

## SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is entered into among the United States of America, acting through the United States Attorney’s Office for the Western District of Texas and on behalf of the United States Department of Education (collectively, “United States”); Kaplan, Inc., Graham Holdings Company f/k/a The Washington Post Company, Kaplan Higher Education Limited Liability f/k/a Kaplan Higher Education Corporation, Kaplan College–San Antonio (San Pedro), and Kaplan College–San Antonio (Ingram) (collectively, “Kaplan”); and Leslie Coleman (“Relator”), through their authorized representatives. The United States, Kaplan, and Relator are referred to collectively as the Parties.

### RECITALS

A. The United States Department of Education administers federal student financial aid programs under Title IV of the Higher Education Act of 1965, 20 U.S.C §§ 1070 et seq. (“Title IV”), including loan and grant programs that help eligible students obtain post-secondary education from eligible institutions. Title IV programs include, but are not limited to, the Federal Pell Grant Program, Federal Direct Loan Program, and the Federal Family Education Loan Program (“Title IV programs”). A post-secondary educational institution may become eligible to receive Title IV funding by, among other things, entering a program participation agreement with the United States Department of Education.

B. Kaplan, Inc. is a subsidiary of Graham Holdings Company. Kaplan Higher Education Limited Liability is a subsidiary of Kaplan, Inc. Kaplan Higher Education Limited Liability operates proprietary schools of higher education on several

campuses in Texas, including Kaplan College–San Antonio (San Pedro) and Kaplan College–San Antonio (Ingram). The San Pedro and Ingram campuses offer degree and diploma programs in several fields, including a Medical Assistant Diploma program designed to train students for entry-level positions in the health care field. At all relevant times, Kaplan campuses in Texas were eligible to participate in Title IV programs and receive Title IV funding.

C. The Texas Workforce Commission (“TWC”) prescribes the standards applicable to instructors in diploma programs, including the Medical Assistant programs offered at the Kaplan schools in Texas.

D. On May 10, 2012, Relator filed a qui tam action in the United States District Court for the Western District of Texas captioned United States of America ex rel. Leslie Coleman v. Kaplan, Inc., The Washington Post Company, Kaplan Higher Education Corporation, Kaplan College – San Antonio (San Pedro) and Kaplan College – San Antonio (Ingram), Civ. A. No. SA:12-cv-0459-FB (W.D. Tex.), pursuant to the qui tam provisions of the False Claims Act, 31 U.S.C. § 3730(b) (the “Civil Action”). Relator alleged that students who received Title IV financial aid to attend the Medical Assistant programs at Kaplan’s San Pedro and Ingram campuses were taught by unqualified instructors who did not meet applicable TWC standards. Relator asserted that Kaplan violated the False Claims Act by knowingly requesting, receiving, and retaining Title IV funds for Medical Assistant program courses taught by unqualified instructors. The United States will intervene in the Civil Action upon full execution of this Agreement for the sole purpose of stipulating to dismissal of the Civil Action subject to the terms of this Agreement.

E. The United States contends that it has certain civil claims against Kaplan arising from Kaplan's alleged employment of unqualified instructors in its diploma programs at campuses in Texas during the period from January 1, 2008 through September 20, 2013 ("relevant period"). The United States contends that Kaplan should refund tuition associated with classes taught by two instructors in Texas whom the United States alleges did not meet all of the applicable qualification requirements at the time they taught such classes. Kaplan's alleged employment of unqualified instructors in Texas during the relevant period is referred to below as the Covered Conduct.

F. This Agreement is not an acknowledgment, admission, or concession by Kaplan of any liability, misrepresentation, wrongdoing, or legal noncompliance, or that any Kaplan party could be held liable for the acts or omissions of any subsidiary. Kaplan affirmatively denies the Relator's allegations in the Civil Action and the United States' entitlement to a refund of Title IV funds based on Kaplan's employment of the two allegedly unqualified instructors. Conversely, nothing in this Agreement is or should be construed as an acknowledgment, admission, or concession by the United States or the Relator that their respective civil claims are not well founded. During its investigation of the Relator's False Claims Act allegations, the United States did not encounter evidence of harm to Kaplan students.

