides that stockholder action by written consent will be permitted only if both the action to be effected by such written consent and the taking of such action by such written consent have been previously approved by our board of directors. Following the conversion of all of the outstanding shares of our Class B common stock into shares of our Class A common stock, our amended and restated certificate of incorporation provides that our stockholders may not act by written consent, which may lengthen the amount of time required to take stockholder actions. As a result, a holder controlling a majority of our capital stock would not be able to amend our amended and restated certificate of incorporation or amended and restated bylaws or remove directors without holding a meeting of our stockholders called in accordance with our amended and restated bylaws.

*Amendment of Amended and Restated Certificate of Incorporation or Amended and Restated Bylaws.* The DGCL provides generally that the affirmative vote of a majority of the shares entitled to vote on any matter is required to amend a corporation’s certificate of incorporation or bylaws, unless a corporation’s certificate of incorporation or bylaws, as the case may be, requires a greater percentage.

Our amended and restated bylaws may be amended or repealed by a majority vote of our board of directors or by the affirmative vote of the holders of at least 66<sup>2</sup>/3% of the votes which all our stockholders would be entitled to cast in any annual election of directors. In addition, (1) the affirmative vote of the holders of at least 66<sup>2</sup>/3% of the voting power of the outstanding shares of stock of the Company entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend or repeal, or adopt any provision of our amended and restated certificate of incorporation, and (ii) the affirmative vote of a majority of the outstanding shares of our Class A common stock and the affirmative vote of a majority of the outstanding shares of our Class B common stock, each voting separately as a class, shall be required to amend or repeal, or adopt any provision of our amended and restated certificate of incorporation inconsistent with Article V (Capital Stock), Article VI (Definitions), or clause (ii) of Article XI (Amendments) of our amended and restated certificate of incorporation.

*Public Benefit Corporation.* As a public benefit corporation, an affirmative vote of 66<sup>2</sup>/3% of the outstanding stock is required to effect a non-cash merger with an entity that is not a public benefit corporation with an identical public benefit.

The foregoing provisions of our amended and restated certificate of incorporation and amended and restated bylaws could discourage potential acquisition proposals and could delay or prevent a change in control. These provisions are intended to enhance the likelihood of continuity and stability in the composition of our board of directors and in the policies formulated by our board of directors and to discourage certain types of transactions that may involve an actual or threatened change of control. These provisions are designed to reduce our vulnerability to an unsolicited acquisition proposal. The provisions also are intended to discourage certain tactics that may be used in proxy fights. Such provisions could, however, have the effect of discouraging others from making tender offers for shares of our Class A common stock and, as a consequence, they also may inhibit fluctuations in the market price of shares of our Class A common stock that could result from actual or rumored takeover attempts. Such provisions also may have the effect of preventing changes in our management or delaying or preventing a transaction that might benefit you or other minority stockholders.

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***Limitations on Liability and Indemnification of Officers and Directors***

The DGCL authorizes corporations to limit or eliminate the personal liability of directors to corporations and their stockholders for monetary damages for breaches of directors' fiduciary duties, subject to certain exceptions. Our amended and restated certificate of incorporation includes a provision that eliminates the personal liability of directors for monetary damages for any breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the DGCL. The effect of these provisions is to eliminate the rights of us and our stockholders, through stockholders' derivative suits on our behalf, to recover monetary damages from a director for breach of fiduciary duty as a director, including breaches resulting from grossly negligent behavior.

Our amended and restated bylaws provide that we must generally indemnify, and advance expenses to, our directors and officers to the fullest extent authorized by the DGCL. We also are expressly authorized to carry directors' and officers' liability insurance providing indemnification for our directors, officers and certain employees for some liabilities. We believe that these indemnification and advancement provisions and insurance are useful to attract and retain qualified directors and executive officers.

The limitation of liability, indemnification and advancement provisions in our amended and restated certificate of incorporation and amended and restated bylaws may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duty. These provisions also may have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit us and our stockholders. In addition, your investment may be adversely affected to the extent that we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.

***Dissenters' Rights of Appraisal and Payment***

Under the DGCL, with certain exceptions, our stockholders will have appraisal rights in connection with a merger or consolidation of Laureate. Pursuant to the DGCL, stockholders who properly request and perfect appraisal rights in connection with such merger or consolidation will have the right to receive payment of the fair value of their shares as determined by the Court of Chancery in the State of Delaware.

***Stockholders' Derivative Actions***

Under the DGCL, any of our stockholders may bring an action in our name to procure a judgment in our favor, also known as a derivative action, provided that the stockholder bringing the action is a holder of our shares at the time of the transaction to which the action relates or such stockholder's stock thereafter devolved by operation of law and such suit is brought in the Court of Chancery in the State of Delaware.