G. Relator claims entitlement under 31 U.S.C. § 3730(d) to a share of the proceeds of this Settlement Agreement.

To avoid the delay, uncertainty, inconvenience, and expense of protracted litigation of the Civil Action and Covered Conduct, and in consideration of the mutual promises and obligations of this Agreement, the Parties agree and covenant as follows:

## TERMS AND CONDITIONS

1. Kaplan shall pay a total of \$1,329,753.25 (the "Settlement Amount") as follows pursuant to written instructions to be provided by the United States Attorney's Office for the Western District of Texas: (1) Kaplan shall pay to the United States \$252,051.30 ("United States Payment") by electronic funds transfer within three business days of the Effective Date of this Agreement; and (2) within thirty days of the Effective Date of this Agreement, Kaplan shall make refunds in the aggregate amount of \$1,077,701.90 ("Refund Payment") for the benefit of the accounts of the 289 students listed in Kaplan's final tuition analysis spreadsheet. Refunds for each student will be allocated in the following order: (1) Unsubsidized Federal Stafford Loans; (2) Subsidized Federal Stafford Loans; (3) Unsubsidized Direct Stafford Loans; (4) Subsidized Direct Stafford Loans; (5) Federal Perkins Loans; (6) Federal Parent PLUS Loans; (7) Direct PLUS Loans; (8) Federal Pell Grant; (9) Federal Supplemental Educational Opportunity Grant. As proof of the Refund Payment, a copy of the front and back of the canceled checks or proof of electronic transfer of funds that comprise the Refund Payment must be provided to Special Agent Edd Cole of the United States Department of Education Office of Inspector General in Dallas, Texas.

2. Conditioned upon the United States receiving the United States Payment from Kaplan, and as soon as feasible after receipt, the United States shall pay to Relator \$212,158.71 by electronic funds transfer to Relator's Counsel. The payment described in this paragraph constitutes Relator's share of the proceeds of this Agreement.

3. RESERVED.

4. Subject to the exceptions in ¶ 7 (concerning excluded claims) below, and conditioned upon Kaplan's full payment of the Settlement Amount, the United States releases Kaplan, Inc., Graham Holdings Company, Kaplan Higher Education Limited Liability, Kaplan College–San Antonio (San Pedro), and Kaplan College–San Antonio (Ingram), together with their current and former owners, parent companies, subsidiaries, affiliates, officers, directors, employees, agents, successors, and assigns, from any civil or administrative monetary claim the United States has for the Covered Conduct under the False Claims Act, 31 U.S.C. §§ 3729-3733; the Program Fraud Civil Remedies Act, 31 U.S.C. §§ 3801-3812; and the common law theories of breach of contract, payment by mistake, unjust enrichment, conversion, and fraud.

5. In consideration of the obligations of Kaplan in this Agreement, conditioned upon Kaplan's full payment of the Settlement Amount, the United States Department of Education releases and refrains from instituting, directing, or maintaining any administrative action based on the Covered Conduct, including an administrative action asserting that Kaplan (a) lacks administrative capability under 34 C.F.R. § 668.16; (b) lacks financial responsibility under 34 C.F.R. Subpart L, including but not limited to 34 C.F.R. § 668.174(a); (c) is subject to any penalty, fine, sanction, liability, or administrative action, including but not limited to any action pursuant to 34 C.F.R. Part 668, Subparts F, G, or H; (d) should be placed or maintained on a provisional form of Title IV program participation agreement or on the reimbursement or heightened cash monitoring method of receiving Title IV funds; and (e) should be denied certification to participate in Title IV programs or that its current eligibility to participate in Title IV programs should be revoked or limited.