***Transfer Agent and Registrar***

The transfer agent and registrar for our Class A common stock is American Stock Transfer & Trust Company, LLC.

***Stock Exchange Listing***

Our Class A common stock is listed on the Nasdaq Global Select Market under the symbol "LAUR".

**Laureate Education, Inc.**  
**List of Subsidiaries as of February 14, 2020**

	Company	Jurisdiction of Organization	D/B/A
1.	GNUCO Pty Ltd	Australia	
2.	Laureate Education Services Australia Pty. Ltd.	Australia	
3.	LEI Australia Education, Pty. Ltd.	Australia	
4.	LEI Australia Holdings Pty Ltd	Australia	
5.	LEI Higher Education Holdings Pty Ltd	Australia	
6.	LESA Education Services Holding Pty Ltd	Australia	
7.	Think: Colleges Pty Ltd	Australia	APM College of Business and Communication, Australasian College of Natural Therapies, Billy Blue College of Design, Jansen Newman Institute, Southern School of Natural Therapies, William Blue College of Hospitality Management, Australian National College of Beauty, CATC Design School
8.	Think: Education Group Pty Ltd	Australia	
9.	Think: Education Services Pty Ltd	Australia	
10.	Torrens University Australia Limited	Australia	
11.	AUBH Management SPC	Bahrain	
12.	Educacao Interativa do Brasil, Ltda.	Brazil	
13.	FACS Serviços Educacionais Ltda.	Brazil	Universidade Salvador
14.	Faculdades Metropolitanas Unidas Educacionais Ltda.	Brazil	Centro Universitario das Faculdades Metropolitanas Unidas (“FMU”)
15.	FADERGS—Faculdade de Desenvolvimento do Rio Grande do Sul Ltda.	Brazil	
16.	Instituto Brasileiro de Medicina de Reabilitação, Ltda.	Brazil	Centro Universitario IBMR
17.	ISCP—Sociedade Educacional Ltda.	Brazil	Universidade Anhembi Morumbi
18.	Rede Internacional de Universidades Laureate Ltda.	Brazil	
19.	Sociedade Capibaribe de Educação e Cultura Ltda.	Brazil	Faculdade dos Guararapes
20.	Sociedade de Educação Ritter dos Reis Ltda	Brazil	Centro Universitario Ritter dos Reis—Uniritter
21.	Sociedade de Ensino Superior da Bahia	Brazil	
22.	Sociedade Educacional Luiz Tarquínio	Brazil	
23.	Sociedade Paraibana de Educação e Cultura Ltda.	Brazil	Faculdade Internacional da Paraíba

24.	Sociedade Potiguar de Educação e Cultura Ltda.	Brazil	Universidade Potiguar
25.	LEI Combination Holdings Limited	Cayman Islands	
26.	LE University Holding Company Limited	Cayman Islands	
27.	CAMPVS Mater, SpA	Chile	
28.	Center for Executive Education IEDE SpA	Chile	
29.	Centro de Formación Técnica Instituto AIEP Regional SpA	Chile	
30.	Centro de Formación Técnica Instituto AIEP SpA	Chile	
31.	Centro de Innovación y Emprendimiento UVV Limitada	Chile	
32.	Corporación Universidad Nacional Andrés Bello	Chile	Universidad Andrés Bello
33.	Fleet Street Development Company SpA	Chile	
34.	IEDE Chile Institute for Executive Development SpA	Chile	
35.	Inmobiliaria e Inversiones San Genaro Dos SpA	Chile	
36.	Inmobiliaria e Inversiones San Genaro SpA	Chile	
37.	Inmobiliaria Educacional SpA	Chile	
38.	Instituto Nacional de Computación y Administración de Empresas INDAE Limitada	Chile	
39.	Instituto Profesional AIEP SpA	Chile	
40.	Instituto Profesional Escuela Moderna de Musica SpA	Chile	
41.	Laureate Chile II SpA	Chile	
42.	Laureate Desarrollos Educacionales SpA	Chile	
43.	Servicios Andinos SpA	Chile	
44.	Servicios Profesionales Andrés Bello SpA	Chile	
45.	Sociedad Educacional Campvs SpA	Chile	
46.	Universidad de Las Américas	Chile	
47.	Universidad de Viña del Mar	Chile	Universidad Viña del Mar
48.	Beijing INTI Management College	China	
49.	Blue Mountains Hotel Management Consulting (Shanghai) Co. Ltd.	China	Blue Mountains International Hotel Management School
50.	DeZen Education Training (China) Co., Ltd	China	
51.	Laureate Investment Consulting (Shanghai) Co., Ltd.	China	
52.	Corporacion Cientifico Humanista UDLA	Ecuador	
53.	Servicios Profesionales Ad Portas Cia. Ltda.	Ecuador	