6. Subject to the exceptions in Paragraph 7 below, and conditioned upon Kaplan's full payment of the Settlement Amount, Relator, for herself and for her heirs, successors, attorneys, agents, and assigns releases Kaplan, Inc., Graham Holdings Company, Kaplan Higher Education Limited Liability, Kaplan College–San Antonio (San Pedro), and Kaplan College–San Antonio (Ingram), together with their current and former owners, parent companies, subsidiaries, affiliates, officers, directors, employees, agents, successors, and assigns, from any civil monetary claim Relator has on behalf of the United States under the False Claims Act, 31 U.S.C. §§ 3729-3733, for the Covered Conduct and the claims asserted in United States of America ex rel. Leslie Coleman v. Kaplan, Inc., The Washington Post Company, Kaplan Higher Education Corporation, Kaplan College – San Antonio (San Pedro) and Kaplan College – San Antonio (Ingram), Civ. A. No. SA:12-cv-0459-FB (W.D. Tex.).

7. Notwithstanding the releases given in ¶¶ 4, 5, and 6 of this Agreement, or any other term of this Agreement, the following claims of the United States are specifically reserved and are not released:

- a. Any liability arising under Title 26, U.S. Code (Internal Revenue Code);
- b. Any criminal liability;
- c. Except as explicitly stated in the Agreement, any administrative liability, including but not limited to the suspension and debarment rights of any federal agency;
- d. Any liability to the United States (or its agencies) for any conduct other than the Covered Conduct;
- e. Any liability based upon obligations created by this Agreement;
- f. Any liability of or to non-Parties.

8. Relator and her heirs, successors, attorneys, agents, and assigns shall not object to this Agreement but agree and confirm that this Agreement is fair, adequate, and reasonable under all the circumstances, pursuant to 31 U.S.C. § 3730(c)(2)(B).

Conditioned upon Relator's receipt of the payment described in ¶ 2, Relator and her heirs, successors, attorneys, agents, and assigns fully and finally release, waive, and forever discharge the United States, its agencies, officers, agents, employees, and servants, from any and all claims arising from the filing of the Civil Action or under 31 U.S.C. § 3730, and from any claims to a share of the proceeds of this Agreement and/or the Civil Action.

9. Conditioned upon her receipt of the payment described in ¶ 2, Relator and her heirs, successors, attorneys, agents, and assigns, release Kaplan, Inc., Graham Holdings Company, Kaplan Higher Education Limited Liability, Kaplan College—San Antonio (San Pedro), and Kaplan College—San Antonio (Ingram), together with their current and former owners, parent companies, subsidiaries, affiliates, officers, directors, employees, agents, successors, and assigns, from any and all claims or liabilities, including, but not limited to, any and all claims for damages, injunctive relief, or other relief, whether requested under the False Claims Act, any state false claims act, or any other statute, regulation, provision, or law (including, for instance, employment or other laws). The release in this paragraph shall constitute a total release by Relator of any and all claims, whether known or unknown. The release in this paragraph does not constitute a separate release by the United States, the states, or any other governmental entity.

10. Kaplan waives and shall not assert any defenses Kaplan may have to any criminal prosecution or administrative action relating to the Covered Conduct that may be based in whole or in part on a contention that, under the Double Jeopardy Clause in the

Fifth Amendment of the Constitution, or under the Excessive Fines Clause in the Eighth Amendment of the Constitution, this Agreement bars a remedy sought in such criminal prosecution or administrative action. Nothing in this paragraph or any other provision of this Agreement constitutes an agreement by the United States concerning the characterization of the Settlement Amount for purposes of the Internal Revenue laws, Title 26 of the United States Code.