54.	Fleet Street Development Company Honduras, S. de R.L. de C.V.	Honduras	
55.	Fundación Para el Desarrollo de la Educación y Fomento de la Iniciativa Empresarial	Honduras	
56.	Education Real Estate Honduras S DE RL DE CV (FKA Education Honduras S DE RL DE CV)	Honduras	
57.	Universidad Tecnológica Centroamericana	Honduras	Universidad Tecnológica Centroamericana; Centro Universitario Tecnológico
58.	INTI College Hong Kong Ltd	Hong Kong	
59.	INTI Education (International) Ltd	Hong Kong	
60.	Jia Yue Investment Limited	Hong Kong	
61.	Laureate Education Asia Limited	Hong Kong	
62.	LEI China Limited	Hong Kong	
63.	LEI Holdings, Limited	Hong Kong	
64.	Merit International (HK) Limited	Hong Kong	
65.	India Centric Education Hub Private Limited	India	
66.	LEI Japan Holdings K.K.	Japan	
67.	Erti Utama Sdn Bhd	Malaysia	
68.	Exeter Street Holdings Sdn. Bhd.	Malaysia	
69.	INTI Asset Management Sdn Bhd	Malaysia	
70.	INTI Assets Holdings Sdn Bhd	Malaysia	
71.	INTI Education Holdings Sdn Bhd	Malaysia	
72.	INTI Education Sdn Bhd	Malaysia	
73.	INTI Higher Learning Centre Sdn Bhd	Malaysia	
74.	INTI IABS Sdn. Bhd	Malaysia	INTI College Sarawak
75.	INTI Instruments (M) Sdn Bhd	Malaysia	INTI International College Subang
76.	INTI International College Kuala Lumpur Sdn Bhd	Malaysia	INTI International College Kuala Lumpur
77.	INTI International College Penang Sdn Bhd	Malaysia	INTI International College Penang
78.	INTI International Education Sdn Bhd	Malaysia	INTI International University
79.	INTI Kinabalu Sdn Bhd	Malaysia	INTI College Sabah
80.	INTI Management Services Sdn Bhd	Malaysia	
81.	INTI Universal Holdings Sdn. Bhd.	Malaysia	
82.	LEI Management Asia, Sdn Bhd	Malaysia	
83.	MIM-IMS Education Sdn Bhd	Malaysia	MIM-INTI Management Institute
84.	PJ College of Art & Design Sdn Bhd	Malaysia	
85.	Colegio Americano de Veracruz, S.C.	Mexico	Universidad del Valle de Mexico
86.	Colegio Villa Rica Coatzacoalcos, S.C.	Mexico	Universidad del Valle de Mexico
87.	Colegio Villa Rica, S.C.	Mexico	Universidad del Valle de Mexico

88.	Corporación Educativa de Celaya, S.C.	Mexico	
89.	Fundacion UVM S.C. (fka Fundación Laureate S.C.).	Mexico	
90.	Estrater, S.A. de C.V. SOFOM ENR	Mexico	
91.	Grupo Educativo UVM, S.C.	Mexico	Universidad del Valle de Mexico
92.	Institute for Executive Development Mexico S.A. de C.V.	Mexico	
93.	Laureate Education Mexico, S. de R.L. de C.V.	Mexico	
94.	LE Protección Contigo Agente de Seguros, SA de CV.	Mexico	
95.	Planeacion de Sistemas, S.A.P.I. de C.V.	Mexico	
96.	Servicios Regionales Universitarios LE, S.C.	Mexico	
97.	Universidad Autónoma de Veracruz, S.C.	Mexico	Universidad del Valle de Mexico
98.	Universidad del Valle de Mexico del Noreste, S.C.	Mexico	Universidad del Valle de Mexico
99.	Universidad del Valle de México, S.C.	Mexico	Universidad del Valle de Mexico
100.	Universidad Tecnológica de Mexico, S.C.	Mexico	Universidad Tecnológica de México; Universidad del Valle de Mexico
101.	UVM Educación, S.C.	Mexico	Universidad del Valle de Mexico
102.	UVM Formación, S.C.	Mexico	Universidad del Valle de Mexico
103.	Administradora CA Universitaria, S.C.	Mexico	
104.	Education Trademark B.V.	Netherlands	
105.	Fleet Street International Universities C.V.	Netherlands	
106.	Laureate I B.V.	Netherlands	
107.	Laureate Coöperatie U.A.	Netherlands	
108.	Laureate International B.V.	Netherlands	
109.	Laureate Middle East Holdings B.V.	Netherlands	
110.	Laureate Online Education B.V.	Netherlands	University of Liverpool; University of Roehampton
111.	Education Honduras B.V. (fka Laureate Real Estate Holdings B.V.).	Netherlands	
112.	Laureate Trademark Holding B.V.	Netherlands	
113.	Laureate-University of Liverpool Ventures B.V.	Netherlands	
114.	LEI AMEA Investments B.V.	Netherlands	
115.	LEI Bahrain Investments B.V.	Netherlands	
116.	LEI European Investments, B.V.	Netherlands	
117.	LEI Global Holding I B.V.	Netherlands	
118.	Online Higher Education B.V.	Netherlands	

119.	Fundaempresa B.V.	Netherlands	
120.	LEI New Zealand	New Zealand	
121.	Media Design School	New Zealand	
122.	Visam Properties Limited	New Zealand	
123.	Castro Harrigan Asociados Panamá, S. de R.L.	Panama	
124.	Desarrollos Urbanos Educativas, S. de R.L.	Panama	
125.	Laureate Panamá S. de R.L.	Panama	
126.	Ulatec, S. de R.L.	Panama	
127.	Laureate Peru SRL (fka Inversiones Educacionales Perú S.R.L.)	Peru	
128.	Laureate Education Perú S.R.L.	Peru	
129.	Metramark S.A.C.	Peru	
130.	Universidad Peruana de Ciencias Aplicadas S.A.C.	Peru	
131.	Universidad Privada del Norte S.A.C.	Peru	
132.	Instituto de Educacion Superior Cibertec SAC (fka Instituto de Educación Superior Tecnológico Privado Red Avansys S.A.C.)	Peru	
133.	OIE Support spółka z ograniczoną odpowiedzialnością w organizacji	Poland	
134.	Laureate Vocational Saudi Limited	Saudi Arabia	
135.	Laureate Middle East Saudi Arabia Limited	Saudi Arabia	
136.	LEI Singapore Holdings Pte. Ltd.	Singapore	
137.	ICE Inversiones Brazil, S.L.	Spain	
138.	Iniciativas Culturales de España SL	Spain	
139.	St. Theresa INTI Development Co. Limited	Thailand	
140.	Laureate-Obeikan, Ltd.	United Arabs Emirates	
141.	Canter and Associates, LLC	Delaware, USA	
142.	Educational Satellite Services, Inc.	Delaware, USA	
143.	Exeter Street Holdings LLC	Maryland, USA	
144.	Fleet Street Aviation, LLC	Washington, USA	
145.	Fleet Street International University Holdings, LLC	Maryland, USA	
146.	FSIUH Holding LLC	Maryland, USA	
147.	Kendall College LLC	Illinois, USA	
148.	LEI Administration, LLC	Maryland, USA	
149.	National Hispanic University, LLC	California, USA	
150.	NewSchool of Architecture and Design, LLC	California, USA	
151.	Post-Secondary Education Acquisition Corporation	Delaware, USA	
152.	The Canter Group of Companies, LLC	California, USA	
153.	Walden e-Learning, LLC	Delaware, USA	

154.	Walden University, LLC	Florida, USA	
155.	Wall Street International Holdings-US I, Inc.	Maryland, USA	

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-224405) and Form S-8 (No. 333-217010) of Laureate Education, Inc. of our report dated February 27, 2020 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Baltimore, Maryland  
February 27, 2020

**Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Eilif Serck-Hanssen, certify that:

1. I have reviewed this Annual Report on Form 10-K of Laureate Education, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information related to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2020

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/s/ EILIF SERCK-HANSSEN

Eilif Serck-Hanssen

President and Chief Executive Officer

**Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Jean-Jacques Charhon, certify that:

1. I have reviewed this Annual Report on Form 10-K of Laureate Education, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information related to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2020

/s/ JEAN-JACQUES CHARHON

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Jean-Jacques Charhon

Executive Vice President and Chief Financial Officer

**Certificate Pursuant to Section 906 of the Sarbanes-Oxley Act Of 2002**

In connection with the Annual Report of Laureate Education, Inc. on Form 10-K for the annual period ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of Laureate Education, Inc. does hereby certify, to the best of such officer's knowledge and belief, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 27, 2020

/s/ EILIF SERCK-HANSSEN

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Eilif Serck-Hanssen

President and Chief Executive Officer

/s/ JEAN-JACQUES CHARHON

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Jean-Jacques Charhon

Executive Vice President and Chief Financial Officer

The certification set forth above is being furnished as an exhibit solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and is not being filed as part of the Report as a separate disclosure document of Laureate Education, Inc. or the certifying officers.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Laureate Education, Inc. and will be retained by Laureate Education, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.