11. Kaplan, Inc., Graham Holdings Company, Kaplan Higher Education Limited Liability, Kaplan College–San Antonio (San Pedro), and Kaplan College–San Antonio (Ingram), together with their current and former owners, parent companies, subsidiaries, affiliates, officers, directors, employees, agents, successors, and assigns, fully and finally release the United States, its agencies, officers, agents, employees, and servants, from any claims (including attorney’s fees, costs, and expenses of every kind and however denominated) that Kaplan, Inc., Graham Holdings Company, Kaplan Higher Education Limited Liability, Kaplan College–San Antonio (San Pedro), or Kaplan College–San Antonio (Ingram), together with their current and former owners, parent companies, subsidiaries, affiliates, officers, directors, employees, agents, successors, and assigns, have asserted, could have asserted, or may assert in the future against the United States, its agencies, officers, agents, employees, and servants, related to the Covered Conduct and the United States’ investigation and prosecution thereof.

12. a. Unallowable Costs Defined: All costs (as defined in the Federal Acquisition Regulation, 48 C.F.R. § 31.205-47) incurred by or on behalf of Kaplan and its current and former owners, parent companies, subsidiaries, affiliates, officers, directors, employees, agents, successors, and assigns in connection with:



(1) the matters covered by this Agreement;

(2) the United States' audit(s) and civil investigation(s) of the matters covered by this Agreement;

(3) Kaplan's investigation, defense, and corrective actions undertaken in response to the United States' audit(s), and civil investigation(s) in connection with the matters covered by this Agreement (including attorney's fees);

(4) the negotiation and performance of this Agreement;

(5) the payment Kaplan makes to the United States pursuant to this Agreement,

are unallowable costs for government contracting purposes (hereinafter referred to as Unallowable Costs).

b. Future Treatment of Unallowable Costs: Unallowable Costs will be separately determined and accounted for by Kaplan, and Kaplan shall not charge such Unallowable Costs directly or indirectly to any contract with the United States.

c. Treatment of Unallowable Costs Previously Submitted for Payment: Within 90 days of the Effective Date of this Agreement, Kaplan shall identify and repay by adjustment to future claims for payment or otherwise any Unallowable Costs included in payments previously sought by Kaplan or any of its subsidiaries or affiliates from the United States. Kaplan agrees that the United States, at a minimum, shall be entitled to recoup from Kaplan any overpayment plus applicable interest and penalties as a result of the inclusion of such Unallowable Costs on previously-submitted requests for payment. The United States, including the Department of Justice and/or the affected agencies, reserves its rights to audit, examine, or re-examine Kaplan's books and

records and to disagree with any calculations submitted by Kaplan or any of its subsidiaries or affiliates regarding any Unallowable Costs included in payments previously sought by Kaplan, or the effect of any such Unallowable Costs on the amount of such payments.

13. This Agreement is intended to be for the benefit of the Parties only.

14. Within 3 business days of the United States' receipt of the United States Payment, the Parties shall file in the Civil Action a Joint Stipulation of Dismissal With Prejudice pursuant to Rule 41(a)(1).

15. Except as otherwise provided in ¶ 3, each Party shall bear its own legal and other costs incurred in connection with this matter, including the preparation and performance of this Agreement.

16. Each party and signatory to this Agreement represents that it freely and voluntarily enters in to this Agreement without any degree of duress or compulsion.

17. This Agreement is governed by the laws of the United States. The exclusive jurisdiction and venue for any dispute relating to this Agreement is the United States District Court for the Western District of Texas. For purposes of construing this Agreement, this Agreement shall be deemed to have been drafted by all Parties to this Agreement and shall not, therefore, be construed against any Party for that reason in any subsequent dispute.

18. This Agreement constitutes the complete agreement between the United States, the Relator, and Kaplan. This Agreement may not be amended, modified, or supplemented except by written consent of the Parties.

19. The undersigned represent and warrant they are fully authorized to execute this Agreement on behalf of the persons and entities indicated below.

20. This Agreement may be executed in counterparts, each of which constitutes an original and all of which constitute one and the same Agreement.

21. This Agreement is binding on Kaplan, Inc., Graham Holdings Company, Kaplan Higher Education Limited Liability, Kaplan College–San Antonio (San Pedro), or Kaplan College–San Antonio (Ingram) and their subsidiaries, affiliates, officers, directors, employees, agents, successors, transferees, heirs, and assigns.

22. This Agreement is binding on Relator and her successors, transferees, heirs, and assigns.

23. All parties consent to the United States' disclosure of this Agreement, and information about this Agreement, to the public.

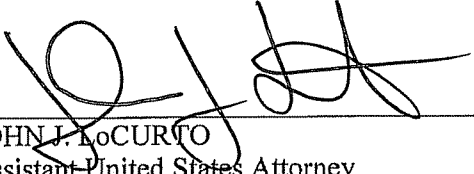
24. This Agreement is effective on the date of signature of the last signatory to the Agreement (Effective Date of this Agreement). Facsimiles of signatures shall constitute acceptable, binding signatures for purposes of this Agreement.

**[SIGNATURES BEGIN ON NEXT PAGE]**

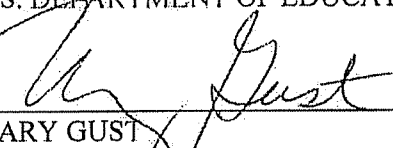
THE UNITED STATES OF AMERICA

DATED: 12/12/14

ROBERT PITMAN  
United States Attorney  
for the Western District of Texas

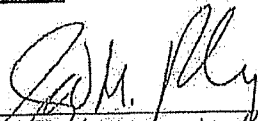
BY:   
\_\_\_\_\_  
JOHN J. LOCURTO  
Assistant United States Attorney  
  
*Counsel for the United States of America*

DATED: 12/9/14


U.S. DEPARTMENT OF EDUCATION  
BY:   
\_\_\_\_\_  
MARY GUST  
Director  
Administrative Actions and Appeals  
Service Group  
United States Department of Education

DEFENDANTS

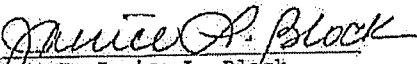
DATED: 11/24/14

BY:   
NAME GERALD M. ROSBERG  
TITLE SVP  
Graham Holdings Company

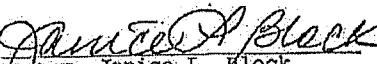
DATED: 11/24/14

BY:   
NAME Janice L. Block  
TITLE Chief Administrative & Legal Officer  
Kaplan, Inc.


DATED: 11/24/14

BY:   
NAME Janice L. Block  
TITLE Vice President & Secretary  
Kaplan Higher Education LLC

DATED: 11/24/14

BY:   
NAME Janice L. Block  
TITLE Vice President & Secretary  
Kaplan College—San Antonio (San Pedro)

DATED: 11/24/14

BY:   
NAME Janice L. Block  
TITLE vice President & Secretary  
Kaplan College—San Antonio (Ingram)

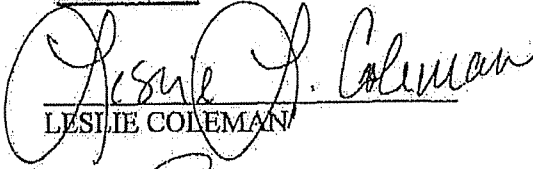
DATED: 11/25/14

BY:   
TIMOTHY J. HATCH  
Gibson, Dunn & Crutcher LLP

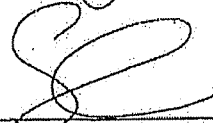
*Counsel for Defendants*

RELATOR

DATED: 10-29-14

  
\_\_\_\_\_  
LESLIE COLEMAN

DATED: 12-1-14

  
\_\_\_\_\_  
SHAWN GOLDEN  
Golden & Barrera P.C.

*Counsel for Relator*